HABIB METROPOLITAN BANK

[Subsidiary of Habib Bank AG Zurich]

Habib Metropolitan Bank Ltd.

[Subsidiary of Habib Bank AG Zurich]

Consolidated Accounts for the nine months ended 30 September 2024 (Un-audited)

CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2024

	Note	30 September 2024 (Un-Audited)	31 December 2023 (Audited)
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks	7	100,587,433	91,467,062
Balances with other banks	8	5,352,393	21,269,948
Lendings to financial institutions	9	30,970,815	5,496,284
Investments	10	918,041,169	920,634,761
Advances	11	505,988,135	433,632,602
Property and equipment	12	17,237,110	15,782,163
Right-of-use assets	13	8,463,137	7,625,010
Intangible assets	14	576,350	368,333
Deferred tax assets	20	–	5,265,313
Other assets	15	101,283,076	72,121,302
Total Assets		1,688,499,618	1,573,662,778
LIABILITIES			
Bills payable	16	42,620,328	28,352,699
Borrowings	17	370,406,126	335,270,858
Deposits and other accounts	18	1,044,071,947	1,011,485,773
Lease liabilities	19	10,215,409	9,086,176
Sub-ordinated debts		–	–
Deferred tax liabilities	20	2,377,653	–
Other liabilities	21	102,446,394	91,278,065
Total Liabilities		1,572,137,857	1,475,473,571
NET ASSETS		116,361,761	98,189,207
REPRESENTED BY			
Share capital		10,478,315	10,478,315
Reserves		35,238,086	31,432,768
Surplus / (deficit) on revaluation of assets	22	13,554,195	4,829,814
Unappropriated profit		52,527,516	47,254,919
		111,798,112	93,995,816
Non-controlling interest		4,563,649	4,193,391
		116,361,761	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	RASHID AHMED JAFER	MOHOMED BASHIR	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 NINE MONTHS ENDED 30 SEPTEMBER 2024

	Note	Quarter ended		Nine months ended	
		30 September 2024	30 September 2023	30 September 2024	30 September 2023
		Rupees in '000			
Mark-up / return / interest earned	25	64,815,637	53,378,676	186,174,418	150,837,814
Mark-up / return / interest expensed	26	(44,905,891)	(32,348,388)	(134,716,843)	(98,187,412)
Net mark-up / interest income		19,909,746	21,030,288	51,457,575	52,650,402
Non mark-up / interest income					
Fee and commission income	27	2,961,041	2,533,938	7,878,263	7,092,816
Dividend income		196,034	186,655	550,809	465,326
Foreign exchange income		1,667,370	137,600	5,086,891	3,444,791
Income / (loss) from derivatives		–	–	–	–
Gain / (loss) on securities - net	28	813,361	109,097	1,498,946	(102,230)
Net gains/(loss) on derecognition of financial assets measured at amortised cost		–	–	–	–
Other income	29	18,484	11,428	103,389	74,153
Total non mark-up / interest income		5,656,290	2,978,718	15,118,298	10,974,856
Total Income		25,566,036	24,009,006	66,575,873	63,625,258
Non mark-up / interest expenses					
Operating expenses	30	8,972,810	7,739,957	24,448,118	21,488,649
Workers' welfare fund		310,885	255,591	772,973	796,656
Other charges	31	82,942	2,925	155,730	35,123
Total non-mark-up / interest expenses		(9,366,637)	(7,998,473)	(25,376,821)	(22,320,428)
Profit / (Loss) before credit loss allowance		16,199,399	16,010,533	41,199,052	41,304,830
Credit loss allowance and write offs - net	32	(1,067,542)	(1,137,697)	(3,222,441)	(3,470,579)
Extra ordinary / unusual items		–	–	–	–
Profit before taxation		15,131,857	14,872,836	37,976,611	37,834,251
Taxation	33	(7,422,660)	(7,253,105)	(18,328,042)	(18,073,255)
Profit after taxation		7,709,197	7,619,731	19,648,569	19,760,996
PROFIT ATTRIBUTABLE TO:					
Equity shareholders of the holding company		7,482,610	7,452,436	19,105,689	19,312,542
Non-controlling interest		226,587	167,295	542,880	448,454
		7,709,197	7,619,731	19,648,569	19,760,996
		Rupees			
Basic and diluted earnings per share	34	7.14	7.11	18.23	18.43

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

FUZAIL ABBAS	KHURRAM SHAHZAD KHAN	RASHID AHMED JAFER	MOHOMED BASHIR	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 NINE MONTHS ENDED 30 SEPTEMBER 2024

	Quarter ended		Nine months ended	
	30 September 2024	30 September 2023	30 September 2024	30 September 2023
	Rupees in '000			
Profit after taxation for the period	7,709,197	7,619,731	19,648,569	19,760,996
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	(921)	163	(1,499)	14,429
Movement in surplus on revaluation of debt investments through FVOCI - net of tax	6,443,353	–	8,174,331	–
Movement in surplus / (deficit) on revaluation of available for sale investments - net of tax	–	1,658,860	–	16,211
	6,442,432	1,659,023	8,172,832	30,640
Items that will not be reclassified to profit and loss in subsequent periods:				
Remeasurement gain / (loss) on defined benefit obligations - net of tax	24,198	62,283	(16,655)	(31,124)
Movement in deficit on revaluation of property and equipment - net of tax	–	–	–	(203,449)
Movement in surplus on revaluation of non-banking assets - net of tax	–	–	513,302	(94,289)
Movement in surplus / (deficit) on revaluation of equity investments through FVOCI - net of tax	344,902	–	828,121	–
	369,100	62,283	1,324,768	(328,862)
Total comprehensive income	14,520,729	9,341,037	29,146,169	19,462,774
Equity shareholders of the holding company	14,163,654	9,177,353	28,579,079	19,015,571
Non-controlling interest	357,075	163,684	567,090	447,203
	14,520,729	9,341,037	29,146,169	19,462,774

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

FUZAIL ABBAS	KHURRAM SHAHZAD KHAN	RASHID AHMED JAFER	MOHOMED BASHIR	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 QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2024

	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												
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	–	–	–	–	–	–	–	–	–	19,312,542	19,312,542	448,454	19,760,996
Other comprehensive income - net of tax													
Effect of translation of net investment in an offshore branch - net of tax	–	–	–	–	–	–	14,429	–	–	–	14,429	–	14,429
Movement in surplus / (deficit) on revaluation of investments - net of tax	–	–	–	–	–	–	–	17,462	–	–	17,462	(1,251)	16,211
Remeasurement gain / (loss) on defined benefit obligations - net of tax	–	–	–	–	–	–	–	–	–	(31,124)	(31,124)	–	(31,124)
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	–	–	–	–	–	–	14,429	17,462	(297,738)	(31,124)	(296,971)	(1,251)	(298,222)
Transfer to statutory reserve	–	–	–	–	–	4,436,616	–	–	–	(4,436,616)	–	–	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	–	–	–	–	–	–	–	–	(111,847)	111,847	–	–	-
Transactions with owners, recorded directly in equity													
Cash dividend by Habib Metropolitan Bank (Rs. 3.25) per share for the year ended 31 December 2022	–	–	–	–	–	–	–	–	–	(3,405,452)	(3,405,452)	–	(3,405,452)
Interim dividend by Habib Metropolitan Bank (Rs. 5.00) per share for the year ended 31 December 2023	–	–	–	–	–	–	–	–	–	(5,239,157)	(5,239,157)	–	(5,239,157)
Profit distribution by Habib Metro Modaraba (Rs. 1.00) per certificate) for the period ended 30 June 2023	–	–	–	–	–	–	–	–	–	–	–	(187,459)	(187,459)
Balance as at 30 September 2023 (Un-audited)	10,478,315	2,550,985	340,361	1,500,000	31,002	25,958,963	19,358	(4,773,175)	6,410,469	42,896,982	85,413,260	3,944,952	89,358,212

	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		–	–	–	–	–	–	–	–	–	5,243,960	5,243,960	230,937	5,474,897
Other comprehensive income - net of tax														
Effect of translation of net investment in an offshore branch - net of tax		–	–	–	–	–	–	(8,049)	–	–	–	(8,049)	–	(8,049)
Movement in surplus / (deficit) on revaluation of investments - net of tax		–	–	–	–	–	–	–	3,233,455	–	–	3,233,455	17,502	3,250,957
Remeasurement gain / (loss) on defined benefit obligations - net of tax		–	–	–	–	–	–	–	–	–	103,557	103,557	–	103,557
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		–	–	–	–	–	–	(8,049)	3,233,455	9,633	103,557	3,338,596	17,502	3,356,098
Transfer to statutory reserve		–	–	–	–	–	1,040,148	–	–	–	(1,040,148)	–	–	–
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax		–	–	–	–	–	–	–	–	(50,568)	50,568	–	–	–
Balance as at 31 December 2023 (Audited)		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)	–	410,349	225,448	–	225,448
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	47,665,268	94,221,264	4,193,391	98,414,655

		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												
Profit after taxation for the period	–	–	–	–	–	–	–	–	–	19,105,689	19,105,689	542880	19,648,569
Other comprehensive income for the period - net of tax													
Effect of translation of net investment in an offshore branch - net of tax	–	–	–	–	–	–	(1,499)	–	–	–	(1,499)	–	(1,499)
Movement in surplus / (deficit) on revaluation of debt investments through FVOCI - net of tax	–	–	–	–	–	–	–	8,174,331	–	–	8,174,331	–	8,174,331
Movement in surplus / (deficit) on revaluation of equity investments through FVOCI - net of tax	–	–	–	–	–	–	–	803,911	–	–	803,911	24,210	828,121
Remeasurement gain / (loss) on defined benefit obligations - net of tax	–	–	–	–	–	–	–	–	–	(16,655)	(16,655)	–	(16,655)
Movement in surplus on revaluation of non -banking assets - net of tax	–	–	–	–	–	–	–	–	513,302	–	513,302	–	513,302
Total comprehensive income	–	–	–	–	–	–	(1,499)	8,978,242	513,302	(16,655)	9,473,390	24,210	9,497,600
Gain on sale of equity shares - FVOCI - net of tax	–	–	–	–	–	–	–	(460,342)	–	460,342	–	–	–
Transfer to statutory reserve	–	–	–	–	–	3,806,817	–	–	–	(3,806,817)	–	–	–
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	–	–	–	–	–	–	–	–	(121,920)	121,920	–	–	–
Transactions with owners, recorded directly in equity													
Cash dividend by Habib Metropolitan Bank (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 Habib Metropolitan Bank for the quarter ended 31 March 2024	–	–	–	–		–	–	–	–	(2,619,579)	(2,619,579)	–	(2,619,579)
Interim cash dividend (Rs. 2.50) per share Habib Metropolitan Bank for the quarter ended 30 June 2024	–	–	–	–	–	–	–	–	–	(2,619,579)	(2,619,579)	–	(2,619,579)
Profit distribution by Habib Metro Modaraba (Rs. 2.10) per certificate) for the period ended 30 June 2023	–	–	–	–	–	–	–	–	–	–	–	(196,832)	(196,832)
Balance as at 30 September 2024	10,478,315	2,550,985	340,361	1,500,000	31,002	30,805,928	9,810	6,793,279	6,760,916	52,527,516	111,798,112	4,563,649	116,361,761

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

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

CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2024

	Note	30 September 2024	30 September 2023
		(Un-Audited)	
		Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		37,976,611	37,834,251
Less: Dividend income		(550,809)	(465,326)
		37,425,802	37,368,925
Adjustments			
Net mark-up / interest income		(51,457,575)	(52,650,402)
Depreciation on operating fixed assets		1,810,899	1,446,395
Depreciation on right-of-use assets		1,136,748	1,074,414
Amortization		187,347	85,313
Markup on Lease liability against right-of-use assets		879,584	716,593
Credit loss allowance and write offs excluding recovery of written off bad debts	32	3,222,441	3,515,579
Gain on sale of fixed assets - net		(39,188)	(22,691)
Provision against workers' welfare fund		772,973	796,656
Unrealized gain FVTPL securities		(812,531)	–
Provision against compensated absences		117,369	96,482
Provision against defined benefit plan		251,716	232,855
		(43,930,217)	(44,708,806)
		(6,504,415)	(7,339,881)
(Increase) / decrease in operating assets			
Securities classified as FVPL		(11,879,380)	–
Lendings to financial institutions		(25,488,198)	35,293,306
Advances		(74,056,914)	2,912,100
Other assets (excluding dividend and non-banking assets)		(4,918,332)	(4,460,149)
		(116,342,824)	33,745,257
Increase / (decrease) in operating liabilities			
Bills payable		14,267,629	(783,944)
Borrowings from financial institutions		25,406,680	(145,838,120)
Deposits and other accounts		32,586,174	86,959,312
Other liabilities (excluding current taxation)		(3,792,850)	11,782,356
		68,467,633	(47,880,396)
		(54,379,606)	(21,475,020)
Payment against compensated absences		(66,969)	(82,982)
Payment against workers' welfare fund		(21,645)	(8,642)
Contribution to the defined benefit plan		(68,039)	(20,343)
Mark-up / Interest received		177,626,989	140,424,041
Mark-up / Interest paid		(135,056,416)	(95,463,603)
Income tax paid		(21,086,396)	(15,951,699)
Net cash flow (used in) from operating activities		(33,052,082)	7,421,752
CASH FLOWS FROM INVESTING ACTIVITIES			
Net Investments in securities classified as FVOCI		16,244,536	–
Net investments in amortized cost securities		16,211,264	–
Net Investments in available for sale securities		–	(106,033,933)
Net Investments in held to maturity securities		–	145,135,119
Dividend received		550,809	424,894
Investments in property and equipment		(3,288,955)	(2,102,979)
Investments in intangible assets		(384,689)	(295,542)
Proceeds from sale of property and equipment		65,901	38,093
Effect of translation of net investment in an offshore branch		(1,499)	10,710
Net cash flow from investing activities		29,397,367	37,176,362
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(10,913,578)	(9,678,617)
Payment of lease liability against right-of-use assets		(1,725,226)	(1,531,502)
Net cash used in financing activities		(12,638,804)	(11,210,119)
(Decrease) / increase in cash and cash equivalents		(16,293,519)	33,387,995
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		95,554,853	109,664,049

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

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

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 Habib Metro Exchange Company (Private) 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 550 (31 December 2023: 525) branches, including 222 (31 December 2023: 117) Islamic banking branches, an offshore branch (Karachi Export Processing Zone branch) and 1 (31 December 2023: 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 Company 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 condensed 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 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)	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)	26,847,155	1,005,972	–	1,005,972	(26,352,805)
			433,632,602	–	–	(25,841,183)	26,847,155	1,005,972	–	1,005,972	434,638,574
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)	27,154,445	929,259	(467,302)	461,957	1,574,124,735
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)	27,187,028	442,055	(467,302)	(25,247)	98,163,960
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)	27,187,028	804,606	(394,257)	410,349	47,665,268
			93,995,816	–	(219,607)	(26,525,366)	27,187,028	442,055	(216,607)	225,448	94,221,264
Non-controlling interest			4,193,391	–	–	–	–	–	–	–	4,193,391
			98,189,207	–	(219,607)	(26,525,366)	27,187,028	442,055	(216,607)	225,448	98,414,655

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 CET 1 capital. Where there is a reduction in CET 1 capital due to new provisions, net of tax effect, upon adoption of an ECL accounting model, the decline in CET 1 capital (the “transitional adjustment amount”) must be partially included (i.e., added back) to CET 1 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/lower 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, banks 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 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 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 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 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
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
- substantially all of the risks and rewards of ownership of the financial asset are transferred; or

– the 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 entity 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. 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:

– Probability of Default (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

– Exposure at Default (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.

– Loss Given Default (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 Group 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 Group 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 8,124,139 (December 31, 2023: Rs 7,601,453) 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.

	30 September 2024 (Un-Audited)	31 December 2023 (Audited)
	Rupees in '000	
7. CASH AND BALANCES WITH TREASURY BANKS		
In hand		
Local currency	13,767,670	11,629,171
Foreign currencies	1,495,046	4,164,225
	15,262,716	15,793,396
With State Bank of Pakistan in		
Local currency current accounts	58,745,525	48,615,882
Foreign currencies		
- current accounts	2,131,216	1,991,420
- cash reserve account	7,224,587	6,308,767
- deposit account - special cash reserve	13,357,834	11,497,335
	81,459,162	68,413,404
With National Bank of Pakistan in		
Local currency current account	3,966,822	7,125,824
Local currency deposit account	64,168	26,958
	4,030,990	7,152,782
National Prize Bonds	20,218	107,480
Less: Credit loss allowance held against cash and balances with treasury banks	(185,653)	–
Cash and balances with treasury banks - net of credit loss allowance	100,587,433	91,467,062

	Note	30 September 2024 (Un-Audited)	31 December 2023 (Audited)
		Rupees in '000	
8. BALANCES WITH OTHER BANKS			
In Pakistan			
In current accounts		19,804	163,751
In deposit accounts		261,994	4,751
		281,798	168,502
Outside Pakistan			
In current accounts		5,117,195	21,101,446
Less: Credit loss allowance held against balances with other banks		(46,600)	–
Balances with other banks - net of credit loss allowance		5,352,393	21,269,948
9. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings	9.3	5,137,692	5,496,284
Reverse Repo		96,790	–
Musharaka placements		25,750,000	–
Less: Credit loss allowance held against lending to financial institutions		(13,667)	–
Lendings to financial institutions - net of credit loss allowance		30,970,815	5,496,284
9.1 Particulars of lendings			
In local currency - secured		25,833,123	–
In foreign currency - unsecured		5,137,692	5,496,284
		30,970,815	5,496,284

		30 September 2024 (Un-Audited)		31 December 2023 (Audited)	
		Lending	Credit loss allowance held	Lending	Credit loss allowance held
		Rupees in '000			
9.2 Lending to FIs - Particulars of credit loss allowance					
Performing	Stage 1	30,970,815	(13,667)	5,496,284	–
Under performing	Stage 2	–	–	–	–
Non-performing	Stage 3				
Substandard		–	–	–	–
Doubtful		–	–	–	–
Loss		–	–	–	–
		–	–	–	–
Total		30,970,815	(13,667)	5,496,284	–

9.3 These foreign currency lendings carry mark-up rate ranging from 7.5% 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 September 2024 (Un-Audited)			
	Cost / amortised cost	Credit loss allowance	Surplus / (deficit)	Carrying value
	Rupees in '000			
FVTPL				
Federal government securities	17,448,273	–	128,687	17,576,960
Non-government debt securities	1,997,629	–	1,054	1,998,683
Mutual funds	280,804	–	(9,413)	271,391
Real estate investment trust	1,814,314	–	799,489	2,613,803
	21,541,020	–	919,817	22,460,837
FVOCI				
Federal government securities	784,864,282	–	12,214,164	797,078,446
Shares	5,071,480	–	1,402,625	6,474,105
Non-government debt securities	9,872,459	(521,920)	(258,127)	9,092,412
	799,808,221	(521,920)	13,358,662	812,644,963
Amortised Cost				
Federal government securities	82,935,369	–	–	82,935,369
Total Investments	904,284,610	(521,920)	14,278,479	918,041,169

	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 September 2024 (Un-Audited)	31 December 2023 (Audited)
	Rupees in '000	

10.1.1 Investments given as collateral against repo borrowings

The market value of investments given as collateral against borrowings is as follows:

	30 September 2024 (Un-Audited)	31 December 2023 (Audited)
Federal government securities		
Market treasury bills	73,389,610	129,183,999
Pakistan investment bonds	160,703,573	54,741,950
	234,093,183	183,925,949

10.2 Credit loss allowance for diminution in value of investments

	30 September 2024 (Un-Audited)	31 December 2023 (Audited)
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	391,690	63,244
Reversal for the period / year	–	(2,813)
Net (reversal) / charge for the period / year	391,690	60,431
Reversal on disposal	–	(330,674)
Transfers - net	–	–
Investment written off	–	–
Closing balance	521,920	307,290

10.3 Particulars of credit loss allowance / provision against debt securities

		30 September 2024 (Un-Audited)		31 December 2023 (Audited)	
		Outstanding amount	Credit loss allowance held	Non-performing investments	Provision
		Rupees in '000			
Category of classification					
Performing	Stage 1	11,364,745	96,158	–	–
Underperforming	Stage 2	–	–	–	–
Non-performing	Stage 3				
Substandard		–	–	–	–
Doubtful		–	–	–	–
Loss		425,762	425,762	87,683	87,683
		425,762	425,762	87,683	87,683
Total		11,790,507	521,920	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 September 2024 (Un-Audited)			31 December 2023 (Audited)		
	Performing	Non Performing	Total	Performing	Non Performing	Total
	Rupees in '000					
Loans, cash credits, running finances, etc.	294,021,627	19,160,016	313,181,643	261,089,008	16,160,613	277,249,621
Islamic financing and related assets	155,923,029	4,311,387	160,234,416	135,548,542	1,492,591	137,041,133
Bills discounted and purchased	58,774,982	2,832,396	61,607,378	43,580,472	3,120,153	46,700,625
Advances - gross	508,719,638	26,303,799	535,023,437	440,218,022	20,773,357	460,991,379
Credit loss allowance against advances						
- Stage 1	(970,497)	–	(970,497)	–	–	–
- Stage 2	(4,213,662)	–	(4,213,662)	–	–	–
- Stage 3	–	(23,851,143)	(23,851,143)	–	–	–
- Specific provision				–	(20,033,135)	(20,033,135)
- General provision	–	–	–	(7,325,642)	–	(7,325,642)
	(5,184,159)	(23,851,143)	(29,035,302)	(7,325,642)	(20,033,135)	(27,358,777)
Advances - net of credit loss allowance	503,535,479	2,452,656	505,988,135	432,892,380	740,222	433,632,602

11.1 Particulars of advances - gross

	30 September 2024 (Un-Audited)	31 December 2023 (Audited)
	Rupees in '000	
In local currency	451,288,293	393,475,892
In foreign currencies	83,735,144	67,515,487
	535,023,437	460,991,379

11.2 Advances include Rs. 26,303,799 thousand (31 December 2023 : Rs. 20,773,357 thousand) which have been placed under non-performing / Stage 3 status as detailed below:

		30 September 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		49,225	–	32,575	–
Substandard	Stage 3	95,490	40,610	243,168	61,969
Doubtful		4,700,107	2,809,099	970,898	546,569
Loss		21,458,977	21,001,434	19,526,716	19,424,597
		26,303,799	23,851,143	20,773,357	20,033,135

11.3 Particulars of credit loss allowance against advances

	30 September 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	27,358,777	17,650,138	4,619,505	22,269,643
Impact of adoption of IFRS 9	20,757,593	5,595,212	(20,033,135)	(7,325,642)	(1,005,972)	–	–	–
Charge for the period / year	4,279,573	1,312,313	–	–	5,591,886	7,040,617	2,706,137	9,746,754
Reversals for the period / year	(1,161,167)	(1,723,366)	–	–	(2,884,533)	(4,626,567)	–	(4,626,567)
Net charge for the period / year	3,118,406	(411,053)	–	–	2,707,353	2,414,050	2,706,137	5,120,187
Amount written off	(24,856)	–	–	–	(24,856)	(31,053)	–	(31,053)
Closing balance	23,851,143	5,184,159	–	–	29,035,302	20,033,135	7,325,642	27,358,777

11.4 Advances - Particulars of credit loss allowance

	30 September 2024 (Un-Audited)		
	Stage 1	Stage 2	Stage 3
	Rupees in '000		
Opening balance	1,446,710	4,148,502	20,757,593
New Advances	350,410	745,350	204,003
Advances derecognised or repaid	(563,192)	(177,222)	(1,151,339)
Transfer to stage 1	26,240	(26,240)	–
Transfer to stage 2	(287,749)	297,576	(9,828)
Transfer to stage 3	(1,922)	(486,037)	487,959
	(476,213)	353,427	(469,205)
Amounts written off / charged off	–	–	(24,856)
Changes in risk parameters	–	(288,267)	3,587,611
Other changes (to be specific)	–	–	–
Closing balance	970,497	4,213,662	23,851,143

11.4.1 Advances - Category of classification

		30 September 2024 (Un-Audited)	
		Outstanding amount	Credit loss allowance held
		Rupees in '000	
Domestic			
Performing	Stage 1	445,971,022	970,497
Underperforming	Stage 2	62,748,616	4,213,662
Non-Performing	Stage 3		
		49,225	–
Substandard		95,490	40,610
Doubtful		4,700,107	2,809,099
Loss		21,458,977	21,001,434
		26,303,799	23,851,143
		535,023,437	29,035,302

	Note	30 September 2024 (Un-Audited)	31 December 2023 (Audited)
		Rupees in '000	
12. PROPERTY AND EQUIPMENT			
Capital work-in-progress	12.1	1,117,362	293,119
Property and equipment		16,119,748	15,489,044
		17,237,110	15,782,163
12.1 Capital work-in-progress			
Civil works		405,233	79,056
Advance to suppliers	12.1.1	712,129	214,063
		1,117,362	293,119

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

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

12.2 Additions to fixed assets

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

	30 September 2024	30 September 2023
Capital work-in-progress additions / (transfer to fixed assets) - net	824,243	8,434
Property and equipment		
Freehold land	–	67,084
Building on freehold land	99,000	–
Furniture and fixtures	220,446	166,541
Electrical, office and computer equipment	1,503,586	1,127,783
Vehicles	66,587	224,694
Lease hold improvements	575,500	501,761
	2,465,119	2,087,863
	3,289,362	2,096,297

12.3 Disposal of fixed assets

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

	30 September 2024	30 September 2023
Furniture and fixtures	565	975
Electrical, office and computer equipment	553	834
Vehicles	25,595	13,593
	26,713	15,402

13. RIGHT-OF-USE ASSETS

	30 September 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	1,974,875	2,349,241
Depreciation Charge for the period / year	(1,136,748)	(1,467,649)
Net Carrying amount at June 30, 2024	8,463,137	7,625,010

14. INTANGIBLE ASSETS

	30 September 2024 (Un-Audited)	31 December 2023 (Audited)
Computer Software	534,750	326,733
Management rights	41,600	41,600
	576,350	368,333

14.1 Additions to intangible assets

	30 September 2024	30 September 2023
	(Un-Audited)	
	Rupees in '000	
Directly purchased - Computer Software	384,689	295,542

15. OTHER ASSETS

	Note	30 September 2024 (Un-Audited)	31 December 2023 (Audited)
		Rupees in '000	
Income / mark-up / profit accrued in local currency - net of provision		46,737,791	38,133,593
Income / mark-up / profit accrued in foreign currencies - net of provision		247,778	304,547
Advances, deposits and other prepayments		1,495,601	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		6,754,112	2,888,760
Acceptances		40,970,379	25,076,677
Receivable from the SBP against encashment of government securities		42,907	43,509
Stationery and stamps on hand		337,147	245,121
Receivable from defined benefit plan		–	55,014
Others		918,038	781,857
		99,708,482	70,404,033
Credit loss allowance / provision held against other assets	16.1	(520,517)	(377,842)
Other Assets (Net of credit loss allowance)		99,187,965	70,026,191
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	22	2,095,111	2,095,111
		101,283,076	72,121,302

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

15.1 Credit loss allowance held against other assets

Claims receivable against fraud and forgeries	394,800	377,842
Acceptances	125,717	
	520,517	377,842

15.1.1 Movement in Credit loss allowance held against other assets

Opening balance	377,842	377,802
Impact of adoption of IFRS 9	33,500	–
Charge for the period / year	109,175	40
Reversal for the period / year	–	–
	109,175	40
Closing balance	520,517	377,842

16. BILLS PAYABLE

In Pakistan	42,519,013	28,254,056
Outside Pakistan	101,315	98,643
	42,620,328	28,352,699

17. BORROWINGS

Secured

Borrowings from the State Bank of Pakistan under		
- Export refinance scheme	61,113,962	85,990,034
- Long term financing facility - renewable energy scheme	2,232,840	2,327,108
- Long term financing facility	16,406,025	19,057,928
- Temporary economic refinance facility	25,588,381	28,797,755
- Long term financing facility - for storage of agricultural produce scheme	691,189	621,700
- Refinance facility for modernization of SME	223,044	105,858
- Refinance facility for combating COVID-19	24,249	35,878
- Refinance and credit guarantee scheme for women entrepreneurs	48,433	23,208
	106,328,123	136,959,469
Repurchase agreement borrowings (Repo)	237,459,966	184,947,267
Due against bills rediscounting	205,091	474,216
	343,993,180	322,380,952

	30 September 2024 (Un-Audited)	31 December 2023 (Audited)
	Rupees in '000	
Unsecured		
Call borrowing	15,795,720	9,505,606
Musharika borrowing	–	2,495,662
Overdrawn nostro accounts	10,617,226	888,638
	26,412,946	12,889,906
	370,406,126	335,270,858

18. DEPOSITS AND OTHER ACCOUNTS

	30 September 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	317,037,457	70,411,242	387,448,699	310,637,089	59,724,307	370,361,396
Savings deposits	360,387,506	15,139,874	375,527,380	341,134,624	16,798,084	357,932,708
Term deposits	155,319,831	75,443,791	230,763,622	175,133,425	50,971,995	226,105,420
Others	30,139,896	141,148	30,281,044	41,503,257	72,458	41,575,715
	862,884,690	161,136,055	1,024,020,745	868,408,395	127,566,844	995,975,239
Financial institutions						
Current deposits	3,346,855	174,866	3,521,721	2,327,236	1,030,085	3,357,321
Savings deposits	14,666,291	–	14,666,291	11,868,434	–	11,868,434
Term deposits	1,848,148	13,886	1,862,034	260,684	22,739	283,423
Others	1,156	–	1,156	1,356	–	1,356
	19,862,450	188,752	20,051,202	14,457,710	1,052,824	15,510,534
	882,747,140	161,324,807	1,044,071,947	882,866,105	128,619,668	1,011,485,773

19. LEASE LIABILITIES

	30 September 2024 (Un-Audited)	31 December 2023 (Audited)
	Rupees in '000	
Opening Balance	9,086,176	7,803,164
Addition during the period / year	1,974,875	2,357,066
Lease payments including interest	(1,725,226)	(2,043,178)
Interest expense	879,584	969,124
Closing balance	10,215,409	9,086,176

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

19.1 Liabilities Outstanding

Not later than one year	985,725	887,259
Later than one year and upto five years	4,924,227	4,279,303
Over five years	4,305,457	3,919,614
Total	10,215,409	9,086,176

20. DEFERRED TAX (LIABILITIES) / ASSETS

	30 September 2024 (Un-Audited)	31 December 2023 (Audited)
Deductible temporary differences on		
- Credit loss allowance for diminution in value of investments	255,741	150,572
- Credit loss allowance against advances	4,505,244	5,523,386
- Accelerated tax depreciation	442,567	317,308
- Deferred liability on defined benefit plan	53,424	(14,780)
- Deficit on revaluation of investments	(6,518,895)	1,489,809
- Others	450,565	(4,242)
	(811,354)	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	(1,309,648)	(1,426,787)
- Exchange translation reserve	–	–
	(1,566,299)	(2,196,740)
Net deferred tax (liabilities) / assets	(2,377,653)	5,265,313

21. OTHER LIABILITIES

	Note	30 September 2024 (Un-Audited)	31 December 2023 (Audited)
		Rupees in '000	
Mark-up / return / interest payable in local currency		18,224,766	19,657,456
Mark-up / return / interest payable in foreign currencies		1,777,432	684,315
Unearned commission and income on bills discounted		1,035,472	721,371
Accrued expenses		5,557,279	4,461,216
Current taxation (provision less payments)		7,957,026	10,045,748
Acceptances		40,970,379	25,076,677
Unclaimed dividend		371,133	85,648
Dividend payable		–	54,108
Mark-to-market loss on forward foreign exchange contracts		7,479,867	4,203,701
Provision for compensated absences		376,277	325,877
Deferred liability on defined benefit plan		206,494	–
Credit loss allowance against off-balance sheet obligations	21.1	288,756	32,583
Workers' welfare fund	21.2	4,515,786	3,764,458
Charity fund		378	402
Excise duty payable		2,622	2,263
Locker deposits		958,181	989,676
Advance against diminishing musharaka		1,946	58,716
Advance rental for ijarah		19,603	19,440
Security deposits against leases / ijarah		221,298	244,813
Sundry creditors		5,333,198	3,674,016
Withholding tax / duties		1,210,611	315,255
Others		5,937,890	16,860,326
		102,446,394	91,278,065

21.1 Credit loss allowance against off-balance sheet obligations

Opening balance	32,583	32,583
Impact of adoption of IFRS 9	487,204	–
Charge for the period / year	(231,031)	–
Reversal for the period / year	–	–
Net charge for the period / year	(231,031)	–
Closing balance	288,756	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 September 2024 (Un-Audited)	31 December 2023 (Audited)
		Rupees in '000	
22. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS - NET OF TAX			
Surplus / (deficit) on revaluation of			
- Securities measured at FVOCI-Debt	10.1	11,956,037	–
- Securities measured at FVOCI-Equity	10.1	1,402,625	–
- Securities measured at Available for sale securities		–	(3,016,348)
- Fixed Assets		6,232,104	6,471,163
- Non-banking assets acquired in satisfaction of claims		2,095,111	2,095,111
		21,685,877	5,549,926
Less: Deferred tax on surplus / (deficit) on revaluation of			
- Securities measured at FVOCI-Debt		5,828,074	–
- Securities measured at FVOCI-Equity		699,918	–
- Securities measured at Available for sale securities		–	(1,489,809)
- Fixed Assets		1,309,648	1,426,787
- Non-banking assets acquired in satisfaction of claims		256,651	769,953
		(8,094,291)	(706,931)
Less : Surplus pertaining to non-controlling interest		(37,391)	(13,181)
		13,554,195	4,829,814

23. CONTINGENCIES AND COMMITMENTS

	Note	30 September 2024 (Un-Audited)	31 December 2023 (Audited)
Guarantees	23.1	142,183,711	137,319,392
Commitments	23.2	919,253,760	500,787,681
Other contingent liabilities	23.3	2,986,394	3,941,041
		1,064,423,865	642,048,114

23.1 Guarantees

Financial guarantees		33,509,776	29,705,918
Performance guarantees		49,579,283	55,811,913
Other guarantees		59,094,652	51,801,561
		142,183,711	137,319,392

23.2 Commitments

Documentary credits and short-term trade-related transactions:			
Letters of credit		210,511,477	132,975,536
Commitments in respect of:			
Forward foreign exchange contracts	23.2.1	706,713,477	365,390,061
Forward lendings	23.2.2	1,282,000	2,119,000
Commitments in respect of:			
Acquisition of operating fixed assets		746,806	303,084
		919,253,760	500,787,681

	30 September 2024 (Un-Audited)	31 December 2023 (Audited)
	Rupees in '000	
23.2.1 Commitments in respect of forward foreign exchange contracts		
Purchase	370,674,519	190,089,104
Sale	336,038,958	175,300,957
	706,713,477	365,390,061
23.2.2 Commitments in respect of forward lendings		
Commitments in respect of syndicate financing	–	1,093,000
Commitments in respect of other financing transactions	1,282,000	1,026,000
	1,282,000	2,119,000

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 September 2024 (Un-Audited)	31 December 2023 (Audited)
		Rupees in '000	
23.3 Other contingent liabilities			
Claims against bank not acknowledged as debt	23.3.1	2,880,338	3,834,985
Foreign Exchange repatriation case	23.3.2	106,056	106,056
		2,986,394	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 Foreign exchange repatriation case

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.

23.2.5 Taxation

Income tax assessments of the Bank have been finalised upto the tax year 2016 (corresponding to the accounting year ended 31 December 2015). Certain appeals are pending with the Commissioner of Inland Revenue (Appeal) and Appellate Tribunal Revenue (ATIR). However, adequate provisions are being held by the Bank.

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 September 2024 (Un-Audited)	30 September 2023
		Rupees in '000	
25. MARK-UP / RETURN / INTEREST EARNED			
Loans and advances		56,363,197	50,921,427
Investments	25.1	126,794,087	95,295,566
Lending with financial institutions		2,588,752	4,583,009
Balances with banks		428,382	37,812
		186,174,418	150,837,814
25.1 Interest income (calculated using effective interest rate method) recognised on:			
Financial assets measured at amortised cost;		10,273,103	17,296,649
Financial assets measured at fair value through P&L		4,228,621	7,174,313
Financial assets measured at fair value through OCI.		112,292,363	70,824,604
		126,794087	95,295,566
26. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		92,105,280	66,584,156
Borrowings		35,413,102	26,257,678
Foreign currency swap cost		6,318,877	4,628,985
Lease liability against right-of-use assets		879,584	716,593
		134,716,843	98,187,412
27. FEE & COMMISSION INCOME			
Branch banking customer fees		986,898	920,913
Credit related fees		32,163	27,247
Card related fees		684,517	793,419
Commission on trade		4,712,902	4,269,073
Commission on guarantees		844,349	676,126
Commission on remittances including home remittances		65,026	27,766
Commission on bancassurance		102,478	137,211
Commission on cash management		106,785	111,306
Investment Banking Fee		50,238	18,164
Others		292,907	111,591
		7,878,263	7,092,816

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

28. GAIN / (LOSS) ON SECURITIES - NET

	Note	30 September 2024	30 September 2023
Realised	28.1	686,415	(331,479)
Unrealised - Measured at FVPL		812,531	229,249
		1,498,946	(102,230)

28.1 Realised gain on:

	30 September 2024	30 September 2023
Federal government securities - net	677,092	(332,308)
Shares - net	–	230,078
Real estate investment trust - net	9,323	–
	686,415	(102,230)

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

	30 September 2024	30 September 2023
Designated upon initial recognition	–	–
Mandatorily measured at FVPL	786,197	–
	786,197	–
Net gain / (loss) on financial assets / liabilities measured at amortised cost	–	–
Net gain / (loss) on financial assets measured at FVOCI	(99,782)	–
Net gain / (loss) on investments in equity instruments designated at FVOCI	–	–
	(99,782)	–
	686,415	–

29. OTHER INCOME

	30 September 2024	30 September 2023
Rent on properties	23,192	16,073
Gain on sale of fixed assets - net	39,188	22,691
Gain on sale of ijarah assets - net	39,593	34,499
Staff notice period and other recoveries	1,416	890
	103,389	74,153

30. OPERATING EXPENSES

	30 September 2024 (Un-Audited)	30 September 2023
	Rupees in '000	
Total compensation expense	9,449,323	8,553,209
Property expense		
Rent & taxes	65,389	199,744
Insurance	6,322	6,148
Utilities cost	1,118,438	974,927
Security	819,974	594,999
Repair & maintenance	746,258	675,873
Depreciation on owned fixed assets	762,500	689,151
Depreciation on right-of-use assets	1,136,748	1,074,414
	4,655,629	4,215,256
Information technology expenses		
Software maintenance	563,780	442,676
Hardware maintenance	344,903	328,939
Depreciation	388,141	244,528
Amortisation	187,347	85,313
Network charges	681,186	547,586
	2,165,357	1,649,042
Other operating expenses		
Directors' fees and allowances	20,184	15,773
Fees and allowances to Shariah Board	21,734	21,399
Legal & professional charges	259,624	215,162
Outsourced services costs	270,093	269,928
Travelling & conveyance	609,133	505,245
NIFT clearing charges	81,430	72,669
Depreciation	660,258	512,716
Training & development	46,823	31,704
Postage & courier charges	152,870	129,041
Communication	144,648	127,648
Subscription	639,328	515,908
Repair & maintenance	283,874	190,161
Brokerage & commission	126,957	138,581
Stationery & printing	425,255	398,116
Marketing, advertisement & publicity	526,209	513,045
Management fee	1,457,934	1,513,465
Insurance	1,140,217	834,977
Donations	349,964	210,599
Auditors' Remuneration	35,475	23,226
Security	315,406	218,563
Others	610,393	613,216
	8,177,809	7,071,142
	24,448,118	21,488,649

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

31. OTHER CHARGES

Penalties imposed by the SBP		155,730	35,123

32. CREDIT LOSS ALLOWANCE & WRITE OFFS - NET

Credit loss allowance against Cash and Balances with banks		231,974	–
Credit loss allowance against lending to financial institutions		13,280	–
Credit loss allowance for diminution in value of investments	10.2	391,690	63,244
Credit loss allowance against loans & advances	11.3	2,707,353	3,452,672
Credit loss allowance against other assets		109,175	(337)
Credit loss allowance against off balance sheet obligations		(231,031)	–
Recovery of written off / charged off bad debts		–	(45,000)
		3,222,441	3,470,579

33. TAXATION

Current		18,555,385	18,473,669
Deferred		(227,343)	(400,414)
		18,328,042	18,073,255

34. BASIC AND DILUTED EARNINGS PER SHARE

Profit attributable to equity shareholders of the holding company		19,105,689	19,312,542
		Number in '000	
Weighted average number of ordinary shares		1,047,831	1,047,831
		Rupees	
Basic and diluted earnings per share		18.23	18.43

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 September 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	810,240,406	–	814,655,406
Sukuk certificates and bonds	–	6,568,078	–	6,568,078
Ordinary shares of listed companies	6,343,465	–	–	6,343,465
Ordinary shares of unlisted companies	–	–	130,640	130,640
Mutual funds - open end	–	–	–	–
- close end	271,391	–	–	271,391
Real estate investment trust	2,613,803	–	–	2,613,803
Listed term finance certificates	–	1,324,175	–	1,324,175
Unlisted term finance certificates	–	3,198,842	–	3,198,842
Financial assets - disclosed but not measured at fair value				
– Investments				
– Amortised cost				
Federal government securities	–	84,740,803	–	84,740,803
	13,643,659	906,072,304	130,640	919,846,603
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 September 2024 (Un-Audited)			
	Fair value			
	Level 1	Level 2	Level 3	Total
	Rupees in '000			
Non-financial assets measured at fair value				
– Fixed assets	–	–	10,430,320	10,430,320
– Non-banking assets acquired in satisfaction of claim	–	–	4,299,840	4,299,840
	–	–	14,730,160	14,730,160

	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	–	–	10,375,530	10,375,530
– Non-banking assets acquired in satisfaction of claim	–	–	4,299,840	4,299,840
	–	–	14,675,370	14,675,370

32.3 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.

32.4 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. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	30 September 2024 (Un-Audited)			
	Trade & Sales	Retail Banking	Commercial Banking	Total
	Rupees in '000			
Profit and Loss				
Net mark-up / return / interest /profit	104,582,055	(43,915,121)	(9,209,359)	51,457,575
Inter segment revenue - net	(106,729,770)	66,936,218	39,793,552	–
Non mark-up / return / interest income	7,176,463	753,775	7,188,060	15,118,298
Total Income	5,028,748	23,774,872	37,772,253	66,575,873
Segment direct expenses	(500,708)	–	–	(500,708)
Inter segment expense allocation	–	(8,428,419)	(16,447,694)	(24,876,113)
Total expenses	(500,708)	(8,428,419)	(16,447,694)	(25,376,821)
Credit loss allowance	(391,742)	(35,498)	(2,795,201)	(3,222,441)
Profit before tax	4,136,298	15,310,955	18,529,358	37,976,611
Balance Sheet				
Cash and bank balances	5,182,865	34,737,820	66,019,141	105,939,826
Investments - net	918,041,169	–	–	918,041,169
Net inter segment lending	–	518,844,170	157,167,026	676,011,196
Lendings to financial institutions	30,970,815	–	–	30,970,815
Advances - performing	–	18,980,112	489,739,526	508,719,638
Advances - non-performing	–	445,325	25,858,474	26,303,799
Credit loss allowance against advances	–	(107,233)	(28,928,069)	(29,035,302)
Others	34,132,911	9,774,607	83,652,155	127,559,673
Total assets	988,327,760	582,674,801	793,508,253	2,364,510,814
Borrowings	248,282,283	–	122,123,843	370,406,126
Subordinated debt	–	–	–	–
Deposits and other accounts	–	517,622,469	526,449,478	1,044,071,947
Net inter segment borrowing	676,011,196	–	–	676,011,196
Others	7,530,480	27,990,122	122,139,182	157,659,784
Total liabilities	931,823,959	545,612,591	770,712,503	2,248,149,053
Net Assets	56,503,801	37,062,210	22,795,750	116,361,761
Equity				116,361,761
Contingencies and commitments	706,713,477	–	358,714,388	1,065,427,865

	30 September 2023 (Un-Audited)			
	Trade & Sales	Retail Banking	Commercial Banking	Total
	Rupees in '000			
Profit and Loss				
Net mark-up / return / interest /profit	82,995,604	(30,921,025)	575,823	52,650,402
Inter segment revenue - net	(81,636,337)	52,052,665	29,583,672	–
Non mark-up / return / interest income	3,831,676	1,064,765	6,078,415	10,974,856
Total Income	5,190,943	22,196,405	36,237,910	63,625,258
Segment direct expenses	(339,510)	–	–	(339,510)
Inter segment expense allocation	–	(7,123,787)	(14,857,131)	(21,980,918)
Total expenses	(339,510)	(7,123,787)	(14,857,131)	(22,320,428)
Provision	(63,581)	(16,186)	(3,390,812)	(3,470,579)
Profit before tax	4,787,852	15,056,432	17,989,967	37,834,251

	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

37. 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 September 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	135,022	298,224	–	–	–	433,246
Advances						
Opening balance	–	5,709,339	290,151	–	–	5,999,490
Addition during the period	–	113,060,484	65,770	–	–	113,126,254
Repaid during the period	–	(109,131,569)	(23,653)	–	–	(109,155,222)
Closing balance	–	9,638,254	332,268	–	–	9,970,522
Credit loss allowance held against advances	–	–	–	–	–	–
Other Assets						
Mark-up / return / interest receivable	–	54,360	–	–	–	54,360
Prepayments / advance deposits / other receivables	936	80,010	–	–	–	80,946
	936	134,370	–	–	–	135,306
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	15,206,281	2,111,308,850	1,077,104	2,020,719	4,917,145	2,134,530,099
Withdrawn during the period	(15,132,454)	(2,124,115,153)	(1,076,959)	(1,923,047)	(4,162,419)	(2,146,410,032)
Closing balance	315,871	12,314,993	319,674	919,766	2,334,019	16,204,323
Other Liabilities						
Mark-up / return / interest payable	–	240,285	10,242	7,941	136,545	395,013
Management fee payable for technical and consultancy services*	2,560,638	–	–	–	–	2,560,638
Other payables	–	934	–	995	211,362	213,291
	2,560,638	241,219	10,242	8,936	347,907	3,168,942
Contingencies and commitments						
Transaction-related contingent liabilities	–	12,643,308	–	–	–	12,643,308
Trade-related contingent liabilities	–	5,898,157	–	–	–	5,898,157
	–	18,541,465	–	–	–	18,541,465

* 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 September 2024 (Un-Audited)					
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000					
Income						
Mark-up / return / interest earned	–	65,068	11,110	–	–	76,178
Fee and commission income	93	733,371	–	140	7	733,611
Rent income	4,211	7,755	–	–	–	11,966
Expense						
Mark-up / return / interest expensed	–	1,891,672	35,724	66,118	213,642	2,207,156
Commission / brokerage / bank charges paid	6,881	10,743	–	–	–	17,624
Salaries and allowances	–	–	538,173	–	–	538,173
Directors' fees and allowances	–	–	–	20,183	–	20,183
Charge to defined benefit plan	–	–	–	–	249,849	249,849
Contribution to defined contribution plan	–	–	–	–	285,531	285,531
Insurance premium expenses	–	43,596	–	–	–	43,596
Management fee expense for technical and consultancy services *	1,230,214	–	–	–	–	1,230,214
Donation	–	960	–	–	–	960

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

Transactions during the period

	For the period ended 30 September 2023 (Un-Audited)					
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000					
Income						
Mark-up / return / interest earned	–	286,450	71,499	–	–	357,949
Fee and commission income	86	259,477	–	112	11	259,686
Rent income	4,211	7,755	–	–	–	11,966
Expenses						
Mark-up / return / interest expensed	–	1,688,503	41,791	46,596	286,323	2,063,213
Commission / brokerage / bank charges paid	378	13,625	–	–	–	14,003
Salaries and allowances	–	–	594,411	–	–	594,411
Directors' fees and allowances	–	–	–	15,773	–	15,773
Charge to defined benefit plan	–	–	–	–	232,855	232,855
Contribution to defined contribution plan	–	–	–	–	249,341	249,341
Insurance premium expenses	–	19,887	–	–	–	19,887
Management fee expense for technical and consultancy services *	1,513,465	–	–	–	–	1,513,465
Donation	–	1,440	–	–	–	1,440

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

38. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	30 September 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	97,347,803	89,001,463
Eligible additional tier 1 (ADT 1) Capital	47,855	38,306
Total eligible tier 1 capital	97,395,658	89,039,769
Eligible tier 2 capital	17,064,245	8,940,628
Total eligible capital (tier 1 + tier 2)	114,459,903	97,980,397
Risk Weighted Assets (RWAs):		
Credit risk	473,880,215	428,865,561
Market risk	4,053,872	2,408,671
Operational risk	115,752,384	115,752,388
Total	593,686,471	547,026,620
CET 1 capital adequacy ratio	16.40%	16.27%
Tier 1 capital adequacy ratio	16.41%	16.28%
Total capital adequacy ratio	19.28%	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	97,395,658	89,039,769
Total exposures	2,131,776,744	1,860,804,377
Leverage ratio	4.57%	4.79%

39. ISLAMIC BANKING BUSINESS

The Holding Company is operating 222 (31 December 2023: 117) Islamic banking branches and 187 (31 December 2023: 233) Islamic banking windows at the end of the period.

	Note	30 September 2024 (Un-Audited)	31 December 2023 (Audited)
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks		19,691,476	11,119,511
Balances with other banks		12,582	2,956
Due from financial institutions	39.1	25,749,973	–
Investments	39.2	82,485,823	77,555,576
Islamic financing and related assets - net	39.3	128,195,839	114,142,247
Property and equipment		722,841	318,450
Right-of-use assets		2,785,867	2,026,102
Intangible assets		–	–
Due from Head office		–	–
Other assets		13,476,850	11,007,766
Total Assets		273,121,251	216,172,608
LIABILITIES			
Bills payable		4,517,189	1,707,901
Due to financial institutions		32,966,874	35,303,574
Deposits and other accounts	39.4	206,399,621	147,905,702
Due to Head office		1,712,856	4,644,318
Lease liabilities		3,496,405	2,143,764
Subordinated debt		–	–
Other liabilities		9,036,175	9,337,229
		258,129,120	201,042,488
NET ASSETS		14,992,131	15,130,120
REPRESENTED BY			
Islamic Banking Fund		11,006,943	10,007,047
Reserves		–	–
Surplus / (deficit) on revaluation of assets		1,813,478	402,256
Unappropriated profit	39.5	2,171,710	4,720,817
		14,992,131	15,130,120
CONTINGENCIES AND COMMITMENTS	39.6		

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

	Note	(Un-Audited) 30 September 2024	30 September 2023
		Rupees in '000	
PROFIT AND LOSS ACCOUNT			
Profit / return earned	39.7	27,531,800	20,916,423
Profit / return expensed	39.8	(16,436,027)	(11,009,385)
Net Profit / return		11,095,773	9,907,038
Other income			
Fee and commission income		826,036	487,498
Dividend income		–	–
Foreign exchange income		110,969	88,746
Income / (loss) from derivatives		–	–
Gain / (loss) on securities - net		(81,303)	(105,304)
Other income		43,285	12,169
Total other income		898,987	483,516
Total income		11,994,760	10,390,554
Other expenses			
Operating expenses		5,443,112	2,052,162
Workers' welfare fund		–	–
Other charges		137	1,160
Total other expenses		5,443,249	2,053,322
Profit before credit loss allowance		6,551,511	8,337,232
Credit loss allowance and write offs - net		(2,293,256)	(252,471)
Profit before taxation		4,258,255	8,084,761
Taxation		(2,086,545)	(3,961,533)
Profit after taxation		2,171,710	4,123,228

39.1 Due from financial institutions

	30 September 2024 (Unaudited)			31 December 2023 (Audited)		
	In local Currency	In foreign currencies	Total	In local Currency	In foreign currencies	Total
	Rupees in '000					
Unsecured						
– Mudaraba placements	25,750,000	–	25,750,000	–	–	–
Less: Credit loss allowance						
Stage 1	(27)	–	(27)	–	–	–
Stage 2	–	–	–	–	–	–
Stage 3	–	–	–	–	–	–
	(27)	–	(27)	–	–	–
Due from financial institutions - net of credit loss allowance	25,749,973	–	25,749,973	–	–	–

39.2 Investments by segments

	30 September 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	2,971,592	–	–	2,971,592
Certificate of investment	5,300,000	(43)	–	5,299,957
	8,271,592	(43)	–	8,271,549
Measured at FVOCI				
Federal government securities				
- Ijarah Sukuk	62,886,890	–	2,072,517	64,959,407
Non Government Debt Securities	6,707,117	(340,000)	(258,546)	6,108,571
	69,594,007	(340,000)	1,813,971	71,067,978
Instruments mandatory classified / measured at FVTPL	3,146,789	–	(493)	3,146,296
Total investments	81,012,388	(340,043)	1,813,478	82,485,823

	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

39.2.1 Particulars of credit loss allowance

	30 September 2024 (Un-Audited)			
	Stage 1	Stage 2	Stage 3	Total
	Rupees in '000			
Certificate of investment	43	–	–	43
Non Government Debt Securities	–	–	340,000	340,000
	43	–	340,000	340,043

39.3 Islamic financing and related assets - net

	30 September 2024 (Un-Audited)			
	Financing	Advances	Inventory	Total
	Rupees in '000			
Ijarah	623,233	22,135	–	645,368
Ijarah - islamic long term financing facility	14,161	–	–	14,161
Murabaha	4,112,846	937,331	–	5,050,177
Working capital musharaka	57,619,902	–	–	57,619,902
Diminishing musharaka	17,221,656	6,975,681	–	24,197,337
Salam	–	–	–	–
Istisna	2,921,204	5,648,155	1,113,635	9,682,994
Al-bai	1,187,647	–	312,134	1,499,781
Diminishing musharaka:				
- Islamic long term financing facility	3,479,182	–	–	3,479,182
- Islamic refinance scheme for payment of wages and salaries	–	93,534	–	93,534
- Islamic financing facility for storage of agricultural produce	573,145	–	–	573,145
- Islamic temporary economic refinance facility	11,202,150	–	–	11,202,150
- Islamic financing facility for renewable energy	485,428	50,000	–	535,428
Islamic Export Refinance				
- Murabaha	–	–	–	–
- Working capital musharaka	14,321,501	–	–	14,321,501
- Salam	–	–	–	–
- Istisna	857,955	859,945	316,875	2,034,775
- Al-bai	134,471	–	1,704,531	1,839,002
Gross islamic financing and related assets	114,754,481	14,586,781	3,447,175	132,788,437
Less: Credit loss allowance against Islamic financings				
- Stage 1	(146,739)	(50,692)	(8,654)	(206,085)
- Stage 2	(2,123,493)	(107,810)	(9,118)	(2,240,421)
- Stage 3	(2,146,092)	–	–	(2,146,092)
	(4,416,324)	(158,502)	(17,772)	(4,592,598)
Islamic financing and related assets - net of Credit loss allowance	110,338,157	14,428,279	3,429,403	128,195,839

	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 provisions	99,428,315	10,264,164	4,449,768	114,142,247

39.4 Deposits

	30 September 2024 (Un-Audited)			31 December 2023 (Audited)		
	Customers	Financial Institutions	Total	Customers	Financial Institutions	Total
	Rupees in '000					
Current deposits	93,815,373	428,010	94,243,383	58,112,522	61,371	58,173,893
Savings deposits	58,020,018	4,924,945	62,944,963	52,685,225	1,716,548	54,401,773
Term deposits	46,589,572	135,000	46,724,572	31,990,623	135,000	32,125,623
Others	2,486,703	–	2,486,703	3,204,413	–	3,204,413
	200,911,666	5,487,955	206,399,621	145,992,783	1,912,919	147,905,702

	30 September 2024 (Un-Audited)	31 December 2023 (Audited)
	Rupees in '000	
39.5 Unappropriated profit		
Opening balance	4,720,817	2,604,686
Add: islamic banking profit for the period	4,258,255	9,256,503
Less: taxation	(2,086,545)	(4,535,686)
Less: transferred to head office	(4,720,817)	(2,604,686)
Closing balance	2,171,710	4,720,817
39.6 Contingencies and commitments		
Guarantees	14,917,584	13,819,209
Commitments	22,627,838	17,509,845
	37,545,422	31,329,054

	30 September 2024 (Un-Audited)	30 September 2023 (Un-Audited)
	Rupees in '000	
39.7 Profit / return earned of financing, investments and placement		
Financing	14,795,972	12,578,332
Investments	11,447,414	8,176,835
Placements	1,288,414	161,256
	27,531,800	20,916,423

	30 September 2024 (Un-Audited)	30 September 2023 (Un-Audited)
	Rupees in '000	
39.8 Profit / return on deposits and other dues expensed		
Deposits and other accounts	13,721,111	8,866,342
Due to financial institutions	2,416,633	2,100,065
Discount expense on lease liability against right-of-use assets	298,283	42,978
	16,436,027	11,009,385

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 consolidated 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 24 October 2024 has approved an interim cash dividend of Rs. 2.50 per share (September 2023: Rs. Nil). These consolidated condensed interim financial statements do not include the effect of this appropriation which will be accounted for subsequent to the period end. This is in addition to Rs. 5.0 per share already paid during the period bringing the total to Rs. 7.50 per share (September 2023: Rs. 5.0 per share).

41.2 These consolidated condensed interim financial statements were authorised for issue on 24 October 2024 by the Board of Directors of the Bank.

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

This page intentionally left blank

[Subsidiary of Habib Bank AG Zurich]

HABIBMETRO

Registered Address
Head Office Building, I.I. Chundrigar Road, Karachi, Pakistan

Tel: (92-21)111-14-14-14
Call Center: 111-1-HABIB(42242)
Fax: (92-21) 2630404

For Complaints & Feedback
Complaint Resolution Unit, Habib Metropolitan Bank Ltd,
Al-Manzoor Building, 1st Floor, Dr. Ziauddin Ahmed Road, Karachi-74200.
Email us at: complaints@habibmetro.com