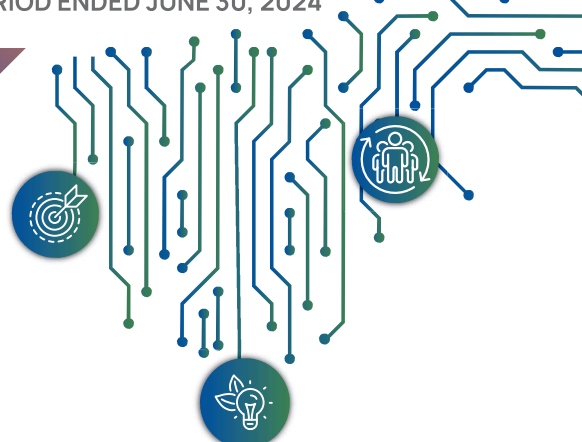


CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2024



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CORPORATE INFORMATION

As of June 30, 2024

Board of Directors

Syed Imtiaz Hussain Shah	Chairman / Non-Executive Director
Amir 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
Muhammed 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
Qazi Abdul Samad	Resident Shariah Board Member (RSBM)

Board Audit Committee

Syed Asad Ali Shah	Chairman
Amir 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
Amir Sultan Tareen	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, I am pleased to present the condensed interim financial information for the half year ended (HYE) June 30, 2024.

Financial Highlights

	June 30, 2024	December 31, 2023
Rupees in Million		
Total Assets	391,373	383,186
Deposits	318,410	289,292
Advances (Gross)	99,851	109,703
Investments (Net)	228,786	223,348

	June 30, 2024	June 30, 2023
Rupees in Million		
Operating Profit	3,553	3,505
Credit Loss Allowance / Provisions and write offs - Net	108	439
Profit Before Taxation	3,445	3,066
Taxation	1,913	1,377
Profit After Taxation	1,532	1,689

Performance Review

Amidst a challenging economic environment, the Bank continued to focus on strategy implementation to ensure stability and growth. The Bank demonstrated remarkable financial performance during the period under review. Key financial indicators are as follows:

- **Total Assets** increased to PKR 391,373 million as of June 30, 2024, up from PKR 383,186 million at the end of 2023.
- **Deposits** grew to PKR 318,410 million, reflecting an increase from PKR 289,292 million.
- **Advances (Gross)** reduced to PKR 99,851 million from PKR 109,703 million, indicative of a cautious lending approach amidst economic uncertainties.
- **Investments (Net)** rose to PKR 228,786 million from PKR 223,348 million, underscoring a prudent investment strategy.

Operational Metrics:

- **Operating Profit** for the period stood at PKR 3,553 million, slightly up from PKR 3,505 million the same period previous year.
- **Credit Loss Allowance / Provisions and write offs - Net** reduced to PKR 108 million from PKR 439 million.
- **Profit Before Taxation** saw a notable increase to PKR 3,445 million, up from PKR 3,066 million.
- **Profit After Taxation** reduced to PKR 1,532 million from PKR 1,689 million due to higher income tax charge for HYE-2024.

Future Outlook

Being watchful of the prevailing economic challenges, the Bank will continue to focus on improvement of asset quality and recovery from NPLs. The Bank is committed to strategic growth through diversification of its assets and liabilities portfolio, enhancement of fee-based and non-mark-up income, and expanding its digital financial services.

Credit Rating

The Bank's credit quality remains strong, as evidenced by ratings reaffirmed by PACRA and VIS Credit Rating Company:

- **PACRA:** Long-term entity rating at 'A+', short-term rating at 'A1', with a stable outlook.
- **VIS:** Long-term entity rating at 'A+', short-term rating at 'A-1', also with a stable outlook.

These ratings reflect a low expectation of credit risk, based on our strong capacity for timely financial commitments.

Acknowledgements

The Board would like to extend their deepest gratitude to the Provincial Government, the State Bank of Pakistan, and other regulatory bodies for their continuous guidance and support. We also thank our valued customers for their trust and loyalty, which inspire us to continually improve our service offerings

For and on behalf of the Board of Directors



Irfan Saleem Awan
Managing Director

Peshawar: August 28, 2024

INDEPENDENT AUDITOR'S REVIEW REPORT**To the members of The Bank of Khyber****Report on review of Interim Financial Statements****Introduction**

We have reviewed the accompanying condensed interim statement of financial position of The Bank of Khyber (the Bank) as at June 30, 2024 and the related condensed interim statement of profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim cash flow statement, and notes to the condensed interim financial statements for the six-month period then ended (here-in-after referred to as the 'interim financial statements'). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review. The figures of the condensed interim statement of profit and loss account and condensed interim statement of comprehensive income for the three months ended June 30, 2024 and June 30, 2023 have not been reviewed, and we do not express a conclusion on them.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the audit resulting in this independent auditor's report is M. Imtiaz Aslam.



Chartered Accountants
Islamabad
Date: August 28, 2024

UDIN: RR202410050CGM7OIBTZ

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2024**

		(Un-audited) June 30, 2024	(Audited) December 31, 2023
Note	----- Rupees in '000 -----		
ASSETS			
Cash and balances with treasury banks	5	28,512,083	23,895,690
Balances with other banks	6	6,835,661	3,960,115
Lendings to financial institutions	7	17,281,362	2,000,000
Investments	8	228,786,376	223,348,499
Advances	9	86,532,469	101,587,580
Property and equipment	10	4,329,840	4,399,426
Right-of-use assets	11	2,262,845	2,549,241
Intangible assets	12	408,788	428,608
Deferred tax assets	13	2,907,459	1,346,748
Other assets	14	13,516,218	19,670,577
Total Assets		391,373,101	383,186,484
LIABILITIES			
Bills payable	15	1,376,568	3,759,078
Borrowings	16	27,233,387	50,460,559
Deposits and other accounts	17	318,410,237	289,291,561
Lease liabilities	18	2,220,397	2,407,066
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities	19	23,539,984	16,966,936
Total Liabilities		372,780,573	362,885,200
NET ASSETS		18,592,528	20,301,284
REPRESENTED BY			
Share capital	20	11,579,360	11,027,905
Reserves		4,649,473	4,343,001
Surplus on revaluation of assets - net	21	598,873	124,622
Unappropriated profit		1,764,822	4,805,756
		18,592,528	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 STATEMENT OF PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2024**

	Quarter ended		Period ended		
	April 1 to	April 1 to	January 1 to	January 1 to	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023	
Note	----- Rupees in '000 -----				
Mark-up / return / interest earned	23	16,813,050	13,807,045	33,768,272	24,777,709
Mark-up / return / interest expensed	24	12,757,143	11,108,659	26,195,998	18,801,484
Net mark-up / interest income		4,055,907	2,698,386	7,572,274	5,976,225
NON MARK-UP / INTEREST INCOME					
Fee and commission income	25	202,048	165,648	483,292	313,918
Dividend income		213	2,648	213	4,901
Foreign exchange income		110,060	650,516	337,328	893,187
Income / (loss) from derivatives		-	-	-	-
Loss on securities	26	(768)	(108)	(768)	(1,692)
Net gains / (loss) on derecognition of financial assets measured at amortised cost		-	-	-	-
Share of profit / (loss) of associate		4,447	(765)	9,143	(865)
Other income	27	30,380	28,941	65,712	57,478
Total non-mark-up / interest income		346,380	846,880	894,920	1,266,927
Total income		4,402,287	3,545,266	8,467,194	7,243,152
NON MARK-UP / INTEREST EXPENSES					
Operating expenses	28	2,553,128	1,880,561	4,913,583	3,735,761
Workers Welfare Fund		-	-	-	-
Other charges	29	206	17	306	2,442
Total non-mark-up / interest expenses		2,553,334	1,880,578	4,913,889	3,738,203
PROFIT BEFORE CREDIT LOSS ALLOWANCE / PROVISIONS					
		1,848,953	1,664,688	3,553,305	3,504,949
Credit loss allowance / provisions and write offs - net Extra ordinary / unusual items	30	(82,025)	245,525	108,051	438,852
		-	-	-	-
PROFIT BEFORE TAXATION					
		1,930,978	1,419,163	3,445,254	3,066,097
Taxation	31	1,170,851	669,073	1,912,895	1,377,343
PROFIT AFTER TAXATION					
		760,127	750,090	1,532,359	1,688,754
----- Rupees -----					
Basic and diluted earnings per share	32	0.66	(Restated) 0.65	1.32	(Restated) 1.46

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 STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2024**

	Quarter ended	January 1 to June 30, 2023	January 1 to June 30, 2024	
	April 1 to June 30, 2024	April 1 to June 30, 2023	January 1 to June 30, 2024	Period ended January 1 to June 30, 2023
	----- Rupees in '000 -----			
Profit after taxation for the period	760,127	750,090	1,532,359	1,688,754
Other comprehensive income / (loss)				
Items that may be reclassified to statement of profit and loss account in subsequent periods:				
Movement in surplus / (deficit) on revaluation of debt investments through FVOCI - net of tax	92,711	(112,328)	(258,273)	(1,224,371)
Items that will not be reclassified to statement of profit and loss account in subsequent periods:				
Movement in (deficit) / surplus on revaluation of equity investments - net of tax	(1,571)	-	593	-
Movement in deficit on revaluation of non-banking assets - net of tax	-	(2,680)	-	(2,680)
Share of surplus / (deficit) on revaluation of investment in associate - net of tax	634	(109)	1,145	(571)
Share of remeasurement (loss) / gain on defined benefit obligations of associate - net of tax	-	(66)	(916)	564
	(937)	(2,855)	822	(2,687)
Total comprehensive income	851,901	634,907	1,274,908	461,696

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 STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 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	15,827,498
Profit after taxation for the six month period ended June 30, 2023	-	-	-	-	-	1,688,754
Other comprehensive (loss) / income - net of tax	-	-	-	-	-	-
Movement in deficit on revaluation of investments in debt instruments - net of tax	-	-	(1,224,371)	-	-	(1,224,371)
Share of deficit on revaluation of investments in associate - net of tax	-	-	(57)	-	-	564
Share of surplus on revaluation of non-banking assets - net of tax	-	-	-	-	(2,680)	(2,680)
Movement in deficit on revaluation of non-banking assets - net of tax	-	-	(1,224,942)	-	(2,680)	(2,227,058)
Total other comprehensive loss - net of tax	-	-	-	-	-	(337,751)
Transfer to statutory reserve	-	337,751	-	-	-	1,647
Transfer from surplus on revaluation of non-banking asset - net of tax	-	-	-	(1,647)	-	1,647
Balance as at June 30, 2023 (Un-audited)	11,027,905	3,984,437	(2,267,460)	787,200	21,134	16,883,194
Profit after taxation for the six month period ended December 31, 2023	-	-	-	-	-	1,792,523
Other comprehensive income - net of tax	-	-	-	-	-	1,792,523
Movement in surplus on revaluation of investments in debt instruments - net of tax	-	-	1,443,399	-	-	1,443,399
Share of surplus on revaluation of investments in associate - net of tax	-	-	248	-	-	34,201
Share of (re)measure loss on defined benefit obligation of associate - net of tax	-	-	-	-	-	(29)
Share of (re)measure loss on defined benefit obligation of associate - net of tax	-	-	-	-	(29)	(29)
Movement in surplus on revaluation of property and equipment - net of tax	-	-	-	112,920	-	112,920
Movement in surplus on revaluation of non-banking assets - net of tax	-	-	-	-	28,196	28,196
Total other comprehensive income - net of tax	-	-	1,444,239	112,920	28,196	1,618,567
Transfer to statutory reserve	-	358,504	-	-	-	(358,504)
Transfer from surplus on revaluation of non-banking asset - net of tax	-	-	-	-	(1,607)	1,607
Balance as at December 31, 2023 (audited)	11,027,905	4,343,001	(83,221)	900,120	47,773	20,301,264
Impact of adoption of IFRS 9 - net of tax - note 4.2	-	-	-	-	-	-
Profit after taxation for the six month period ended June 30, 2024	-	-	734,820	-	-	(2,064,120)
Balance as at January 1, 2024 after adoption of IFRS 9	11,027,905	4,343,001	(88,401)	900,120	47,773	18,971,984
Other comprehensive (loss) / income - net of tax	-	-	-	-	-	1,532,359
Movement in deficit on revaluation of investments in debt instruments - net of tax	-	-	(258,273)	-	-	(258,273)
Share of surplus on revaluation of investment of associate - net of tax	-	-	1,145	-	-	1,145
Movement in surplus on revaluation of equity investments - net of tax	-	-	593	-	-	593
Share of (re)measure loss on defined benefit obligations of associate - net of tax	-	-	-	-	-	(916)
Total other comprehensive loss - net of tax	-	-	(256,535)	-	-	(257,451)
Transfer to statutory reserve	-	306,472	-	-	-	(306,472)
Transfer from surplus on revaluation of non-banking asset - net of tax	-	-	-	-	(4,034)	4,034
Transactions with owners, recorded directly in equity	-	-	-	-	-	-
Final cash dividend for the year ended December 31, 2023 (Rs. 1.50 per share)	55,145	-	-	-	-	(1,654,364)
Bonus shares issued for the year ended December 31, 2023 (Rs. 0.50 per share)	-	-	-	-	-	(351,445)
Balance as at June 30, 2024 (Un-audited)	11,579,360	4,649,473	(344,336)	900,120	43,689	17,654,822
						18,592,528

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



**MANAGING
DIRECTOR**



**CHIEF FINANCIAL
OFFICER**



DIRECTOR



DIRECTOR

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2024**

	January 1 to June 30, 2024	January 1 to June 30, 2023
Note	----- Rupees in '000 -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	3,445,254	3,066,097
Less: Dividend income	213	4,901
	3,445,041	3,061,196
Adjustments:		
Net mark-up / return / interest income	(7,572,274)	(5,976,225)
Depreciation - Property and equipment	28 373,414	330,077
Depreciation - Non-banking assets acquired in satisfaction of claims	28 20,742	16,876
Depreciation - Right-of-use assets	28 354,497	353,788
Amortization	28 39,937	47,584
Credit loss allowance / provisions and write offs	30 108,051	438,852
Unrealised loss on revaluation of investments measured at FVTPL	26 768	-
(Gain) / loss on disposal of property and equipment - net	27 (8,101)	236
Loss / (gain) on early culmination of lease	27 3,492	(1,434)
Finance charges on leased assets	24 212,286	115,918
Exchange loss / (gain) on cash and cash equivalents	26,382	(540,370)
Share of (profit) / loss of associate	(9,143)	865
	(6,449,949)	(5,213,833)
	(3,004,908)	(2,152,637)
(Increase) / decrease in operating assets		
Lendings to financial institutions	(15,282,040)	3,365,826
Securities classified as FVTPL	150,041	-
Advances	9,852,338	23,926,404
Other assets (excluding mark-up receivable)	5,113,498	(983,368)
	(166,163)	26,308,862
Increase / (decrease) in operating liabilities		
Bills payable	(2,382,510)	(821,876)
Borrowings from financial institutions	(23,227,172)	(26,407,321)
Deposits	29,118,676	25,638,106
Other liabilities (excluding current taxation and mark-up payable)	946,598	(444,328)
	4,455,592	(2,035,419)
Mark-up / interest received	34,783,966	22,200,023
Mark-up / interest paid	(21,618,687)	(16,761,422)
Income tax paid	(962,853)	(664,221)
Net cash flow from operating activities	13,486,947	26,895,186
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in amortised cost / held to maturity securities	(355,523)	28,656
Net investments in securities classified as FVOCI / AFS	(3,187,043)	(10,806,300)
Dividends received	213	4,901
Investments in property and equipment	(307,909)	(406,968)
Investments in intangible assets	(20,117)	(20,730)
Disposal of property and equipment	12,182	2,373
Net cash flow used in investing activities	(3,858,197)	(11,198,068)
CASH FLOW FROM FINANCING ACTIVITIES		
Payments of lease obligations against right-of-use assets	(470,548)	(564,162)
Dividend paid	(1,639,363)	(118)
Net cash flow used in financing activities	(2,109,911)	(564,280)
Effects of credit loss allowance changes on cash and cash equivalents	(518)	-
Effects of exchange rate changes on cash and cash equivalents	(26,382)	540,370
Increase in cash and cash equivalents	7,491,939	15,673,208
Cash and cash equivalents at beginning of the period	27,855,805	19,830,357
Cash and cash equivalents at end of the period	35,347,744	35,503,565

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



**MANAGING
DIRECTOR**



**CHIEF FINANCIAL
OFFICER**



DIRECTOR



DIRECTOR



DIRECTOR

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 included in these condensed interim financial statements for reporting purposes, 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 prepared under the historical cost convention except for certain property and equipment and non banking assets acquired in satisfaction of claims which are stated at revalued amounts; investment classified at fair value through profit or loss and at fair value through other comprehensive income, which are measured at fair value; defined benefit obligations which are carried at present value; and right of use of assets and related lease liability measured at present value on initial recognition.
- 2.5 The Bank believes that there is no significant doubt on the Bank's ability to continue as a going concern. Therefore, these condensed interim financial statements have been prepared on a going concern basis.
- 2.6 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.

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.
- 3.3** SBP vide BSD Circular Letter No. 10, dated August 26, 2002, has deferred the applicability of International Accounting Standard (IAS) 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.
- 3.4 Standards, interpretations of and amendments to published approved accounting and reporting standards that are effective in the current period**

There are certain new and amended standards, issued by International Accounting Standards Board (IASB), interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2024 but are considered not to be relevant or do not have any material effect on the Bank's operations and therefore not detailed in these condensed interim financial statements except for IFRS 9 (Financial Instruments), the impact of which is disclosed under note 4.2

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

There are certain new and amended standards, issued by International Accounting Standards Board (IASB), interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2025 but are considered not to be relevant or do not have any material effect on the Bank's operations except for:

	Effective date (annual periods beginning on or after)
Amendments to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments	January 1, 2026
IFRS 18 - Presentation and Disclosure in Financial Statements	January 1, 2027

4 MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policies applied in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the annual audited financial statements of the Bank for the year ended December 31, 2023, except for changes mentioned in notes 4.1 and 4.2.

4.1 Adoption of new forms for the preparation of the condensed interim financial statements

The SBP, vide its BPRD Circular No. 02 dated February 9, 2023, issued the revised forms for the preparation of the condensed interim quarterly / half yearly financial statements of the Banks / DFIs which are applicable for quarterly / half yearly periods beginning on or after January 1, 2024 as per BPRD Circular Letter No. 07 of 2023 dated April 13, 2023. The implementation of the revised forms has resulted in certain changes to the presentation and disclosures of various elements of the condensed interim financial statements. The significant change is relating to right of use assets and corresponding lease liability which are now presented separately on the face of the statement of financial position. Previously, these were presented under property and equipment (earlier titled as fixed assets) and other liabilities respectively. There is no impact of this change on the condensed interim financial statements in terms of recognition and measurement of assets and liabilities.

The Bank has adopted the above changes in the presentation and made additional disclosures to the extent applicable to its operations and corresponding figures have been rearranged / reclassified to correspond to the current period presentation, as presented in note 38.

4.2 IFRS 9 - Financial Instruments

As per SBP BPRD Circular Letter No. 07 of 2023 dated April 13, 2023, IFRS 9 is applicable on banks with effect from January 1, 2024. IFRS 9 brings fundamental changes to the accounting for financial assets and to certain aspects of accounting for financial liabilities. To determine appropriate classification and measurement category, IFRS 9 requires all financial assets, except equity instruments, to be assessed based on combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The adoption of IFRS 9 has also fundamentally changed the impairment method of financial assets with a forward-looking Expected Credit Losses (ECL) approach.

The SBP through its BPRD Circular Letter No. 16 dated July 29, 2024 has made certain amendments and extended the timelines of SBP's IFRS 9 Application Instructions to address most of the matters raised by the banks with a direction to ensure compliance by the extended timeline.

There are a few matters including fair valuation of subsidized loans (other than staff loans) and income recognition on Islamic financing which are still under deliberation with the SBP. The Bank has continued to follow the treatment adopted in respect of these matters in the prior periods till the matter is under consideration with the SBP.

4.2.1 Classification

Financial assets

Under IFRS 9, existing categories of financial assets: Held for trading (HFT), Available for sale (AFS), Held to maturity (HTM) and loans and receivables have been replaced by:

- Financial assets at fair value through profit or loss account (FVTPL)
- Financial assets at fair value through other comprehensive income (FVOCI)
- Financial assets at amortised cost

Financial liabilities

Under IFRS 9, the accounting for financial liabilities remains largely the same as before adoption of IFRS 9 and thus financial liabilities are being carried at amortised cost except for derivatives which are being measured at FVTPL.

4.2.2 Business model assessment

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- The objectives for the portfolio, in particular, whether the management's strategy focuses on earning contractual revenue, maintaining a particular yield profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Bank's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and
- The expected frequency, value and timing of sale are also important aspects of the Bank's assessment. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account.

Eventually, the financial assets fall under either of the following three business models:

- i) Hold to Collect (HTC) business model: Holding assets in order to collect contractual cash
- ii) Hold to Collect and Sell (HTC&S) business model: Collecting contractual cash flows and selling financial assets
- iii) Other business models: Resulting in classification of financial assets as FVTPL

4.2.3 Assessments whether contractual cash flows are solely payments of principal and interest / profit (SPPI)

As a second step of its classification process, the Bank assesses the contractual terms of financial assets to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium / discount). The most significant elements of interest / profit within a financing arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgment and considers relevant factors such as, but not limited to, the currency in which the financial asset is denominated, and the period for which the interest / profit rate is set. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with basic lending arrangement, the related financial asset is classified and measured at FVTPL.

4.2.4 Application to the Bank's financial assets**Debt based financial assets**

Debt based financial assets held by the Bank include: advances, lendings to financial institutions, investment in federal government securities, corporate bonds / term finance certificates and other private sukuk, cash and balances with treasury banks, balances with other banks, and other financial assets.

- a) These are measured at amortised cost if they meet both of the following conditions and are not designated as FVTPL:
- the assets are held within a business model whose objective is to hold assets to collect contractual cash flows; and
 - the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest / profit on the principal amount outstanding.

The Bank's business model for these financial assets can still be HTC even when sales of these financial assets occur. However, if more than an infrequent number of sales of significant value are made, the Bank assesses whether and how the sales are consistent with the HTC objective.

- b) Debt based financial assets are measured at FVOCI only if these meet both of the following conditions and are not designated as FVTPL:
- the asset are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
 - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest / profit on the principal amount outstanding.
- c) Debt based financial assets if these are held for trading purposes are classified as measured at FVTPL.

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 at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The application of these policies also resulted in classifications and consequent remeasurements of certain investments in PIBs and Ijarah Sukuk held under available for sale portfolio as of December 31, 2023 to hold to collect based on the business model assessment and certain TFCs and private sukuk held under available for sale portfolio as of December 31, 2023 to other business model (hold to sell) based on assessment of whether contractual cash flows are solely payment of principal and interest / profit (SPPI). The following table reconciles their carrying amounts as reported on December 31, 2023 to the carrying amounts under IFRS 9 on transition to IFRS 9 on January 1, 2024:

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Investment type and category	Balances as of December 31, 2023 (Audited)	IFRS 9 Classification	Balances as of December 31, 2023	Remeasurements	Balances as of January 1, 2024 - before ECL
----- Rupees in '000 -----					
Federal Government Securities					
- Pakistan Investment Bonds - AFS	161,781,400	FVOCI Amortised Cost	138,626,810 23,154,590 161,781,400	-	138,626,810 25,264,635 163,891,445
- Ijarah Sukuk - AFS	51,380,046	FVOCI Amortised Cost	47,026,046 4,354,000 51,380,046	-	47,026,046 5,035,514 52,061,560
	213,161,446		213,161,446	2,791,559	215,953,005
Non-Government Debt Securities					
- Term Finance Certificate - AFS	3,500,150	FVOCI FVTPL	2,298,350 1,201,800 3,500,150	(249,735) -	2,048,615 1,201,800 3,250,415
- Sukuk - AFS	3,620,809	FVOCI FVTPL	3,445,809 175,000 3,620,809	-	3,445,809 175,000 3,620,809
	7,120,959		7,120,959	(249,735)	6,871,224
Total	220,282,405		220,282,405	2,541,824	222,824,229

Equity based financial assets

An equity instrument held by the Bank for trading purposes is classified as measured at FVTPL. On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

IFRS 9 has eliminated impairment assessment requirements for investments in equity instruments. Accordingly, the Bank has reclassified impairment of Rs. 262.87 million on listed equity investments and Rs. 371.22 million for unlisted equity investment held as at December 31, 2023 to surplus / deficit on revaluation of investments through remeasurements.

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The measurement category and carrying amount of financial assets in accordance with the accounting and reporting standards as applicable in Pakistan before and after adoption of IFRS 9 as at January 1, 2024 are compared as follows:

Financial assets	Before adoption of IFRS 9		After adoption of IFRS 9	
	Measurement category	Carrying amount as at December 31, 2023	Measurement category	Carrying amount as at January 1, 2024 - before ECL
		Rupees in '000		Rupees in '000
Cash and balances with treasury banks	Loans and receivables	23,895,690	Amortised cost	23,895,690
Balances with other banks	Loans and receivables	3,960,115	Amortised cost	3,960,115
Lending to financial institutions - net	Loans and receivables	2,000,000	Amortised cost	2,000,000
Investments - net	Held-for-trading	-	Fair value through profit or loss	-
	Available-for-sale	220,501,912	Fair value through profit or loss	1,376,800
		220,501,912	Fair value through other comprehensive income	191,366,787
		2,756,377	Amortised cost	30,300,149
		101,587,580		223,043,736
Advances - net	Loans and receivables	18,697,108	Amortised cost	2,756,377
Other assets	Loans and receivables	18,697,108	Amortised cost	101,587,580
		373,398,762	Fair value through profit or loss	31,449
		18,697,108	Amortised cost	18,665,659
		<u>373,398,762</u>		<u>18,697,108</u>
		<u>373,398,762</u>		<u>375,940,606</u>

4.2.5 Initial recognition and subsequent measurement

Financial assets and financial liabilities are recognised when the entity becomes party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade date, the date on which the Bank purchases or sells the asset. Other financial assets and liabilities like advances, lendings to financial institutions, deposits etc. are recognised when funds are transferred to the customers' account or financial institutions.

a) Amortised cost (AC)

Financial assets and financial liabilities under amortised cost category are initially recognised at fair value adjusted for directly attributable transaction cost. These are subsequently measured at amortised cost. An expected credit loss allowance (ECL) is recognised for financial assets in the condensed interim statement of profit and loss account. Interest income / profit / expense on these assets / liabilities are recognised in the condensed interim statement of profit and loss account. On derecognition of these financial assets and liabilities, capital gain / loss will be recognised in the condensed interim statement of profit and loss account.

b) Fair value through other comprehensive income (FVOCI)

Financial assets under FVOCI category are initially recognised at fair value adjusted for directly attributable transaction cost. These assets are subsequently measured at fair value with changes recorded in OCI. An expected credit loss allowance (ECL) is recognised for debt based financial assets in the condensed interim statement of profit and loss account. Interest / profit / dividend income on these assets are recognised in the condensed interim statement of profit and loss account. On derecognition of debt based financial assets, capital gain / loss will be recognised in the condensed interim statement of profit and loss account. For equity based financial assets classified as FVOCI, capital gain / loss is transferred from surplus / deficit to unappropriated profit.

c) Fair value through profit or loss (FVTPL)

Financial assets under FVTPL category are initially recognised at fair value. Transaction cost will be directly recorded in the condensed interim statement of profit and loss account. These assets are subsequently measured at fair value with changes recorded in the condensed interim statement of profit and loss account. Interest / dividend income on these assets are recognised in the condensed interim statement of profit and loss account. On derecognition of these financial assets, capital gain / loss will be recognised in the condensed interim statement of profit and loss account. An expected credit loss allowance (ECL) is not recognised for these financial assets.

4.2.6 Derecognition**Financial assets**

The Bank derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire;
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
 - substantially all of the risks and rewards of ownership of the financial asset are transferred; or
 - the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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The Bank enters into transactions whereby it transfers assets recognised in its condensed interim statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired. The Bank also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in the condensed interim statement of profit and loss account.

4.2.7 Expected Credit Loss (ECL)

The Bank assesses on a forward-looking basis the expected credit losses ('ECL') associated with all advances and other debt financial assets not held at FVTPL, together with letter of credit and financial guarantees hereinafter referred to as "Financial Instruments". The Bank recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12mECLs are calculated at facility level.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. The Bank considers an exposure to have significantly increased in credit risk when there is considerable deterioration in the internal rating grade for subject customer. The Bank also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer / facility to the watch list or the account becoming forborne. Regardless of the change in credit grades, generally, the Bank considers that there has been a significant increase in credit risk when contractual payments are more than 60 days past due.

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Based on the above process, the Bank groups its financial instruments into Stage 1, Stage 2 and Stage 3 as described below:

Stage 1:

When financial instruments are first recognised, the Bank recognises an allowance based on 12mECLs. Stage 1 financial instruments also include facilities where the credit risk has improved and these have been reclassified from Stage 2. The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast Exposure At Default (EAD) and multiplied by the expected Loss Given Default (LGD) and discounted by an approximation to the original Effective Interest Rate (EIR). This calculation is made for all the scenarios.

Stage 2:

When a financial instrument has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. Stage 2 also includes facilities, where the credit risk has improved and the instrument has been reclassified from Stage 3. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs are applied over the lifetime of the instrument. The expected cash flows are discounted by an approximation to the original EIR.

Stage 3:

For financial instruments considered credit-impaired, the Bank recognises the LTECLs for these instruments. The Bank uses a PD of 100% and LGD as computed for each portfolio or as prescribed by the SBP.

Financial guarantee and letters of credit contracts

The Bank estimates ECLs based on the BASEL driven credit conversion factor (CCF) for guarantee and letter of credit contracts. The calculation is made using a probability-weighting of the three scenarios. The ECLs related to guarantee and letter of credit contracts are recognised within other liabilities.

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The calculation of ECLs

The Bank calculates ECLs based on a three probability-weighted scenarios to measure the expected cash flows, discounted at an approximation to the EIR.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

PD The Probability of Default (PD) is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. PD is estimated based on statistical technique such as Transition Matrix approach. PDs for non advances portfolio is based on S&P's global transition default matrices, PDs are then adjusted using Vasicek Model to incorporate forward looking information.

EAD The Exposure at Default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and profit, whether scheduled by contract or otherwise, and accrued interest / profit from missed payments. The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has a legal right to call it earlier. The Bank's product offering includes a variety of corporate and retail facilities, in which the Bank has the right to cancel and / or reduce the facilities.

LGD The Loss Given Default (LGD) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The discount rate used to discount the ECLs is based on the effective interest rate that is expected to be charged over the expected period of exposure to the facilities. In the absence of computation of the effective interest rate (at reporting date), the Bank uses an approximation e.g. contractual rate (at reporting date).

Effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liabilities to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The Bank considers only those collaterals as eligible collaterals in the EAD calculation which have the following characteristics:

- History of legal certainty and enforceability
- History of enforceability and recovery

When estimating the ECLs, the Bank considers three scenarios (a base case, a best case, a worst case). Each of these is associated with different PDs.

The Bank's management has only considered cash, liquid securities, and Government of Pakistan guarantees as eligible collaterals, while calculating EADs.

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The credit exposure (in local currency) that have been guaranteed by the Government and Government Securities are exempted from the application of ECL calculation.

Forward looking information

In its ECL models, the Bank relies on range of the following forward looking information as economic inputs, such as:

- GDP growth
- Consumer price index

Definition of default

The concept of "impairment or "default" is critical to the implementation of IFRS 9 as it drives determination of risk parameters, i.e. PD, LGD and EAD.

As per BPRD Circular No. 03 of 2022 dated July 5, 2022 and BPRD Circular Letter No.16 of 2024 dated July 29, 2024, ECL of Stage 1 and Stage 2 is calculated as per IFRS 9, while ECL of Stage 3 has been calculated based on higher of either the Prudential Regulations or IFRS 9 at borrower / facility level for corporate / commercial / SME loan portfolios and at segment / product basis for retail portfolio.

This implies that if one facility of a counterparty becomes 90+ DPD in repaying its contractual dues or as defined in PRs; all other facilities of that counter party shall be considered in stage 2. However, the Bank will apply the definition of default to assess whether the remaining facilities need to be moved to stage 3.

Write-offs

The Bank's accounting policy under IFRS 9 remains the same as it was under SBP regulations / existing reporting framework.

4.2.8 Adoption impacts

The Bank has adopted IFRS 9 effective from January 1, 2024 with modified retrospective approach as permitted under IFRS 9. The cumulative impact of initial application of Rs. 1,329.30 million has been recorded as an adjustment to equity at the beginning of the current accounting period. The details of the impacts of initial application are tabulated below:

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	Recognition of expected credit losses (ECL)	Adoption of revised classifications under IFRS 9	Impact due to: Classifications due to business model and SPI assessments	Remeasurements	Reversal of provisions held	Total impact - gross of tax	Taxation (current and deferred)	Total impact - net of tax	Balance as of January 1, 2024	IFRS 9 category
- Rupees in '000 -										
ASSETS										
Cash and balances with treasury banks	(25)	-	-	-	-	(25)	-	(25)	23,895,665	Amortised cost
Balances with other banks	(479)	-	-	-	-	(479)	-	(479)	3,959,636	Amortised cost
Lending to financial institutions	-	-	-	-	-	-	-	-	2,000,000	Amortised cost
Investments classified as:										
- available for sale	-	(220,501,912)	-	-	-	(220,501,912)	-	(220,501,912)	-	
- fair value through other comprehensive income	(107)	220,501,912	(28,885,390)	(885,825)	634,090	191,566,680	-	191,566,680	191,566,680	FVOCI
- held for maturity	2,756,377	(2,756,377)	-	-	-	(2,756,377)	-	(2,756,377)	-	
- amortised cost	-	2,756,377	27,508,590	2,791,559	-	33,065,526	-	33,065,526	33,065,526	Amortised cost
- held for trading	-	-	1,376,800	-	-	1,376,800	-	1,376,800	1,376,800	FVTPL
- fair value through profit or loss	90,210	-	-	-	-	-	-	-	90,210	Outside the scope of IFRS 9
- Associate	223,348,499	(107)	-	1,907,734	634,090	2,541,717	-	2,541,717	223,890,216	Outside the scope of IFRS 9
Advances										
- Gross amount	109,703,063	-	-	-	-	-	-	-	109,703,063	Outside the scope of IFRS 9
- Provisions	(8,115,483)	-	-	-	-	(5,073,573)	-	(5,073,573)	(13,189,056)	Amortised cost
	101,587,580	(5,073,573)	-	-	-	(5,073,573)	-	(5,073,573)	96,514,007	Amortised cost
Property and equipment										
Right-of-use assets	4,398,426	-	-	-	-	-	-	-	4,398,426	Outside the scope of IFRS 9
Intangible assets	2,549,241	-	-	-	-	-	-	-	2,549,241	Outside the scope of IFRS 9
Deferred tax asset	428,608	-	-	-	-	-	-	-	428,608	Outside the scope of IFRS 9
Other assets - financial assets	1,346,748	-	-	-	-	-	1,271,170	1,271,170	2,623,918	Outside the scope of IFRS 9
Other assets - non financial assets	18,697,108	(4,694)	-	-	-	(4,694)	-	(4,694)	18,692,414	FVTPL / amortised cost
	973,469	-	-	-	-	-	-	-	973,469	Outside the scope of IFRS 9
	383,165,484	(5,078,878)	-	1,907,734	634,090	(2,537,054)	1,271,170	(1,259,884)	381,925,600	Amortised cost
LIABILITIES										
Bills payable	3,759,078	-	-	-	-	-	-	-	3,759,078	Amortised cost
Borrowings	50,460,359	-	-	-	-	-	-	-	50,460,359	Amortised cost
Deposits and other accounts	285,291,561	-	-	-	-	-	-	-	285,291,561	Amortised cost
Lease liability against right-of-use asset	2,407,066	-	-	-	-	-	-	-	2,407,066	Amortised cost
Other liabilities - financial liabilities	1,653,675	-	-	-	-	-	-	-	1,653,675	Outside the scope of IFRS 9
Other liabilities - non financial liabilities	15,315,261	-	-	-	-	-	-	-	15,315,261	Outside the scope of IFRS 9
	362,885,200	68,416	-	-	-	68,416	-	68,416	362,953,616	FVTPL / amortised cost
	(20,301,284)	(5,148,294)	-	1,907,734	634,090	(2,605,470)	1,271,170	(1,329,300)	(18,971,984)	
NET ASSETS										
REPRESENTED BY										
Share capital	11,027,905	-	-	-	-	-	-	-	11,027,905	
Reserves	4,343,001	-	-	-	-	-	-	-	4,343,001	
Surplus on revaluation of assets - net of tax	124,622	-	-	1,920,775	-	1,920,775	(1,185,955)	734,820	859,442	
Unappropriated profit	4,805,755	(5,148,294)	-	(15,041)	634,090	(4,527,245)	2,463,125	(2,064,120)	2,741,635	
	20,301,284	(5,148,294)	-	1,907,734	634,090	(2,606,470)	1,271,170	(1,329,300)	(18,971,984)	

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2024**

4.3 Critical accounting estimates and judgements

The basis for accounting estimates adopted in the preparation of these condensed interim financial statements are the same as that applied in the preparation of the financial statements for the year ended December 31, 2023, except for matters related to IFRS 9 which have been disclosed in note 4.2 to these condensed interim financial statements.

4.4 Financial risk management

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

	(Un-audited) June 30, 2024	(Audited) December 31, 2023
----- Rupees in '000 -----		
5 CASH AND BALANCES WITH TREASURY BANKS		
In hand		
Local currency	6,351,526	6,046,543
Foreign currencies	461,959	313,692
	6,813,485	6,360,235
With State Bank of Pakistan in		
Local currency current accounts	15,236,514	14,004,087
Foreign currency current accounts	130,078	84,236
Foreign currency deposit accounts	142,582	137,551
	15,509,174	14,225,874
With National Bank of Pakistan in		
Local currency current accounts	5,459,241	3,272,580
Local currency deposit accounts	718,084	29,473
Foreign currency current accounts	8,539	5,162
	6,185,864	3,307,215
Prize bonds	3,585	2,366
Less: Credit loss allowance / provision held against cash and balances with treasury banks	(25)	-
Cash and balances with treasury banks - net of credit loss allowance / provision	28,512,083	23,895,690
6 BALANCES WITH OTHER BANKS		
In Pakistan		
In current accounts	3,582,314	1,640,846
In deposit accounts	375,998	356,021
	3,958,312	1,996,867
Outside Pakistan		
In current accounts	778,615	697,145
In deposit accounts	2,109,255	1,276,131
	2,887,870	1,973,276
Less: Credit loss allowance / provision held against balances with other banks	(10,521)	(10,028)
Balances with other banks - net of credit loss allowance / provision	6,835,661	3,960,115

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2024**

	Note	(Un-audited) June 30, 2024	(Audited) December 31, 2023
		----- Rupees in '000 -----	
7 LENDINGS TO FINANCIAL INSTITUTIONS			
Repurchase agreement lendings (Reverse Repo)		8,582,040	-
Placements with financial institutions		8,938,944	2,238,944
		17,520,984	2,238,944
Less: Credit loss allowance / provision held against lendings to financial institutions	7.1	(239,622)	(238,944)
Lendings to financial institutions - net of credit loss allowance / provision		17,281,362	2,000,000

7.1 Lendings to financial institutions - particulars of credit loss allowance / provision		(Un-audited) June 30, 2024		(Audited) December 31, 2023	
		Lending	Credit loss allowance	Lending	Provision held
		----- Rupees in '000 -----			
Domestic					
Performing	Stage 1	17,282,040	678	-	-
Performing		-	-	2,000,000	-
Under performing	Stage 2	-	-	-	-
Non-performing	Stage 3				
Substandard		-	-	-	-
Doubtful		-	-	-	-
Loss		238,944	238,944	238,944	238,944
		238,944	238,944	238,944	238,944
Total		17,520,984	239,622	2,238,944	238,944
Overseas					
Performing	Stage 1	-	-	-	-
Under performing	Stage 2	-	-	-	-
Non-performing	Stage 3				
Substandard		-	-	-	-
Doubtful		-	-	-	-
Loss		-	-	-	-
		-	-	-	-
Total		-	-	-	-

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2024**

		(Un-audited) June 30, 2024			
8	INVESTMENTS	Cost / amortised cost	Credit loss allowance	Surplus / (deficit)	Carrying value
		-----Rupees in '000-----			
8.1	Investments by type:				
	Fair value through profit or loss (FVTPL)				
	Non-Government Debt Securities	1,239,800	-	(13,809)	1,225,991
	Fair value through other comprehensive income (FVOCI)				
	Federal Government Securities	188,039,497	-	509,727	188,549,224
	Shares	739,668	-	(518,998)	220,670
	Non-Government Debt Securities	5,630,042	(165,082)	(186,319)	5,278,641
		194,409,207	(165,082)	(195,590)	194,048,535
	Amortised cost (AC)				
	Federal Government Securities	33,412,049	-	-	33,412,049
	Associate	99,801	-	-	99,801
	Total investments	229,160,857	(165,082)	(209,399)	228,786,376
		(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
		222,912,153	(799,132)	(1,611,109)	220,501,912
	Held-to-maturity securities				
	Federal Government Securities	2,756,377	-	-	2,756,377
	Associate	90,210	-	-	90,210
	Total investments	225,758,740	(799,132)	(1,611,109)	223,348,499
				(Un-audited) June 30, 2024	(Audited) December 31, 2023
8.2	Investments given as collateral		Note	----- Rupees in '000 -----	
	Pakistan Investment Bonds		8.2.1	18,322,400	39,819,481

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

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2024**

	(Un-audited) June 30, 2024	(Audited) December 31, 2023
	----- Rupees in '000 -----	
8.3 Credit loss allowance / provision for diminution in value of investments		
Opening balance	799,132	922,457
Impact of adoption of IFRS 9	(633,983)	-
Balance as at January 1, 2024 after adoption of IFRS 9	165,149	922,457
Charge / (reversals)		
Charge for the period / year	-	23,089
Reversal for the period / year	(61)	-
Reversal on disposals / repayment during the period / year	(6)	(146,414)
	(67)	(123,325)
Closing balance	165,082	799,132

8.4 Particulars of credit loss allowance / provision against debt securities

Category of classification		(Un-audited) June 30, 2024		(Audited) December 31, 2023	
		Outstanding amount	Credit loss allowance held	Outstanding amount	Provision
----- Rupees in '000 -----					
Domestic					
Performing	Stage 1	5,113,599	40	-	-
Performing		-	-	6,955,917	-
Underperforming	Stage 2	-	-	-	-
Non-performing	Stage 3				
Substandard		-	-	-	-
Doubtful		-	-	-	-
Loss		165,042	165,042	165,042	165,042
		165,042	165,042	165,042	165,042
Total		5,278,641	165,082	7,120,959	165,042
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 SIX MONTH PERIOD ENDED JUNE 30, 2024**

8.5 Summarised financial information of associate

8.5.1 Investment in associate - unlisted

	Period / year ended	Number of shares	Percentage of holding	Country of incorporation	Cost Rupees in '000
Taurus Securities Limited	June 30, 2024 (Un-audited)	4,050,374	30%	Pakistan	40,504
Taurus Securities Limited	December 31, 2023 (Audited)	4,050,374	30%	Pakistan	40,504

8.5.2 Summary of financial information of associate

Based on financial statements:

	Assets	Liabilities	Equity	Revenue	Profit after taxation	Total comprehensive income
	----- Rupees in '000 -----					
- October 1, 2023 to June 30, 2024	1,594,683	1,262,015	332,668	173,562	30,477	31,971
- October 1, 2022 to September 30, 2023	566,593	265,893	300,701	136,100	31	759

8.6 The market value of securities classified as amortised cost as at June 30, 2024, amounted to Rs. 31,608.59 million (held to maturity as at December 31, 2023: Rs. 2,574.49 million).

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2024**

9 ADVANCES

Note	Performing		Non performing		Total	
	(Un-audited) June 30, 2024	(Audited) December 31, 2023	(Un-audited) June 30, 2024	(Audited) December 31, 2023	(Un-audited) June 30, 2024	(Audited) December 31, 2023
	-----Rupees in '000-----					
Loans, cash credits, running finances, etc.	52,231,217	63,954,807	9,953,492	9,600,559	62,184,709	73,555,366
Islamic financing and related assets	33,961,099	32,383,932	2,081,552	2,148,791	36,042,651	34,532,723
Bills discounted and purchased	82,000	73,609	1,541,365	1,541,365	1,623,365	1,614,974
Advances - gross	86,274,316	96,412,348	13,576,409	13,290,715	99,850,725	109,703,063

9.3

Credit loss allowance / provision against advances

- Stage 1
- Stage 2
- Stage 3
- Specific
- General

1,096,771	-	-	-	-	1,096,771	-
683,855	-	-	-	-	683,855	-
-	-	11,537,630	-	-	11,537,630	-
-	-	-	8,019,353	-	-	8,019,353
-	96,130	-	-	-	-	96,130
1,780,626	96,130	11,537,630	8,019,353	-	13,318,256	8,115,483
84,493,690	96,316,218	2,038,779	5,271,362	-	86,532,469	101,587,580

Advances - net of credit loss allowance / provision

(Un-audited) June 30, 2024	(Audited) December 31, 2023
----- Rupees in '000 -----	

9.1 Particulars of advances (gross)

In local currency	99,850,725	109,703,063
In foreign currencies	-	-
	99,850,725	109,703,063

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2024**

9.2 Advances include Rs. 13,576.41 million (December 31, 2023: Rs. 13,290.72 million) which have been placed under stage 3 / non-performing status as detailed below:

Category of classification	(Un-audited) June 30, 2024		(Audited) December 31, 2023	
	Non performing loans	Credit loss allowance	Non performing loans	Provision
	----- Rupees in '000 -----			
Domestic				
Other assets especially mentioned (OAEM)				
Substandard	128,561	70,925	238,941	1,345
Doubtful	797,217	543,324	1,172,610	133,064
Loss	1,300,050	947,676	1,071,990	95,419
	11,350,581	9,975,705	10,807,174	7,789,525
	13,576,409	11,537,630	13,290,715	8,019,353
Overseas				
Other assets especially mentioned (OAEM)				
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
	-	-	-	-
Total	13,576,409	11,537,630	13,290,715	8,019,353

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2024**

9.3 Particulars of credit loss allowance / provision against advances

	(Un-audited) June 30, 2024				(Audited) December 31, 2023		
	Credit loss allowance				Provision held		
	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	1,142,532	728,117	3,202,924	5,073,573	-	-	-
Balance as at January 1, 2024 after adoption of IFRS 9	1,142,532	824,247	11,222,277	13,189,056	7,313,193	84,356	7,397,549
Charge for the period / year	416,927	248,491	843,112	1,508,530	867,480	11,774	879,254
Reversals for the period / year	(462,688)	(388,883)	(527,759)	(1,379,330)	(129,068)	-	(129,068)
	(45,761)	(140,392)	315,353	129,200	738,412	11,774	750,186
Amounts written off	-	-	-	-	(32,252)	-	(32,252)
Closing balance	1,096,771	683,855	11,537,630	13,318,256	8,019,353	96,130	8,115,483

9.4 Advances - Particulars of credit loss allowance / provision

	(Un-audited) June 30, 2024				(Audited) December 31, 2023		
	Stage 1	Stage 2	Stage 3	Total	Specific	General	Total
		----- Rupees in '000 -----					
9.4.1 Opening balance	-	96,130	8,019,353	8,115,483	7,313,193	84,356	7,397,549
Impact of adoption of IFRS 9	1,142,532	728,117	3,202,924	5,073,573	-	-	-
Balance as at January 1, 2024 after adoption of IFRS 9	1,142,532	824,247	11,222,277	13,189,056	7,313,193	84,356	7,397,549
New advances	258,770	64,382	11,055	334,207	867,480	11,774	879,254
Advances derecognised or repaid	(349,973)	(117,582)	(413,795)	(881,350)	(129,068)	-	(129,068)
Transfer to stage 1	71,831	(164,996)	(16,272)	(109,437)	-	-	-
Transfer to stage 2	(88,694)	165,406	(43,487)	33,225	-	-	-
Transfer to stage 3	(24,021)	(106,305)	832,057	701,731	-	-	-
	(132,087)	(159,095)	369,558	78,376	738,412	11,774	750,186
Amounts written off / charged off during the period/ year	-	-	-	-	(32,252)	-	(32,252)
Changes in risk parameters	86,326	18,703	(54,205)	50,824	-	-	-
Closing balance	1,096,771	683,855	11,537,630	13,318,256	8,019,353	96,130	8,115,483

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2024**

9.4.2 Advances - Category of classification		(Un-audited) June 30, 2024		(Audited) December 31, 2023	
		Outstanding amount	Credit loss allowance held	Outstanding amount	Provision held
----- Rupees in '000 -----					
Domestic					
Performing	Stage 1	77,039,534	1,096,771	96,412,348	-
Underperforming	Stage 2	9,234,782	683,855	-	-
Non-performing	Stage 3				
Other assets especially mentioned (OAEM)		128,561	70,925	238,941	1,345
Substandard		797,217	543,324	1,172,610	133,064
Doubtful		1,300,050	947,676	1,071,990	95,419
Loss		11,350,581	9,975,705	10,807,174	7,789,525
General provision		-	-	-	96,130
		<u>13,576,409</u>	<u>11,537,630</u>	<u>13,290,715</u>	<u>8,115,483</u>
Total		<u>99,850,725</u>	<u>13,318,256</u>	<u>109,703,063</u>	<u>8,115,483</u>
Overseas					
Performing	Stage 1	-	-	-	-
Underperforming	Stage 2	-	-	-	-
Non-performing	Stage 3				
Substandard		-	-	-	-
Doubtful		-	-	-	-
Loss		-	-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

9.4.3 State Bank of Pakistan (SBP) through BSD Circular No.1 dated October 21, 2011 has allowed benefit of the forced sales value (FSV) of plant & machinery under charge, pledged stocks & mortgaged residential, commercial and industrial properties (land and building only), held as collateral against Non-Performing Loans (NPLs) for a maximum of five years from the date of classification.

As explained in note 4.2, the Bank has adopted IFRS 9 with effect from January 1, 2024. In accordance with the SBP's IFRS 9 Application Instructions (together with BPRD Circular Letter No.16 of 2024 dated July 29, 2024), credit loss allowance / provision against NPLs has been taken at higher of the i) provision as required under SBP's Prudential Regulations; or ii) credit loss allowance computed in accordance with the requirements of the Application Instructions. This has effectively reduced the cumulative FSV benefit availed by the Bank as on period end. As at June 30, 2024, the Bank has availed cumulative benefit of forced sales value of Rs. 156.43 million (December 31, 2023: Rs. 3,296.30 million). Increase in unappropriated profit amounting to Rs. 79.77 million (December 31, 2023: Rs. 1,681.11 million) is not available for the distribution of cash or stock dividend to shareholders or bonus to employees.

10	PROPERTY AND EQUIPMENT	Note	(Un-audited)	(Audited)
			June 30, 2024	December 31, 2023
----- Rupees in '000 -----				
	Capital work-in-progress	10.1	120,468	104,080
	Property and equipment		4,209,372	4,295,346
			<u>4,329,840</u>	<u>4,399,426</u>
----- Rupees in '000 -----				
10.1	Capital work-in-progress		(Un-audited)	(Audited)
			June 30, 2024	December 31, 2023
	Civil works		-	11,242
	Equipment		120,468	88,837
	Furniture and fixtures		-	3,840
	Advances to suppliers		-	161
			<u>120,468</u>	<u>104,080</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2024**

10.2 Additions to property and equipment

The following additions have been made to property and equipment during the period:

	(Un-audited)	
	For the six months ended	
	June 30, 2024	June 30, 2023
	----- Rupees in '000 -----	
Capital work-in-progress - net additions / (transfers)	16,388	(68,403)
Property and equipment		
Furniture and fixtures	28,132	48,960
Electrical, office and computer equipment	92,663	122,256
Vehicles	-	19,715
Leasehold improvements	170,726	284,440
	291,521	475,371
Total	307,909	406,968

10.3 Disposal of property and equipment

The net book value of property and equipment disposed off during the period is as

Furniture and fixtures	2,473	1,523
Electrical, office and computer equipment	545	339
Leasehold improvements	1,063	747
Total	4,081	2,609
	(Un-audited)	(Audited)
	June 30,	December 31,
	2024	2023
	----- Rupees in '000 -----	

11 RIGHT-OF-USE ASSETS

Buildings

At January 1,

Cost	4,663,099	2,900,502
Accumulated depreciation	(2,113,858)	(1,492,152)
Net carrying amount at January 1,	2,549,241	1,408,350

Additions during the period / year

117,212 1,853,833

Terminations during the period / year - at cost

(49,867) (91,236)

Accumulated depreciation on termination

756 60,019
(49,111) (31,217)

Depreciation charge for the period / year

(354,497) (681,725)

Net carrying amount at the period / year end

2,262,845 **2,549,241**

12 INTANGIBLE ASSETS

Capital work in progress	54,541	49,701
Licenses and computer softwares	354,247	378,907
	408,788	428,608

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2024**

	(Un-audited)	
	For the six months ended	
	June 30, 2024	June 30, 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	4,840	10,117
Total	4,840	10,117
 12.2 Disposals of intangible assets		
No intangible assets were disposed off during the periods ended June 30, 2024 and June 30, 2023.		
 13 DEFERRED TAX ASSETS	(Un-audited) June 30, 2024	(Audited) December 31, 2023
	----- Rupees in '000 -----	
Deductible temporary differences on		
Deficit on revaluation of investments - net	-	789,444
Accelerated accounting depreciation	284,794	216,551
Credit loss allowance / provision against investments	22,257	88,166
Unrealised loss on FVTPL investments	6,767	-
Credit loss allowance / provision against lendings to financial institutions	332	-
Credit loss allowance / provision against advances and off balance sheet obligations	2,666,664	248,811
Credit loss allowance / provision against cash and balances with treasury banks	12	-
Credit loss allowance / provision against balances with other banks	5,156	4,914
Credit loss allowance / provision against other assets	40,501	38,333
Islamic pool management reserves	121,743	100,402
	3,148,226	1,486,621
Taxable temporary differences on		
Share of profit of associate	(29,056)	(24,356)
Surplus on revaluation of FVOCI investments - net	(148,935)	-
Surplus on revaluation of non-banking asset	(41,976)	(45,851)
Others	(20,800)	(69,666)
	(240,767)	(139,873)
Deferred tax assets - net	2,907,459	1,346,748

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2024**

		(Un-audited) June 30, 2024	(Audited) December 31, 2023
	Note	----- Rupees in '000 -----	
14 OTHER ASSETS			
Income / mark-up accrued in local currency		12,212,801	13,228,495
Advances, deposits, advance rent and other prepayments		273,439	201,399
Non-banking assets acquired in satisfaction of claims		272,728	285,561
Mark to market gain on forward foreign exchange contracts		22,981	31,449
Acceptances		137,325	3,502
Pre-IPO investment		100,000	100,000
Stationary and stamps on hand		138,294	159,670
Employees benefits		168,501	206,194
Clearing and settlement accounts		-	190,161
Receivable from the State Bank of Pakistan		138,033	5,227,550
Others		193,532	165,678
		<u>13,657,634</u>	<u>19,799,659</u>
Less: Credit loss allowance / provision held against other assets	14.1	(227,081)	(222,656)
Other assets - net of credit loss allowance / provision		<u>13,430,553</u>	19,577,003
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	21	85,665	93,574
Other assets - total		<u>13,516,218</u>	<u>19,670,577</u>
14.1 Credit loss allowance / provision held against other assets			
Income / mark-up accrued in local currency		4,425	-
Pre-IPO investment		100,000	100,000
Others		122,656	122,656
		<u>227,081</u>	<u>222,656</u>
14.1.1 Movement in credit loss allowance / provision held against other assets			
Opening balance		222,656	144,426
Impact of adoption of IFRS 9		4,694	-
Balance as at January 1, 2024 after adoption of IFRS 9		<u>227,350</u>	144,426
Charge for the period / year		1,670	78,230
Reversal for the period / year		(1,939)	-
		(269)	78,230
Closing balance		<u>227,081</u>	<u>222,656</u>
15 BILLS PAYABLE			
In Pakistan		1,376,568	3,759,078
Outside Pakistan		-	-
		<u>1,376,568</u>	<u>3,759,078</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2024**

16 BORROWINGS		(Un-audited)	(Audited)
		June 30,	December 31,
		2024	2023
		----- Rupees in '000 -----	
Secured			
Borrowings from State Bank of Pakistan (SBP) under:			
- Export refinance scheme		3,750,900	4,216,900
- Long term financing facility		3,433,216	3,560,830
- Refinance and credit guarantee scheme for women entrepreneurs		17,971	20,262
- Financing facility for renewable energy		263,405	244,594
- Refinance facility for modernization of Small and Medium Enterprises (SMEs)		41,489	41,019
- Refinance facility for combating COVID-19		557,124	680,065
- SME Asaan Scheme (SAAF)		568,974	292,047
- Financing facility for storage of agriculture produce		100,308	69,231
- Repurchase agreement borrowings		18,500,000	35,000,000
		27,233,387	44,124,948
Repurchase agreement borrowings		-	5,460,611
Total secured		27,233,387	49,585,559
Unsecured			
Call borrowings		-	875,000
Total		27,233,387	50,460,559

17 DEPOSITS AND OTHER ACCOUNTS

	(Un-audited)			(Audited)		
	June 30, 2024			December 31, 2023		
	In local	In foreign	Total	In local	In foreign	Total
	currency	currencies		currency	currencies	
	----- Rupees in '000 -----					
Customers						
Current deposits	64,471,970	701,254	65,173,224	47,342,097	769,231	48,111,328
Saving deposits	172,468,826	156,018	172,624,844	132,466,979	24,062	132,491,041
Term deposits	56,126,065	605,541	56,731,606	89,981,071	405,316	90,386,387
Others	14,883,659	-	14,883,659	13,704,470	-	13,704,470
	307,950,520	1,462,813	309,413,333	283,494,617	1,198,609	284,693,226
Financial Institutions						
Current deposits	396,659	80,561	477,220	395,672	130,518	526,190
Saving deposits	8,519,684	-	8,519,684	4,072,145	-	4,072,145
	8,916,343	80,561	8,996,904	4,467,817	130,518	4,598,335
	316,866,863	1,543,374	318,410,237	287,962,434	1,329,127	289,291,561

18 LEASE LIABILITIES		(Un-audited)	(Audited)
		June 30,	December 31,
		2024	2023
		----- Rupees in '000 -----	
Outstanding amount at the start of the period / year		2,407,066	1,368,661
Additions during the period / year		117,212	1,853,833
Lease payments including interest during the period / year		(470,548)	(992,583)
Finance charges		212,286	213,486
Termination / modifications during the period / year		(45,619)	(36,331)
		(186,669)	1,038,405
Outstanding amount at the end of the period / year		2,220,397	2,407,066

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2024**

	(Un-audited) June 30, 2024	(Audited) December 31, 2023
	----- Rupees in '000 -----	
18.1 Liabilities outstanding		
Not later than one year	622,419	656,710
Later than one year and up to five years	1,597,978	1,750,356
Total at the period / year end	<u>2,220,397</u>	<u>2,407,066</u>

18.2 The Bank mainly has lease contracts for real estate that are used in its operations including branches and other offices. 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 additions to lease obligations during the period have been discounted at rates ranging from 22% to 22.18% (December 31, 2023: 15.22% to 22.37%) per annum; being the relevant incremental borrowing rate of the Bank.

	(Un-audited) June 30, 2024	(Audited) December 31, 2023
	----- Rupees in '000 -----	
19 OTHER LIABILITIES		
Mark-up / return / interest payable in local currency	18,392,736	13,815,556
Mark-up / return / interest payable in foreign currencies	15,293	15,162
Unearned commission and income on bills discounted	160,102	227,050
Accrued expenses and supplier payables	986,630	923,465
Current taxation (provisions less payments)	1,931,496	945,270
Acceptances	137,325	3,502
Unclaimed dividends	76,449	61,448
Mark to market loss on forward foreign exchange contracts	38,812	18,701
Deferred income on government schemes	1,487	1,547
Deferred income on Islamic financing	130,867	116,842
Islamic pool management reserves	248,456	204,902
Share subscription money refund	1,091	1,091
Retention money	44,719	45,678
Bills payment system over the counter (BPS-OTC)	450,166	61,191
Charity fund balance	52,658	51,459
Branch adjustment account	2,450	1,174
Security deposits against ijarah	50,871	62,708
Clearing and settlement accounts	361,663	-
Levies and other taxes payable	19,121	38,181
Credit loss allowance / provision against off-balance sheet obligations	47,911	-
Others	389,681	372,009
	<u>23,539,984</u>	<u>16,966,936</u>

19.1 Credit loss allowance / provision against off-balance sheet obligations

Opening balance	-	-
Impact of adoption of IFRS 9	69,416	-
Balance as at January 1, 2024 after adoption of IFRS 9	69,416	-
Charge for the period / year	22,429	-
Reversal for the period / year	(43,934)	-
	<u>(21,505)</u>	-
Closing balance	<u>47,911</u>	-

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2024**

20 SHARE CAPITAL

20.1 Authorized capital

(Un-audited) June 30, 2024	(Audited) December 31, 2023		(Un-audited) June 30, 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) June 30, 2024	(Audited) December 31, 2023		(Un-audited) June 30, 2024	(Audited) December 31, 2023
Number of shares			----- Rupees in '000 -----	
722,698,448	722,698,448	Ordinary shares of Rs. 10 each 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
- Available for sale securities
- Property and equipment
- Non-banking assets acquired in satisfaction of claims
- Revaluation of investment of associate

(Un-audited) June 30, 2024	(Audited) December 31, 2023
----- Rupees in '000 -----	
323,408	-
(518,998)	-
-	(1,611,109)
900,120	900,120
85,665	93,574
(806)	(3,051)
789,389	(620,466)

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

- Securities measured at FVOCI - Debt
- Securities measured at FVOCI - Equity
- Available for sale securities
- Non-banking assets acquired in satisfaction of claims
- Revaluation of investment of associate

(158,470)	-
9,535	-
-	789,444
(41,976)	(45,851)
395	1,495
(190,516)	745,088
598,873	124,622

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2024**

	(Un-audited) June 30, 2024	(Audited) December 31, 2023
Note	----- Rupees in '000 -----	
22 CONTINGENCIES AND COMMITMENTS		
Guarantees	22.1 38,638,426	41,756,059
Commitments	22.2 16,891,999	17,042,019
	<u>55,530,425</u>	<u>58,798,078</u>
22.1 Guarantees:		
Financial guarantees	1,318,876	1,282,861
Performance guarantees	37,313,468	40,467,116
Other guarantees	6,082	6,082
	<u>38,638,426</u>	<u>41,756,059</u>
22.2 Commitments:		
Documentary credits and short-term trade-related transactions		
- Letters of credit	11,570,316	11,987,078
Commitments in respect of:		
- Forward foreign exchange contracts	22.2.1 4,898,299	4,503,204
Commitments for acquisition of:		
- Property and equipment	114,972	247,197
- Intangible assets	308,412	304,540
Other commitments	-	-
	<u>16,891,999</u>	<u>17,042,019</u>
22.2.1 Commitments in respect of forward foreign exchange contracts		
Purchase	2,230,919	1,652,860
Sale	2,667,380	2,850,344
	<u>4,898,299</u>	<u>4,503,204</u>

Commitments for outstanding forward foreign exchange contracts are disclosed in these condensed interim financial statements at contracted rates.

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.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2024**

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

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

The remand back proceedings were also completed by CIR, and order was issued, creating a total demand of Rs. 231 million (December 31, 2023: Rs. 231 million) in respect of remand back proceedings and for matter upheld by CIRA and mainly included disallowances on account of provision for doubtful debt, depreciation and workers welfare fund. The Bank filed correction application with CIR as well as appeal with CIRA, on May 18, 2022 which is currently pending.
- ii) In respect of Tax Year 2015, Deputy Commissioner Inland Revenue issued an order dated February 23, 2023 creating an additional tax demand along with default surcharge of Rs. 645 million (December 31, 2023: Rs. 645 million) under section 161 of Income Tax Ordinance, 2001, mainly on account of non-deduction of withholding taxes on profit on debt, salaries and wages, advertisement and professional charges etc. Being aggrieved, the Bank filed an appeal before CIRA on March 22, 2023 which is currently pending.
- iii) In respect of Tax Year 2016, Additional Commissioner Inland Revenue issued an order dated June 21, 2022 creating a demand of Rs. 188 million (December 31, 2023: Rs. 188 million) on account of provision for non-performing loans and advances. Being aggrieved the Bank filed an appeal with CIRA on July 22, 2022 which is currently pending.
- iv) In respect of Tax Year 2017, Additional Commissioner Inland Revenue issued an order dated May 29, 2023 creating a demand of Rs. 130 million (December 31, 2023: Rs. 130 million) on account of provision for non-performing loans and advances. Being aggrieved the Bank filed an appeal with CIRA on July 4, 2023 which is currently pending.
- v) In respect of Tax Year 2019, Assistant Commissioner Inland Revenue issued an order dated November 30, 2023 creating a demand of Rs. 962 million along with default surcharge 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 CIRA on January 1, 2024, which is currently pending.
- vi) 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 (December 31, 2023: 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.

22.3.4 The Bank's share of contingencies of its associated company i.e. Taurus Securities Limited amounts to Rs. 8.62 million (December 31, 2023: Rs. 8.62 million)

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 SIX MONTH PERIOD ENDED JUNE 30, 2024**

		(Un-audited)	
		For the six months ended	
		June 30, 2024	June 30, 2023
		----- Rupees in '000 -----	
23	MARK-UP / RETURN / INTEREST EARNED	Note	
	Loans and advances	9,531,880	9,127,084
	Investments	17,960,449	12,240,897
	Lendings to financial institutions	493,131	367,025
	Balances with banks	102,997	175,926
	Sukuk bonds	5,679,815	2,866,777
		<u>33,768,272</u>	<u>24,777,709</u>
23.1	Interest income recognized on:		
	Financial assets measured at amortized cost/ held to maturity	11,945,788	9,888,508
	Financial assets measured at FVOCI/ available for sale	21,588,789	14,818,521
	Financial assets measured at FVTPL/ held for trading	233,695	70,680
		<u>33,768,272</u>	<u>24,777,709</u>
24	MARK-UP / RETURN / INTEREST EXPENSED		
	Deposits	23,408,279	14,748,916
	Borrowings	2,575,433	3,936,650
	Lease liability	212,286	115,918
		<u>26,195,998</u>	<u>18,801,484</u>
25	FEE AND COMMISSION INCOME		
	Branch banking customer fees	14,451	41,189
	Consumer finance related fees	258	383
	Card related fees (Debit cards)	215,682	83,468
	Commission on trade	69,670	51,837
	Commission on guarantees	112,144	103,917
	Commission on remittances including home remittances	38,370	15,137
	Rebate from financial institutions	21,793	13,085
	Others	10,924	4,902
		<u>483,292</u>	<u>313,918</u>
26	LOSS ON SECURITIES		
	Realised loss	26.1	-
	Unrealised loss - measured at FVTPL	26.2	(1,692)
		<u>(768)</u>	<u>-</u>
		<u>(768)</u>	<u>(1,692)</u>
26.1	Realised loss on:		
	Federal government securities	-	10,257
	Shares	-	(11,949)
		<u>-</u>	<u>(1,692)</u>
26.2	Net gain / loss on financial assets / liabilities measured at FVTPL:		
	Designated upon initial recognition	-	-
	Mandatorily measured at FVTPL	(768)	-
		<u>(768)</u>	<u>-</u>
27	OTHER INCOME		
	Rent on property	2,225	887
	Gain on sale of property and equipment - net	8,101	-
	Postal, swift and other services	58,636	53,776
	(Loss) / gain on early culmination of lease	(3,492)	1,434
	Service income on Government schemes	242	1,381
		<u>65,712</u>	<u>57,478</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2024**

	(Un-audited)	
	For the six months ended	
	June 30, 2024	June 30, 2023
	----- Rupees in '000 -----	
28 OPERATING EXPENSES		
Total compensation expense	2,211,808	1,789,486
Property expense		
Rent and taxes	6,525	9,734
Utilities cost	215,456	154,897
Security (including guards)	170,228	120,915
Repair and maintenance (including janitorial charges)	11,049	7,069
Depreciation - Right of use assets	354,497	353,788
Depreciation - Non banking assets acquired in satisfaction of claims	20,742	16,876
Depreciation - Property and equipment	179,248	161,557
	957,745	824,836
Information technology expenses		
Software maintenance	237,685	128,233
Hardware maintenance	56,275	12,521
Depreciation - Property and equipment	147,550	123,830
Amortization	39,937	47,584
Network charges	7,598	10,101
Connectivity charges	126,901	62,620
ATM charges	138,324	37,671
	754,270	422,560
Other operating expenses		
Directors' fees and allowances	35,337	11,164
Fees and allowances to Shariah Board	6,695	2,670
Legal and professional charges	27,814	42,012
Outsourced service cost	174,330	132,740
Travelling and conveyance	44,919	31,395
NIFT clearing charges	13,435	13,550
Depreciation - Property and equipment	46,616	44,690
Training and development	13,449	5,142
Postage and courier charges	2,506	19,723
Communication	148,690	49,190
Stationery and printing	70,023	38,712
Marketing, advertisement and publicity	76,271	73,286
Auditors' remuneration	8,346	7,452
Entertainment	29,330	23,812
Newspapers and periodicals	1,221	1,048
Brokerage and commission	16,102	17,474
Rent and taxes	977	743
Cash carriage charges	58,888	42,499
Repair and maintenance	54,546	22,346
Utilities cost	40,458	12,516
Insurance	32,948	32,512
Fees and subscriptions	5,607	5,220
Deposit protection premium	64,692	53,423
Others	16,560	15,560
	989,760	698,879
	4,913,583	3,735,761
29 OTHER CHARGES		
Penalties imposed by State Bank of Pakistan	306	2,442

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2024**

		(Un-audited)	
		For the six months ended	
		June 30,	June 30,
		2024	2023
		----- Rupees in '000 -----	
30	CREDIT LOSS ALLOWANCE / PROVISIONS AND WRITE OFFS - NET	NOTE	
	Credit loss allowance / provision against cash and balances with treasury banks and balances with other banks	5 & 6	14 -
	Credit loss allowance / provision against lendings to financial institutions (Reversal) of credit loss allowance / provision for diminution in value of investments	7	678 -
	Credit loss allowance / provision against advances	8.3	(67) 5,219
	(Reversal) of credit loss allowance / provision against other assets	9.3	129,200 355,403
	(Reversal) of credit loss allowance / provision against off balance sheet obligations	14.1.1	(269) 78,230
		19.1	(21,505) -
			<u>108,051</u> <u>438,852</u>
31	TAXATION		
	Current		1,949,079 1,442,040
	Prior periods		- -
	Deferred		(36,184) (64,697)
			<u>1,912,895</u> <u>1,377,343</u>
32	BASIC AND DILUTED EARNINGS PER SHARE		
	Profit for the period		<u>1,532,359</u> <u>1,688,754</u>
			----- (Number of shares) -----
			(Restated)
	Weighted average number of ordinary shares		<u>1,157,935,989</u> <u>1,157,935,989</u>
			----- (Rupees) -----
	Basic and diluted earnings per share		<u>1.32</u> <u>1.46</u>
			(Restated)

32.1 There were no dilutive potential ordinary shares outstanding as at June 30, 2024 and June 30, 2023.

33 FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than those classified under held to collect / held to maturity, is based on quoted market price. Quoted securities classified under held to collect / held to maturity are carried at amortised 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.

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 SIX MONTH PERIOD ENDED JUNE 30, 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) June 30, 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	188,549,224	-	188,549,224	-	188,549,224
Shares	220,670	131,380	89,290	-	220,670
Non-Government Debt Securities	6,504,632	-	6,504,632	-	6,504,632
Financial assets - disclosed but not measured at fair value					
Investments					
Federal Government Securities	33,412,049	-	31,608,590	-	31,608,590
Off-balance sheet financial instruments - measured at fair value					
Forward exchange contracts purchase	2,230,919	-	38,812	-	38,812
Forward exchange contracts sale	2,667,380	-	22,981	-	22,981
----- 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
Financial assets - disclosed but not measured at fair value					
Investments					
Federal Government Securities	2,756,377	-	2,574,496	-	2,574,496
Off-balance sheet financial instruments - measured at fair value					
Forward exchange contracts purchase	1,652,860	-	18,701	-	18,701
Forward exchange contracts sale	2,850,344	-	31,449	-	31,449

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. The Bank's policy is to recognize transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused the transfer occurred. There were no transfers between level 1 and 2 during the period.

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 unquoted equity securities, Sukuks bonds, Pakistan Investment Bonds, Market Treasury Bills, Term Finance Certificates and forward exchange contracts.

(c) Financial instruments in level 3

Currently, no financial instruments are classified in level 3.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2024**

33.2.2 Fair value of non - financial assets

Certain categories of property and equipment (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. 358.39 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 PKISRV rates announced by the Financial Market Association (FMA) through Reuters. These rates denote an average of quotes received from eight different pre-defined / approved dealers / brokers.
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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. However, fair values of investments in unquoted debt securities are valued on the basis of present value technique based on market interest rates.
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Unquoted equity securities	Fair value of unquoted equity securities is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.
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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)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2024**

34 SEGMENT INFORMATION

34.1 Segment details with respect to business activities

For the six months ended June 30, 2024 (Un-audited)					
Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Total	
----- Rupees in 000 -----					
Profit and loss					
Net mark-up / return / profit	(6,910,223)	19,510,754	(4,177,017)	(851,240)	7,572,274
Inter segment revenue - net	8,157,366	(15,644,719)	4,690,476	2,796,877	-
Non mark-up / return / interest income	5,414	433,012	217,169	239,325	894,920
Total income	1,252,557	4,299,047	730,628	2,184,962	8,467,194
Segment direct expenses	(2,514,784)	(98,529)	(1,036,930)	(1,263,646)	(4,913,889)
Inter segment expense allocation	1,787,914	(2,396,243)	612,940	(4,611)	-
Total expenses	(726,870)	(2,494,772)	(423,990)	(1,268,257)	(4,913,889)
Credit loss allowance	-	(610)	(44,122)	(63,319)	(108,051)
Profit before tax	525,687	1,803,665	262,516	853,386	3,445,254

As at June 30, 2024 (Un-audited)					
Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Total	
----- Rupees in 000 -----					
Balance sheet					
Cash and bank balances	7,026,551	21,377,317	785,041	6,158,835	35,347,744
Investments	33,412,049	195,274,526	-	99,801	228,786,376
Net inter segment lending	108,456,415	(209,751,377)	63,644,964	37,649,998	-
Lendings to financial institutions	-	17,281,362	-	-	17,281,362
Advances - performing	36,417,708	-	7,805,714	40,270,268	84,493,690
Advances - non performing	-	-	239,184	1,799,595	2,038,779
Others	5,093,572	11,518,614	676,533	6,136,431	23,425,150
Total assets	190,406,295	35,700,442	73,151,436	92,114,928	391,373,101
Borrowings	8,733,387	18,500,000	-	-	27,233,387
Deposits and other accounts	164,437,198	3,562,519	67,803,016	82,607,504	318,410,237
Net inter segment borrowing	(108,456,415)	209,751,377	(63,644,964)	(37,649,998)	-
Others	13,342,609	1,977,515	4,896,808	6,920,017	27,136,949
Total liabilities	78,056,779	233,791,411	9,054,860	51,877,523	372,780,573
Equity	112,349,516	(198,090,969)	64,096,576	40,237,405	18,592,528
Total equity and liabilities	190,406,295	35,700,442	73,151,436	92,114,928	391,373,101
Contingencies and commitments	27,189,961	5,170,541	13,705,035	9,464,888	55,530,425

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2024**

	For the six months ended June 30, 2023 (Un-audited)				Total
	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	
	----- Rupees in 000 -----				
Profit and loss					
Net mark-up / return / profit	(4,301,648)	11,045,440	(2,152,307)	1,384,740	5,976,225
Inter segment revenue - net	5,722,441	(8,442,834)	2,411,615	308,778	-
Non mark-up / return / interest	17,738	949,145	86,683	213,361	1,266,927
Total income	1,438,531	3,551,751	345,991	1,906,879	7,243,152
Segment direct expenses	(2,067,925)	(71,349)	(696,580)	(902,349)	(3,738,203)
Inter segment expense allocation	1,325,982	(1,760,519)	518,129	(83,592)	-
Total expenses	(741,943)	(1,831,868)	(178,451)	(985,941)	(3,738,203)
Provisions	-	(5,219)	(45,212)	(388,421)	(438,852)
Profit / (loss) before tax	696,588	1,714,664	122,328	532,517	3,066,097
	----- Rupees in 000 -----				
	As at December 31, 2023 (Audited)				
	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Total
	----- Rupees in 000 -----				
Balance sheet					
Cash and bank balances	3,767,523	18,390,992	623,725	5,073,565	27,855,805
Investments	2,756,377	220,501,912	-	90,210	223,348,499
Net inter segment lending	129,223,472	(198,727,702)	53,921,863	15,582,367	-
Landings to financial institutions	-	2,000,000	-	-	2,000,000
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
Others	8,284,367	15,551,753	713,214	3,845,266	28,394,600
Total assets	187,454,586	57,716,955	62,854,354	75,160,589	383,186,484
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
Net inter segment borrowing	(129,223,472)	198,727,702	(53,921,863)	(15,582,367)	-
Others	10,893,179	3,669,864	3,868,165	4,701,872	23,133,080
Total liabilities	55,146,019	242,858,177	8,459,247	56,421,757	362,885,200
Equity	132,308,567	(185,141,222)	54,395,107	18,738,832	20,301,284
Total equity and liabilities	187,454,586	57,716,955	62,854,354	75,160,589	383,186,484
Contingencies and commitments	37,441,442	4,884,852	3,360,776	13,111,008	58,798,078

34.2 Geographical segment

Segment details with respect to geographical locations are not presented in these condensed interim financial statements as geographically the Bank conducts all its operations in Pakistan only.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 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 Government of Khyber Pakhtunkhwa having face value of Rs. 40,447.50 million (December 31, 2023: Rs. 20,249.50 million).

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 June 30, 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	-	25,776	-	-	-	56,183	-	-
Repaid during the period / year	-	(12,450)	-	-	-	(21,626)	-	-
Transfer (out) / in - net	-	-	-	-	-	(68,245)	-	-
Closing balance	-	192,816	-	-	-	179,490	-	-
Credit loss allowance / provision 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	8,040	67,792	164,530	2,948,221	55,900	131,625	54,125	4,272,781
Withdrawn during the period / year	11,044	63,669	114,504	2,748,541	45,172	130,015	50,370	3,812,492
Transfer (out) / in - net	(8,824)	(30)	-	-	-	(2,780)	-	-
Closing balance	2,128	10,560	94,606	3,501,307	13,956	6,467	44,580	3,301,627
Other liabilities								
Interest / mark-up payable	162	739	7,232	340,759	232	1,759	4,532	222,285
	(Un-audited) For the six months ended June 30, 2024				(Un-audited) For the six months ended June 30, 2023			
	Directors	Key management personnel	Associate	Employee funds	Directors	Key management personnel	Associate	Employee funds
	----- Rupees in '000 -----							
Income								
Mark-up / return / interest earned	-	1,888	-	-	-	1,920	-	-
Expense								
Mark-up / return / interest expensed	162	743	7,232	357,159	288	761	3,447	249,889
Operating expenses - Compensation	37,589	110,909	-	-	37,419	77,918	-	-

35.1 As of June 30, 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. 89.29 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. 35.796 million (December 31, 2023: Rs. 43,423 million) and Rs. 164,437 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	Note
Investments	8.1
Shareholding	20

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2024**

	(Un-audited) June 30, 2024	(Audited) December 31, 2023
---- Rupees in '000 ----		
36 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS		
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	<u>11,579,360</u>	<u>11,027,905</u>
Capital Adequacy Ratio (CAR):		
Eligible common equity tier 1 (CET 1) capital	<u>18,119,986</u>	<u>19,747,849</u>
Eligible additional tier 1 (ADT 1) capital	<u>-</u>	<u>-</u>
Total eligible tier 1 capital	<u>18,119,986</u>	<u>19,747,849</u>
Eligible tier 2 capital	<u>733,247</u>	<u>173,029</u>
Total eligible capital (Tier 1 + Tier 2)	<u>18,853,233</u>	<u>19,920,878</u>
Risk weighted assets (RWAs):		
Credit risk	<u>64,183,417</u>	<u>75,008,452</u>
Market risk	<u>11,032,410</u>	<u>13,893,580</u>
Operational risk	<u>20,243,274</u>	<u>20,243,274</u>
Total	<u>95,459,101</u>	<u>109,145,306</u>
Common equity tier 1 capital adequacy ratio	<u>18.98%</u>	<u>18.09%</u>
Tier 1 capital adequacy ratio	<u>18.98%</u>	<u>18.09%</u>
Total capital adequacy ratio	<u>19.75%</u>	<u>18.25%</u>
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	<u>18,119,986</u>	<u>19,747,849</u>
Total exposures	<u>444,944,388</u>	<u>455,665,307</u>
Leverage ratio	<u>4.07%</u>	<u>4.33%</u>
Liquidity Coverage Ratio (LCR):		
Total high quality liquid assets	<u>212,058,722</u>	<u>178,286,835</u>
Total net cash outflow	<u>99,379,796</u>	<u>88,514,877</u>
Liquidity coverage ratio	<u>213.38%</u>	<u>201.42%</u>
Net Stable Funding Ratio (NSFR):		
Total available stable funding	<u>226,118,800</u>	<u>210,054,766</u>
Total required stable funding	<u>122,006,962</u>	<u>116,062,991</u>
Net stable funding ratio	<u>185.33%</u>	<u>180.98%</u>

36.1 The SBP in its application instructions for IFRS 9 has permitted the banks to adopt a transitional approach to phase in the initial impact of ECL for stage 1 and 2 financial assets over a period of five years. Had this relaxation not been availed, the Bank's CAR and Leverage Ratio would have been lower by 1.07% and 0.38% respectively.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2024**

ISLAMIC BANKING BUSINESS

37 The Bank is operating 123 (December 31, 2023: 123) Islamic banking branches as at June 30, 2024.

	(Un-audited) June 30, 2024	(Audited) December 31, 2023
STATEMENT OF FINANCIAL POSITION	Note ----- Rupees in '000 -----	
ASSETS		
Cash and balances with treasury banks	13,003,349	10,697,876
Balances with other banks	2,129,406	1,169,045
Due from financial institutions	37.1 8,699,322	2,000,000
Investments	37.2 52,813,462	54,438,416
Islamic financing and related assets - net	37.3 33,936,433	33,620,499
Property and equipment	769,888	782,059
Right-of-use assets	670,375	753,238
Intangible assets	-	-
Due from head office	3,398,618	-
Other assets	3,793,333	3,929,795
Total Assets	119,214,186	107,390,928
LIABILITIES		
Bills payable	393,856	481,636
Due to financial institutions	1,324,616	1,645,347
Deposits and other accounts	37.4 104,527,135	89,314,690
Due to head office	-	1,310,267
Lease liabilities	594,977	659,416
Sub-ordinated debt	-	-
Other liabilities	4,578,929	5,553,646
Total Liabilities	111,419,513	98,965,002
NET ASSETS	7,794,673	8,425,926
REPRESENTED BY		
Islamic banking fund	1,000,000	1,000,000
Reserves	86,447	65,918
Surplus / (deficit) on revaluation of assets	359,189	(97,300)
Unappropriated profit	37.8 6,349,037	7,457,308
	7,794,673	8,425,926
CONTINGENCIES AND COMMITMENTS	37.5	

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2024**

The profit and loss account of the Bank's Islamic banking branches for the six months ended June 30, 2024 is as follows:

	(Un-audited)	
	For the six months ended	
	June 30, 2024	June 30, 2023
PROFIT AND LOSS ACCOUNT	Note	---- Rupees in '000 ----
Profit / return earned	37.6	9,236,168
Profit / return expensed	37.7	6,736,783
Net profit / return		<u>4,316,822</u>
		<u>3,622,686</u>
Other income		
Fee and commission income		185,156
Dividend income		213
Foreign exchange income		122,268
Gain / (loss) on securities		-
Other income		29,954
Total other income		<u>337,591</u>
Total income		<u>5,256,937</u>
		96,427
		-
		151,799
		-
		28,428
		276,654
		3,899,340
Other expenses		
Operating expenses		2,293,431
Workers Welfare Fund		-
Other charges		100
Total other expenses		<u>2,293,531</u>
Profit before credit loss allowance / provision		<u>2,963,406</u>
(Reversal) of credit loss allowance / provision and write offs - net		<u>(60,973)</u>
Profit before taxation		<u>3,024,379</u>
Taxation		1,534,815
Profit after taxation		<u>1,489,564</u>
		1,832,130
		897,744
		934,386

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2024**

	(Un-audited) June 30, 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	8,700,000	-	8,700,000	2,000,000	-	2,000,000
Less: Credit loss allowance / provision						
Stage 1	(678)	-	(678)	-	-	-
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-
Due from financial institutions - net of credit loss allowance / provision	8,699,322	-	8,699,322	2,000,000	-	2,000,000
	----- Rupees in '000 -----					
37.2 Investments by segments	(Un-audited) June 30, 2024					
	Cost / Amortised cost	Credit loss allowance	(Deficit) / Surplus	Carrying value		
	----- Rupees in '000 -----					
Debt Instruments						
Classified / measured at amortised cost						
Federal Government securities						
- GoP Ijarah sukuks				5,030,315	-	5,030,315
Classified / measured at fair value through other comprehensive income (FVOCI)						
Federal Government securities						
- GoP Ijarah sukuks	44,083,997	-	351,101	44,435,098		
Non - government debt securities	3,165,000	(39)	8,088	3,173,049		
	47,248,997	(39)	359,189	47,608,147		
Classified / measured at fair value through profit or loss (FVTPL)						
Non - government debt securities				175,000	-	175,000
Total investments	52,454,312	(39)	359,189	52,813,462		
	----- Rupees in '000 -----					
	(Audited) December 31, 2023					
	Cost / amortised cost	Provision for diminution	(Deficit) / Surplus	Carrying value		
	----- Rupees in '000 -----					
Federal Government Securities:						
- GoP Ijarah Sukuks				50,921,133	-	(103,525)
						50,817,608
Non-government debt securities						
- Power / gas and other Sukuks - 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		

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2024**

	(Un-audited) June 30, 2024	(Audited) December 31, 2023
	-----Rupees in '000-----	
37.3 Islamic financing and related assets		
Ijarah	152,974	175,077
Murabaha	1,767,868	1,684,931
Diminishing musharaka	8,253,035	8,726,454
Running musharaka	20,459,990	18,972,415
Istisna	5,408,662	4,973,663
Qarze Hasna	122	183
Gross Islamic financing and related assets	36,042,651	34,532,723
Less: Credit loss allowance / provision against Islamic financing		
- Stage 1	288,534	-
- Stage 2	158,138	-
- Stage 3	1,659,546	-
- Specific	-	896,662
- General	-	15,562
	2,106,218	912,224
Islamic financing and related assets - net of credit loss allowance / provision	33,936,433	33,620,499
37.4 Deposits		
Customers		
Current deposits	28,248,474	23,341,690
Savings deposits	59,612,648	53,507,331
Term deposits	5,938,020	6,758,767
Others	4,429,272	3,733,075
	98,228,414	87,340,863
Financial Institutions		
Current Deposits	13,250	294,991
Savings deposits	6,285,471	1,678,836
	6,298,721	1,973,827
	104,527,135	89,314,690
37.5 Contingencies and commitments		
Guarantees	9,359,910	11,905,753
Commitments	4,373,882	4,598,814
	13,733,792	16,504,567
37.6 Profit / return earned on financing, investments and placements		
	(Un-audited)	
	For the six months ended	
	June 30,	June 30,
	2024	2023
	----- Rupees in '000 -----	
Profit earned on:		
Financing	3,400,386	3,803,670
Investments	5,619,975	2,819,448
Placements	210,070	101,952
Balances with banks	5,737	11,713
	9,236,168	6,736,783

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2024**

	(Un-audited)	
	For the six months ended	
	June 30, 2024	June 30, 2023
----- Rupees in '000 -----		
37.7 Profit on deposits and other dues expensed		
Deposits and other accounts	4,093,363	2,907,658
Due to financial institutions	154,076	183,630
Finance charge on lease liability	69,383	22,809
	4,316,822	3,114,097
	(Un-audited)	(Audited)
	June 30,	December 31,
	2024	2023
----- Rupees in '000 -----		
37.8 Islamic banking business unappropriated profit		
Opening balance	7,457,308	5,633,781
Impact of adoption of IFRS 9	(645,558)	-
Balance as at January 1, 2024 after adoption of IFRS 9	6,811,750	5,633,781
Add: Islamic banking profit before taxation for the period / year	3,024,379	4,469,430
Less: Taxation	(1,534,815)	(2,190,021)
Less: Transferred to head office	(1,952,277)	(455,882)
Closing balance	6,349,037	7,457,308

37.9 Profit equalization reserve

The profit equalization reserves amounting to Rs. 86.45 million (December 31, 2023: Rs. 65.92 million) classified in other liabilities, which has been presented as reserves in note 19.

37.10 Pool management

During the period, no new special pool has been created.

38 CORRESPONDING FIGURES

- 38.1** Comparative information has been re-classified, re-arranged or additionally incorporated in these condensed interim financial statements, wherever necessary to facilitate comparison. The following reclassification has been made in the condensed interim statement of profit and loss account.

Description of item	From	To	(Rupees in '000)
		Fee and	
		commission	
Rebate from financial institutions	Other income	income	13,085

- 38.2** The effect of reclassification, rearrangement, restatement in the comparative information presented in these condensed interim financial statements due to adoption of revised forms for the preparation of condensed interim financial statements as mentioned in note 4.1 is as follows:

Description of item	From	To	(Rupees in '000)
Right-of-use assets	Property and equipment	Right-of-use assets	2,549,241
Lease liabilities against right-of-use-assets	Other liabilities	Lease liabilities	2,407,066

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 August 28, 2024.

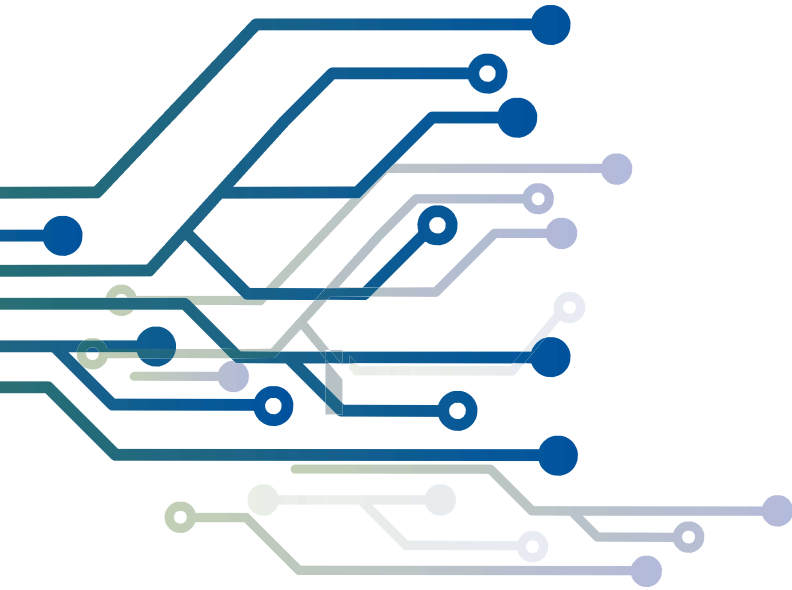

MANAGING
DIRECTOR


CHIEF FINANCIAL
OFFICER


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