HABIB METROPOLITAN BANK

[Subsidiary of Habib Bank AG Zurich]

Habib Metropolitan Bank Ltd.

[Subsidiary of Habib Bank AG Zurich]

Consolidated Accounts for the half year and quarter ended 30 June 2024 (Un-audited)

CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2024

	Note	30 June 2024 (Un-Audited)	31 December 2023 (Audited)
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks	7	99,066,092	91,467,062
Balances with other banks	8	10,405,861	21,269,948
Lendings to financial institutions	9	5,022,730	5,496,284
Investments	10	867,151,761	920,634,761
Advances	11	457,639,690	433,632,602
Property and equipment	12	16,648,886	15,782,163
Right-of-use assets	13	8,150,670	7,625,010
Intangible assets	14	642,690	368,333
Deferred tax assets	15	3,130,223	5,265,313
Other assets	16	89,965,431	72,121,302
Total Assets		1,557,824,034	1,573,662,778
LIABILITIES			
Bills payable	17	30,422,105	28,352,699
Borrowings	18	230,231,799	335,270,858
Deposits and other accounts	19	1,097,398,162	1,011,485,773
Lease liabilities	20	9,761,759	9,086,176
Sub-ordinated debts		–	–
Deferred tax liabilities		–	–
Other liabilities	21	85,054,874	91,278,065
Total Liabilities		1,452,868,699	1,475,473,571
NET ASSETS		104,955,335	98,189,207
REPRESENTED BY			
Share capital		10,478,315	10,478,315
Reserves		33,731,889	31,432,768
Surplus / (deficit) on revaluation of assets	22	7,010,118	4,829,814
Unappropriated profit		49,188,364	47,254,919
		100,408,686	93,995,816
Non-controlling interest		4,546,649	4,193,391
		104,955,335	98,189,207
CONTINGENCIES AND COMMITMENTS	23		

The annexed notes 1 to 41 form an integral part of these consolidated condensed interim financial statements.

FUZAIL ABBAS	KHURRAM SHAHZAD KHAN	MOHOMED BASHIR	RASHID AHMED JAFER	MOHAMEDALI R. HABIB
Chief Financial Officer	President & Chief Executive Officer	Director	Director	Chairman

CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)

FOR THE QUARTER AND HALF YEAR ENDED 30 JUNE 2024

	Note	Quarter ended		Half year ended	
		30 June 2024	30 June 2023	30 June 2024	30 June 2023
		Rupees in '000			
Mark-up / return / interest earned	25	61,294,728	52,611,203	121,358,781	97,459,138
Mark-up / return / interest expensed	26	(46,547,134)	(35,035,399)	(89,810,952)	(65,839,024)
Net mark-up / interest income		14,747,594	17,575,804	31,547,829	31,620,114
NON MARK-UP / INTEREST INCOME					
Fee and commission income	27	2,441,387	2,399,779	4,917,222	4,558,878
Dividend income		147,656	147,441	354,775	278,671
Foreign exchange income		2,118,967	1,493,499	3,419,521	3,307,191
Income / (loss) from derivatives		–	–	–	–
Gain / (loss) on securities - net	28	952,722	(68,925)	685,585	(211,327)
Net gain / (loss) on derecognition of financial assets measured at amortised cost		–	–	–	–
Other income	29	58,563	43,101	84,905	62,725
Total non mark-up / interest income		5,719,295	4,014,895	9,462,008	7,996,138
Total Income		20,466,889	21,590,699	41,009,837	39,616,252
NON MARK-UP / INTEREST EXPENSES					
Operating expenses	30	8,041,215	7,208,840	15,475,308	13,748,692
Workers' welfare fund		217,612	362,655	462,088	541,065
Other charges	31	1,011	32,193	72,788	32,198
Total non-mark-up / interest expenses		(8,259,838)	(7,603,688)	(16,010,184)	(14,321,955)
Profit / (Loss) before credit loss allowance		12,207,051	13,987,011	24,999,653	25,294,297
Credit loss allowance and write offs - net	32	(1,263,327)	(1,282,630)	(2,154,899)	(2,332,882)
Extra ordinary / unusual items		–	–	–	–
PROFIT BEFORE TAXATION		10,943,724	12,704,381	22,844,754	22,961,415
Taxation	33	(5,128,017)	(6,419,585)	(10,905,382)	(10,820,150)
PROFIT AFTER TAXATION		5,815,707	6,284,796	11,939,372	12,141,265
PROFIT ATTRIBUTABLE TO:					
Equity shareholders of the holding company		5,668,803	6,110,177	11,623,079	11,860,106
Non-controlling interest		146,904	174,619	316,293	281,159
		5,815,707	6,284,796	11,939,372	12,141,265
		Rupees			
Basic and diluted earnings per share	34	5.41	5.83	11.09	11.32

The annexed notes 1 to 41 form an integral part of these consolidated condensed interim financial statements.

FUZAIL ABBAS	KHURRAM SHAHZAD KHAN	MOHOMED BASHIR	RASHID AHMED JAFER	MOHAMEDALI R. HABIB
Chief Financial Officer	President & Chief Executive Officer	Director	Director	Chairman

CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

FOR THE QUARTER AND HALF YEAR ENDED 30 JUNE 2024

	Note	Quarter ended		Half year ended	
		30 June 2024	30 June 2023	30 June 2024	30 June 2023
		Rupees in '000			
Profit after taxation for the period		5,815,707	6,284,796	11,939,372	12,141,265
Other comprehensive income					
Items that may be reclassified to profit and loss in subsequent periods:					
Effect of translation of net investment in an offshore branch-net of tax		316	9,001	(578)	14,266
Movement in surplus on revaluation of debt investments through FVOCI-net of tax	22	1,868,664	–	1,730,978	–
Movement in surplus / (deficit) on revaluation of available for sale investments-net of tax	22	–	1,863,262	–	(1,642,649)
		1,868,980	1,872,263	1,730,400	(1,628,383)
Items that will not be reclassified to profit and loss in subsequent periods:					
Remeasurement gain / (loss) on defined benefit obligations - net of tax		10,300	9,594	(40,853)	(93,407)
Movement in deficit on revaluation of property and equipment - net of tax	22	–	(203,449)	–	(203,449)
Movement in surplus on revaluation of non-banking assets - net of tax	22	513,302	(94,289)	513,302	(94,289)
Movement in surplus / (deficit) on revaluation of equity investments through FVOCI - net of tax	22	501,915	–	483,219	–
		1,025,517	(288,144)	955,668	(391,145)
Total comprehensive income		8,710,204	7,868,915	14,625,440	10,121,737
Equity shareholders of the holding company		8,566,960	7,693,993	14,272,182	9,838,218
Non-controlling interest		143,243	174,922	353,258	283,519
		8,710,204	7,868,915	14,625,440	10,121,737

The annexed notes 1 to 41 form an integral part of these consolidated condensed interim financial statements.

FUZAIL ABBAS	KHURRAM SHAHZAD KHAN	MOHOMED BASHIR	RASHID AHMED JAFER	MOHAMEDALI R. HABIB
Chief Financial Officer	President & Chief Executive Officer	Director	Director	Chairman

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

FOR THE HALF YEAR ENDED 30 JUNE 2024

		Reserves						Surplus / (deficit) on revaluation					
	Share capital	Share premium	Special reserve	Revenue reserve	Merger reserve	Statutory reserve	Exchange translation reserve	Investments	Fixed / non-banking assets	Un-appropriated profit	Sub total	Non-controlling interest	Total
	Rupees in '000												
Balance as at 1 January 2023	10,478,315	2,550,985	340,361	1,500,000	31,002	21,522,347	4,929	(4,790,637)	6,820,054	36,584,942	75,042,298	3,685,208	78,727,506
Profit after taxation for the period	–	–	–	–	–	–	–	–	–	11,860,106	11,860,106	281,159	12,141,265
Other comprehensive income - net of tax													
Effect of translation of net investment in an offshore branch - net of tax	–	–	–	–	–	–	14,266	–	–	–	14,266	–	14,266
Movement in surplus / (deficit) on revaluation of investments - net of tax	–	–	–	–	–	–	–	(1,645,009)	–	–	(1,645,009)	(2,360)	(1,647,369)
Remeasurement gain / (loss) on defined benefit obligations - net of tax	–	–	–	–	–	–	–	–	–	(93,407)	(93,407)	–	(93,407)
Movement in surplus on revaluation of non -banking assets - net of tax	–	–	–	–	–	–	–	–	(94,289)	–	(94,289)	–	(94,289)
Movement in surplus on revaluation of fixed assets - net of tax	–	–	–	–	–	–	–	–	(203,449)	–	(203,449)	–	(203,449)
Total other comprehensive income	–	–	–	–	–	–	14,266	(1,645,009)	(297,738)	(93,407)	(2,021,888)	(2,360)	(2,024,248)
Transfer to statutory reserve	–	–	–	–	–	2,356,134	–	–	–	(2,356,134)	–	–	–
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	–	–	–	–	–	–	–	–	(70,911)	70,911	–	–	–
Transactions with owners, recorded directly in equity													
Final Cash dividend (Rs. 3.00 per share) for the year e nded 31 December 2022	–	–	–	–	–	–	–	–	–	(3,405,452)	(3,405,452)	–	(3,405,452)
Balance as at 30 June 2023 (Un-audited)	10,478,315	2,550,985	340,361	1,500,000	31,002	23,878,481	19,195	(6,435,646)	6,451,405	42,660,966	81,475,064	3,964,007	85,439,071

	Note	Share capital	Reserves						Surplus / (deficit) on revaluation		Un-appropriated profit	Sub total	Non-controlling interest	Total
			Share premium	Special reserve	Revenue reserve	Merger reserve	Statutory reserve	Exchange translation reserve	Investments	Fixed / non-banking assets				
		Rupees in '000												
Profit after taxation for the period		–	–	–	–	–	–	–	–	–	12,696,396	12,696,396	398,232	13,094,628
Other comprehensive income - net of tax														
Effect of translation of net investment in an offshore branch - net of tax		–	–	–	–	–	–	(7,886)	–	–	–	(7,886)	–	(7,886)
Movement in surplus / (deficit) on revaluation of investments - net of tax		–	–	–	–	–	–	–	4,895,926	–	–	4,895,926	18,611	4,914,537
Remeasurement gain / (loss) on defined benefit obligations - net of tax		–	–	–	–	–	–	–	–	–	165,840	165,840	–	165,840
Movement in surplus on revaluation of non -banking assets - net of tax		–	–	–	–	–	–	–	–	–	–	–	–	–
Movement in surplus on revaluation of fixed assets - net of tax		–	–	–	–	–	–	–	–	9,633	–	9,633	–	9,633
Total other comprehensive income		–	–	–	–	–	–	(7,886)	4,895,926	9,633	165,840	5,063,513	18,611	5,082,124
Transfer to statutory reserve		–	–	–	–	–	3,120,630	–	–	–	(3,120,630)	–	–	–
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax		–	–	–	–	–	–	–	–	(91,504)	91,504	–	–	–
Transactions with owners, recorded directly in equity														
Final Cash dividend (Rs. 5.00 per share) for the year ended 30 June 2023		–	–	–	–	–	–	–	–	–	(5,239,157)	(5,239,157)	–	(5,239,157)
Profit distribution by First Habib Modaraba (Rs. 1.00 per share) for the period ended 30 June 2023		–	–	–	–	–	–	–	–	–	–	–	(187,459)	(187,459)
Balance as at 31 December 2023		10,478,315	2,550,985	340,361	1,500,000	31,002	26,999,111	11,309	(1,539,720)	6,369,534	47,254,919	93,995,816	4,193,391	98,189,207
Impact of adoption of IFRS 9 as at 1 January 2024 - net of tax	3.1.1	–	–	–	–	–	–	–	(184,901)	–	671,276	486,375	–	486,375
Balance as at 1 January 2024 on adoption of IFRS 9		10,478,315	2,550,985	340,361	1,500,000	31,002	26,999,111	11,309	(1,724,621)	6,369,534	47,926,195	94,482,191	4,193,391	98,675,582

	Share capital	Reserves: Share premium	Reserves: Special reserve	Reserves: Revenue reserve	Reserves: Merger reserve	Reserves: Statutory reserve	Reserves: Exchange translation reserve	Surplus / (deficit) on revaluation: Investments	Surplus / (deficit) on revaluation: Fixed / non-banking assets	Un-appropriated profit	Sub total	Non-controlling interest	Total
	Rupees in '000												
Profit after taxation for the period	–	–	–	–	–	–	–	–	–	11,623,079	11,623,079	316,293	11,939,372
Other comprehensive income for the period - net of tax													
Effect of translation of net investment in an offshore branch - net of tax	–	–	–	–	–	–	(578)	–	–	–	(578)	–	(578)
Movement in surplus / (deficit) on revaluation of debt investments through FVOCI - net of tax	–	–	–	–	–	–	–	1,730,978	–	–	1,730,978	36,965	1,767,943
Movement in surplus / (deficit) on revaluation of equity investments through FVOCI - net of tax	–	–	–	–	–	–	–	483,219	–	–	483,219	–	483,219
Remeasurement gain / (loss) on defined benefit obligations - net of tax	–	–	–	–	–	–	–	–	–	(40,853)	(40,853)	–	(40,853)
Movement in surplus on revaluation of non -banking assets - net of tax	–	–	–	–	–	–	–	–	513,302	–	513,302	–	513,302
Total comprehensive income	–	–	–	–	–	–	(578)	2,214,197	513,302	(40,853)	2,686,068	36,965	2,723,033
Gain on sale of equity shares - FVOCI - net of tax	–	–	–	–	–	–	–	(281,311)	–	281,311	–	–	–
Transfer to statutory reserve	–	–	–	–	–	2,299,699	–	–	–	(2,299,699)	–	–	–
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	–	–	–	–	–	–	–	–	(80,983)	80,983	–	–	–
Transactions with owners, recorded directly in equity													
Final Cash dividend (Rs. 5.50 per share) for the year ended 31 December 2023	–	–	–	–		–	–	–	–	(5,763,073)	(5,763,073)	–	(5,763,073)
Interim cash dividend (Rs. 2.50 per share) for the quarter ended 31 March 2024	–	–	–	–		–	–	–	–	(2,619,579)	(2,619,579)	–	(2,619,579)
Balance as at 30 June 2024	10,478,315	2,550,985	340,361	1,500,000	31,002	29,298,810	10,731	208,265	6,801,853	49,188,364	100,408,686	4,546,649	104,955,335

The annexed notes 1 to 41 form an integral part of these unconsolidated condensed interim financial statements.

FUZAIL ABBAS
Chief Financial Officer

KHURRAM SHAHZAD KHAN
President & Chief Executive Officer

MOHOMED BASHIR
Director

RASHID AHMED JAFER
Director

MOHAMEDALI R. HABIB
Chairman

CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE HALF YEAR ENDED 30 JUNE 2024

	Note	30 June 2024	30 June 2023
		(Un-Audited) Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		22,844,754	22,961,415
Less: Dividend income		(354,775)	(278,671)
		22,489,979	22,682,744
Adjustments			
Net mark-up / interest income		(31,547,829)	(31,620,114)
Depreciation on operating fixed assets		1,170,875	926,191
Depreciation on right-of-use assets		750,360	733,506
Amortization		118,431	41,013
Markup on Lease liability against right-of-use assets		562,858	480,305
Credit loss allowance and write offs excluding recovery of written off bad debts	32	2,154,899	2,377,882
Gain on sale of fixed assets - net		(36,834)	(18,222)
Provision against workers' welfare fund		462,088	541,065
Unrealized gain FVTPL securities		(681,758)	–
Provision against compensated absences		61,785	47,082
Provision against defined benefit plan		166,103	154,393
		(26,819,022)	(26,336,899)
		(4,329,043)	(3,654,155)
(Increase) / decrease in operating assets			
Securities classified as FVPL		(7,261,580)	
Lendings to financial institutions		471,996	73,371,702
Advances		(24,027,765)	(1,718,063)
Other assets (excluding dividend and non-banking assets)		(7,759,689)	(3,210,098)
		(38,577,038)	68,443,541
Increase / (decrease) in operating liabilities			
Bills payable		2,069,406	18,434,237
Borrowings from financial institutions		(104,839,515)	(156,138,986)
Deposits and other accounts		85,912,389	65,313,269
Other liabilities (excluding current taxation)		(11,806,542)	6,594,836
		(28,664,262)	(65,796,644)
		(71,570,343)	(1,007,258)
Payment against compensated absences		(28,185)	(38,082)
Contribution to the defined benefit plan		(30,000)	(26,034)
Mark-up / Interest received		119,091,276	87,045,365
Mark-up / Interest paid		(89,250,239)	(63,115,215)
Income tax paid		(14,483,319)	(8,511,943)
Net cash flow (used in) from operating activities		(56,270,810)	14,346,833
CASH FLOWS FROM INVESTING ACTIVITIES			
Net Investments in securities classified as FVOCI		66,622,024	–
Net investments in amortized cost securities		(1,764,048)	–
Net Investments in available for sale securities		–	(4,700,432)
Net Investments in held to maturity securities		–	47,878,528
Dividend received		354,775	278,671
Investments in property and equipment		(2,057,569)	(1,558,312)
Investments in intangible assets		(392,788)	(91,836)
Proceeds from sale of property and equipment		56,804	27,488
Effect of translation of net investment in an offshore branch		(578)	10,547
Net cash flow from investing activities		62,818,620	41,844,654
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(8,329,668)	(4,439,309)
Payment of lease liability against right-of-use assets		(1,163,295)	(1,042,892)
Net cash used in financing activities		(9,492,963)	(5,482,201)
(Decrease) / increase in cash and cash equivalents		(2,945,153)	50,709,286
Cash and cash equivalents at the beginning of the period		111,848,372	76,276,054
Cash and cash equivalents at the end of the period		108,903,219	126,985,340

The annexed notes 1 to 41 form an integral part of these consolidated condensed interim financial statements.

FUZAIL ABBAS	KHURRAM SHAHZAD KHAN	MOHOMED BASHIR	RASHID AHMED JAFER	MOHAMEDALI R. HABIB
Chief Financial Officer	President & Chief Executive Officer	Director	Director	Chairman

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2024

1. STATUS AND NATURE OF BUSINESS

The Group comprises of Habib Metropolitan Bank Limited (the holding company), Habib Metropolitan Financial Services Limited and Habib Metropolitan Modaraba Management Company (Private) Limited (wholly owned subsidiary companies) and First Habib Modaraba (managed by Habib Metropolitan Modaraba Management Company (Private) Limited) and HabibMetro Exchange Services Limited.

Holding Company

Habib Metropolitan Bank Limited (the holding company) was incorporated in Pakistan on 3 August 1992, as a public limited company, under the Companies Ordinance, 1984 (now Companies Act, 2017) and is engaged in commercial banking and related services. Its shares are listed on the Pakistan Stock Exchange. The Bank operates 545 (31 December 2023: 525) branches, including 220 (31 December 2023: 117) Islamic banking branches, an offshore branch (Karachi Export Processing Zone branch) and 1 (31 December 2022: 1) sub branches in Pakistan.The registered office of the holding company is situated at HabibMetro Head Office, I.I. Chundrigar Road, Karachi.

Subsidiary Companies

Habib Metropolitan Financial Services Limited - 100% holding

Habib Metropolitan Financial Services Limited was incorporated in Pakistan on 28 September 2007 as a public limited company under the Companies Ordinance, 1984 (now Companies Act, 2017). The registered office of the subsidiary company is located at 1st Floor, GPC 2, Block 5, Khekashan Clifton, Karachi. The subsidiary company is a corporate member of the Pakistan Stock Exchange Limited and engaged in equity brokerage services.

Habib Metropolitan Modaraba Management Company (Private) Limited - 100% holding

Habib Metropolitan Modaraba Management Company (Private) Limited (Modaraba management company) was incorporated in Pakistan on 01 June 2015 as a private limited under the Companies Ordinance, 1984 (now Companies Act, 2017) and Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. The registered office of the subsidiary company is located at 6th Floor, HBZ Plaza, I.I. Chundrigar Road, Karachi.

First Habib Modaraba - 15.43% holding

First Habib Modaraba (FHM) is a perpetual, multi-purpose modaraba having its registered office at 6th Floor, HBZ Plaza, I.I. Chundrigar Road, Karachi. It is listed on the Pakistan Stock Exchange and engaged in the business of leasing (Ijarah), Musharaka, Murabaha financing and other related business.

HabibMetro Exchange Services Limited - 100% holding

HabibMetro Exchange Company Limited, a wholly owned subsidiary of of Habib Metropolitan Bank Limited, is engaged in currency exchange services. The Company has its registered office at Ground Floor Al Manzoor Building, I.I. Chundrigar Road, Karachi.

2. BASIS OF PREPARATION

2.1 These consolidated condensed interim financial statements comprise the financial statements of the holding company and its subsidiary companies. The financial statements of the subsidiary companies have been prepared for the same reporting period as the holding company using consistent accounting policies.

2.2 Statement of Compliance

These consolidated 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 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;
- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (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) from time to time.

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 the IFRS or IFAS, requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

The disclosures and presentation made in these consolidated condensed interim financial statements are based on a format prescribed by the SBP vide BPRD Circular Letter No. 2 dated February 09, 2023 and IAS 34, Interim Financial Reporting. They do not include all the disclosures required for annual financial statements, and these consolidated condensed interim financial statements should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2023.

As per the aforementioned SBP's Circular Letter, the applicability of IFRS - 9 Financial Instruments is effective from January 01, 2024. Accordingly, these financial statements have been prepared to comply with the requirements thereof. Therefore, the requirements of SBP directives that currently provide the accounting framework for the measurement and valuation of investments and provision against non performing financings have been followed till December 31, 2023.

2.3 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, interpretations and amendments that are mandatory for the Group'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 Group's operations except for the implementation of IFRS 9: "Financial Instruments" as detailed in note 3.

2.4 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 Group'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 Group's operations and therefore not detailed in these consolidated condensed interim financial statements.

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

The following revised standards, amendments and interpretations with respect to the accounting and reporting standards would be effective from the dates mentioned below against the respective standards, amendments or interpretations:

Standards, interpretations of and amendments	Effective date (annual periods beginning on or after)
– Amendments to IAS 21- Lack of Exchangeability	1 January 2025

The above amendments are not expected to have any material impact on the consolidated condensed interim financial statements of the Group.

3. MATERIAL ACCOUNTING POLICIES

The material accounting policies applied in preparation of these consolidated condensed interim financial statements are consistent with those as applied in the preparation of consolidated annual financial statements of the Group for the year ended December 31, 2023, except for the following:

3.1 IFRS 9 - Financial Instruments

During the period, as directed by the SBP vide its BPRD Circular No. 07 of 2023 dated April 13, 2023, IFRS 9: 'Financial Instruments' (the Standard) became applicable to the Group.

BPRD Circular No. 03 of 2022 issued by SBP provides detailed instructions on implementation of IFRS 9 (the Application Instructions) for ensuring smooth and consistent implementation of the standard across banks. The SBP vide its BPRD Circular Letter No. 16 of 2024 dated July 29, 2024 has made certain amendments and extend the timelines of IFRS 9 application instructions.

The standard addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on 'expected credit losses' (ECL) approach rather than 'incurred credit losses' approach as previously followed. The ECL has impact on all the assets of the Group which are exposed to credit risk.

The Group has adopted IFRS 9 in accordance with the Application Instructions from January 1, 2024, using the modified retrospective approach and has not restated comparatives for the 2023 reporting period and the differences in carrying amount of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2024, as permitted under the specific transitional provisions in the Standard. Accordingly, the information presented for 2023 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2024 under IFRS 9. The accounting policies applicable to the 2023 presented information is consistent with the policies mentioned in the annual audited financial statements for the year ended December 31, 2023.

SBP vide its BPRD Circular Letter No. 16 dated July 29, 2024 has made certain amendments and extended timelines of application instructions for certain areas where the banking industry has sought more time. These amendments and relaxations include use modification accounting for financial assets and liabilities as per the standard and recording and treatment of staff loan and advances given at reduced rates with effect from 1 October 2024, this in turn also effects the reduced rate loans and modified assets accounting. Moreover, SBP has allowed an extension to Banks up to December 31, 2024 for developing the requisite models for calculating EAD for revolving products beyond the contractual date. In addition the banks have also been allowed to continue existing practice of valuing unquoted equity investment at their cost or breakup value, whichever is lower, till 31 December 2024 and perform fair valuation of these securities afterwards.

3.1.1 Impact on the consolidated condensed interim statement of financial position:

The effect of this change in accounting policy is as follows:

Financial Asset / Liabilities	Previous classification	Classification under IFRS 9	Balances as of December 31, 2023 (Audited)	Impact due to Change in classification	Impact due to Remeasur-ements	Impact due to Recognition of expected credit loss (ECL)	Impact due to Reversal of Provision held	Total Impact	Taxation	Total impact - net of tax	Balances as of January 1, 2024
ASSETS											
Cash and balances with treasury banks	Loan and receivable	Amortised cost	91,467,062	–	–	(123)	–	(123)	–	(123)	91,466,939
Balances with other banks	Loan and receivable	Amortised cost	21,269,948	–	–	(156)	–	(156)	–	(156)	21,269,792
Lending to financial institutions	Loan and receivable	Amortised cost	5,496,284	–	–	(387)	–	(387)	–	(387)	5,495,897
Investments											
– Classified as available for sale			821,488,128	(821,488,128)	–	–	–	(821,488,128)	–	(821,488,128)	–
– Classified as fair value through other comprehensive income	Available for sale	FVOCI	–	811,914,257	(219,607)	(130,219)	307,290	811,871,721	–	811,871,721	811,871,721
– Classified as fair value through profit or loss	Available for sale	FVTPL	–	9,573,871	–	–	–	9,573,871	–	9,573,871	9,573,871
– Classified as held to maturity			99,146,633	(99,146,633)	–	–	–	(99,146,633)	–	(99,146,633)	–
– Classified as amortised cost	Held to maturity	Amortised cost	–	99,146,633	–	(11)	–	99,146,622	–	99,146,622	99,146,622
– Classified as held for trading			–	–	–	–	–	–	–	–	–
			920,634,761	–	(219,607)	(130,230)	307,290	(42,547)	–	(42,547)	920,592,214
Advances											
– Gross Amount	Loan and receivable	Amortised cost	460,991,379	–	–	–	–	–	–	–	460,991,379
– Provision	Loan and receivable	Amortised cost	(27,358,777)	–	–	(25,841,183)	27,358,777	1,517,594	–	1,517,594	(25,841,183)
			433,632,602	–	–	(25,841,183)	27,358,777	1,517,594	–	1,517,594	435,150,196
Property and equipment	Outside the scope of IFRS 9		15,782,163	–	–	–	–	–	–	–	15,782,163
Right-of-use assets	Outside the scope of IFRS 9		7,625,010	–	–	–	–	–	–	–	7,625,010
Intangible assets	Outside the scope of IFRS 9		368,333	–	–	–	–	–	–	–	368,333
Deferred tax asset	Outside the scope of IFRS 9		5,265,313	–	–	–	–	–	(467,302)	(467,302)	4,798,011
Other assets											
– Financial other assets	Loans and receivables	Amortised cost	38,726,770	–	–	(33,500)	–	(33,500)	–	(33,500)	38,693,270
– Non-financial other assets	Outside the scope of IFRS 9		30,505,772	–	–	–	–	–	–	–	30,505,772
– Forward foreign exchange contracts / Foreign Currency Swaps	Fair value	FVTPL	2,888,760	–	–	–	–	–	–	–	2,888,760
			101,162,121	–	–	(33,500)	–	(33,500)	(467,302)	(500,802)	100,661,319
TOTAL ASSETS			1,573,662,778	–	(219,607)	(26,005,579)	27,666,067	1,440,881	(467,302)	973,579	1,574,636,357
LIABILITIES											
Bills payable	Cost	Amortised cost	28,352,699	–	–	–	–	–	–	–	28,352,699
Borrowings	Cost	Amortised cost	335,270,858	–	–	–	–	–	–	–	335,270,858
Deposits and other accounts	Cost	Amortised cost	1,011,485,773	–	–	–	–	–	–	–	1,011,485,773
Lease liability	Outside the scope of IFRS 9		9,086,176	–	–	–	–	–	–	–	9,086,176
Other liabilities:											
– Non financial other liabilities	Outside the scope of IFRS 9	Outside the scope of IFRS 9	66,678,485	–	–	–	–	–	–	–	66,678,485
– Financial other liabilities	Cost	Amortised cost	20,395,879	–	–	519,787	(32,583)	487,204	–	487,204	20,883,083
– Forward foreign exchange contracts / Foreign Currency Swaps	Fair value	FVTPL	4,203,701	–	–	–	–	–	–	–	4,203,701
LIABILITIES			1,475,473,571	–	–	519,787	(32,583)	487,204	–	487,204	1,475,960,775
NET ASSETS			98,189,207	–	(219,607)	(26,525,366)	27,698,650	953,677	(467,302)	486,375	98,675,582
REPRESENTED BY											
Share capital	Outside the scope of IFRS 9		10,478,315	–	–	–	–	–	–	–	10,478,315
Reserves	Outside the scope of IFRS 9		31,432,768	–	–	–	–	–	–	–	31,432,768
Surplus on revaluation of assets - net of tax			4,829,814	(362,551)	–	–	–	(362,551)	177,650	(184,901)	4,644,913
Unappropriated profit			47,254,919	362,551	(219,607)	(26,525,366)	27,698,650	1,316,228	(644,952)	671,276	47,926,195
			93,995,816	–	(219,607)	(26,525,366)	27,698,650	953,677	(467,302)	486,375	94,482,191
Non-controlling interest			4,193,391	–	–	–	–	–	–	–	4,193,391
			98,189,207	–	(219,607)	(26,525,366)	27,698,650	953,677	(467,302)	486,375	98,675,582

3.1.2 Impact on regulatory capital

The introduction of IFRS 9 has resulted in reduction in regulatory capital of the Banks, which has reduced their lending capacity and ability to support their clients. In order to mitigate the impact of ECL models on capital, SBP has determined that it may be appropriate for the banks to introduce a transitional arrangement for the impact on regulatory capital from the application of ECL accounting. Annexure B of the 'Application Instructions' issued by SBP has detailed the transitional arrangement.

The transitional arrangement applies only to provisions for stage 1 and stage 2 financial assets. The transitional arrangement must adjust CET1 capital. Where there is a reduction in CET1 capital due to new provisions, net of tax effect, upon adoption of an ECL accounting model, the decline in CET1 capital (the "transitional adjustment amount") must be partially included (i.e., added back) to CET1 capital over the "transition period" of five years. However, the Group has not adopted for the transitional arrangement.

Moreover, SBP has allowed to adjust the amount of Stage 1 and Stage 2 provisions in Tier 2 Capital that have not been added back to CET 1 and vice versa as per Annexure-A of BPRD Circular no 16 of 2024.

Had IFRS 9 not been applied then CAR would have ben higher by 8 bps from 17.91 % to 17.99%.

3.1.3 Classification and measurement

Under the new standard, classification and measurement of financial assets depends on how these are managed based on business model and their contractual cash flow characteristics. Financial assets that do not meet the Solely Payment of Principal and Interest (SPPI) criteria are required to be measured at fair value through profit or loss (FVTPL) regardless of the business model in which they are held.

Recognition and initial measurement

Trade receivable and debt securities issued are initially recorded when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at transaction price.

Classification of Financial Assets

On initial recognition, a financial asset is classified as measured at amortised cost, FVOCI or FVTPL. A financial asset is measured at amortised cost if the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI. A debt instrument is measured at FVOCI only if the asset is held within a business model whose objective is achieved by both collecting contractual cashflows and selling financial assets; and the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business models for managing financial assets, in which cases all affected financial assets are reclassified on the first day of the first reporting period following changes in the business model.

IFRS 9 allows entities to irrevocably designate, at initial recognition, a financial asset as measured at FVTPL if doing so eliminates or significantly reduces any 'accounting mismatch' that would otherwise arise from measuring assets or liabilities or recognizing gains and losses on them on different basis. SBP instructions state that banks may apply the fair value option if, in addition to the IFRS 9 criterion, (a) it is consistent with a documented risk management strategy, and (b) fair values are reliable at inception and throughout the life of the instrument. Nonetheless, Group should avoid this option for financial instruments that are categorized as Level 3 in terms of the IFRS 13 hierarchy.

Classification of Financial Liabilities

Financial liabilities are either classified as fair value through profit or loss (FVTPL), when they are held for trading purposes, or at amortised cost. Financial liabilities classified as FVTPL are measured at fair value and all the fair value changes are recognised in profit and loss account. Financial liabilities classified at amortised cost are initially recorded at their fair value and subsequently measured using the effective interest rate method. Markup expense and foreign exchange gains and losses are recognised in profit and loss. Any gain or loss on derecognition is also recognised in profit and loss.

3.1.4 Business model assessment

A financial asset is classified as either Held to collect, Held to collect and sale and Others based on Business model assessment. The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The assessment requires judgement based on facts and circumstances on the date of assessment. The information considered mainly includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual markup revenue, maintaining a particular interest rate 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 portfolio is evaluated and reported to the Group's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;

- how managers of the business are compensated (e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and

- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group'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.

Transfer of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group continuing recognition of the financial assets.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

3.1.5 Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as interest margin.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and markup on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par-amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

The Group holds a portfolio of long-term fixed-rate loan for which the Group has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the financing at par without penalty. The Group has determined that the contractual cash flows of these loans are SPPI because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic financing risks and costs associated with the principal amount outstanding.

3.1.6 Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial assets:

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any markup or dividend income, are recognised in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest rate method. The amortised cost is reduced by impairment losses. Markup, foreign exchange gains and losses and impairment are recognised in profit or loss.

Debt investments at FVOCI

These assets are subsequently measured at fair value and is assessed for impairment under the new ECL model. Markup income is calculated using the effective interest rate method and includes amortisation of premiums and accretion of discount, foreign exchange gains and losses and impairment are recognised in profit and loss account. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to income statement

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment, in which case they are adjusted from the carrying value of investment. Other net gains and losses are recognised in OCI and are never reclassified to profit and loss account.

3.1.7 Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance (or impairment allowance before 1 January 2024).

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

3.1.8 Calculation of markup income and expense

Markup income and expense are recognised in profit or loss using the effective interest rate method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

– the gross carrying amount of the financial asset; or

– the amortised cost of the financial liability.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

In calculating markup income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, markup income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of markup income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, markup income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of markup income does not revert to a gross basis, even if the credit risk of the asset improves.

Presentation

Markup / interest earned as presented in the profit and loss account includes markup income calculated using the effective interest method as presented in sub note which includes:

- markup on financial assets and financial liabilities measured at amortised cost;
- markup on debt instruments measured at FVOCI

Markup / interest expense as presented in the profit and loss account includes markup expense calculated using the effective interest rate method as presented in sub note which includes financial liabilities measured at amortised cost.

Markup income and expense on all trading assets and liabilities are considered to be incidental to the Group's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Markup income and expense on other financial assets and financial liabilities at FVTPL are presented in net income from other financial instruments at FVTPL.

Under IFRS 9 markup income earned on non-performing financial assets is determined by using the credit adjusted effective interest rate. However, in accordance with the application instructions the unrealized markup earned on non-performing assets are kept in a memorandum account and are not credited to the statement of profit and loss. However, the Banks are advised to recognize income on non-performing assets (loans classified under PRs i.e., OAEM and Stage 3 loan) on a receipt basis in accordance with the requirements of Prudential Regulations issued by SBP.

3.1.9 Derecognition

The Group derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- 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 Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset in its entirety, the difference between:

a) the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and

b) the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in OCI shall be recognised in profit or loss.

From 1 January 2024 any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any markup in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured loan transaction similar to sale-and repurchase transactions, because the Group retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired. The Group 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.

3.1.10 Modification

Financial assets

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to its customers. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

– fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and

– other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Group plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place. This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Group first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognised the resulting adjustment as a modification gain or loss in profit or loss. Any costs or fees incurred, and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower then the gain or loss is presented together with impairment losses. In other cases, it is presented as markup income calculated using the effective interest rate method.

Financial liabilities

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability recognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

3.1.11 Impairment

The impairment requirements apply to financial assets measured at amortised cost and FVOCI (other than equity instruments), lease receivables, and certain loan commitments and financial guarantee contracts. At initial recognition, an impairment allowance (or provision in the case of commitments and guarantees) is required for expected credit losses ('ECL') resulting from default events that are possible within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk, a provision is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL').

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

– financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive);

– financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;

– undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and

– financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

– If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset

– If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Financial assets where 12-month ECL is recognised are in 'Stage 1'; financial assets that are considered to have experienced a significant increase in credit risk are in 'Stage 2'; and financial assets for which there is objective evidence of impairment, so are considered to be in default or otherwise credit impaired, are in 'Stage 3'.

Non-Performing financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI, and finance lease receivables are credit_impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'non-performing' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.

Under the IFRS 9 Application instructions, the Group is not required to compute ECL on Government Securities and on Government guaranteed credit exposure in local currency. The Group calculates the ECL against corporate, commercial & SME loan portfolios as higher of PR and ECL under IFRS 9 at borrower/facility level, whereas against the retail borrowers the Group will calculate ECL at higher of PR and ECL under IFRS 9 at segment/product basis as instructed under Annexure-A of BPRD Circular letter no 16 of 2024 dated July 29, 2024.

Based on the requirements of IFRS 9 and Application Instructions, the Group has performed an ECL assessment considering the following key elements:

- PD: The probability that a counterparty will default over the next 12 months from the reporting date (12- month ECL, Stage1) or over the lifetime of the product (lifetime ECL, Stage 2). PD is estimated using internal rating classes and are based on the Group's internal risk rating. The Group has used Transition Matrix approach for estimation of PD for each internal rating. The Group has use roll-rate method using the days past due (DPD) criteria to estimated PD for its retail portfolio. PD are then adjusted with forward looking information for calculation of ECL

- EAD: The expected balance sheet exposure at the time of default, incorporating expectations on drawdowns, amortisation, pre-payments and forward-looking information where relevant. The Group estimates EAD for financial assets carried at an amortised cost equal to principal plus profit. Each repayment date is assumed to be default point in the model and the ECL is calculated on EAD at each reporting date and discounted at the effective interest rate. Further, cash and cash equivalent collaterals that the Group holds against the non-retail facilities are adjusted from the EAD.

- LGD: An estimate of the loss incurred on a facility upon default by a customer. LGD is calculated as the difference between contractual cash flows due and those that the Group expects to receive, including from the liquidation of any form of collateral. It is expressed as a percentage of the exposure outstanding on the date of classification of an obligor.

3.1.12 Significant increase in credit risk (SICR)

A SICR is assessed in the context of an increase in the risk of a default occurring over the life of the financial instrument when compared to that expected at the time of initial recognition. It is not assessed in the context of an increase in the ECL. The Group used several qualitative and quantitative measures in assessing SICR. Quantitative measures relate to deterioration of Obligor Risk Ratings (ORR) or where principal and / or profit payments are 60 days or more past due. Qualitative factors include watchlist and Restructuring / Rescheduling (R&R) customers. If a customer is tagged watchlist or restructured, would be moved into Stage-2.

As required by the Application Instructions, financial assets may be reclassified out of stage 3 if they meet the requirements of PR issued by SBP. Financial assets in stage 2 may be reclassified to stage 1 if the conditions that led to a SICR no longer apply. However, a minimum period of 06 months from initial downgrade is required before any facility is moved back to Stage 1 from Stage 2. For a facility to move back from Stage 3 to Stage 2, it should meet the criteria defined under the respective Prudential Regulations for de-classification of account / facility. An exposure cannot be upgraded from Stage 3 to Stage 1 directly and should be upgraded to Stage 2 initially and complete the cooling off period of 06 months before moving into Stage 1.

IFRS 9 includes a rebuttable presumption that a default does not occur later than 90 days past due and it also presumes that there is SICR if credit exposure is more than 30 days past due. In order to bring consistency, SBP has allowed the backstop to the rebuttable presumption of days past due of credit portfolio against a specific credit facility and its stage allocation under IFRS 9 as mentioned in Annexure-C of BPRD Circular no 3 of 2022. The Group has used the rebuttable presumption for trade loans where SBP has directed to take the customer directly into loss after the 180 days, such loans would transferred into Stage 2 upon 120 DPDs except where obligor has 100% cash coverage would remain in Stage 1.

3.1.13 Write-offs

Financial assets are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

3.1.14 Off-setting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

3.1.15 Governance, ownership and responsibilities

The Group has adopted a governance framework requiring the Risk, Finance, Operations, Internal Audit and IT functions to effectively work together to ensure input from all business lines. IFRS 9 requires robust credit risk models that can predict Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).

The Group's Risk Management Division has developed Models/ methodologies for PD, LGD and Credit Conversion Factors (CCF). These models are validated on annual basis considering the following aspects:

- Quantitative Validation: Expected credit loss (ECL) model design validation, data quality validation and benchmarking with external best practices.

- Quantitative Validation: Calibration testing which ensures the accuracy of the observed PDs.

The Risk Department defines the staging criteria for the new impairment model and take ownership of all models, methodologies and the ECL calculation approach. Additionally, the Risk department also take the ownership of the impact of ECL on Group's capital.

Risk Management division of the Group is responsible for the implementation of IFRS 9. Further the Bank has engaged a consultant for the calculation of ECL on a quarterly basis. The same is provided to the Risk Management Division which reviews and assesses the ECL and submits to the same to Finance Division for financial reporting requirements.

Finance Division then uses the financial information for preparing the financial statements and related financial ratios.

Risk Management Division prepares and submits the analysis to board risk committee on a quarterly basis. Further financial statements prepared on the basis of IFRS-9 is then submitted to the Board Audit Committee on a quarterly basis.

The IT Department is responsible to identify, prepare and extract the data required for the risk parameters modelling and ECL calculations. IT department also support project owners for system development and upgrades.

3.2 Revised format of consolidated condensed interim financial statements

The SBP through its BPRD Circular No. 02 dated February 9, 2023, and BPRD Circular Letter No. 07 of 2023 dated April 13, 2023, has amended the format of quarterly and half yearly financial statements of banks. All banks are directed to prepare their quarterly and half yearly financial statements on the revised format effective from accounting year starting from January 1, 2024. Accordingly, the Bank has prepared these consolidated condensed interim financial statements on the new format prescribed by the SBP.

The adoption of revised format has resulted in following significant changes:

- Right-of-use-assets (note 13) amounting to Rs 8,150,670 (December 31, 2023: Rs 7,625,010) which were previously shown as part of fixed assets are now shown separately on the consolidated condensed interim statement of financial position.

- Lease liabilities (note 20) amounting to Rs 9,727,131 (December 31, 2023: Rs 9,051,378) which were previously shown as part of other liabilities (note 21) are now shown separately on the consolidated condensed interim statement of financial position.

4. BASIS OF MEASUREMENT

These consolidated 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; certain investments and derivative contracts which have been marked to market and are carried at fair value, obligation in respect of staff retirement benefits and lease liability which have been carried at present value and right of use of assets which are initially measured at an amount equal to corresponding lease liabilities (adjusted for any lease payment and costs) and depreciated over respective lease term.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The basis for accounting estimates adopted in the preparation of these consolidated condensed interim financial statements are the same as that applied in the preparation of the consolidated audited financial statements for the year ended 31 December 2023, except for measurement of the expected credit loss allowance.

6. FINANCIAL RISK MANAGEMENT

The financial risk management policies adopted by the Group are consistent with those disclosed in the consolidated audited financial statements for the year ended 31 December 2023.

7. CASH AND BALANCES WITH TREASURY BANKS

	30 June 2024 (Un-Audited)	31 December 2023 (Audited)
	Rupees in '000	
In hand		
Local currency	13,193,077	11,629,171
Foreign currencies	1,425,811	4,164,225
	14,618,888	15,793,396
With State Bank of Pakistan in		
Local currency current accounts	54,830,164	48,615,882
Foreign currencies		
- current accounts	1,459,544	1,991,420
- cash reserve account	6,990,420	6,308,767
- deposit account - special cash reserve	12,911,652	11,497,335
	76,191,780	68,413,404
With National Bank of Pakistan in		
Local currency current account	8,303,182	7,125,824
Local currency deposit account	57,718	26,958
	8,360,900	7,152,782
National Prize Bonds	14,598	107,480
Less: Credit loss allowance held against cash and balances with treasury banks	(120,074)	–
Cash and balances with treasury banks - net of credit loss allowance	99,066,092	91,467,062

	Note	30 June 2024 (Un-Audited)	31 December 2023 (Audited)
		Rupees in '000	
8. BALANCES WITH OTHER BANKS			
In Pakistan			
In current accounts		60,869	163,751
In deposit accounts		168,712	4,751
		229,581	168,502
Outside Pakistan			
In current accounts		10,176,566	21,101,446
Less: Credit loss allowance held against balances with other banks		(286)	–
Balances with other banks - net of credit loss allowance		10,405,861	21,269,948
9. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings	9.3	5,024,288	5,496,284
Less: Credit loss allowance held against lending to financial institutions		(1,558)	–
Lendings to financial institutions - net of credit loss allowance		5,022,730	5,496,284
9.1 Particulars of lendings			
In local currency - secured		–	–
In foreign currency - unsecured		5,022,730	5,496,284
		5,022,730	5,496,284

9.2 Lending to FIs - Particulars of credit loss allowance

		30 June 2024 (Un-Audited)		31 December 2023 (Audited)	
		Lending	Credit loss allowance held	Lending	Credit loss allowance held
		Rupees in '000			
Performing	Stage 1	5,024,288	1,558	5,496,284	–
Under performing	Stage 2	–	–	–	–
Non-performing	Stage 3				
Substandard		–	–	–	–
Doubtful		–	–	–	–
Loss		–	–	–	–
		–	–	–	–
Total		5,024,288	1,558	5,496,284	–

9.3 These foreign currency lendings carry mark-up rate ranging from 7.1% to 8.3% (31 December 2023: 9.80% to 12.00%) per annum and are due to mature latest by 15 Aug 2024 (31 December 2023: 04 April 2024).

10. INVESTMENTS

10.1 Investments by types

	30 June 2024 (Un-Audited)			
	Cost / amortised cost	Credit loss allowance	Surplus / (deficit)	Carrying value
	Rupees in '000			
FVTPL				
Federal government securities	12,746,500	–	(10,973)	12,735,527
Non-government debt securities	2,097,629	–	(2,061)	2,095,568
Mutual funds	267,375	–	(10,086)	257,289
Real estate investment trust	1,811,716	–	850,493	2,662,209
	16,923,220	–	827,373	17,750,593
FVOCI				
Federal government securities	733,646,366	–	(467,028)	733,179,338
Shares	4,987,367	–	1,082,036	6,069,403
Non-government debt securities	9,894,369	(511,816)	(140,807)	9,241,746
	748,528,102	(511,816)	474,201	748,490,487
Amortised Cost				
Federal government securities	100,910,681	–	–	100,910,681
Total Investments	866,362,003	(511,816)	1,301,574	867,151,761

	31 December 2023 (Audited)			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	Rupees in '000			
Available-for-sale securities				
Federal government securities	806,602,843	–	(3,854,965)	802,747,878
Shares	4,095,589	(206,844)	863,567	4,752,312
Non-government debt securities	12,033,893	(87,683)	(189,864)	11,756,346
Mutual funds	247,661	(12,763)	4,069	238,967
Real estate investment trust	1,831,780	–	160,845	1,992,625
	824,811,766	(307,290)	(3,016,348)	821,488,128
Held-to-maturity securities				
Federal government securities	99,146,633	–	–	99,146,633
Total Investments	923,958,399	(307,290)	(3,016,348)	920,634,761

	30 June 2024 (Un-Audited)	31 December 2023 (Audited)
	Rupees in '000	
10.1.1 Investments given as collateral against repo borrowing		
The market value of investments given as collateral against borrowings is as follows:		
Federal government securities		
Market treasury bills	–	129,183,999
Pakistan investment bonds	96,408,837	54,741,950
	96,408,837	183,925,949
10.2 Credit loss allowance for diminution in value of investments		
Opening balance	307,290	577,533
Impact of reclassification on adoption of IFRS 9	(219,607)	–
Impact of ECL recognised on adoption of IFRS 9	42,547	–
Charge for the period / year	381,586	63,244
Reversal for the period / year	–	(2,813)
Net (reversal) / charge for the period / year	381,586	60,431
Reversal on disposal	–	(330,674)
Transfers - net	–	–
Investment written off	–	–
Closing balance	511,816	307,290

		30 June 2024 (Un-Audited)		31 December 2023 (Audited)	
		Outstanding amount	Credit loss allowance held	Non-performing investments	Provision
		Rupees in '000			
10.3 Particulars of credit loss allowance / provision against debt securities					
Category of classification					
Performing	Stage 1	9,388,606	86,053	–	–
Underperforming	Stage 2	–	–	–	–
Non-performing	Stage 3				
Substandard		–	–	–	–
Doubtful		340,000	340,000	–	–
Loss		85,763	85,763	87,683	87,683
		425,763	425,763	87,683	87,683
Total		9,814,369	511,816	87,683	87,683

10.4 The market value of federal government securities classified as amortized cost is Rs. 94,875,843 thousand (31 December 2023: 91,447,864 thousand).

11. ADVANCES

	30 June 2024 (Un-Audited)			31 December 2023 (Audited)		
	Performing	Non Performing	Total	Performing	Non Performing	Total
	Rupees in '000					
Loans, cash credits, running finances, etc.	263,408,582	19,167,459	282,576,041	261,089,008	16,160,613	277,249,621
Islamic financing and related assets	140,805,779	4,131,364	144,937,143	135,548,542	1,492,591	137,041,133
Bills discounted and purchased	54,648,908	2,832,212	57,481,120	43,580,472	3,120,153	46,700,625
Advances - gross	458,863,269	26,131,035	484,994,304	440,218,022	20,773,357	460,991,379
Credit loss allowance against advances						
-Stage 1	(930,398)	–	(930,398)	–	–	–
-Stage 2	(2,761,142)	–	(2,761,142)	–	–	–
-Stage 3	–	(23,663,074)	(23,663,074)	–	–	–
-Specific provision	–	–	–	–	(20,033,135)	(20,033,135)
-General provision	–	–	–	(7,325,642)	–	(7,325,642)
	(3,691,540)	(23,663,074)	(27,354,614)	(7,325,642)	(20,033,135)	(27,358,777)
Advances - net of credit loss allowance	455,171,729	2,467,961	457,639,690	432,892,380	740,222	433,632,602

11.1 Particulars of advances - gross

	30 June 2024 (Un-Audited)	31 December 2023 (Audited)
	Rupees in '000	
In local currency	405,681,200	393,475,892
In foreign currencies	79,313,104	67,515,487
	484,994,304	460,991,379

11.2 Advances include Rs. 26,031,028 thousand (31 December 2023 : Rs. 20,773,357 thousand) which have been placed under non-performing / Stage 3 status as detailed below:

		30 June 2024 (Un-Audited)		31 December 2023 (Audited)	
		Non-performing loans	Credit loss allowance	Non-performing loans	Provision
		Rupees in '000			
Category of classification					
Domestic					
Other asset especially mentioned		100,008	–	32,575	–
Substandard	Stage 3	69,884	16,024	243,168	61,969
Doubtful		5,724,424	3,688,753	970,898	546,569
Loss		20,236,719	19,958,297	19,526,716	19,424,597
		26,131,035	23,663,074	20,773,357	20,033,135

11.3 Particulars of credit loss allowance against advances

	30 June 2024 (Unaudited)					31 December 2023 (Audited)		
	Stage 3	Stage 1 & 2	Specific	General	Total	Specific	General	Total
	Rupees in '000							
Opening balance	–	–	20,033,135	7,325,642	27,358,77 7	17,650,138	4,619,505	22,269,643
Impact of adoption of IFRS 9	20,757,593	5,083,590	(20,033,135)	(7,325,642)	(1,517,594)	–	–	–
Charge for the period / year	3,963,758	957,259	–	–	4,921,017	7,040,617	2,706,137	9,746,754
Reversals for the period / year	(1,033,437)	(2,349,309)	–	–	(3,382,746)	(4,626,567)	–	(4,626,567)
Net charge for the period / year	2,930,321	(1,392,050)	–	–	1,538,271	2,414,050	2,706,137	5,120,187
Amount written off	(24,840)	–	–	–	(24,840)	(31,053)	–	(31,053)
Closing balance	23,663,074	3,691,540	–	–	27,354,614	20,033,135	7,325,642	27,358,777

11.4 Advances - Particulars of credit loss allowance

	30 June 2024 (Un-Audited)		
	Stage 1	Stage 2	Stage 3
	Rupees in '000		
Opening balance	1,446,710	3,636,880	20,757,593
New Advances	278,287	317,568	37,575
Advances derecognised or repaid	(529,435)	(362,649)	(974,867)
Transfer to stage 1	21,170	(21,170)	–
Transfer to stage 2	(281,664)	340,234	(58,570)
Transfer to stage 3	(4,670)	(484,643)	489,313
	(516,312)	(210,660)	(506,549)
Amounts written off / charged off	–	–	(24,840)
Changes in risk parameters	–	(665,078)	3,436,870
Other changes (to be specific)	–	–	–
Closing balance	930,398	2,761,142	23,663,074

11.4.1 Advances - Category of classification

		30 June 2024 (Un-Audited)	
		Outstanding amount	Credit loss allowance held
		Rupees in '000	
Domestic			
Performing	Stage 1	422,551,497	930,398
Underperforming	Stage 2	36,311,772	2,761,142
Non-Performing	Stage 3	–	–
		100,008	–
Substandard		69,884	16,024
Doubtful		5,724,424	3,688,753
Loss		20,236,719	19,958,297
		26,131,035	23,663,074
		484,994,304	27,354,614

	Note	30 June 2024 (Un-Audited)	31 December 2023 (Audited)
		Rupees in '000	
12. PROPERTY AND EQUIPMENT			
Capital work-in-progress	12.1	369,055	293,119
Property and equipment		16,279,831	15,489,044
		16,648,886	15,782,163
12.1 Capital work-in-progress			
Civil works		138,112	79,056
Advance to suppliers	12.1.1	230,943	214,063
		369,055	293,119

12.1.1 This represents advance against renovation being carried out at various locations.

	30 June 2024	30 June 2023
	(Un-Audited)	
	Rupees in '000	
12.2 Additions to fixed assets		
The following additions have been made to fixed assets during the period:		
Capital work-in-progress additions / (transfer to fixed assets) - net	75,936	204,054
Property and equipment		
Furniture and fixtures	152,333	126,349
Electrical, office and computer equipment	1,204,178	705,824
Vehicles	54,207	91,921
Lease hold improvements	571,260	423,761
	1,981,978	1,347,855
	2,057,914	1,551,909
12.3 Disposal of fixed assets		
The net book value of fixed assets disposed off during the period is as follows:		
Furniture and fixtures	520	699
Electrical, office and computer equipment	546	329
Vehicles	18,904	8,238
	19,970	9,266

13. RIGHT-OF-USE ASSETS

	30 June 2024 (Un-Audited)	31 December 2023 (Audited)
	Rupees in '000	
At January 1, 2024		
Cost	12,479,390	10,130,149
Accumulated Depreciation	(4,854,380)	(3,386,731)
Net Carrying amount at January 1, 2024	7,625,010	6,743,418
Additions during the period/ year	1,276,020	2,349,241
Disposals during the period/ year	–	–
Depreciation Charge for the period/ year	(750,360)	(1,467,649)
Net Carrying amount at June 30, 2024	8,150,670	7,625,010

14. INTANGIBLE ASSETS

	30 June 2024 (Un-Audited)	31 December 2023 (Audited)
Computer Software	601,090	326,733
Management rights	41,600	41,600
	642,690	368,333

	30 June 2024	30 June 2023
	(Un-Audited)	
	Rupees in '000	
14.1 Additions to intangible assets		
Directly purchased - Computer Software	392,788	91,836

15. DEFERRED TAX ASSETS

	30 June 2024 (Un-Audited)	31 December 2023 (Audited)
	Rupees in '000	
Deductible temporary differences on		
- Credit loss allowance for diminution in value of investments	250,815	150,572
- Credit loss allowance against advances	3,762,214	5,523,386
- Accelerated tax depreciation	391,060	317,308
- Deferred liability on defined benefit plan	42,698	(14,780)
- Deficit on revaluation of investments	(234,332)	1,489,809
- Credit loss allowance against other BS items	–	–
- Others	523,398	(4,242)
	4,735,853	7,462,053
Taxable temporary differences on		
- Surplus on revaluation of non-banking assets	(256,651)	(769,953)
- Surplus on revaluation of property and equipment	(1,348,979)	(1,426,787)
- Exchange translation reserve	–	–
	(1,605,630)	(2,196,740)
Net deferred tax assets	3,130,223	5,265,313

	Note	30 June 2024 (Un-Audited)	31 December 2023 (Audited)
		Rupees in '000	
16. OTHER ASSETS			
Income / mark-up / profit accrued in local currency - net of provision		40,432,784	38,133,593
Income / mark-up / profit accrued in foreign currencies - net of provision		272,861	304,547
Advances, deposits and other prepayments		924,215	670,226
Non-banking assets acquired in satisfaction of claims		2,204,729	2,204,729
Mark-to-market gain on forward foreign exchange contracts		3,677,297	2,888,760
Acceptances		33,014,910	25,076,677
Receivable from the SBP against encashment of government securities		7,950	43,509
Stationery and stamps on hand		315,238	245,121
Receivable from defined benefit plan		–	55,014
Receivable from 1Link		6,321,325	–
Others		1,143,137	781,857
		88,314,446	70,404,033
Credit loss allowance / provision held against other assets	16.1	(444,126)	(377,842)
Other Assets (Net of credit loss allowance)		87,870,320	70,026,191
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	22	2,095,111	2,095,111
		89,965,431	72,121,302

	30 June 2024	31 December 2023
16.1 Credit loss allowance held against other assets	378,001	377,842
	66,125	–

16.1.1 Movement in Credit loss allowance held against other assets

	30 June 2024	31 December 2023
Opening balance	377,842	377,802
Impact of adoption of IFRS 9	33,500	–
Charge for the period / year	32,784	40
Reversal for the period / year	–	–
	32,784	40
Closing balance	444,126	377,842

	30 June 2024 (Un-Audited)	31 December 2023 (Audited)
	Rupees in '000	
17. BILLS PAYABLE		
In Pakistan	30,312,086	28,254,056
Outside Pakistan	110,019	98,643
	30,422,105	28,352,699
18. BORROWINGS		
Secured		
Borrowings from the State Bank of Pakistan under		
- Export refinance scheme	66,874,376	85,990,034
- Long term financing facility - renewable energy scheme	2,271,614	2,327,108
- Long term financing facility	17,275,364	19,057,928
- Temporary economic refinance facility	26,722,042	28,797,755
- Long term financing facility - for storage of agricultural produce scheme	731,359	621,700
- Refinance facility for modernization of SME	149,166	105,858
- Refinance facility for combating COVID-19	27,733	35,878
- Refinance and credit guarantee scheme for women entrepreneurs	49,058	23,208
	114,100,712	136,959,469
Repurchase agreement borrowings (Repo)	97,981,537	184,947,267
Due against bills rediscounting	3,762,587	474,216
	215,844,836	322,380,952
Unsecured		
Call borrowing	10,553,522	9,505,606
Musharika borrowing	3,144,347	2,495,662
Overdrawn nostro accounts	689,094	888,638
	14,386,963	12,889,906
	230,231,799	335,270,858

19. DEPOSITS AND OTHER ACCOUNTS

	30 June 2024 (Un-Audited)			31 December 2023 (Audited)		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	Rupees in '000					
Customers						
Current deposits	325,985,947	65,988,962	391,974,909	310,637,089	59,724,307	370,361,396
Savings deposits	397,711,189	15,859,402	413,570,591	341,134,624	16,798,084	357,932,708
Term deposits	157,022,284	71,368,036	228,390,320	175,133,425	50,971,995	226,105,420
Others	41,817,431	71,311	41,888,742	41,503,257	72,458	41,575,715
	922,536,851	153,287,711	1,075,824,562	868,408,395	127,566,844	995,975,239
Financial institutions						
Current deposits	4,947,946	–	4,947,946	2,327,236	1,030,085	3,357,321
Savings deposits	16,081,095	–	16,081,095	11,868,434	–	11,868,434
Term deposits	542,403	–	542,403	260,684	22,739	283,423
Others	2,156	–	2,156	1,356	–	1,356
	21,573,600	–	21,573,600	14,457,710	1,052,824	15,510,534
	944,110,451	153,287,711	1,097,398,162	882,866,105	128,619,668	1,011,485,773

20. LEASE LIABILITIES

	30 June 2024 (Un-Audited)	31 December 2023 (Audited)
	Rupees in '000	
Opening Balance	9,086,176	7,803,164
Addition during the period / year	1,276,020	2,357,066
Lease payments including interest	(1,163,295)	(2,043,178)
Interest expense	562,858	969,124
Closing balance	9,761,759	9,086,176

20.1. Liabilities Outstanding

	30 June 2024 (Un-Audited)	31 December 2023 (Audited)
Not later than one year	988,503	887,259
Later than one year and upto five years	4,857,134	4,279,303
Over five years	3,916,122	3,919,614
Total	9,761,759	9,086,176

21. OTHER LIABILITIES

	Note	30 June 2024 (Un-Audited)	31 December 2023 (Audited)
		Rupees in '000	
Mark-up / return / interest payable in local currency		19,062,171	19,657,456
Mark-up / return / interest payable in foreign currencies		1,840,313	684,315
Unearned commission and income on bills discounted		1,018,715	721,371
Accrued expenses		4,855,837	4,461,216
Current taxation (provision less payments)		6,418,604	10,045,748
Acceptances		33,014,910	25,076,677
Unclaimed dividend		138,632	85,648
Dividend payable		–	54,108
Mark-to-market loss on forward foreign exchange contracts		3,671,904	4,203,701
Provision for compensated absences		359,477	325,877
Deferred liability on defined benefit plan		174,338	–
Credit loss allowance against off-balance sheet obligations	21.1	600,793	32,583
Workers' welfare fund	21.2	4,214,087	3,764,458
Charity fund		167	402
Excise duty payable		6,685	2,263
Locker deposits		952,742	989,676
Advance against diminishing musharaka		23,090	58,716
Advance rental for ijarah		19,607	19,440
Security deposits against leases / ijarah		223,528	244,813
Sundry creditors		5,035,889	3,674,016
Withholding tax / duties		156,055	315,255
Others		3,267,330	16,860,326
		85,054,874	91,278,065

21.1 Credit loss allowance against off-balance sheet obligations

	30 June 2024	31 December 2023
Opening balance	32,583	32,583
Impact of adoption of IFRS 9	487,204	–
Charge for the period / year	81,006	–
Reversal for the period / year	–	–
Net charge for the period / year	81,006	–
Closing balance	600,793	32,583

21.2 Under the Workers' Welfare Ordinance 1971, the holding company is liable to pay workers' welfare fund (WWF) @ 2% of accounting profit before tax or taxable income, whichever is higher. The Bank has made full provision for WWF based on profit for the respective years.

The Supreme Court of Pakistan vide its order dated 10 November 2016 has held that the amendments made in the law introduced by the Federal Government for the levy of WWF were not lawful. The Federal Board of Revenue has filed review petitions against this order which are currently pending.

Legal advice obtained on the matter indicates that consequent to filing of these review petitions the judgement may not currently be treated as conclusive. Accordingly the Bank maintains its provision in respect of WWF.

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

22. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS - NET OF TAX

	Note	30 June 2024 (Un-Audited)	31 December 2023 (Audited)
Surplus / (deficit) on revaluation of			
- Securities measured at FVOCI-Debt	10.1	(607,835)	–
- Securities measured at FVOCI-Equity	10.1	1,082,036	–
- Securities measured at Available for sale securities		–	(3,016,348)
- Fixed Assets		6,312,372	6,471,163
- Non-banking assets acquired in satisfaction of claims		2,095,111	2,095,111
		8,881,684	5,549,926
Less: Deferred tax on surplus / (deficit) on revaluation of			
- Securities measured at FVOCI-Debt		(292,446)	–
- Securities measured at FVOCI-Equity		508,235	–
- Securities measured at Available for sale securities		–	(1,489,809)
- Fixed Assets		1,348,979	1,426,787
- Non-banking assets acquired in satisfaction of claims		256,651	769,953
		(1,821,419)	(706,931)
Less : Surplus pertaining to non-controlling interest		(50,146)	(13,181)
		7,010,118	4,829,814

23. CONTINGENCIES AND COMMITMENTS

	Note	30 June 2024 (Un-Audited)	31 December 2023 (Audited)
Guarantees	23.1	139,298,824	137,319,392
Commitments	23.2	747,980,531	500,787,681
Other contingent liabilities	23.3	2,986,056	3,941,041
		890,265,411	642,048,114

23.1 Guarantees

	Note	30 June 2024 (Un-Audited)	31 December 2023 (Audited)
Financial guarantees		31,785,876	29,705,918
Performance guarantees		49,902,017	55,811,913
Other guarantees		57,610,931	51,801,561
		139,298,824	137,319,392

23.2 Commitments

	Note	30 June 2024 (Un-Audited)	31 December 2023 (Audited)
Documentary credits and short-term trade-related transactions:			
Letters of credit		214,452,020	132,975,536
Commitments in respect of:			
Forward foreign exchange contracts	23.2.1	529,902,081	365,390,061
Forward lendings	23.2.2	3,006,069	2,119,000
Commitments in respect of:			
Acquisition of operating fixed assets		620,361	303,084
		747,980,531	500,787,681

	30 June 2024 (Un-Audited)	31 December 2023 (Audited)
	Rupees in '000	
23.2.1 Commitments in respect of forward foreign exchange contracts		
Purchase	277,362,065	190,089,104
Sale	252,540,016	175,300,957
	529,902,081	365,390,061

23.2.2 Commitments in respect of forward lendings

The Group has made commitments to extend credit in the normal course of its business, but none of these commitments are irrevocable and do not attract any penalty if the facility is unilaterally withdrawn, except for:

	Note	30 June 2024 (Un-Audited)	31 December 2023 (Audited)
		Rupees in '000	
Commitments in respect of syndicate financing		1,963,717	1,093,000
Commitments in respect of other financing transactions		1,042,352	1,026,000
		3,006,069	2,119,000
23.3 Other contingent liabilities			
Claims against bank not acknowledged as debt	23.3.1	2,880,000	3,834,985
Foreign Exchange repatriation case	23.3.2	106,056	106,056
		2,986,056	3,941,041

23.3.1 These mainly represent counter claims by borrowers for damages. Based on legal advice and internal assessments, management is confident that the matters will be decided in the Group's favour and the possibility of any adverse outcome is remote. Accordingly, no provision has been made in these consolidated financial statements.

23.3.2 While adjudicating foreign exchange repatriation cases of exporters, the Foreign Exchange Adjudicating Court of the State Bank of Pakistan has adjudicated penalty of Rs. 106,056 thousand, arbitrarily on the Bank. The Bank has filed appeals before the Appellate Board and Constitutional Petitions in the Honorable High Court of Sindh against the said judgment. The Honorable High Court has granted relief to Bank by way of interim orders. Based on merits of the appeals management is confident that these appeals shall be decided in favor of the Bank and therefore no provision has been made against the impugned penalty.

24. DERIVATIVE FINANCIAL INSTRUMENTS

The holding company deals in derivative financial instruments namely forward foreign exchange contracts and foreign currency swaps with the principal view of hedging the risks arising from its trade business.

As per the holding company's policy, these contracts are reported on their fair value at the statement of financial position date. The gains and losses from revaluation of these contracts are included under "Foreign exchange income". Mark to market gains and losses on these contracts are recorded on the statement of financial position under "other assets / other liabilities".

These products are offered to the holding company's customers to protect from unfavorable movements in foreign currencies. The holding company hedges such exposures in the inter-bank foreign exchange market.

These positions are reviewed on a regular basis by the holding company's Asset and Liability Committee (ALCO).

		Note	30 June 2024	30 June 2023
			(Un-Audited)	
			Rupees in '000	
25.	MARK-UP / RETURN / INTEREST EARNED			
	Loans and advances		37,561,283	32,616,855
	Investments	25.1.	82,012,975	63,239,148
	Lending with financial institutions		1,507,610	1,363,476
	Balances with banks		276,913	239,659
			121,358,781	97,459,138
	25.1 Interest income (calculated using effective interest rate method) recognised on:			
	Financial assets measured at amortised cost;		6,992,965	13,242,419
	Financial assets measured at fair value through P&L		1,961,808	4,674,297
	Financial assets measured at fair value through OCI.		73,058,202	45,322,432
			82,012,975	63,239,148
26.	MARK-UP / RETURN / INTEREST EXPENSED			
	Deposits		61,735,481	41,549,568
	Borrowings		23,286,348	20,321,380
	Foreign currency swap cost		4,226,265	3,487,771
	Lease liability against right-of-use assets		562,858	480,305
			89,810,952	65,839,024
27.	FEE & COMMISSION INCOME			
	Branch banking customer fees		647,249	603,944
	Credit related fees		21,997	16,378
	Card related fees		382,154	521,312
	Commission on trade		3,077,959	2,714,494
	Commission on guarantees		538,449	427,254
	Commission on remittances including home remittances		27,561	18,288
	Commission on bancassurance		54,688	85,656
	Commission on cash management		81,575	76,781
	Investment Banking Fee		26,781	51,852
	Others		58,809	42,919
			4,917,222	4,558,878

	Note	30 June 2024	30 June 2023
		(Un-Audited)	
		Rupees in '000	

28. GAIN / (LOSS) ON SECURITIES - NET

	Note	30 June 2024	30 June 2023
Realised	28.1	3,827	(211,327)
Unrealised - Measured at FVPL		681,758	–
		685,585	(211,327)

28.1 Realised gain on:

Federal government securities - net	(5,496)	(261,831)
Shares - net	–	50,504
Real estate investment trust - net	9,323	–
	3,827	(211,327)

28.2 Net gain / loss on financial assets / liabilities measured at FVPL:

Designated upon initial recognition	–	–
Mandatorily measured at FVPL	875,302	–
	875,302	–
Net gain / (loss) on financial assets / liabilities measured at amortised cost	–	–
Net gain / (loss) on financial assets measured at FVOCI	(189,717)	–
Net gain / (loss) on investments in equity instruments designated at FVOCI	–	–
	(189,717)	–
	685,585	–

29. OTHER INCOME

Rent on properties	13,801	9,051
Gain on sale of fixed assets - net	36,834	18,222
Gain on sale of ijarah assets - net	33,399	35,064
Staff notice period and other recoveries	871	388
	84,905	62,725

	30 June 2024	30 June 2023
	(Un-Audited)	
	Rupees in '000	

30. OPERATING EXPENSES

Total compensation expense	6,230,861	5,599,188
Property expense		
Rent & taxes	38,402	89,844
Insurance	6,322	4,099
Utilities cost	624,196	559,309
Security	513,961	387,592
Repair & maintenance	430,140	441,313
Depreciation on owned fixed assets	498,022	450,367
Depreciation on right-of-use assets	750,360	733,506
	2,861,403	2,666,030
Information technology expenses		
Software maintenance	365,445	277,348
Hardware maintenance	233,561	218,467
Depreciation	249,923	151,318
Amortisation	118,431	41,013
Network charges	408,058	283,135
	1,375,418	971,281
Other operating expenses		
Directors' fees and allowances	12,233	9,433
Fees and allowances to Shariah Board	15,379	15,441
Legal & professional charges	206,619	133,233
Outsourced services costs	177,900	164,859
Travelling & conveyance	416,843	331,467
NIFT clearing charges	47,856	51,573
Depreciation	422,930	324,506
Training & development	24,384	18,922
Postage & courier charges	95,336	81,459
Communication	94,199	81,132
Subscription	421,933	376,431
Repair & maintenance	154,831	111,831
Brokerage & commission	86,796	99,064
Stationery & printing	261,542	268,063
Marketing, advertisement & publicity	446,290	285,333
Management fee	538,186	929,286
Insurance	725,387	536,141
Donations	219,976	138,086
Auditors' Remuneration	22,625	17,664
Security	215,855	141,914
Others	400,526	396,355
	5,007,626	4,512,193
	15,475,308	13,748,692

	Note	30 June 2024 (Un-Audited)	30 June 2023
		Rupees in '000	

31. OTHER CHARGES

	Note	30 June 2024	30 June 2023
Penalties imposed by the SBP		72,788	32,198

32. CREDIT LOSS ALLOWANCE & WRITE OFFS - NET

	Note	30 June 2024	30 June 2023
Credit loss allowance against cash and balances with banks		120,081	–
Credit loss allowance against lending to financial institutions		1,171	–
Credit loss allowance for diminution in value of investments	10.2	381,586	61,744
Credit loss allowance against loans & advances	11.3	1,538,271	(683,769)
Credit loss allowance against other assets / off balance sheet obligation		32,784	2,999,907
Credit loss allowance against other libilities		81,006	–
Recovery of written off / charged off bad debts		–	(45,000)
		2,154,899	2,332,882

33. TAXATION

	Note	30 June 2024	30 June 2023
Current		10,585,896	12,633,328
Deferred		319,486	(1,813,178)
		10,905,382	10,820,150

34. BASIC AND DILUTED EARNINGS PER SHARE

	Note	30 June 2024	30 June 2023
Profit attributable to equity shareholders of the holding company		11,623,079	11,860,106
		Number in '000	
Weighted average number of ordinary shares		1,047,831	1,047,831
		Rupees	
Basic and diluted earnings per share		11.09	11.32

35. FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than investment in subsidiaries and those classified as amortised cost, is based on quoted market price. Quoted securities classified as amortised cost are carried at cost. The fair value of unquoted equity securities, other than investments in subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

The fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since they are either short-term in nature or, in the case of customer advances, deposits and certain long term borrowings are frequently repriced.

35.1 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 liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs).

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

On balance sheet financial instruments

	30 June 2024 (Un-Audited)			
	Fair value			
	Level 1	Level 2	Level 3	Total
	Rupees in '000			
Financial assets measured at fair value				
– FVTPL & FVOCI				
Federal government securities	4,415,000	728,764,338	–	733,179,338
Sukuk certificates and bonds	–	6,805,832	–	6,805,832
Ordinary shares of listed companies	6,017,834	–	–	6,017,834
Ordinary shares of unlisted companies	–	–	51,569	51,569
Mutual funds - open end	–	–	–	–
- close end	257,289	–	–	257,289
Real estate investment trust	2,662,209	–	–	2,662,209
Listed term finance certificates	–	1,324,457	–	1,324,457
Unlisted term finance certificates	–	3,208,895	–	3,208,895
Financial assets - disclosed but not measured at fair value				
– Investments				
– Amortised cost				
Federal government securities	–	94,976,753	–	94,976,753
	13,352,332	835,080,275	51,569	848,484,176
Off-balance sheet financial instruments measured at fair value				
– Forward purchase of foreign exchange contracts	–	273,993,395	–	273,993,395
– Forward sale of foreign exchange contracts	–	255,914,080	–	255,914,080

On balance sheet financial instruments

	31 December 2023 (Audited)			
	Fair value			
	Level 1	Level 2	Level 3	Total
	Rupees in '000			
Financial assets measured at fair value				
– Investments				
– Available-for-sale securities				
Federal government securities	–	802,747,878	–	802,747,878
Sukuk certificates and bonds	–	7,143,865	–	7,143,865
Ordinary shares of listed companies	4,699,654	–	–	4,699,654
Mutual funds - open end	–	230,712	–	230,712
- close end	8,255	–	–	8,255
Real estate investment trust	1,992,625	–	–	1,992,625
Listed term finance certificates	–	1,317,481	–	1,317,481
Unlisted term finance certificates	–	3,295,000	–	3,295,000
Financial assets - disclosed but not measured at fair value				
– Investments				
– Held-to-maturity securities				
Federal government securities	–	91,756,989	–	91,756,989
– Available-for-sale securities				
Ordinary shares of unlisted companies	–	–	–	–
	6,700,534	906,491,925	–	913,192,459
Off-balance sheet financial instruments measured at fair value				
– Forward purchase of foreign exchange contracts	–	187,821,748	–	187,821,748
– Forward sale of foreign exchange contracts	–	176,253,371	–	176,253,371

35.2 Fair value of non-financial assets

	30 June 2024 (Un-Audited)			
	Fair value			
	Level 1	Level 2	Level 3	Total
	Rupees in '000			
Non-financial assets measured at fair value				
– Fixed assets	–	–	10,423,769	10,423,769
– Non-banking assets acquired in satisfaction of claim	–	–	4,299,840	4,299,840
	–	–	14,723,609	14,723,609

	31 December 2023 (Audited)			
	Fair value			
	Level 1	Level 2	Level 3	Total
	Rupees in '000			
Non-financial assets measured at fair value				
– Fixed assets	–	–	10,735,947	10,735,947
– Non-banking assets acquired in satisfaction of claim	–	–	4,299,840	4,299,840
	–	–	15,035,787	15,035,787

Valuation techniques used in determination of fair valuation of financial instruments within level 2.

Federal government debt securities	The fair value of government securities are valued using PKRV,PKFRV and PKISRV rates.
Debt securities other than federal government securities	The fair value is determined using the prices / rates available on Mutual Funds Association of Pakistan (MUFAP) / Reuters.
Forward foreign exchange contracts	The fair values are derived using forward exchange rates applicable to their respective remaining maturities.
Mutual funds	The fair value is determined based on the net asset values published at the close of each business day.

Valuation techniques used in determination of fair values of non-financial assets within level 3.

Fixed assets and non-banking assets acquired in satisfaction of claim	Fixed assets and non-banking assets are valued by professionally qualified valuators. The valuation is based on their assessment of the market value of the assets. In determining the valuation for land and building the valuer refers to numerous independent market inquiries from local estate agents / realtors in the vicinity to establish the present market value. The fair valuation of land and building are considered to represent a level 3 valuation based on significant non-observable inputs being the location and condition of the assets. The fair value is subject to change owing to changes in input. However, management does not expect there to be a material sensitivity to the fair value arising from the non-observable inputs.

36. TRANSACTIONS WITH RELATED PARTIES

The Group has related party relationships with its ultimate parent company, associates, companies with common directorship, key management personnel, directors and employees' retirement benefit plans.

The Group 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 in respect of charge for employees' retirement benefits are made in accordance with actuarial valuation and terms of contribution plan. Salaries and allowances of the key management personnel are in accordance with the terms of their employment. Other transactions are at agreed terms.

Details of transactions with related parties during the period are as follows:

	30 June 2024 (Un-Audited)					
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000					
Balances with other banks						
In current accounts	858,548	518,525	–	–	–	1,377,073
Advances						
Opening balance	–	5,709,339	290,151	–	–	5,999,490
Addition during the period	–	90,431,652	7,525	–	–	90,439,177
Repaid during the period	–	(86,741,374)	12,276	–	–	(86,729,098)
Closing balance	–	9,399,617	309,952	–	–	9,709,569
Credit loss allowance held against advances	–	–	–	–	–	–
Other Assets						
Mark-up / return / interest receivable	–	43,600	–	–	–	43,600
Prepayments / advance deposits / other receivables	936	91,407	–	–	–	92,343
	936	135,007	–	–	–	135,943
Credit loss allowance against other assets	–	–	–	–	–	–
Deposits and other accounts						
Opening balance	242,044	25,121,296	319,529	822,094	1,579,293	28,084,256
Received during the period	13,259,061	1,539,566,113	487,669	1,347,184	2,034,144	1,556,694,171
Withdrawn during the period	(13,193,803)	(1,552,257,344)	(497,074)	(1,227,097)	(2,168,125)	(1,569,343,443)
Closing balance	307,302	12,430,065	310,124	942,181	1,445,312	15,434,984
Other Liabilities						
Mark-up / return / interest payable	–	155,840	5,874	9,979	103,234	274,927
Management fee payable for technical and consultancy services*	2,035,439	–	–	–	–	2,035,439
Other payables	–	748	–	995	171,093	172,836
	2,035,439	156,588	5,874	10,974	274,327	2,483,202
Contingencies & commitments						
Transaction– related contingent liabilities	–	12,310,128	–	–	–	12,310,128
Trade– related contingent liabilities	–	7,555,361	–	–	–	7,555,361
	–	19,865,489	–	–	–	19,865,489

* Management fee is as per the agreement with the holding company .

	31 December 2023 (Audited)					
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000					
Balances with other banks						
In current accounts	680,649	186,957	–	–	–	867,606
Advances						
Opening balance	–	4,923,312	247,128	–	–	5,170,440
Addition during the year	–	107,246,311	144,741	–	–	107,391,052
Repaid during the year	–	(106,460,284)	(101,718)	–	–	(106,562,002)
Closing balance	–	5,709,339	290,151	–	–	5,999,490
Provision against advances	–	–	–	–	–	–
Other Assets						
Mark-up / return / interest receivable	–	88,690	–	–	–	88,690
Prepayments / advance deposits / other receivables	468	59,669	–	–	60,450	120,587
	468	148,359	–	–	60,450	209,277
Provision against other assets	–	–	–	–	–	–
Deposits and other accounts						
Opening balance	186,031	21,811,626	395,587	703,394	1,267,570	24,364,208
Received during the year	25,230,932	2,458,473,253	3,199,802	1,710,093	5,434,990	2,494,049,070
Withdrawn during the year	(25,174,919)	(2,455,163,584)	(3,275,860)	(1,591,393)	(5,123,266)	(2,490,329,022)
Closing balance	242,044	25,121,296	319,529	822,094	1,579,293	28,084,256
Other Liabilities						
Mark-up / return / interest payable	–	254,878	8,517	8,523	104,940	376,858
Management fee payable for technical and consultancy services *	1,850,085	–	–	–	–	1,850,085
Other payables	–	630	–	995	–	1,625
	1,850,085	255,508	8,517	9,518	104,940	2,228,568
Contingencies & commitments						
Transaction-related contingent liabilities	–	10,950,031	–	–	–	10,950,031
Trade-related contingent liabilities	–	1,920,863	–	–	–	1,920,863
	–	12,870,894	–	–	–	12,870,894

* Management fee is as per the agreement with the holding company .

Transactions during the period

	For the period ended 30 June 2024 (Un-Audited)					
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000					
Income						
Mark-up / return / interest earned	–	43,610	7,525	–	–	51,135
Fee and commission income	93	492,843	–	133	7	493,076
Rent income	2,808	5,170	–	–	–	7,978
Expense						
Mark-up / return / interest expensed	–	1,523,284	22,173	42,976	144,479	1,732,912
Commission / brokerage / bank charges paid	101	1,411	–	–	–	1,512
Salaries and allowances	–	–	390,615	–	–	390,615
Directors' fees and allowances	–	–	–	13,446	–	13,446
Charge to defined benefit plan	–	–	–	–	166,325	166,325
Contribution to defined contribution plan	–	–	–	–	190,062	190,062
Insurance premium expenses	–	30,525	–	–	–	30,525
Management fee expense for technical and consultancy services *	538,186	–	–	–	–	538,186
Donation	–	960	–	–	–	960

* Management fee is as per the agreement with the ultimate parent company.

Transactions during the period

	For the period ended 30 June 2023 (Un-Audited)					
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000					
Income						
Mark-up / return / interest earned	–	222,074	46,305	–	–	268,379
Fee and commission income	53	142,700	–	78	–	142,831
Rent income	2,808	5,170	–	–	–	7,978
Expense						
Mark-up / return / interest expensed	–	1,321,194	21,568	26,569	139,572	1,508,903
Commission / Brokerage / Bank charges paid	49	4,919	–	–	–	4,968
Salaries and allowances	–	–	421,875	–	–	421,875
Directors' fees and allowances	–	–	–	9,433	–	9,433
Charge to defined benefit plan	–	–	–	–	154,391	154,391
Contribution to defined contribution plan	–	–	–	–	166,381	166,381
Insurance premium expenses	–	12,221	–	–	–	12,221
Management fee expense for technical and consultancy services *	929,286	–	–	–		929,286
Donation	–	960	–	–	–	960

* Management fee is as per the agreement with the ultimate parent company.

37. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	30 June 2024 (Un-Audited)			
	Trade & Sales	Retail Banking	Commercial Banking	Total
	Rupees in '000			
Profit and Loss				
Net mark-up / return / interest /profit	67,581,533	(28,459,278)	(7,574,426)	31,547,829
Inter segment revenue - net	(71,770,557)	45,219,507	26,551,050	–
Non mark-up / return / interest income	4,485,015	428,724	4,548,269	9,462,008
Total Income	295,991	17,188,952	23,524,894	41,009,837
Segment direct expenses	(345,746)	–	–	(345,746)
Inter segment expense allocation	–	(5,048,354)	(10,616,084)	(15,664,438)
Total expenses	(345,746)	(5,048,354)	(10,616,084)	(16,010,184)
Credit loss allowance	(381,638)	(35,498)	(1,737,763)	(2,154,899)
Profit before tax	(431,393)	12,105,100	11,171,047	22,844,754
Balance Sheet				
Cash and bank balances	10,232,207	32,569,769	66,669,977	109,471,953
Investments - net	867,151,761	–	–	867,151,761
Net inter segment lending	–	483,770,987	276,390,704	760,161,691
Lendings to financial institutions	5,022,730	–	–	5,022,730
Advances - performing	–	18,367,165	440,496,104	458,863,269
Advances - non-performing	–	445,325	25,685,710	26,131,035
Credit loss allowance against advances	–	(133,250)	(27,221,364)	(27,354,614)
Others	30,718,728	9,293,072	78,526,100	118,537,900
Total assets	913,125,426	544,313,068	860,547,231	2,317,985,725
Borrowings	102,433,218	–	127,798,581	230,231,799
Subordinated debt	–	–	–	–
Deposits and other accounts	–	493,402,269	603,995,893	1,097,398,162
Net inter segment borrowing	760,161,691	–	–	760,161,691
Others	3,917,104	21,288,379	100,033,255	125,238,738
Total liabilities	866,512,013	514,690,648	831,827,729	2,213,030,390
Net Assets	46,613,413	29,622,420	28,719,502	104,955,335

	30 June 2023 (Un-Audited)			
	Trade & Sales	Retail Banking	Commercial Banking	Total
	Rupees in '000			
Profit and Loss				
Net mark-up / return / interest /profit	50,034,104	(19,311,570)	897,580	31,620,114
Inter segment revenue - net	(48,092,991)	30,426,055	17,666,936	–
Non mark-up / return / interest income	3,391,408	738,057	3,866,673	7,996,138
Total Income	5,332,521	11,852,542	22,431,189	39,616,252
Segment direct expenses	(235,577)	–	–	(235,577)
Inter segment expense allocation	–	(4,432,625)	(9,653,753)	(14,086,378)
Total expenses	(235,577)	(4,432,625)	(9,653,753)	(14,321,955)
Provision	(61,651)	(11,054)	(2,260,177)	(2,332,882)
Profit before tax	5,035,293	7,408,863	10,517,259	22,961,415

	31 December 2023 (Audited)			
Balance Sheet				
Cash and bank balances	21,270,067	29,853,257	61,613,686	112,737,010
Investments - net	920,634,761	–	–	920,634,761
Net inter segment lending	–	456,265,123	263,545,211	719,810,334
Lendings to financial institutions	5,496,284	–	–	5,496,284
Advances - performing	–	16,829,682	423,388,340	440,218,022
Advances - non-performing	–	330,126	20,443,231	20,773,357
Provision against advances	–	(201,087)	(27,157,690)	(27,358,777)
Others	28,147,337	8,678,456	64,336,328	101,162,121
Total assets	975,548,449	511,755,557	806,169,106	2,293,473,112
Borrowings	198,311,389	–	136,959,469	335,270,858
Deposits and other accounts	–	463,433,999	548,051,774	1,011,485,773
Net inter segment borrowing	719,810,334	–	–	719,810,334
Others	5,000,244	19,316,073	104,400,623	128,716,940
Total liabilities	923,121,967	482,750,072	789,411,866	2,195,283,905
Net Assets	52,426,482	29,005,485	16,757,240	98,189,207
Equity				98,189,207
Contingencies and commitments	365,390,061	9,000	276,649,053	642,048,114

38. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	30 June 2024 (Un-Audited)	31 December 2023 (Audited)
	Rupees in '000	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	10,478,315	10,478,315
Capital Adequacy Ratio (CAR):		
Eligible common equity tier 1 (CET 1) capital	92,738,872	89,001,463
Eligible additional tier 1 (ADT 1) capital	44,381	38,306
Total eligible tier 1 capital	92,783,253	89,039,769
Eligible tier 2 capital	9,048,189	8,940,628
Total eligible capital (tier 1 + tier 2)	101,831,442	97,980,397
Risk Weighted Assets (RWAs):		
Credit risk	469,794,131	428,865,561
Market risk	3,246,006	2,408,671
Operational risk	115,752,384	115,752,388
Total	588,792,521	547,026,620
CET 1 capital adequacy ratio	15.75%	16.27%
Tier 1 capital adequacy ratio	15.76%	16.28%
Total capital adequacy ratio	17.29%	17.91%
Minimum capital requirements prescribed by SBP		
CET 1 capital adequacy ratio	6.00%	6.00%
Tier 1 capital adequacy ratio	7.50%	7.50%
Total capital adequacy ratio	11.50%	11.50%

The Group use simple, maturity method and basic indicator approach for credit risk, market risk and operational risk exposures respectively in the capital adequacy calculation.

Leverage Ratio (LR):		
Eligible tier-1 capital	92,783,253	89039769
Total exposures	1,964,809,451	1,860,804,377
Leverage ratio	4.72%	4.79%

39. ISLAMIC BANKING BUSINESS

The holding comnpany is operating 220 (31 December 2023: 117) Islamic banking branches and 187 (31 December 2023: 233) Islamic banking windows at the end of the period.

	Note	30 June 2024 (Un-Audited)	31 December 2023 (Audited)
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks		17,839,011	11,119,511
Balances with other banks		12,606	2,956
Due from financial institutions		–	–
Investments	39.1	85,894,812	77,555,576
Islamic financing and related assets - net	39.2	115,421,560	114,142,247
Property and equipment		699,137	318,450
Right-of-use assets		2,551,427	2,026,102
Intangible assets		–	–
Due from Head Office		30,656,650	–
Other assets		10,548,509	11,007,766
		263,623,712	216,172,608
LIABILITIES			
Bills payable		6,761,421	1,707,901
Due to financial institutions		30,409,749	35,303,574
Deposits and other accounts	39.3	204,206,776	147,905,702
Due to Head Office		–	4,644,318
Lease liabilities		3,237,005	2,143,764
Subordinated debt		–	–
Other liabilities		6,371,608	9,337,229
		250,986,559	201,042,488
NET ASSETS		12,637,153	15,130,120
REPRESENTED BY			
Islamic Banking Fund		11,006,959	10,007,047
Reserves		–	–
Surplus / (deficit) on revaluation of assets		225,988	402,256
Unappropriated profit	39.4	1,404,206	4,720,817
		12,637,153	15,130,120
CONTINGENCIES AND COMMITMENTS	39.5		

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

	Note	Half year ended 30 June 2024	Half year ended 30 June 2023
		(Un-Audited)	
		Rupees in '000	
PROFIT AND LOSS ACCOUNT			
Profit / return earned	39.6	17,555,356	12,232,295
Profit / return expensed	39.7	(10,830,345)	(6,727,577)
Net Profit / return		6,725,011	5,504,718
Other income			
Fee and commission income		502,640	319,798
Dividend income		–	–
Foreign exchange income		69,675	55,900
Income / (loss) from derivatives		–	–
Gain / (loss) on securities - net		(81,303)	–
Other income		36,062	11,280
Total other income		527,074	386,978
Total Income		7,252,085	5,891,696
Other expenses			
Operating expenses		3,284,080	1,263,217
Workers' welfare fund		–	–
Other charges		107	1,140
Total other expenses		3,284,187	1,264,357
Profit before credit loss allowance		3,967,898	4,627,339
Credit loss allowance and write offs - net		(1,214,552)	(241,658)
Profit before taxation		2,753,346	4,385,681
Taxation		(1,349,140)	(2,148,984)
Profit after taxation		1,404,206	2,236,697

39.1 Investments by segments

	30 June 2024 (Un-Audited)			
	Cost / amortised cost	Credit loss allowance for diminution	Surplus / (deficit)	Carrying value
	Rupees in '000			
Debt Instruments				
Measured at amortised cost				
Federal government securities				
- Ijarah Sukuk	2,969,063	–	–	2,969,063
Certificate of investment	5,500,000	(52)	–	5,499,948
	8,469,063	(52)	–	8,469,011
Measured at FVOCI				
Federal government securities				
- Ijarah Sukuk	67,661,135	–	368,764	68,029,899
Non Government Debt Securities	6,728,607	(340,000)	(140,807)	6,247,800
	74,389,742	(340,000)	227,957	74,277,699
Instruments mandatory classified / measured at FVTPL	3,150,071	–	(1,969)	3,148,102
Total investments	86,008,876	(340,052)	225,988	85,894,812

	31 December 2023 (Audited)			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	Rupees in '000			
Federal Government Securities				
- Ijarah Sukuk	59,720,420	–	586,847	60,307,267
- Investment pool	5,484,444	–	–	5,484,444
	65,204,864	–	586,847	65,791,711
Non Government Debt Securities				
- Listed	6,768,455	–	(180,655)	6,587,800
- Unlisted	5,180,000	–	(3,935)	5,176,065
	11,948,455	–	(184,590)	11,763,865
Total investments	77,153,319	–	402,257	77,555,576

39.1.1 Particulars of credit loss allowance

	30 June 2024 (Un-Audited)			
	Stage 1	Stage 2	Stage 3	Total
	Rupees in '000			
Certificate of investment	52	–	–	52
Non Government Debt Securities	–	–	340,000	340,000
	52	–	340,000	340,052

39.2 Islamic financing and related assets - net

	30 June 2024 (Un-Audited)			
	Financing	Advances	Inventory	Total
	Rupees in '000			
Ijarah	639,253	26,598	–	665,851
Ijarah - islamic long term financing facility	16,016	–	–	16,016
Murabaha	4,806,180	897,433	–	5,703,613
Working capital musharaka	42,839,117	–	–	42,839,117
Diminishing musharaka	17,398,562	4,807,127	–	22,205,689
Salam	–	–	–	–
Istisna	3,101,287	5,807,398	2,757,773	11,666,458
Al-bai	1,463,654	–	876,645	2,340,299
Diminishing musharaka:				
- Islamic long term financing facility	3,615,121	–	–	3,615,121
- Islamic refinance scheme for payment of wages and salaries	–	93,534	–	93,534
- Islamic financing facility for storage of agricultural produce	583,307	–	–	583,307
- Islamic temporary economic refinance facility	11,660,835	–	–	11,660,835
- Islamic financing facility for renewable energy	514,511	50,000	–	564,511
Islamic Export Refinance				
- Murabaha	–	–	–	–
- Working capital musharaka	10,806,851	–	–	10,806,851
- Salam	–	–	–	–
- Istisna	539,636	3,719,338	47,394	4,306,368
- Al-bai	29,999	–	1,837,903	1,867,902
Gross islamic financing and related assets	98,014,329	15,401,428	5,519,715	118,935,472
Less credit loss allowances:				
- Stage 1	(124,643)	(21,537)	(12,247)	(158,427)
- Stage 2	(1,133,075)	(104,657)	(48,055)	(1,285,787)
- Stage 3	(2,069,698)	–	–	(2,069,698)
	(3,327,416)	(126,194)	(60,302)	(3,513,912)
Islamic financing and related assets - net of Credit loss allowance	94,686,913	15,275,234	5,459,413	115,421,560

	31 December 2023 (Audited)			
	Financing	Advances	Inventory	Total
	Rupees in '000			
Ijarah	753,507	29,589	–	783,096
Ijarah - islamic long term financing facility	19,727	–	–	19,727
Murabaha	4,061,236	58,969	–	4,120,205
Working capital musharaka	41,790,198	–	–	41,790,198
Diminishing musharaka	18,051,336	493,346	–	18,544,682
Salam	–	–	–	–
Istisna	4,702,421	3,617,508	720,628	9,040,557
Al-bai	2,796,402	–	1,800,750	4,597,152
Diminishing musharaka:				
- Islamic long term financing facility	3,895,893	–	–	3,895,893
- Islamic refinance scheme for payment of wages and salaries	–	93,534	–	93,534
- Islamic financing facility for storage of agricultural produce	614,449	–	–	614,449
- Islamic temporary economic refinance facility	12,564,438	–	–	12,564,438
- Islamic financing facility for renewable energy	565,892	–	–	565,892
Islamic Export Refinance				
- Murabaha	–	–	–	–
- Working capital musharaka	10,344,359	–	–	10,344,359
- Salam	–	–	–	–
- Istisna	(175,888)	5,971,218	87,824	5,883,154
- Al-bai	–	–	1,840,566	1,840,566
Gross islamic financing and related assets	99,983,970	10,264,164	4,449,768	114,697,902
Provision against non-performing islamic financings				
- Specific	(542,991)	–	–	(542,991)
- General	(12,664)	–	–	(12,664)
	(555,655)	–	–	(555,655)
Islamic financing and related assets - net of provision	99,428,315	10,264,164	4,449,768	114,142,247

39.3 Deposits

	30 June 2024 (Un-Audited)			31 December 2023 (Audited)		
	Customers	Financial Institutions	Total	Customers	Financial Institutions	Total
	Rupees in '000					
Current deposits	94,769,224	464,864	95,234,088	58,112,522	61,371	58,173,893
Savings deposits	58,332,571	3,685,028	62,017,599	52,685,225	1,716,548	54,401,773
Term deposits	43,413,592	135,000	43,548,592	31,990,623	135,000	32,125,623
Others	3,406,497	–	3,406,497	3,204,413	–	3,204,413
	199,921,884	4,284,892	204,206,776	145,992,783	1,912,919	147,905,702

	30 June 2024 (Un-Audited)	31 December 2023 (Audited)
	Rupees in '000	
39.4 Unappropriated profit		
Opening balance	4,720,817	2,604,686
Add: islamic banking profit for the period	2,753,346	9,256,503
Less: taxation	(1,349,140)	(4,535,686)
Less: transferred to head office	(4,720,817)	(2,604,686)
Closing balance	1,404,206	4,720,817
39.5 Contingencies and commitments		
Guarantees	13,526,850	13,819,209
Commitments	22,424,091	17,509,845
	35,950,941	31,329,054

	30 June 2024 (Un-Audited)	30 June 2023 (Un-Audited)
	Rupees in '000	
39.6 Profit / return earned of financing, investments and placement		
Financing	9,322,790	7,587,772
Investments	7,670,315	4,518,450
Placements	562,251	126,073
	17,555,356	12,232,295

	30 June 2024 (Un-Audited)	30 June 2023 (Un-Audited)
	Rupees in '000	
39.7 Profit / return on deposits and other dues expensed		
Deposits and other accounts	8,830,718	5,523,502
Due to financial institutions	1,808,827	1,171,195
Discount expense on lease liability against right-of-use assets	190,800	32,880
	10,830,345	6,727,577

40. GENERAL

40.1 The figures have been rounded off to nearest thousand rupees, unless otherwise stated.

40.2 Comparative information has been re-classified, re-arranged or additionally incorporated in these unconsolidated condensed interim financial statements wherever necessary to facilitate comparison and better presentation. However, no major reclassifications have been made except for the classifications for IFRS-9.

41. NON-ADJUSTING EVENT AFTER STATEMENT OF FINANCIAL POSITION / DATE OF AUTHORISATION FOR ISSUE

41.1 The Board of Directors in its meeting held on 22 August 2024 has approved an interim cash dividend of Rs. 2.5 per share (2023: interim cash dividend of Rs. 5 per share).

41.2 These unconsolidated condensed interim financial statements were authorised for issue on 22 August 2024 by the Board of Directors of the Bank.

FUZAIL ABBAS	KHURRAM SHAHZAD KHAN	MOHOMED BASHIR	RASHID AHMED JAFER	MOHAMEDALI R. HABIB
Chief Financial Officer	President & Chief Executive Officer	Director	Director	Chairman

HABIB METROPOLITAN BANK

[Subsidiary of Habib Bank AG Zurich]

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