2024

HABIBMETRO

HALF YEARLY REPORT
JUNE 2024

This page intentionally left blank

بسم الله الرحمن الرحیم

هَٰذَا مِن فَضْلِ رَبِّي

OUR VISION

To be the most respected financial institution based on trust, service and commitment

OUR VALUES

RESPECT
We respect our heritage, our team's dedication, and our customers' faith in us.

INTEGRITY
We set high professional and ethical standards for ourselves and each other.

TEAMWORK
We play to our strengths and build teams that deliver at the local and global levels.

RESPONSIBILITY
We take responsibility for ourselves, our actions, and always give our best.

COMMITMENT
We are committed to responding to the needs of our customers.

TRUST
We safeguard the trust that our customers place in us, and foster the same with passion.


TRUST
TEAMWORK
INTEGRITY
RESPECT
RESPONSIBILITY
COMMITMENT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRMAN
Mohamedali R. Habib

PRESIDENT & CHIEF EXECUTIVE OFFICER
Khurram Shahzad Khan

DIRECTORS
Ali Abbas Sikander
Hamza Habib
Mohomed Bashir
Mohsin A. Nathani
Muhammad H. Habib
Rashid Ahmed Jafer
Tahira Raza

BOARD COMMITTEES

AUDIT
Mohsin A. Nathani
Muhammad H. Habib
Rashid Ahmed Jafer
Tahira Raza

CREDIT
Hamza Habib
Khurram Shahzad Khan
Mohamedali R. Habib
Mohsin A. Nathani
Rashid Ahmed Jafer

HUMAN RESOURCE & REMUNERATION
Mohamedali R. Habib
Mohomed Bashir
Mohsin A. Nathani
Tahira Raza

INFORMATION TECHNOLOGY
Ali Abbas Sikander
Hamza Habib
Khurram Shahzad Khan
Mohamedali R. Habib

RISK & COMPLIANCE
Khurram Shahzad Khan
Mohsin A. Nathani
Muhammad H. Habib
Rashid Ahmed Jafer
Tahira Raza

SHARIAH BOARD
Tan Sri Dr. Mohd. Daud Bakar - Chairman
Mufti Abdul Sattar Laghari - Member
Mufti Khawaja Noor ul Hassan - Resident Member

COMPANY SECRETARY
Ather Ali Khan

REGISTERED OFFICE
Ground Floor, HABIBMETRO Head Office
I. I. Chundrigar Road,
Karachi - 74200, Pakistan

SHARE REGISTRAR
CDC Share Registrar Services Limited
CDC House, 99-B, Block-B,
S.M.C.H.S., Main Shahra-e-Faisal,
Karachi - 74400

DIRECTORS' REVIEW

On behalf of the Board of Directors of Habib Metropolitan Bank, I am pleased to present the condensed interim un-audited financial statements for the half year ended 30 June 2024.

During the first six months of 2024, Pakistan's economic and financial position continued to improve steadily on the back of resumption of funding from multilateral and bilateral partners and prudent policy decisions. Rupee remained stable throughout the period, averaging under Rs. 279/USD. Pakistan successfully concluded the Nine months Stand by Agreement which laid the foundation for long term EFF program of $7.0 billion for which Staff level agreement has been reached.

The SBP reduced the policy rate by 150 bps in June and further 100 bps in July to 19.5 percent from 22.0 percent. SBP expects inflation numbers to decline significantly and period average reading to fall in 11.5 - 13.5 percent range in FY25 as compared to 23.4 percent in FY24. The expected medium term inflation target is 5 - 7 percent.

Real GDP growth is expected to remain within 2.5 - 3.5 percent range in FY25. Manufacturing activity is muted due to the contractionary measures. Auto and Petroleum Products Excluding Furnace Oil sales and fertilizer offtake increased on MoM basis in June. Large-scale manufacturing also recorded a sharp improvement in May 2024, mainly driven by the apparel sector. The growth in agriculture sector, after showing a strong performance in FY24, is expected to slow down in this fiscal year.

After recording surpluses for three consecutive months, the current account posted a deficit from May onwards as per the expectation. These deficits were largely due to higher dividend and profit payments and a seasonal increase in imports, which more than offset a significant increase in exports and workers' remittances. Cumulatively, the current account deficit in FY24 decreased significantly to 0.2 percent of GDP from 1.0 percent in the preceding year. Looking ahead, the SBP expects a modest increase in imports, in line with the growth outlook. At the same time, the continued robust growth in workers' remittances, along with an increase in exports, is expected to contain the current account deficit in the range of 0 - 1.0 percent of GDP in FY25.

The banking sector's deposit base amounted to Rs. 31.1 trillion as of June 30, 2024, posting a growth by 11.8 percent from Dec 31, 2023, meanwhile advances grew by 0.7 percent during six months to close at Rs. 12.4 trillion. Investments increased by 19.3 percent in same period and stood at Rs. 30.2 trillion.

By the Grace of Allah, HABIBMETRO sustained the growth that was achieved last year, posting a profit before tax of Rs. 22,136 million for the first half of 2024. This translate into after tax earnings of Rs. 10.97 per share.

The Bank's net mark-up / interest income amounted to Rs. 30,468 million compared to Rs. 30,833 million in the same period last year, whereas non-mark-up / interest income increased to Rs. 9,405 million, posting a growth of 18.5 percent from prior year.

Investments declined by 5.6 percent to Rs. 873,519 million whereas net advances increased by 5.0 percent to Rs. 432,514 million during the first half of 2024. Meanwhile, deposits increased to Rs. 1,098,768 million compared to Rs. 1,012,303 million as of 31 December 2023, a growth of 8.5 percent.

The Bank's Net Equity stands at Rs. 99,589 million with a capital adequacy level of 17.6 percent.

The Bank maintained its Pakistan Credit Rating Agency Limited (PACRA) ratings of AA+ for Long Term, and A1+ rating for Short Term. These ratings denote a high credit quality with a low expectation of credit risk, and a strong capacity for timely payment of financial commitments.

HABIBMETRO operates a network of 545 branches in 218 cities across Pakistan, including 220 Islamic banking branches, and 187 Islamic banking windows. The Bank provides a comprehensive spectrum of banking services and products including specialized trade finance products and digital banking solutions such as secured mobile, web & SMS Banking services, globally accepted Visa Cards and a nationwide network of ATMs.

Your Bank is fully committed to fulfil its corporate social responsibilities and continues to make regular contributions to a host of non-profit / social organizations. The Bank also engages its employees in a variety of charitable endeavors and causes, with a major focus on healthcare and education, as part of its efforts to be a socially conscious company.

Your Bank is also accelerating digital transformation by promoting mobile app, web banking and debit cards along with providing the Corporates/ SMEs with the creative employee / transaction banking solutions. Apart from this, your bank is continuously expanding the SIRAT footprint to fulfill the growing Islamic Banking needs of the nation.

In conclusion, we express our sincere gratitude to the Ministry of Finance, the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan for their continued support. We also thank our valued shareholders and customers for their trust, the Board of Directors for their guidance and the staff of HABIBMETRO Bank for their dedication, which enables us to grow from strength to strength.

On behalf of the Board

KHURRAM SHAHZAD KHAN
President & Chief Executive Officer

Karachi: 22 August 2024

2024 کی پہلی ششماہی کے دوران سرمایہ کاریاں 5.6 فیصد کم ہوکر 873,519 ملین روپے ہوگئی جبکہ خالص ایڈوانسز 5.0 فیصد تک بڑھ کر 432,514 ملین روپے ہوگئے۔ اسی دوران ڈپازٹس بڑھ کر 1,098,768 ملین روپے ہوگئے جو اس کے مقابلے میں 31 دسمبر 2023 میں 1,012,303 ملین روپے تھے اور اس طرح 8.5 فیصد کی گروتھ حاصل ہوئی۔

بینک کی خالص ایکویٹی 17.60 فیصد کیپٹل ایڈیکویئیسی کے ساتھ 99,589 ملین روپے رہی۔

بینک نے پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) کی اپنی لانگ ٹرم کیلئے +AA اور شارٹ ٹرم کے لئے +A1 کی ریٹنگز برقرار رکھیں جو ایک اعلیٰ کریڈٹ معیار، کریڈٹ رسک کے بہت کم امکان اور مالیاتی وعدوں کی بروقت ادائیگی کی مستحکم صلاحیت کو ظاہر کرتی ہے۔

حبیب میٹرو پاکستان بھر کے 218 شہروں میں 545 برانچز بشمول 220 اسلامک بینکنگ برانچز اور 187 اسلامک بینکنگ ونڈوز کا نیٹ ورک آپریٹ کر رہا ہے جو بینکنگ کی سروسز اور پراڈکٹس کا ایک جامع مجموعہ بشمول تجارتی مالیاتی پراڈکٹس اور ڈیجیٹل بینکنگ کی خدمات فراہم کر رہا ہے۔ جیسا کہ محفوظ موبائل، ویب اور ایس ایم ایس بینکنگ سروسز، عالمگیر سطح پر قبول کیے جانے والے ویزا کارڈ اور اے ٹی ایمز کا ملک گیر نیٹ ورک۔

آپ کا بینک اپنی کارپوریٹ سماجی ذمہ داریوں کو پورا کرنے پر مکمل کاربند ہے اور غیر منافع بخش/سماجی اداروں کے ساتھ باقاعدگی کے ساتھ شراکت داری کا سلسلہ برقرار رکھے ہوئے ہے۔ بینک سماجی طور پر ایک ذمہ دار کمپنی کی حیثیت سے اپنی کوششوں کے ایک حصے کے طور پر اپنے ملازمین کو بھی مستقل بنیادوں پر مختلف امدادی سرگرمیوں اور مقاصد بالخصوص صحت اور تعلیم کے شعبوں میں خصوصی توجہ کے ساتھ مصروف عمل رکھتا ہے۔

آپ کا بینک بھی موبائل ایپ، ویب بینکنگ اور ڈیبٹ کارڈز بشمول کارپوریٹس/ ایس ایم ایز کے ساتھ تخلیقی ملازم/ بینکنگ کے جدید ترین طریقوں کی فراہمی کے ذریعے تیزی سے ڈیجیٹل ٹرانسفارمیشن کی طرف گامزن ہے۔ اس کے ساتھ ساتھ آپ کا بینک مستقل طور پر صراط کے اثرات کو توسیع دے رہا ہے تاکہ ملک وقوم کی اسلامک بینکنگ کی ضروریات کو فروغ دیا جائے۔

اختتامی کلمات کے طور پر ہم وزارت خزانہ، اسٹیٹ بینک آف پاکستان اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے مستقل تعاون پر ان کے دلی شکرگزار ہیں۔ ہم اپنے قابل قدر شیئر ہولڈرز و کسٹمرز کا بھی ان کے اعتماد، بورڈ آف ڈائریکٹرز کا ان کی رہنمائی اور حبیب میٹرو بینک کے اسٹاف کا ان کی پُرخلوص کاوشوں کے لئے شکریہ ادا کرتے ہیں جن کی بدولت ہم مستقل طور پر استحکام کی منزلوں کی جانب رواں دواں ہیں۔

منجانب بورڈ

خرم شہزاد خان
صدر و چیف ایگزیکٹو آفیسر

کراچی: 22 اگست 2024

ڈائریکٹرز ریویو

میں نہایت مسرت کے ساتھ حبیب میٹرو پولیٹن بینک کے بورڈ آف ڈائریکٹرز کی جانب سے 30 جون 2024 کو ختم ہونے والی ششماہی کیلئے غیر آڈٹ شدہ عبوری مالیاتی گوشوارے پیش کر رہا ہوں۔

2024 کی پہلی ششماہی کے دوران پاکستان کی معاشی اور مالیاتی پوزیشن بتدریج کثیر نوعیتی اور باہمی شراکت کاروں کی جانب سے کی جانے والی فنڈنگ اور محتاط پالیسی فیصلوں کی بدولت بہتری کی جانب گامزن رہی۔ روپے کی قدر اس پوری مدت کے دوران مستحکم ہوتی رہی اور اوسطاً امریکی ڈالر 279 روپے کے نیچے رہا۔ پاکستان نے کامیابی کے ساتھ نو ماہ اسٹینڈ بائی ایگریمنٹ کو پایہ تکمیل تک پہنچایا، جس سے 7 بلین امریکی ڈالر کے طویل مدتی ای ایف ایف پروگرام کیلئے بنیاد رکھی جاسکی جس کیلئے اسٹاف لیول معاہدے تک بات پہنچ گئی۔

اسٹیٹ بینک آف پاکستان (ایس بی پی) نے جون میں پالیسی ریٹ 150 بی پی ایس تک کم کیا جبکہ جولائی میں مزید 100 بی پی ایس کم کرکے اسے 22.0 فیصد سے 19.5 فیصد پر لایا گیا۔ ایس بی پی کو توقع ہے کہ مہنگائی کی شرح بتدریج کم ہوتی جائے گی اور مالی سال 25 میں گر کر اوسطاً شرح 11.5-13.5 فیصد تک آجائے گی جو اس کے مقابلے میں مالی سال 24 میں 23.4 فیصد رہی ہے۔ متوقع میڈیم ٹرم مہنگائی کا ہدف 5-7 فیصد ہے۔

حقیقی جی ڈی پی کی شرح نمو مالی سال 25 میں متوقع طور پر 2.5-3.5 فیصد کی رینج کے اندر رہے گی۔ مینوفیکچرنگ کی سرگرمیاں مختصر کرنے کے اقدامات کے باعث محدود ہیں، آٹو اور پیٹرولیم آئل اور لبریکینٹ (ماسوائے فرنس آئل) سیلز اور فرٹیلائزر کا اتار اجانا جون میں ایم او ایم بنیاد پر بڑھ گیا۔ بڑے پیمانے پر مینوفیکچرنگ بھی نمایاں بہتری کے ساتھ مئی 2024 میں آگے بڑھی، جس میں نمایاں کارکردگی اپیرل سیکٹر کی تھی۔ زرعی شعبے میں گروتھ مالی سال 2024 میں مستحکم کارکردگی ظاہر کرنے کے بعد اس مالی سال میں سست روی کا شکار ہونے کا امکان ہے۔

تین مستقل مہینوں کیلئے سرپلس ریکارڈ کرنے کے بعد کرنٹ اکاؤنٹ نے مئی سے اب تک مستقل طور پر خسارہ ظاہر کیا ہے جیسا کہ پہلے سے توقع تھی، یہ خسارے بڑے پیمانے پر بلند تر منافع منقسمہ اور منافع جات کی ادائیگیوں اور درآمدات میں سیزن کے تحت اضافے کی وجہ سے ہوئے جس میں برآمدات میں نمایاں اضافے اور محنت کشوں کی زرترسیلات کے سبب بڑی حد تک کمی لائی گئی۔ مجموعی طور مالی سال 2024 میں کرنٹ اکاؤنٹ خسارہ نمایاں طور جی ڈی پی کا 0.2 فیصد تک کم ہوا جو گزشتہ سال میں ایک فیصد تھا۔ آگے دیکھتے ہوئے ایس بی پی کو توقع ہے کہ گروتھ کے آؤٹ لک کے ساتھ ساتھ درآمدات میں نمایاں اضافہ ہوگا۔ اس کے ساتھ محنت کشوں کی زرترسیلات میں بڑے پیمانے پر اضافہ جاری رہے گا جبکہ برآمدات بھی بڑھیں گی جس سے امکان ہے کہ کرنٹ اکاؤنٹ خسارہ مالی سال 25 میں جی ڈی پی کے 0-1.0 کی رینج میں رہے گا۔

بینکنگ سیکٹر کے ڈپازٹ کا بنیادی حجم 30 جون 2024 کے مطابق 31.1 ٹریلین روپے تھا جس سے 31 دسمبر 2023 کے مقابلے میں 11.8 فیصد تک کا اضافہ ظاہر ہوتا ہے، اسی دوران ایڈوانسز چھ ماہ کے دوران 0.7 فیصد تک بڑھ کر 12.4 ٹریلین روپے پر بند ہوئے۔ سرمایہ کاریاں اسی مدت کے دوران 19.3 فیصد تک بڑھ کر 30.2 ٹریلین روپے پر پہنچ گئیں۔

اللہ تعالیٰ کے فضل و کرم سے حبیب میٹرو نے اس شرح نمو کو برقرار رکھا ہے جو کہ گزشتہ سال حاصل کی گئی تھی اور 2024 کی پہلی ششماہی کیلئے 22,136 ملین روپے کا منافع قبل از ٹیکس حاصل کیا۔ اس کے نتیجے میں فی شیئر بعد از ٹیکس آمدنی 10.97 روپے رہی۔

بینک کے خالص مارک اَپ کی آمدنی 30,468 ملین روپے رہی جو کہ گزشتہ سال کی اسی مدت میں 30,833 ملین روپے تھی جبکہ نان مارک اَپ کی آمدنی بڑھ کر 9,405 ملین روپے ہوگئی اور گزشتہ سال کے مقابلے میں 18.5 فیصد گروتھ ظاہر ہوئی۔

This page intentionally left blank

INDEPENDENT AUDITORS' REVIEW REPORT TO THE MEMBERS OF HABIB METROPOLITAN BANK LIMITED

Report on review of Unconsolidated Condensed Interim Financial Statements

Introduction

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of Habib Metropolitan Bank Limited ("the Bank") as at 30 June 2024 and the related unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim statement of changes in equity, unconsolidated condensed interim cash flow statement and notes to the unconsolidated condensed interim financial statements for the half year ended 30 June 2024 (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

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

Conclusion

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

Other Matter

The figures for the quarter ended 30 June 2024 in the unconsolidated condensed interim profit and loss account and unconsolidated condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

The engagement partner on the review resulting in this independent auditor's review report is Zeeshan Rashid.

Karachi: 29 August 2024
UDIN: RR202410188OSpHAwMZR

KPMG Taseer Hadi & Co.
Chartered Accountants

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2024

	Note	30 June 2024 (Un-Audited)	31 December 2023 (Audited)
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks	7	99,052,301	91,466,596
Balances with other banks	8	10,186,522	21,123,950
Lendings to financial institutions	9	5,286,925	5,496,284
Investments	10	873,518,589	925,411,965
Advances	11	432,514,145	412,048,924
Property and equipment	12	16,513,339	15,715,033
Right-of-use assets	13	8,124,139	7,601,453
Intangible assets	14	586,235	323,254
Deferred tax assets	15	3,066,598	5,164,164
Other assets	16	89,543,103	72,065,464
Total Assets		1,538,391,896	1,556,417,087
LIABILITIES			
Bills payable	17	30,422,105	28,352,699
Borrowings	18	216,533,930	323,269,590
Deposits and other accounts	19	1,098,767,953	1,012,302,844
Lease liabilities	20	9,727,131	9,051,378
Subordinated debt		–	–
Deferred tax liabilities		–	–
Other liabilities	21	83,352,048	90,165,243
Total Liabilities		1,438,803,167	1,463,141,754
NET ASSETS		99,588,729	93,275,333
REPRESENTED BY			
Share capital		10,478,315	10,478,315
Reserves		32,717,182	30,418,061
Surplus on revaluation of assets - net of tax	22	7,024,185	4,818,771
Unappropriated profit		49,369,047	47,560,186
		99,588,729	93,275,333
CONTINGENCIES AND COMMITMENTS	23		

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

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

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

FOR THE QUARTER AND HALF YEAR ENDED 30 JUNE 2024

	Note	Quarter ended		Half year ended	
		30 June 2024	30 June 2023	30 June 2024	30 June 2023
		Rupees in '000			
Mark-up / return / interest earned	25	59,764,778	51,665,851	118,671,615	95,859,240
Mark-up / return / interest expensed	26	(45,641,221)	(34,603,775)	(88,203,198)	(65,026,734)
Net mark-up / interest income		14,123,557	17,062,076	30,468,417	30,832,506
NON MARK-UP / INTEREST INCOME					
Fee and commission income	27	2,407,831	2,387,902	4,874,101	4,533,458
Dividend income		139,833	138,413	346,952	265,768
Foreign exchange income		2,118,790	1,493,499	3,419,344	3,307,191
Income / (loss) from derivatives		–	–	–	–
Gain / (loss) on securities - net	28	954,313	(68,925)	685,585	(211,327)
Net gain / (loss) on derecognition of financial assets measured at amortised cost		–	–	–	–
Other income	29	52,262	18,414	78,604	38,625
Total non mark-up / interest income		5,673,029	3,969,303	9,404,586	7,933,715
Total Income		19,796,586	21,031,379	39,873,003	38,766,221
NON MARK-UP / INTEREST EXPENSES					
Operating expenses	30	7,837,756	7,115,980	15,176,511	13,566,106
Workers' welfare fund		211,153	357,000	449,630	531,779
Other charges	31	1,011	32,193	72,788	32,198
Total non-mark-up / interest expenses		(8,049,920)	(7,505,173)	(15,698,929)	(14,130,083)
Profit before credit loss allowance		11,746,666	13,526,206	24,174,074	24,636,138
Credit loss allowance and write offs - net	32	(1,183,449)	(1,129,525)	(2,038,273)	(2,174,221)
Extra ordinary / unusual items		–	–	–	–
PROFIT BEFORE TAXATION		10,563,217	12,396,681	22,135,801	22,461,917
Taxation	33	(4,966,057)	(6,340,323)	(10,637,306)	(10,680,747)
PROFIT AFTER TAXATION		5,597,160	6,056,358	11,498,495	11,781,170
		Rupees			
Basic and diluted earnings per share	34	5.34	5.78	10.97	11.24

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

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

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

FOR THE QUARTER AND HALF YEAR ENDED 30 JUNE 2024

	Quarter ended		Half year ended	
	30 June 2024	30 June 2023	30 June 2024	30 June 2023
	Rupees in '000			
Profit after taxation	5,597,160	6,056,358	11,498,495	11,781,170
Other comprehensive income				
Items that may be reclassified to profit and loss in subsequent periods:				
Effect of translation of net investment in an offshore branch - net of tax	316	9,001	(578)	14,266
Movement in surplus on revaluation of debt investments through FVOCI - net of tax	1,879,632	–	1,754,029	–
Movement in surplus / (deficit) on revaluation of available for sale investments - net of tax	–	1,864,401	–	(1,644,312)
	1,879,948	1,873,402	1,753,451	(1,630,046)
Items that will not be reclassified to profit and loss in subsequent periods:				
Remeasurement gain / (loss) on defined benefit obligations - net of tax	10,300	9,679	(40,853)	(93,322)
Movement in deficit on revaluation of property and equipment - net of tax	–	(203,449)	–	(203,449)
Movement in surplus / (deficit) on revaluation of non-banking assets - net of tax	513,302	(94,289)	513,302	(94,289)
Movement in surplus on revaluation of equity investments through FVOCI - net of tax	360,089	–	485,278	–
	883,691	(288,059)	957,727	(391,060)
Total comprehensive income	8,360,799	7,641,701	14,209,673	9,760,064

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

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

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

FOR THE HALF YEAR ENDED 30 JUNE 2024

		Reserves					Surplus / (deficit) on revaluation			
	Share capital	Exchange translation reserve	Share premium	Statutory reserve	Special reserve	Revenue reserve	Investments	Fixed/Non-banking assets	Un-appropriated profit	Total
	Rupees in '000									
Balance as at 1 January 2023 (Audited)	10,478,315	4,929	2,550,985	21,238,642	240,361	1,500,000	(4,790,285)	6,820,054	36,464,323	74,507,324
Profit after taxation for the period	–	–	–	–	–	–	–	–	11,781,170	11,781,170
Other comprehensive income - net of tax										
Effect of translation of net investment in an offshore branch - net of tax	–	14,266	–	–	–	–	–	–	–	14,266
Movement in surplus / (deficit) on revaluation of investments - net of tax	–	–	–	–	–	–	(1,644,312)	–	–	(1,644,312)
Remeasurement gain / (loss) on defined benefit obligations - net of tax	–	–	–	–	–	–	–	–	(93,322)	(93,322)
Movement in surplus on revaluation of non-banking assets - net of tax	–	–	–	–	–	–	–	(94,289)	–	(94,289)
Movement in surplus on revaluation of fixed assets - net of tax	–	–	–	–	–	–	–	(203,449)	–	(203,449)
Total other comprehensive income	–	14,266	–	–	–	–	(1,644,312)	(297,738)	(93,322)	(2,021,106)
Transfer to statutory reserve	–	–	–	2,356,234	–	–	–	–	(2,356,234)	–
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	–	–	–	–	–	–	–	(70,911)	70,911	–
Transactions with owners, recorded directly in equity										
Final Cash dividend (Rs. 3.00 per share) for the year ended 31 December 2022	–	–	–	–	–	–	–	–	(3,405,452)	(3,405,452)
Balance as at 30 June 2023 (Un-audited)	10,478,315	19,195	2,550,985	23,594,876	240,361	1,500,000	(6,434,597)	6,451,405	42,461,396	80,861,936

	Note	Share capital	Reserves: Exchange translation reserve	Reserves: Share premium	Reserves: Statutory reserve	Reserves: Special reserve	Reserves: Revenue reserve	Surplus / (deficit) on revaluation: Investments	Surplus / (deficit) on revaluation: Fixed/Non-banking assets	Un-appropriated profit	Total
		Rupees in '000									
Profit after taxation for the period		–	–	–	–	–	–	–	–	12,602,648	12,602,648
Other comprehensive income - net of tax											
Effect of translation of net investment in an offshore branch - net of tax		–	(7,886)	–	–	–	–	–	–	–	(7,886)
Movement in surplus / (deficit) on revaluation of investments - net of tax		–	–	–	–	–	–	4,883,834	–	–	4,883,834
Remeasurement gain / (loss) on defined benefit obligations - net of tax		–	–	–	–	–	–	–	–	164,325	164,325
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
Total comprehensive income		–	(7,886)	–	–	–	–	4,883,834	9,633	164,325	5,049,906
Transfer to statutory reserve		–	–	–	2,520,530	–	–	–	–	(2,520,530)	–
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax		–	–	–	–	–	–	–	(91,504)	91,504	–
Transactions with owners, recorded directly in equity											
Interim cash dividend (Rs. 5.00 per share) for the year ended 30 June 2023		–	–	–	–	–	–	–	–	(5,239,157)	(5,239,157)
Balance as at 31 December 2023 (Audited)		10,478,315	11,309	2,550,985	26,115,406	240,361	1,500,000	(1,550,763)	6,369,534	47,560,186	93,275,333
Impact of adoption of IFRS 9 as at 1 January 2024 - net of tax	3.1.1	–	–	–	–	–	–	(184,901)	–	671,276	486,375
Balance as at 1 January 2024 on adoption of IFRS9		10,478,315	11,309	2,550,985	26,115,406	240,361	1,500,000	(1,735,664)	6,369,534	48,231,462	93,761,708

	Share capital	Reserves: Exchange translation reserve	Reserves: Share premium	Reserves: Statutory reserve	Reserves: Special reserve	Reserves: Revenue reserve	Surplus / (deficit) on revaluation: Investments	Surplus / (deficit) on revaluation: Fixed/Non-banking assets	Un-appropriated profit	Total
	Rupees in '000									
Profit after taxation for the period	–	–	–	–	–	–	–	–	11,498,495	11,498,495
Other comprehensive income for the period - net of tax										
Effect of translation of net investment in an offshore branch - net of tax	–	(578)	–	–	–	–	–	–	–	(578)
Movement in surplus / (deficit) on revaluation of debt investments through FVOCI - net of tax	–	–	–	–	–	–	1,754,029	–	–	1,754,029
Movement in surplus / (deficit) on revaluation of equity investments through FVOCI - net of tax	–	–	–	–	–	–	485,278	–	–	485,278
Remeasurement gain / (loss) on defined benefit obligations - net of tax	–	–	–	–	–	–	–	–	(40,853)	(40,853)
Movement in surplus on revaluation of non-banking assets - net of tax	–	–	–	–	–	–	–	513,302	–	513,302
Total comprehensive income	–	(578)	–	–	–	–	2,239,307	513,302	(40,853)	2,711,178
Gain on sale of equity shares - FVOCI - net of tax	–	–	–	–	–	–	(281,311)	–	281,311	–
Transfer to statutory reserve	–	–	–	2,299,699	–	–	–	–	(2,299,699)	–
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	–	–	–	–	–	–	–	(80,983)	80,983	–
Transactions with owners, recorded directly in equity										
Final Cash dividend (Rs. 5.50 per share) for the year ended 31 December 2023	–	–	–	–	–	–	–	–	(5,763,073)	(5,763,073)
Interim cash dividend (Rs. 2.50 per share) for the quarter ended 31 March 2024	–	–	–	–	–	–	–	–	(2,619,579)	(2,619,579)
Balance as at 30 June 2024 (Un-audited)	10,478,315	10,731	2,550,985	28,415,105	240,361	1,500,000	222,332	6,801,853	49,369,047	99,588,729

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

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

UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE HALF YEAR ENDED 30 JUNE 2024

	Note	30 June 2024	30 June 2023
		(Un-Audited) Rupees in '000	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		22,135,801	22,461,917
Less: Dividend income		(346,952)	(265,768)
		21,788,849	22,196,149
Adjustments			
Net mark-up / interest income		(30,468,417)	(30,832,506)
Depreciation on operating fixed assets	30	1,153,520	918,305
Depreciation on right-of-use assets	30	747,253	730,168
Amortisation	30	117,129	40,589
Markup on lease liability against right-of-use assets	26	560,795	478,351
Credit loss allowance and write offs excluding recovery of written off bad debts	32	2,038,273	2,219,221
Gain on sale of fixed assets - net	29	(27,258)	(15,861)
Provision against workers' welfare fund		449,630	531,779
Unrealized gain on FVTPL securities	28	(681,758)	–
Provision against compensated absences		61,785	47,082
Provision against defined benefit plan		164,242	151,954
		(25,884,806)	(25,730,918)
		(4,095,957)	(3,534,769)
(Increase) / decrease in operating assets			
Securities classified as FVTPL		(7,244,460)	–
Lendings to financial institutions		207,801	73,371,702
Advances		(20,369,379)	(281,983)
Other assets (excluding dividend and non-banking assets)		(7,335,863)	(3,171,403)
		(34,741,901)	69,918,316
Increase / (decrease) in operating liabilities			
Bills payable		2,069,406	18,434,237
Borrowings from financial institutions		(106,536,116)	(155,842,395)
Deposits and other accounts		86,465,109	64,855,428
Other liabilities (excluding current taxation)		(13,132,357)	6,901,675
		(31,133,958)	(65,651,055)
Payment against compensated absences		(28,185)	(38,082)
Contribution to the defined benefit plan		(30,000)	(20,004)
Mark-up / Interest received		116,341,497	85,329,791
Mark-up / Interest paid		(87,425,485)	(62,475,701)
Income tax paid		(14,207,947)	(8,475,587)
Net cash flow (used in) / from operating activities		(55,321,936)	15,052,909
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in securities classified as FVOCI		67,191,540	–
Net investments in amortised cost securities		(2,405,334)	–
Net investments in available for sale securities		–	(4,588,838)
Net investments in held to maturity securities		–	47,228,528
Investment in new subsidiary		(1,000,000)	–
Dividend received		346,952	265,768
Investments in property and equipment		(1,961,915)	(1,535,303)
Investments in intangible assets	14.1	(380,111)	(90,134)
Proceeds from sale of property and equipment		37,347	23,853
Effect of translation of net investment in an offshore branch		(578)	10,547
Net cash flow from investing activities		61,827,901	41,314,421
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		(8,382,803)	(4,438,367)
Payment of lease liability against right-of-use assets		(1,154,981)	(1,036,847)
Net cash used in financing activities		(9,537,784)	(5,475,214)
(Decrease) / increase in cash and cash equivalents		(3,031,819)	50,892,116
Cash and cash equivalents at the beginning of the period		111,701,908	75,860,490
Cash and cash equivalents at the end of the period		108,670,089	126,752,606

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

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

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2024

1. STATUS AND NATURE OF BUSINESS

Habib Metropolitan Bank Limited (the Bank) was incorporated in Pakistan on 3 August 1992, as a public limited company under the Companies Ordinance, 1984 (now Companies Act, 2017) and is engaged in commercial banking and related services. Its shares are listed on the Pakistan Stock Exchange. The Bank operates 545 (31 December 2023: 525) branches, including 220 (31 December 2023: 117) Islamic banking branches, an offshore branch (Karachi Export Processing Zone branch) and 1 (31 December 2023: 1) sub branch in Pakistan. The Bank is a subsidiary of Habib Bank AG Zurich - Switzerland (the Holding Company with 51% shares in the Bank) which is incorporated in Switzerland.

1.1 During the period, the Bank established a wholly owned subsidiary company, HabibMetro Exchange Services Limited (HMES). The Company (HMES) is incorporated in Pakistan with the objective of dealing in foreign exchange and facilitating remittances. The registered office is situated at ground floor Al Manzoor Building I.I Chundrigar Road, Karachi.

1.2 The Pakistan Credit Rating Agency Limited (PACRA) has determined the Bank's long term rating as AA+ (31 December 2023: AA+) and short term rating as A1+ (31 December 2023: A1+) dated 24 June 2024.

The registered office of the Bank is situated at HabibMetro Head Office, I.I. Chundrigar Road, Karachi.

2. BASIS OF PREPARATION

2.1 The Bank has controlling interest in First Habib Modaraba, HabibMetro Modaraba Management Company, Habib Metropolitan Financial Services Limited and HabibMetro Exchange Services Limited and is required to prepare consolidated financial statements under the provision of Companies Act 2017. These condensed interim financial statements represent the unconsolidated results of the Bank and separate set of condensed interim consolidated financial statements are also being presented by the Bank.

2.2 Statement of Compliance

These unconsolidated 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;
- 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 SBP has deferred the applicability of International Accounting Standard (IAS) 40, 'Investment Property' for banking companies through BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' on banks through its notification S.R.O 411(I)/2008 dated April 28, 2008. The State Bank of Pakistan through BPRD Circular No. 04 of 2015 dated February 25, 2015 has deferred the applicability of Islamic Financial Accounting Standard for Profit and Loss Sharing on Deposits (IFAS-3) issued by the ICAP and notified by the SECP, vide their SRO No. 571 of 2013 dated June 12, 2013 for Institutions offering Islamic Financial Services (IIFS). Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated condensed interim financial statements.

The disclosures and presentation made in these unconsolidated condensed interim financial statements are based on a format prescribed by the SBP vide BPRD Circular Letter No. 2 dated February 09, 2023 and IAS 34, Interim Financial Reporting. They do not include all the disclosures required for annual financial statements, and these unconsolidated condensed interim financial statements should be read in conjunction with the audited unconsolidated financial statements of the Bank 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 Bank's accounting periods beginning on or after January 1, 2024 but are considered not to be relevant or do not have any material effect on the Bank's operations 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 Bank's accounting periods beginning on or after January 1, 2025 but are considered not to be relevant or do not have any material effect on the Bank's operations and therefore not detailed in these unconsolidated 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 unconsolidated condensed interim financial statements of the Bank.

3. MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policies applied in preparation of these unconsolidated condensed interim financial statements are consistent with those as applied in the preparation of unconsolidated annual financial statements of the Bank 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 Bank.

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 Bank which are exposed to credit risk.

The Bank 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 unconsolidated 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	Remeasur-ements	Recognition of expected credit loss (ECL)	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	91,466,596	–	–	(123)	–	(123)	–	(123)	91,466,473
Balances with other banks	Loan and receivable	Amortised cost	21,123,950	–	–	(156)	–	(156)	–	(156)	21,123,794
Lending to financial institutions	Loan and receivable	Amortised cost	5,496,284	–	–	(387)	–	(387)	–	(387)	5,495,897
Investments											
– Classified as available for sale			821,009,112	(821,009,112)	–	–	–	(821,009,112)	–	(821,009,112)	–
– Classified as fair value through other comprehensive income	Available for sale	FVOCI	–	811,435,241	(219,607)	(130,219)	307,290	811,392,705	–	811,392,705	811,392,705
– 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			103,572,853	(103,572,853)	–	–	–	(103,572,853)	–	(103,572,853)	–
– Classified as amortised cost	Held to maturity	Amortised cost	–	103,572,853	–	(11)	–	103,572,842	–	103,572,842	103,572,842
– Classified as held for trading			–	–	–	–	–	–	–	–	–
– Subsidiary	Outside the scope of IFRS 9		830,000	–	–	–	–	–	–	–	830,000
			925,411,965	–	(219,607)	(130,230)	307,290	(42,547)	–	(42,547)	925,369,418
Advances											
– Gross Amount	Loan and receivable	Amortised cost	438,648,146	–	–	–	–	–	–	–	438,648,146
– Provision	Loan and receivable	Amortised cost	(26,599,222)	–	–	(25,081,628)	26,599,222	1,517,594	–	1,517,594	(25,081,628)
			412,048,924	–	–	(25,081,628)	26,599,222	1,517,594	–	1,517,594	413,566,518
Property and equipment	Outside the scope of IFRS 9		15,715,033	–	–	–	–	–	–	–	15,715,033
Right-of-use assets	Outside the scope of IFRS 9		7,601,453	–	–	–	–	–	–	–	7,601,453
Intangible assets	Outside the scope of IFRS 9		323,254	–	–	–	–	–	–	–	323,254
Deferred tax asset	Outside the scope of IFRS 9		5,164,164	–	–	–	–	–	(467,302)	(467,302)	4,696,862
Other assets											
– Financial other assets	Loans and receivables	Amortised cost	25,076,677	–	–	(33,500)	–	(33,500)	–	(33,500)	25,043,177
– Non-financial other assets	Outside the scope of IFRS 9		44,100,027	–	–	–	–	–	–	–	44,100,027
– Forward foreign exchange contracts / Foreign Currency Swaps	Fair value	FVTPL	2,888,760	–	–	–	–	–	–	–	2,888,760
			100,869,368	–	–	(33,500)	–	(33,500)	(467,302)	(500,802)	100,368,566
TOTAL ASSETS			1,556,417,087	–	(219,607)	(25,246,024)	26,906,512	1,440,881	(467,302)	973,579	1,557,390,666
LIABILITIES											
Bills payable	Cost	Amortised cost	28,352,699	–	–	–	–	–	–	–	28,352,699
Borrowings	Cost	Amortised cost	323,269,590	–	–	–	–	–	–	–	323,269,590
Deposits and other accounts	Cost	Amortised cost	1,012,302,844	–	–	–	–	–	–	–	1,012,302,844
Lease liability	Outside the scope of IFRS 9		9,051,378	–	–	–	–	–	–	–	9,051,378
Other liabilities:											
– Non financial other liabilities	Outside the scope of IFRS 9	Outside the scope of IFRS 9	13,845,473	–	–	–	–	–	–	–	13,845,473
– Financial other liabilities	Cost	Amortised cost	72,116,069	–	–	519,787	(32,583)	487,204	–	487,204	72,603,273
– Forward foreign exchange contracts / Foreign Currency Swaps	Fair value	FVTPL	4,203,701	–	–	–	–	–	–	–	4,203,701
LIABILITIES			1,463,141,754	–	–	519,787	(32,583)	487,204	–	487,204	1,463,628,958
NET ASSETS			93,275,333	–	(219,607)	(25,765,811)	26,939,095	953,677	(467,302)	486,375	93,761,708
REPRESENTED BY											
Share capital	Outside the scope of IFRS 9		10,478,315	–	–	–	–	–	–	–	10,478,315
Reserves	Outside the scope of IFRS 9		30,418,061	–	–	–	–	–	–	–	30,418,061
Surplus on revaluation of assets - net of tax			4,818,771	(362,551)	–	–	–	(362,551)	177,650	(184,901)	4,633,870
Unappropriated profit			47,560,186	362,551	(219,607)	(25,765,811)	26,939,095	1,316,228	(644,952)	671,276	48,231,462
			93,275,333	–	(219,607)	(25,765,811)	26,939,095	953,677	(467,302)	486,375	93,761,708

3.1.2 Impact on regulatory capital

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

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

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

Had IFRS 9 not been applied then CAR would have ben higher by 8 bps from 18.19 % to 18.27%.

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 Bank 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 Bank 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 Bank 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 Bank 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 Bank'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 Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

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

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 Bank 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 Bank 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 Bank considers:

– contingent events that would change the amount and timing of cash flows;
– leverage features;
– prepayment and extension terms;
– terms that limit the Bank'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 Bank holds a portfolio of long-term fixed-rate loan for which the Bank 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 Bank 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.

3.1.9 Derecognition

The Bank 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 Bank 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 Bank is recognised as a separate asset or liability.

The Bank 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 Bank retains all or substantially all of the risks and rewards of ownership of such assets.

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

3.1.10 Modification

Financial assets

The Bank 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 bank 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 bank 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 Bank 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 Bank 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 Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank 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 Bank 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 Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

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

Under the IFRS 9 Application instructions, the Bank is not required to compute ECL on Government Securities and on Government guaranteed credit exposure in local currency. The Bank 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 Bank 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 Bank 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 Bank's internal risk rating. The bank has used Transition Matrix approach for estimation of PD for each internal rating. The bank 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 Bank 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 Bank 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 Bank 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 Bank 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 Bank 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 Bank 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 Bank'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 Bank 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 Bank 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 Bank'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 bank's capital.

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

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

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

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

3.2 Revised format of unconsolidated condensed interim financial statements

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

4. BASIS OF MEASUREMENT

These unconsolidated 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 unconsolidated condensed interim financial statements are the same as that applied in the preparation of the unconsolidated 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 bank are consistent with those disclosed in the unconsolidated audited financial statements for the year ended 31 December 2023.

	30 June 2024 (Un-Audited)	31 December 2023 (Audited)
	Rupees in '000	
7. CASH AND BALANCES WITH TREASURY BANKS		
In hand		
Local currency	13,179,727	11,629,146
Foreign currencies	1,425,811	4,164,225
	14,605,538	15,793,371
With State Bank of Pakistan in		
Local currency current accounts	54,829,723	48,615,441
Foreign currencies		
- current accounts	1,459,544	1,991,420
- cash reserve accounts	6,990,420	6,308,767
- deposit account - special cash reserve	12,911,652	11,497,335
	76,191,339	68,412,963
With National Bank of Pakistan in		
Local currency current accounts	8,303,129	7,125,824
Local currency deposit accounts	57,771	26,958
	8,360,900	7,152,782
National Prize Bonds	14,598	107,480
Less: Credit loss allowance held against cash and balances with treasury banks	(120,074)	–
Cash and balances with treasury banks - net of credit loss allowance	99,052,301	91,466,596

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

8. BALANCES WITH OTHER BANKS

		30 June 2024 (Un-Audited)	31 December 2023 (Audited)
In Pakistan			
In current accounts		8,083	21,746
In deposit accounts		2,159	758
		10,242	22,504
Outside Pakistan			
In current accounts		10,176,566	21,101,446
Less: Credit loss allowance held against balances with other banks		(286)	–
Balances with other banks - net of credit loss allowance		10,186,522	21,123,950

9. LENDINGS TO FINANCIAL INSTITUTIONS

	Note	30 June 2024 (Un-Audited)	31 December 2023 (Audited)
Call money lendings	9.3	5,288,483	5,496,284
Less: Credit loss allowance held against lending to financial institutions		(1,558)	–
Lendings to financial institutions - net of credit loss allowance		5,286,925	5,496,284

9.1 Particulars of lendings

	30 June 2024 (Un-Audited)	31 December 2023 (Audited)
In local currency - secured	–	–
In foreign currency - unsecured	5,286,925	5,496,284
	5,286,925	5,496,284

9.2 Lending to FIs - Particulars of credit loss allowance

		30 June 2024 (Un-Audited)		31 December 2023 (Audited)	
		Lending	Credit loss allowance held	Lending	Credit loss allowance held
		Rupees in '000			
Performing	Stage 1	5,288,483	1,558	5,496,284	–
Under performing	Stage 2	–	–	–	–
Non-performing	Stage 3				
Substandard		–	–	–	–
Doubtful		–	–	–	–
Loss		–	–	–	–
Total		5,288,483	1,558	5,496,284	–

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

10. INVESTMENTS

10.1 Investments by types

	30 June 2024 (Un-Audited)			
	Cost / amortised cost	Credit loss allowance	Surplus / (deficit)	Carrying value
	Rupees in '000			
FVTPL				
Federal government securities	12,746,500	–	(10,973)	12,735,527
Non-government debt securities	2,097,629	–	(2,061)	2,095,568
Mutual funds	16,948	–	(10,163)	6,785
Real estate investment trust	1,814,311	–	847,898	2,662,209
	16,675,388	–	824,701	17,500,089
FVOCI				
Federal government securities	733,538,881	–	(456,021)	733,082,860
Shares	4,932,986	–	1,032,773	5,965,759
Non-government debt securities	9,814,369	(511,816)	(140,807)	9,161,746
	748,286,236	(511,816)	435,945	748,210,365
Amortised Cost				
Federal government securities	100,478,187	–	–	100,478,187
Non-government debt securities	5,500,000	(52)	–	5,499,948
	105,978,187	(52)	–	105,978,135
Subsidiaries	1,830,000	–	–	1,830,000
Total Investments	872,769,811	(511,868)	1,260,646	873,518,589

	31 December 2023 (Audited)			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	Rupees in '000			
Available-for-sale securities				
Federal government securities	806,507,307	–	(3,855,444)	802,651,863
Shares	4,047,185	(206,844)	839,682	4,680,023
Non-government debt securities	11,953,893	(87,683)	(189,864)	11,676,346
Mutual funds	16,949	(12,763)	4,069	8,255
Real estate investment trust	1,831,780	–	160,845	1,992,625
	824,357,114	(307,290)	(3,040,712)	821,009,112
Held-to-maturity securities				
Federal government securities	98,872,853	–	–	98,872,853
Non-government debt securities	4,700,000	–	–	4,700,000
	103,572,853	–	–	103,572,853
Subsidiaries	830,000	–	–	830,000
Total Investments	928,759,967	(307,290)	(3,040,712)	925,411,965

	30 June 2024 (Un-Audited)	31 December 2023 (Audited)
	Rupees in '000	
10.1.1 Investments given as collateral against repo borrowing		
The market value of investments given as collateral against borrowings is as follows:		
Federal government securities		
Market treasury bills	–	129,183,999
Pakistan investment bonds	96,408,837	54,741,950
	96,408,837	183,925,949

10.2 Credit loss allowance for diminution in value of investments

	30 June 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	381,638	63,244
Reversal for the period / year	–	(2,813)
Net (reversal) / charge for the period / year	381,638	60,431
Reversal on disposal	–	(330,674)
Investment written off	–	–
Closing balance	511,868	307,290

10.3 Particulars of credit loss allowance / provision against debt securities

		30 June 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	14,888,606	86,105	–	–
Underperforming	Stage 2	–	–	–	–
Non-performing	Stage 3				
Substandard		–	–	–	–
Doubtful		–	–	–	–
Loss		425,763	425,763	87,683	87,683
		425,763	425,763	87,683	87,683
Total		15,314,369	511,868	87,683	87,683

10.4 Summary of financial position and performance of associates and subsidiaries

	30 June 2024 (Un-Audited)						
	Country of Incorpora-tion	Holding	Assets	Liabilities	Revenue	Profit / (loss) after tax	Total Comprehens-ive income for the period
	Rupees in '000						
Subsidiaries							
First Habib Modaraba (FHM)	Pakistan	5.43%	26,607,021	21,224,648	2,857,205	373,955	376,875
Habib Metropolitan Modaraba Management Company (Private) Limited	Pakistan	100%	736,050	13,984	105,949	61,675	80,627
Habib Metropolitan Financial Services Limited	Pakistan	100%	437,167	138,914	47,980	(14,578)	(10,255)
HabibMetro Exchange Services Limited	Pakistan	100%	1,029,430	14,063	87,350	15,368	15,368

	31 December 2023 (Audited)						
	Country of Incorpora-tion	Holding	Assets	Liabilities	Revenue	Profit / (loss) after tax	Total Comprehens-ive income for the period
	Rupees in '000						
Subsidiaries							
First Habib Modaraba (FHM)	Pakistan	5.43%	22,878,502	17,913,536	4,425,279	811,792	816,442
Habib Metropolitan Modaraba Management Company (Private) Limited	Pakistan	100%	723,378	13,465	105,652	105,968	98,208
Habib Metropolitan Financial Services Limited	Pakistan	100%	356,760	46,836	53,857	(20,406)	(16,869)

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

11. ADVANCES

	30 June 2024 (Un-Audited)			31 December 2023 (Audited)		
	Performing	Non Performing	Total	Performing	Non Performing	Total
	Rupees in '000					
Loans, cash credits, running finances, etc.	263,408,634	19,167,459	282,576,093	261,089,008	16,160,613	277,249,621
Islamic financing and related assets	115,826,814	3,108,658	118,935,472	114,143,049	554,851	114,697,900
Bills discounted and purchased	54,648,908	2,832,212	57,481,120	43,580,472	3,120,153	46,700,625
Advances - gross	433,884,356	25,108,329	458,992,685	418,812,529	19,835,617	438,648,146
Credit loss allowance against advances						
Stage 1	(930,398)	–	(930,398)	–	–	–
Stage 2	(2,761,142)	–	(2,761,142)	–	–	–
Stage 3	–	(22,787,000)	(22,787,000)	–	–	–
Specific provision	–	–	–	–	(19,273,580)	(19,273,580)
General provision	–	–	–	(7,325,642)	–	(7,325,642)
	(3,691,540)	(22,787,000)	(26,478,540)	(7,325,642)	(19,273,580)	(26,599,222)
Advances - net of credit loss allowance / provision	430,192,816	2,321,329	432,514,145	411,486,887	562,037	412,048,924

11.1 Particulars of advances - gross

	31 June 2024 (Un-Audited)	31 December 2023 (Audited)
	Rupees in '000	
In local currency	379,679,581	371,132,659
In foreign currencies	79,313,104	67,515,487
	458,992,685	438,648,146

11.2 Advances include Rs. 25,108,329 thousand (31 December 2023: Rs.19,835,617 thousand) which have been placed under non-performing / Stage 3 status as detailed below:

		30 June 2024 (Un-Audited)		31 December 2023 (Audited)	
		Non-performing loans	Credit loss allowance	Non-performing loans	Provision
		Rupees in '000			
Category of classification					
Domestic					
Other asset especially mentioned		90,583	–	20,395	–
Substandard		69,884	16,024	243,168	58,876
Doubtful	Stage 3	5,087,107	3,051,149	485,917	242,959
Loss		19,860,755	19,719,827	19,086,137	18,971,745
		25,108,329	22,787,000	19,835,617	19,273,580

11.3 Particulars of credit loss allowance against advances

	30 June 2024 (Unaudited)					31 December 2023 (Audited)		
	Stage 3	Stage 1 & 2	Specific	General	Total	Specific	General	Total
	Rupees in '000							
Opening balance	–	–	19,273,580	7,325,642	26,599,222	17,249,750	4,619,505	21,869,255
Impact of adoption of IFRS 9 as of 1 January 2024	19,998,038	5,083,590	(19,273,580)	(7,325,642)	(1,517,594)	–	–	–
Balance as at 1 January 2024	19,998,038	5,083,590	–	–	25,081,628	17,249,750	4,619,505	21,869,255
Charge for the period / year	3,847,239	957,259	–	–	4,804,498	6,295,438	2,706,137	9,001,575
Reversals for the period / year	(1,033,437)	(2,349,309)	–	–	(3,382,746)	(4,244,098)	–	(4,244,098)
Net charge for the period / year	2,813,802	(1,392,050)	–	–	1,421,752	2,051,340	2,706,137	4,757,477
Amount written off	(24,840)	–	–	–	(24,840)	(27,510)	–	(27,510)
Closing balance	22,787,000	3,691,540	–	–	26,478,540	19,273,580	7,325,642	26,599,222

11.4 Advances - Particulars of credit loss allowance

	30 June 2024 (Un-Audited)		
	Stage 1	Stage 2	Stage 3
	Rupees in '000		
Opening balance	–	–	–
Impact of adoption of IFRS 9	1,446,710	3,636,880	19,998,038
New Advances / Increase	278,287	317,568	37,575
Advances derecognised or repaid	(529,435)	(362,649)	(974,867)
Transfer to stage 1	21,170	(21,170)	–
Transfer to stage 2	(281,664)	340,234	(58,570)
Transfer to stage 3	(4,670)	(484,643)	489,313
	(516,312)	(210,660)	(506,549)
Amounts written off / charged off	–	–	(24,840)
Changes in risk parameters	–	(665,078)	3,320,351
Closing balance	930,398	2,761,142	22,787,000

11.4.1 Advances - Category of classification

		30 June 2024 (Un-Audited)	
		Outstanding amount	Credit loss allowance held
		Rupees in '000	
Domestic			
Performing	Stage 1	400,458,641	930,398
Underperforming	Stage 2	33,425,715	2,761,142
Non-Performing	Stage 3		
Other assets especially mentioned		90,583	–
Substandard		69,884	16,024
Doubtful		5,087,107	3,051,149
Loss		19,860,755	19,719,827
		25,108,329	22,787,000
		458,992,685	26,478,540

12. PROPERTY AND EQUIPMENT

	Note	30 June 2024 (Un-Audited)	31 December 2023 (Audited)
		Rupees in '000	
Capital work-in-progress	12.1	369,055	293,119
Property and equipment		16,144,284	15,421,914
		16,513,339	15,715,033

12.1 Capital work-in-progress

	Note	30 June 2024 (Un-Audited)	31 December 2023 (Audited)
Civil works		138,112	79,056
Advance to suppliers	12.1.1	230,943	214,063
		369,055	293,119

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

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

12.2 Additions to property and equipment

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

	30 June 2024	30 June 2023
Capital work-in-progress additions / (transfer to property and equipment) - net	75,936	205,554
Property and equipment		
Furniture and fixture	119,439	122,816
Electrical, office and computer equipment	1,186,982	703,213
Vehicles	25,200	75,429
Lease hold improvements	554,703	421,888
	1,886,324	1,323,346
	1,962,260	1,528,900

12.3 Disposal of property and equipment

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

	30 June 2024	30 June 2023
Furniture and fixture	326	666
Electrical, office and computer equipment	465	321
Vehicles	9,298	7,005
	10,089	7,992

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

13. RIGHT-OF-USE ASSETS

	30 June 2024	31 December 2023
At January 1, 2024		
Cost	12,452,599	10,126,510
Accumulated Depreciation	(4,851,146)	(3,390,917)
Net Carrying amount at January 1, 2024	7,601,453	6,735,593
Additions during the period / year	1,269,939	2,326,089
Deletions during the period / year	–	–
Depreciation Charge for the period / year	(747,253)	(1,460,229)
Net Carrying amount at June 30, 2024	8,124,139	7,601,453

14. INTANGIBLE ASSETS

	30 June 2024	31 December 2023
Computer Software	586,235	323,254

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

14.1 Additions to intangible assets

	30 June 2024	30 June 2023
Directly purchased - computer software	380,111	90,134

	Note	30 June 2024 (Un-Audited)	31 December 2023 (Audited)
		Rupees in '000	
15. DEFERRED TAX ASSETS			
Deductible temporary differences on			
- Credit loss allowance for diminution in value of investments		250,815	150,572
- Credit loss allowance against advances		3,668,999	5,419,310
- Accelerated tax depreciation		401,443	315,883
- Deferred liability on defined benefit plan		42,008	(14,810)
- Deficit on revaluation of investments in FVOCI		(213,613)	1,489,949
- Credit loss allowance - others		522,576	–
		4,672,228	7,360,904
Taxable temporary differences on			
- Surplus on revaluation of non-banking assets		(256,651)	(769,953)
- Surplus on revaluation of property and equipment		(1,348,979)	(1,426,787)
- Exchange translation reserve		–	–
		(1,605,630)	(2,196,740)
Net deferred tax assets		3,066,598	5,164,164

	Note	30 June 2024 (Un-Audited)	31 December 2023 (Audited)
16. OTHER ASSETS			
Income / mark-up / profit accrued in local currency - net of provision		40,550,736	38,188,932
Income / mark-up / profit accrued in foreign currencies - net of provision		272,861	304,547
Advances, deposits and other prepayments		830,385	575,609
Non-banking assets acquired in satisfaction of claims		2,204,729	2,204,729
Mark-to-market gain on forward foreign exchange contracts		3,677,297	2,888,760
Acceptances		33,014,910	25,076,677
Receivable from the SBP against encashment of government securities		7,950	43,509
Stationery and stamps on hand		313,990	244,084
Receivable from defined benefit plan		–	60,450
Receivable from 1Link		6,321,325	–
Others		694,934	758,056
		87,889,117	70,345,353
Credit loss allowance / provision held against other assets	16.1	(441,125)	(375,000)
Other Assets (Net of credit loss allowance)		87,447,992	69,970,353
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	22	2,095,111	2,095,111
		89,543,103	72,065,464

	30 June 2024 (Un-Audited)	31 December 2023 (Audited)
	Rupees in '000	
16.1 Credit loss allowance held against other assets		
Claims receivable against fraud and forgeries	375,000	375,000
Acceptances	66,125	–
	441,125	375,000
16.1.1 Movement in Credit loss allowance held against other assets		
Opening balance	375,000	375,000
Impact of adoption of IFRS 9	33,500	–
Charge for the period / year	32,625	–
Reversal for the period / year	–	–
	32,625	–
Closing balance	441,125	375,000

17. BILLS PAYABLE

	30 June 2024 (Un-Audited)	31 December 2023 (Audited)
In Pakistan	30,312,086	28,254,056
Outside Pakistan	110,019	98,643
	30,422,105	28,352,699

18. BORROWINGS

	30 June 2024 (Un-Audited)	31 December 2023 (Audited)
Secured		
Borrowings from the State Bank of Pakistan under		
- Export refinance scheme	66,874,376	85,990,034
- Long term financing facility - renewable energy scheme	2,271,614	2,327,108
- Long term financing facility	17,275,364	19,057,928
- Temporary economic refinance facility	26,722,042	28,797,755
- Long term financing facility - for storage of agricultural produce scheme	731,359	621,700
- Refinance facility for modernization of SME	149,166	105,858
- Refinance facility for combating COVID-19	27,733	35,878
- Refinance and credit guarantee scheme for women entrepreneurs	49,058	23,208
	114,100,712	136,959,469
Repurchase agreement borrowings (Repo)	97,981,537	184,947,267
Due against bills rediscounting	3,762,587	474,216
Total secured	215,844,836	322,380,952
Unsecured		
Call borrowings	–	–
Overdrawn nostro accounts	689,094	888,638
Total unsecured	689,094	888,638
	216,533,930	323,269,590

19. DEPOSITS AND OTHER ACCOUNTS

	30 June 2024 (Un-Audited)			31 December 2023 (Audited)		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	Rupees in '000					
Customers						
Current deposits	327,607,825	64,670,681	392,278,506	310,810,460	59,724,307	370,534,767
Savings deposits	366,796,051	15,859,402	382,655,453	341,643,324	16,798,084	358,441,408
Term deposits	153,779,176	71,345,581	225,124,757	175,268,425	50,971,995	226,240,420
Others	41,818,331	71,311	41,889,642	41,503,257	72,458	41,575,715
	890,001,383	151,946,975	1,041,948,358	869,225,466	127,566,844	996,792,310
Financial institutions						
Current deposits	3,413,206	1,318,281	4,731,487	2,327,236	1,030,085	3,357,321
Savings deposits	48,278,886	–	48,278,886	11,868,434	–	11,868,434
Term deposits	3,785,511	22,455	3,807,966	260,684	22,739	283,423
Others	1,256	–	1,256	1,356	–	1,356
	55,478,859	1,340,736	56,819,595	14,457,710	1,052,824	15,510,534
	945,480,242	153,287,711	1,098,767,953	883,683,176	128,619,668	1,012,302,844

20. LEASE LIABILITIES

	30 June 2024 (Un-Audited)	31 December 2023 (Audited)
	Rupees in '000	
Opening Balance	9,051,378	7,803,164
Addition during the period / year	1,269,939	2,326,089
Lease payments including interest	(1,154,981)	(2,041,743)
Interest expense	560,795	963,868
Closing balance	9,727,131	9,051,378

20.1. Liabilities Outstanding

	30 June 2024 (Un-Audited)	31 December 2023 (Audited)
Not later than one year	988,503	853,561
Later than one year and upto five years	4,857,134	4,278,203
Over five years	3,881,494	3,919,614
Total for the period / year end	9,727,131	9,051,378

Aggregate 11.95% (31 December 2023: 11.95%) is used as discounting factor for the calculation of lease liability.

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

21. OTHER LIABILITIES

	Note	30 June 2024	31 December 2023
Mark-up / return / interest payable in local currency		18,945,339	19,323,624
Mark-up / return / interest payable in foreign currencies		1,840,313	684,315
Unearned commission and income on bills discounted		1,018,715	721,371
Accrued expenses		4,731,548	4,349,843
Current taxation (provision less payments)		6,459,197	10,078,741
Acceptances		33,014,910	25,076,677
Unclaimed dividend		85,497	85,648
Mark-to-market loss on forward foreign exchange contracts		3,671,904	4,203,701
Provision for compensated absences		359,477	325,877
Deferred liability on defined benefit plan		171,463	–
Credit loss allowance against off-balance sheet obligations	21.1	600,793	32,583
Workers' welfare fund	21.2	4,162,076	3,712,446
Charity fund		167	402
Excise duty payable		6,685	2,263
Locker deposits		952,742	989,676
Advance rental for ijarah		19,607	19,440
Security deposits against leases / ijarah		223,528	244,813
Sundry creditors		3,707,627	3,283,612
Withholding tax / duties		156,014	224,649
Others		3,224,446	16,805,562
		83,352,048	90,165,243

21.1 Credit loss allowance against off-balance sheet obligations

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

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

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

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

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

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

	Note	30 June 2024 (Un-Audited)	31 December 2023 (Audited)
Surplus / (deficit) on revaluation of:			
- Securities measured at FVOCI-Debt	10.1	(596,828)	–
- Securities measured at FVOCI-Equity	10.1	1,032,773	–
- Securities measured at Available for sale securities		–	(3,040,712)
- Fixed Assets		6,312,372	6,471,163
- Non-banking assets acquired in satisfaction of claims		2,095,111	2,095,111
		8,843,428	5,525,562
Less: Deferred tax on surplus / (deficit) on revaluation of:			
- Securities measured at FVOCI-Debt		(292,446)	–
- Securities measured at FVOCI-Equity		506,059	–
- Securities measured at Available for sale securities		–	(1,489,949)
- Fixed Assets		1,348,979	1,426,787
- Non-banking assets acquired in satisfaction of claims		256,651	769,953
		(1,819,243)	(706,791)
		7,024,185	4,818,771

23. CONTINGENCIES AND COMMITMENTS

	Note	30 June 2024 (Un-Audited)	31 December 2023 (Audited)
Guarantees	23.1	139,298,824	137,319,392
Commitments	23.2	746,938,179	499,761,681
Other contingent liabilities	23.3	2,986,056	3,024,648
		889,223,059	640,105,721

23.1 Guarantees

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

23.2 Commitments

	Note	30 June 2024 (Un-Audited)	31 December 2023 (Audited)
Documentary credits and short-term trade-related transactions:			
Letters of credit		214,452,020	132,975,536
Commitments in respect of:			
Forward foreign exchange contracts	23.2.1	529,902,081	365,390,061
Forward lendings	23.2.2	1,963,717	1,093,000
Acquisition of operating fixed assets		620,361	303,084
		746,938,179	499,761,681

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

23.2.1 Commitments in respect of forward foreign exchange contracts

Purchase	277,362,065	190,089,104
Sale	252,540,016	175,300,957
	529,902,081	365,390,061

23.2.2 Commitments in respect of forward lendings

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

	Note	30 June 2024 (Un-Audited)	31 December 2023 (Audited)
		Rupees in '000	
Commitments in respect of syndicate financing		1,963,717	1,093,000

23.3 Other contingent liabilities

	Note	30 June 2024 (Un-Audited)	31 December 2023 (Audited)
Claims against bank not acknowledged as debt	23.3.1	2,880,000	2,918,592
Foreign Exchange repatriation case	23.3.2	106,056	106,056
		2,986,056	3,024,648

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 Bank's favour and the possibility of any adverse outcome is remote. Accordingly, no provision has been made in these unconsolidated condensed interim financial statements.

23.3.2 While adjudicating foreign exchange repatriation cases of exporters, the Foreign Exchange Adjudicating Court of the State Bank of Pakistan has adjudicated penalty of Rs.106.056 million, 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 the Bank by way of interim orders. Based on merits of the appeals management is confident that these appeals shall be decided in favor of the Bank and therefore no provision has been made against the impugned penalty.

24. DERIVATIVE FINANCIAL INSTRUMENTS

The Bank 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 Bank'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". Unrealised 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 Bank's customers to protect from unfavorable movements in foreign currencies. The Bank hedges such exposures in the inter-bank foreign exchange market.

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

	Note	30 June 2024 (Un-Audited)	30 June 2023
		Rupees in '000	
25. MARK-UP / RETURN / INTEREST EARNED			
Loans and advances		34,849,760	30,664,689
Investments	25.1	82,065,376	63,602,647
Lending with financial institutions		1,507,610	1,363,476
Balances with banks		248,869	228,428
		118,671,615	95,859,240
25.1 Interest income (calculated using effective interest rate method) recognised on:			
Financial assets measured at amortised cost / HTM		7,045,366	13,605,918
Financial assets measured at fair value through P&L / HFT		1,961,808	4,674,297
Financial assets measured at fair value through OCI / AFS		73,058,202	45,322,432
		82,065,376	63,602,647
26. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		61,870,275	41,625,896
Borrowings		21,545,863	19,434,716
Foreign currency swap cost		4,226,265	3,487,771
Lease liability against right-of-use assets		560,795	478,351
		88,203,198	65,026,734
27. FEE & COMMISSION INCOME			
Branch banking customer fees		647,249	604,318
Credit related fees		21,997	16,378
Card related fees		382,154	521,312
Commission on trade		3,077,959	2,714,494
Commission on guarantees		538,449	427,254
Commission on remittances including home remittances		27,561	18,288
Commission on bancassurance		54,688	85,656
Commission on cash management		81,575	76,781
Investment Banking Fee		26,781	51,852
Others		15,688	17,125
		4,874,101	4,533,458

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

28. GAIN / (LOSS) ON SECURITIES - NET

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

28.1 Realised gain on:

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

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

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

29. OTHER INCOME

Rent on properties	17,076	11,828
Gain on sale of fixed assets - net	27,258	15,861
Gain on sale of ijarah assets - net	33,399	10,548
Staff notice period and other recoveries	871	388
	78,604	38,625

30. OPERATING EXPENSES

	30 June 2024	30 June 2023
	(Un-Audited)	
	Rupees in '000	
Total compensation expense	6,063,613	5,489,582
Property expense		
Rent & taxes	37,378	89,617
Insurance	6,322	4,099
Utilities cost	616,898	553,889
Security	513,704	387,592
Repair & maintenance	420,985	435,195
Depreciation on owned property and equipment	498,022	448,709
Depreciation on right-of-use assets	747,253	730,168
	2,840,562	2,649,269
Information technology expenses		
Software maintenance	365,445	277,348
Hardware maintenance	231,599	218,467
Depreciation	249,181	151,064
Amortisation	117,129	40,589
Network charges	408,058	283,135
	1,371,412	970,603
Other operating expenses		
Directors' fees and allowances	12,233	9,433
Fees and allowances to Shariah Board	15,379	15,441
Legal & professional charges	169,190	126,108
Outsourced services costs	177,900	164,859
Travelling & conveyance	411,612	327,108
NIFT clearing charges	47,856	51,573
Depreciation	406,317	318,532
Training & development	24,061	18,755
Postage & courier charges	94,868	80,977
Communication	90,155	77,434
Subscription	412,747	371,937
Repair & maintenance	154,831	111,831
Brokerage & commission	86,796	97,940
Stationery & printing	258,953	264,165
Marketing, advertisement & publicity	442,674	284,799
Management fee	538,186	929,286
Insurance	727,069	533,556
Donations	219,976	138,086
Auditors' Remuneration	18,000	12,249
Security	215,855	141,696
Others	376,266	380,887
	4,900,924	4,456,652
	15,176,511	13,566,106

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

31. OTHER CHARGES

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

32. CREDIT LOSS ALLOWANCE & WRITE OFFS - NET

	Note	30 June 2024	30 June 2023
Credit loss allowance against cash and balances with banks		120,081	–
Credit loss allowance against lending to financial institutions		1,171	–
Credit loss allowance for diminution in value of investments	10.2	381,638	61,744
Credit loss allowance against loans & advances	11.3	1,421,752	(842,523)
Credit loss allowance against other assets		32,625	3,000,000
Credit loss allowance against other liabilities		81,006	–
Recovery of written off / charged off bad debts		–	(45,000)
		2,038,273	2,174,221

33. TAXATION

	Note	30 June 2024	30 June 2023
Current		10,318,124	12,448,947
Deferred		319,182	(1,768,200)
		10,637,306	10,680,747

34. BASIC AND DILUTED EARNINGS PER SHARE

	30 June 2024	30 June 2023
Profit after taxation	11,498,495	11,781,170
	Number in '000	
Weighted average number of ordinary shares	1,047,831	1,047,831
	Rupees	
Basic and diluted earnings per share	10.97	11.24

35. FAIR VALUE MEASUREMENTS

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

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

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

35.1 Fair value of financial assets

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

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

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

On balance sheet financial instruments

	30 June 2024 (Un-Audited)			
	Fair value			
	Level 1	Level 2	Level 3	Total
	Rupees in '000			
Financial assets measured at fair value				
– FVTPL & FVOCI				
Federal government securities	4,415,000	741,403,387	–	745,818,387
Sukuk certificates and bonds	–	6,725,832	–	6,725,832
Ordinary shares of listed companies	5,914,190	–	–	5,914,190
Ordinary shares of unlisted companies	–	–	51,569	51,569
Mutual funds - open end	–	–	–	–
- close end	6,785	–	–	6,785
Real estate investment trust	2,662,209	–	–	2,662,209
Listed term finance certificates	–	1,322,536	–	1,322,536
Unlisted term finance certificates	–	3,208,946	–	3,208,946
Financial assets - disclosed but not measured at fair value				
– Investments				
– Amortised cost				
Federal government securities	–	94,875,843	–	94,875,843
Certificates of investment	–	–	–	–
– Subsidiaries				
Ordinary shares of listed company	96,350	–	–	96,350
Ordinary shares of unlisted companies	–	–	–	–
– Available-for-sale securities	–	–	–	–
	13,094,534	847,536,544	51,569	860,682,647
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	–	802,651,863	–	802,651,863
Sukuk certificates and bonds	–	7,063,865	–	7,063,865
Ordinary shares of listed companies	4,627,365	–	–	4,627,365
Mutual funds - open end	–	–	–	–
- close end	8,255	–	–	8,255
Real estate investment trust	992,625	–	1,000,000	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	–	91,477,864	–	91,477,864
Certificates of investment	–	–	–	–
– Subsidiaries				
Ordinary shares of listed company	86,062	–	–	86,062
Ordinary shares of unlisted companies	–	–	–	–
– Available-for-sale securities				
Ordinary shares of unlisted companies	–	–	–	–
	5,714,307	905,806,073	1,000,000	912,520,380
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	–	107,865,999	–	107,865,999

35.2 Fair value of non-financial assets

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

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

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

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

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

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

36. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	30 June 2024 (Un-Audited)			
	Trade & Sales	Retail Banking	Commercial Banking	Total
	Rupees in '000			
Profit and loss account for the half year ended 30 June 2024 (Un-audited)				
Net mark-up / return / interest /profit	67,581,533	(28,459,278)	(8,653,838)	30,468,417
Inter segment revenue - net	(71,770,557)	45,219,507	26,551,050	–
Non mark-up / return / interest income	4,485,015	428,724	4,490,847	9,404,586
Total Income	295,991	17,188,953	22,388,059	39,873,003
Segment direct expenses	(345,746)	–	–	(345,746)
Inter segment expense allocation	–	(5,048,354)	(10,304,829)	(15,353,183)
Total expenses	(345,746)	(5,048,354)	(10,304,829)	(15,698,929)
Credit loss allowance	(381,638)	(35,498)	(1,621,137)	(2,038,273)
Profit before tax	(431,393)	12,105,101	10,462,093	22,135,801
Statement of financial position as at ended 30 June 2024 (Un-audited)				
Cash and bank balances	10,186,808	32,569,769	66,482,246	109,238,823
Investments - net	873,518,589	–	–	873,518,589
Net inter segment lending	–	483,770,987	276,390,704	760,161,691
Lendings to financial institutions	5,286,925	–	–	5,286,925
Advances - performing	–	18,367,165	415,517,191	433,884,356
Advances - non-performing	–	445,325	24,663,004	25,108,329
Credit loss allowance against advances	–	(133,250)	(26,345,290)	(26,478,540)
Others	30,487,131	9,293,072	78,053,211	117,833,414
Total assets	919,479,453	544,313,068	834,761,066	2,298,553,587
Borrowings	102,433,218	–	114,100,712	216,533,930
Subordinated debt	–	–	–	–
Deposits and other accounts	–	493,402,269	605,365,684	1,098,767,953
Net inter segment borrowing	760,161,691	–	–	760,161,691
Others	3,842,279	21,288,379	98,370,626	123,501,284
Total liabilities	866,437,188	514,690,648	817,837,022	2,198,964,858
Equity	53,042,266	29,639,736	16,906,727	99,588,729
Total equity & liabilities	919,479,454	544,330,384	834,743,749	2,298,553,587
Contingencies and commitments	529,902,081	–	359,320,978	889,223,059

	30 June 2023 (Un-Audited)			
	Trade & Sales	Retail Banking	Commercial Banking	Total
	Rupees in '000			
Profit and loss account for the half year ended 30 June 2023 (Un-audited)				
Net mark-up / return / interest / profit	49,975,311	(19,311,570)	168,765	30,832,506
Inter segment revenue - net	(48,092,991)	30,426,055	17,666,936	–
Non mark-up / return / interest income	3,378,988	738,057	3,816,670	7,933,715
Total Income	5,261,308	11,852,542	21,652,371	38,766,221
Segment direct expenses	(188,832)	–	–	(188,832)
Inter segment expense allocation	–	(4,432,625)	(9,508,626)	(13,941,251)
Total expenses	(188,832)	(4,432,625)	(9,508,626)	(14,130,083)
Credit loss allowance	(61,744)	(11,054)	(2,101,423)	(2,174,221)
Profit before tax	5,010,732	7,408,863	10,042,322	22,461,917
Statement of financial position as at ended 31 December 2023				
Cash and bank balances	21,123,950	30,296,185	61,170,411	112,590,546
Investments - net	925,411,965	–	–	925,411,965
Net inter segment lending	–	453,622,274	285,526,668	739,148,942
Lendings to financial institutions	5,496,284	–	–	5,496,284
Advances - performing	–	16,829,682	401,982,847	418,812,529
Advances - non-performing	–	330,126	19,505,491	19,835,617
Credit loss allowance against advances	–	(201,087)	(26,398,135)	(26,599,222)
Others	28,135,172	8,747,161	63,987,035	100,869,368
Total assets	980,167,371	509,624,341	805,774,317	2,295,566,029
Borrowings	186,310,121	–	136,959,469	323,269,590
Deposits and other accounts	–	463,433,999	548,868,845	1,012,302,844
Net inter segment borrowing	739,148,942	–	–	739,148,942
Others	5,000,244	19,300,734	103,268,342	127,569,320
Total liabilities	930,459,307	482,734,733	789,096,656	2,202,290,696
Equity	49,708,064	26,889,608	16,677,661	93,275,333
Total equity & liabilities	980,167,371	509,624,341	805,774,317	2,295,566,029
Contingencies and commitments	365,390,061	9,000	274,706,660	640,105,721

37. TRANSACTIONS WITH RELATED PARTIES

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

The Banks 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 staff retirement benefits are made in accordance with actuarial valuation and terms of contribution plan. Salaries and allowances of the key management personnel are in accordance with the terms of their employment. Other transactions are at agreed terms.

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

	30 June 2024 (Un-Audited)						
	Holding company	Subsidiary companies	Associates	Key management personnel	Directors	Retirement benefit plans	Total
				Rupees in '000			
Balances with other banks							
In current accounts	858,548	–	518,525	–	–	–	1,377,073
Investments							
Opening balance	–	5,530,000	–	–	–	–	5,530,000
Investment made during the period	–	11,100,000	–	–	–	–	11,100,000
Investment redeemed / disposed off during the period	–	(10,300,000)	–	–	–	–	(10,300,000)
Closing balance	–	6,330,000	–	–	–	–	6,330,000
Advances							
Opening balance	–	–	5,709,339	283,415	–	–	5,992,754
Addition during the period	–	–	90,431,652	7,525	–	–	90,439,177
Repaid during the period	–	–	(86,741,374)	7,776	–	–	(86,733,598)
Closing balance	–	–	9,399,617	298,716	–	–	9,698,333
Other Assets							
Mark-up / return / interest receivable	–	140,892	43,600	–	–	–	184,492
Prepayments / advance deposits / other receivables	936	836	91,407	–	–	–	93,179
	936	141,728	135,007	–	–	–	277,671
Credit loss allowance against other assets	–	–	–	–	–	–	–
Deposits and other accounts							
Opening balance	242,044	1,522,026	25,278,888	319,529	822,094	1,421,701	29,606,282
Received during the period	13,259,061	99,519,780	1,539,672,324	487,669	1,347,184	1,927,933	1,656,213,951
Withdrawn during the period	(13,193,803)	(99,546,080)	(1,552,350,052)	(497,074)	(1,227,097)	(2,075,417)	(1,668,889,523)
Closing balance	307,302	1,495,726	12,601,160	310,124	942,181	1,274,217	16,930,710
Other Liabilities							
Mark-up / return / interest payable	–	24,046	158,758	5,874	9,979	100,316	298,973
Management fee payable for technical and consultancy services*	2,035,439	–	–	–	–	–	2,035,439
Other payables	–	334	748	–	995	171,463	173,540
	2,035,439	24,380	159,506	5,874	10,974	271,779	2,507,952
Contingencies and commitments							
Transaction-related contingent liabilities	–	–	12,310,128	–	–	–	12,310,128
Trade-related contingent liabilities	–	–	7,555,361	–	–	–	7,555,361
	–	–	19,865,489	–	–	–	19,865,489

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

	31 December 2023 (Audited)						
	Holding company	Subsidiary companies	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
Investments							
Opening balance	–	4,880,000	–	–	–	–	4,880,000
Investment made during the year	–	18,850,000	–	–	–	–	18,850,000
Investment redeemed / disposed off during the year	–	(18,200,000)	–	–	–	–	(18,200,000)
Closing balance	–	5,530,000	–	–	–	–	5,530,000
Advances							
Opening balance	–	–	4,923,312	232,413	–	–	5,155,725
Addition during the year	–	–	107,246,311	144,741	–	–	107,391,052
Repaid during the year	–	–	(106,460,284)	(93,739)	–	–	(106,554,023)
Closing balance	–	–	5,709,339	283,415	–	–	5,992,754
Other Assets							
Mark-up / return / interest receivable	–	84,162	88,690	–	–	–	172,852
Prepayments / advance deposits / other receivables	468	–	59,669	–	–	60,450	120,587
	468	84,162	148,359	–	–	60,450	293,439
Deposits and other accounts							
Opening balance	186,031	1,280,231	21,939,773	395,587	703,394	1,139,423	25,644,439
Received during the year	25,230,932	170,548,261	2,458,537,439	3,199,802	1,710,093	5,370,804	2,664,597,331
Withdrawn during the year	(25,174,919)	(170,306,466)	(2,455,198,324)	(3,275,860)	(1,591,393)	(5,088,526)	(2,660,635,488)
Closing balance	242,044	1,522,026	25,278,888	319,529	822,094	1,421,701	29,606,282
Other Liabilities							
Mark-up / return / interest payable	–	17,211	259,087	8,517	8,523	100,731	394,069
Management fee payable for technical and consultancy services *	1,850,085	–	–	–	–	–	1,850,085
Other payables	–	–	630	–	995	–	1,625
	1,850,085	17,211	259,717	8,517	9,518	100,731	2,245,779
Contingencies and commitments							
Transaction-related contingent liabilities	–	–	10,950,031	–	–	–	10,950,031
Trade-related contingent liabilities	–	–	1,920,863	–	–	–	1,920,863
	–	–	12,870,894	–	–	–	12,870,894

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

Transactions during the period

	For the period ended 30 June 2024 (Un-Audited)						
	Holding company	Subsidiaries companies	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000						
Income							
Mark-up / return / interest earned	–	625,213	43,610	7,525	–	–	676,348
Fee and commission income	93	680	492,843	–	133	7	493,756
Rent income	2,808	6,201	5,170	–	–	–	14,179
Expense							
Mark-up / return / interest expensed	–	135,444	1,536,544	22,173	42,976	131,219	1,868,356
Commission / brokerage / bank charges paid	101	1,808	1,411	–	–	–	3,320
Salaries and allowances	–	–	–	368,489	–	–	368,489
Directors' fees and allowances	–	–	–	–	13,446	-	13,446
Charge to defined benefit plan	–	–	–	–	–	163,872	163,872
Contribution to defined contribution plan	–	–	–	–	–	187,127	187,127
Insurance premium expenses	–	–	30,525	–	–	–	30,525
Management fee expense for technical and consultancy services *	538,186	–	–	–	–	–	538,186
Donation	–	–	960	–	–	–	960

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

Transactions during the period

	For the period ended 30 June 2023 (Un-Audited)						
	Holding company	Subsidiaries companies	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000						
Income							
Mark-up / return / interest earned	–	410,645	222,074	46,305	–	–	679,024
Fee and commission income	53	466	142,700	–	78	–	143,297
Rent income	2,808	2,777	5,170	–	–	–	10,755
Expenses							
Mark-up / return / interest expensed	–	74,665	1,329,114	21,568	26,569	131,652	1,583,568
Commission / brokerage / bank charges paid	49	302	4,919	–	–	–	5,270
Salaries and allowances	–	–	–	402,175	–	–	402,175
Directors' fees and allowances	–	–	–	–	9,433	–	9,433
Charge to defined benefit plan	–	–	–	–	–	151,954	151,954
Contribution to defined contribution plan	–	–	–	–	–	164,312	164,312
Insurance premium expenses	–	–	12,221	–	–	–	12,221
Management fee expense for technical and consultancy services *	929,826	–	–	–	–	–	929,826
Donation	–	–	960	–	–	–	960

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

38. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	30 June 2024 (Un-Audited)	31 December 2023 (Audited)
	Rupees in '000	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	10,478,315	10,478,315
Capital Adequacy Ratio (CAR):		
Eligible common equity tier 1 (CET 1) capital	91,709,714	88,120,035
Eligible additional tier 1 (ADT 1) capital	–	–
Total eligible tier 1 capital	91,709,714	88,120,035
Eligible tier 2 capital	8,887,996	8,686,109
Total eligible capital (tier 1 + tier 2)	100,597,710	96,806,144
Risk Weighted Assets (RWAs):		
Credit risk	455,014,807	414,494,946
Market risk	2,744,998	2,228,918
Operational risk	113,309,274	113,309,274
Total	571,069,079	530,033,138
CET 1 capital adequacy ratio (in %)	16.06%	16.63%
Tier 1 capital adequacy ratio (in %)	16.06%	16.63%
Total capital adequacy ratio (in %)	17.62%	18.26%
Minimum capital requirements prescribed by SBP		
CET 1 capital adequacy ratio (in %)	6.00%	6.00%
Tier 1 capital adequacy ratio (in %)	7.50%	7.50%
Total capital adequacy ratio (in %)	11.50%	11.50%

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

	30 June 2024 (Un-Audited)	31 December 2023 (Audited)
Leverage Ratio (LR):		
Eligible tier-1 capital	91,709,714	88,120,035
Total exposures	1,937,324,742	1,843,597,631
Leverage ratio (in %)	4.73%	4.78%
Liquidity Coverage Ratio (LCR):		
Total high quality liquid assets	741,638,558	582,822,433
Total net cash outflow	347,262,446	315,797,792
Liquidity coverage ratio (in %)	214%	185%
Net Stable Funding Ratio (NSFR):		
Total available stable funding	1,023,113,855	987,276,461
Total required stable funding	530,124,974	504,533,465
Net stable funding ratio (in %)	193%	196%

39. ISLAMIC BANKING BUSINESS

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

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

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

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

39.1 Investments by segments

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

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

39.1.1 Particulars of credit loss allowance

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

39.2 Islamic financing and related assets - net

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

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

39.3 Deposits

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

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

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

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

40. GENERAL

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

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

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

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

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

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

This page intentionally left blank