

**THE BANK OF AZAD JAMMU AND KASHMIR**  
**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2024**

|  |      | (Un-audited)      | (Audited)            |
|--|------|-------------------|----------------------|
|  | Note | June 30,<br>2024  | December 31,<br>2023 |
| -----Rupees in '000-----                                       |      |                   |                      |
| <b>ASSETS</b>  |      |                   |                      |
| Cash and balances with treasury banks                          | 9    | 19,815,769        | 9,047,433            |
| Balances with other banks                                      | 10   | 22,350,872        | 18,968,670           |
| Lendings to financial institutions                             |      | -                 | -                    |
| Investments  | 11   | 52,430            | 56,771               |
| Advances   | 12   | 4,368,719         | 3,874,147            |
| Property and equipment   | 13   | 314,954           | 282,139              |
| Right-of-use assets  | 14   | 195,787           | 140,609              |
| Intangible assets  |      | -                 | -                    |
| Deferred tax assets  | 15   | 203,796           | 31,984               |
| Other assets   | 16   | 657,367           | 158,143              |
| <b>Total Assets</b>  |      | <b>47,959,694</b> | <b>32,559,896</b>    |
| <b>LIABILITIES</b>   |      |                   |                      |
| Bills payable  | 17   | 18,841            | 93,259               |
| Borrowings   |      | -                 | -                    |
| Deposits and other accounts                                    | 18   | 39,097,291        | 24,144,665           |
| Lease Liabilities  | 19   | 202,299           | 167,028              |
| Subordinated debt  |      | -                 | -                    |
| Deferred tax liabilities                                       |      | -                 | -                    |
| Other liabilities  | 20   | 1,954,430         | 1,723,814            |
| <b>Total Liabilities</b>                                       |      | <b>41,272,861</b> | <b>26,128,766</b>    |
| <b>NET ASSETS</b>  |      | <b>6,686,833</b>  | <b>6,431,130</b>     |
| <b>REPRESENTED BY</b>  |      |                   |                      |
| Share capital / head office capital account - net              |      | 5,957,089         | 5,528,621            |
| Reserves   |      | 551,483           | 468,146              |
| Surplus/ (Deficit) on revaluation of financial assets at FVOCI | 21   | (1,311)           | 903                  |
| Unappropriated profit  |      | 179,572           | 433,460              |
|  |      | <b>6,686,833</b>  | <b>6,431,130</b>     |
| <b>CONTINGENCIES AND COMMITMENTS</b>                           | 22   |                   |                      |

The annexed notes 1 to 38 form an integral part of these condensed interim financial statements.

President/CEO

Chief Financial Officer

Director

Director

Director

**THE BANK OF AZAD JAMMU AND KASHMIR  
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2024**

|   | Note | For the<br>quarter<br>ended June<br>30, 2024 | For the<br>quarter<br>ended June<br>30, 2023 | For the<br>Half Year<br>ended June<br>30, 2024 | For the Half<br>Year ended<br>June 30,<br>2023 |
|---|------|--|--|--|--|
| -----Rupees in '000-----                    |      |  |  |  |  |
| Mark-up / return / interest earned          | 23   | <b>1,894,465</b>                             | 1,109,925                                    | <b>3,351,837</b>                               | 2,092,355                                      |
| Mark-up / return / interest expensed        | 24   | <b>1,056,407</b>                             | 616,280                                      | <b>1,847,460</b>                               | 1,168,715                                      |
| Net mark-up/interest income                 |      | <b>838,058</b>                               | 493,645                                      | <b>1,504,377</b>                               | 923,640  |
| <b>NON MARK-UP / INTEREST INCOME</b>        |      |  |  |  |  |
| Fee and commission income                   | 25   | <b>10,302</b>                                | 8,474  | <b>19,742</b>                                  | 15,601   |
| Dividend income                             |      | <b>7,641</b>                                 | 11,673                                       | <b>8,507</b>                                   | 12,369   |
| Other income                                | 26   | <b>40,296</b>                                | 6,122  | <b>41,971</b>                                  | 5,082  |
| Total non-markup/interest Income            |      | <b>58,239</b>                                | 26,269                                       | <b>70,220</b>                                  | 33,052   |
| Total Income                                |      | <b>896,297</b>                               | 519,914                                      | <b>1,574,597</b>                               | 956,692  |
| <b>NON MARK-UP / INTEREST EXPENSES</b>      |      |  |  |  |  |
| Operating expenses                          | 27   | <b>383,521</b>                               | 278,611                                      | <b>668,417</b>                                 | 507,366  |
| Workers welfare fund                        |      | -  | -  | -  | -  |
| Other charges                               |      | -  | -  | -  | -  |
| Total non-markup/interest expenses          |      | <b>383,521</b>                               | 278,611                                      | <b>668,417</b>                                 | 507,366  |
| Profit before credit loss allowance         |      | <b>512,776</b>                               | 241,303                                      | <b>906,180</b>                                 | 449,326  |
| Credit loss allowance and write offs - net  | 28   | <b>15,125</b>                                | (9,763)                                      | <b>28,356</b>                                  | 6,037  |
| Extra ordinary / unusual items              |      | -  | -  | -  | -  |
| <b>PROFIT BEFORE TAXATION</b>               |      | <b>497,650</b>                               | 251,066                                      | <b>877,823</b>                                 | 443,289  |
| Taxation                                    | 29   | <b>274,534</b>                               | 152,269                                      | <b>461,140</b>                                 | 229,267  |
| <b>PROFIT AFTER TAXATION</b>                |      | <b>223,116</b>                               | 98,797                                       | <b>416,683</b>                                 | 214,022  |
| -----Rupees-----                            |      |  |  |  |  |
| <b>BASIC AND DILUTED EARNINGS PER SHARE</b> | 31   | 0.37   | 0.17   | 0.70   | 0.36   |

The annexed notes 1 to 38 form an integral part of these condensed interim financial statements.

President/CEO

Chief Financial Officer

Director

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Director

THE BANK OF AZAD JAMMU AND KASHMIR  
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2024

|   | For the<br>quarter<br>ended<br>June 30,<br>2024 | For the<br>quarter<br>ended<br>June 30,<br>2023 | For the Half<br>Year ended<br>June 30,<br>2024 | For the<br>Half Year<br>ended<br>June 30,<br>2023 |
|---|---|---|--|---|
|   | -----Rupees in '000-----                        |   |  |   |
| Profit after taxation for the period  | 223,116   | 98,797  | 416,683  | 214,022   |
| <b>Other comprehensive income</b>   |   |   |  |   |
| <b>Items that may be reclassified to profit and loss<br/>account in subsequent periods:</b> |   |   |  |   |
| investments   | (6,673)   | (7,285)   | (4,341)  | (14,727)  |
| Related deferred tax  | 1,073   | 6,525   | 2,127  | 9,725   |
|   | (5,600)   | (760)   | (2,214)  | (5,002)   |
| <b>Total comprehensive income</b>   | <b>217,516</b>                                  | <b>98,037</b>                                   | <b>414,469</b>                                 | <b>209,020</b>                                    |

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**THE BANK OF AZAD JAMMU AND KASHMIR  
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2024**

|   | Share<br>capital         | Surplus /<br>(deficit) on<br>revaluation<br>of assets | Surplus/(Deficit) on<br>revaluation of<br>financial asset at<br>FVOCI | Unappropriated<br>profit | Statutory<br>Reserve | Total     |
|---|--------------------------|---|---|--------------------------|----------------------|-----------|
|   | -----Rupees in '000----- |   |   |                          |                      |           |
| <b>Balance as at January 01, 2023</b>                           | 5,142,903                | (23,828)  | -   | 389,194                  | 360,650              | 5,868,919 |
| Profit after taxation for the half year ended June 30, 2023     | -                        | -   | -   | 214,022                  | -                    | 214,022   |
| Other comprehensive income - net of tax                         | -                        | (5,002)   | -   | -                        | -                    | (5,002)   |
| Transfer to statutory reserve                                   | -                        | -   | -   | (42,804)                 | 42,804               | -         |
| <b>Transactions with owners, recorded directly in equity</b>    |                          |   |   |                          |                      |           |
| <b>Balance as at July 01, 2023</b>                              | 5,142,903                | (28,830)  | -   | 560,412                  | 403,454              | 6,077,939 |
| Profit after taxation for the half year ended December 31, 2023 | -                        | -   | -   | 323,458                  | -                    | 323,458   |
| Other comprehensive income - net of tax                         | -                        | 29,733  | -   | -                        | -                    | 29,733    |
| Issue of Bonus Shares   | 385,718                  | -   | -   | (385,718)                | -                    | -         |
| Transfer to statutory reserve                                   | -                        | -   | -   | (64,692)                 | 64,692               | -         |
| <b>Balance as at December 31, 2023</b>                          | 5,528,621                | 903   | -   | 433,460                  | 468,146              | 6,431,130 |
| Impact of adopting IFRS 9 - net of deferred tax                 | -                        | (903)   | 903   | (158,766)                | -                    | (158,766) |
| <b>Restated Balance at January 01, 2023 under IFRS 9</b>        | 5,528,621                | -   | 903   | 274,694                  | 468,146              | 6,272,364 |
| Profit after taxation for the current period                    | -                        | -   | -   | 416,683                  | -                    | 416,683   |
| Other comprehensive income - net of tax                         | -                        | -   | (2,214)   | -                        | -                    | (2,214)   |
| Issue of Bonus Shares   | 428,468                  | -   | -   | (428,468)                | -                    | -         |
| Transfer to statutory reserve                                   | -                        | -   | -   | (83,337)                 | 83,337               | -         |
| <b>Balance as at June 30, 2024</b>                              | 5,957,089                | -   | (1,311)   | 179,572                  | 551,483              | 6,686,833 |

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President/CEO

Chief Financial Officer

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**THE BANK OF AZAD JAMMU AND KASHMIR  
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2024**

|  | Note | For the Half<br>Year ended<br>June 30, 2024 | For the Half<br>Year ended<br>June 30, 2023 |
|--|------|---|---|
| -----Rupees in '000-----                                       |      |   |   |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                     |      |   |   |
| Profit before taxation   |      | 877,823                                     | 443,289                                     |
| Less: Dividend Income  |      | (8,507)                                     | (12,369)                                    |
|  |      | <u>869,316</u>                              | <u>430,920</u>                              |
| Adjustments:   |      |   |   |
| Depreciation   |      | 27,219                                      | 20,183                                      |
| Depreciation on right-of-use assets                            |      | 23,099                                      | 21,041                                      |
| Interest expense on lease liability                            |      | 15,973                                      | 12,127                                      |
| Credit loss allowance and write offs                           | 28   | 28,356                                      | 8,375                                       |
| Provision for gratuity   |      | 26,789                                      | 6,169                                       |
| Provision for leave encashment                                 |      | 7,240                                       | 10,618                                      |
| Provision for bonus  |      | 37,534                                      | 21,879                                      |
|  |      | <u>166,211</u>                              | <u>100,392</u>                              |
|  |      | <u>1,035,527</u>                            | <u>531,312</u>                              |
| (Increase)/ decrease in operating assets                       |      |   |   |
| Advances   |      | (436,902)                                   | (288,095)                                   |
| Others assets (excluding advance taxation)                     |      | (3,842,724)                                 | (843,512)                                   |
|  |      | <u>(4,279,626)</u>                          | <u>(1,131,607)</u>                          |
| Increase/ (decrease) in operating liabilities                  |      |   |   |
| Bills payable  |      | (74,418)                                    | (40,869)                                    |
| Deposits   |      | 14,594,604                                  | 2,157,868                                   |
| Other liabilities (excluding current taxation)                 |      | 437,671                                     | (20,793)                                    |
|  |      | <u>14,957,857</u>                           | <u>2,096,206</u>                            |
| Payments against off-balance sheet obligations                 |      |   |   |
| Payment against Interest expense on lease liability            |      | (15,973)                                    | (12,127)                                    |
| Income tax paid  |      | (398,885)                                   | (288,947)                                   |
| Net cash flow from / (used in) operating activities            |      | <u>11,298,900</u>                           | <u>1,194,837</u>                            |
| Dividends received   |      | 8,507                                       | 12,369                                      |
| Net (investments in) / proceeds from placement with banks      |      | 1,928,864                                   | 3,165,117                                   |
| Investments in property and equipment                          |      | (138,311)                                   | (30,505)                                    |
| Disposal of property and equipment                             |      | -   | 1,862                                       |
| Net cash flow generating from / (used in) investing activities |      | <u>1,799,060</u>                            | <u>3,148,843</u>                            |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>                     |      |   |   |
| Payment of lease liability against right-of-use assets         |      | 35,270                                      | (20,447)                                    |
| Net cash flow from / (used in) financing activities            |      | <u>35,270</u>                               | <u>(20,447)</u>                             |
| <b>(Decrease)/Increase in cash and cash equivalents</b>        |      | <b>13,133,230</b>                           | <b>4,323,233</b>                            |
| <b>Cash and cash equivalents at beginning of the period</b>    |      | <b>7,703,554</b>                            | <b>5,934,908</b>                            |
| <b>Cash and cash equivalents at end of the period</b>          | 30   | <u><u>20,836,784</u></u>                    | <u><u>10,258,141</u></u>                    |

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President/CEO

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**THE BANK OF AZAD JAMMU AND KASHMIR  
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2024**

**1. STATUS AND NATURE OF BUSINESS**

The Bank of Azad Jammu and Kashmir (the Bank) was established under The Bank of Azad Jammu and Kashmir Act, 2005 (the Act) and is principally engaged in commercial banking and related services as a non-scheduled bank in Azad Jammu and Kashmir State. The registered office of the Bank is situated at Bank Square, Chatter, Muzaffarabad, Azad Jammu and Kashmir. The Government of Azad Jammu and Kashmir and Behbood Fund & Group Insurance - Government autonomous body own 100 percent of ordinary shares of the Bank as on June 30, 2024 in proportion of 97.59% and 2.41% ( 2023: 97.59% and 2.41%) respectively.

The Bank has 85 branches (December 2023: 85 branches; June 2023: 84 branches) in Azad Jammu and Kashmir.

**2 BASIS OF PREPARATION**

**2.1 STATEMENT OF COMPLIANCE**

Bye-Laws of the Bank require that the statement of financial position and profit and loss account of the Bank shall be drawn up in conformity with the rules and regulations of the State Bank of Pakistan (SBP) and Section 34 of the Banking Companies Ordinance, 1962. Accordingly, these financial statements have been prepared in accordance with the requirements of the Act, its Bye-Laws and approved accounting and reporting standards as applicable in Pakistan. Approved accounting and reporting standards comprise of:

The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB); and
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and directives issued by the State Bank of Pakistan (SBP).

Whenever the requirements of the directives issued by the SBP differ with the requirements of IFRS, the requirements of the said directives, shall prevail.

- 2.2** The disclosures made in this condensed interim financial statements have been limited based on the format prescribed by the State Bank of Pakistan (SBP) through BPRD Circular Letter No. 02 of 2023 dated 09 February 2023, and International Accounting Standard 34, "Interim Financial Reporting". These condensed interim financial statements do not include all of the disclosures required for annual financial statements and should be read in conjunction with the financial statements of the Bank for the year ended December 31, 2023.

The revised format for preparation of annual financial statements are applicable on bank effective from the accounting year ending 31st December, 2024 and revised format for preparation of interim financial statements are applicable effective from the first quarter of year 2024 and information in note have been rearranged and classified, where required as per the requirements of the said circular.

- 2.3** SBP, Through Circular letter No. 16 dated July 29, 2024 has deferred the requirement of calculating amortized cost of financial assets and liabilities using effective interest rates and allowed financial institutions to use previous practices for calculating amortised cost till October 01, 2024, However the bank has calculated amortized cost of financial assets and liabilities using effective interest rates. Further more, SBP through same circular letter also deferred the requirement to recognise loss on initial recognition of subsidized staff loans till October 01, 2024 and allowed to use previous practice till effective date, Currently bank measure the subsidized staff loans as per Human resource policy.

#### **2.4 New accounting standard adopted during the year - IFRS 9 'Financial Instrument'**

2.5 State Bank of Pakistan (SBP) via circular no. 2 of 2023 dated February 9, 2023, specified the new format for interim financial statements of banking companies. The new format has revised the disclosure requirements of the Bank for the half year ended June 30, 2024 which has resulted in additional disclosures relating to IFRS 9 and reclassification of Lease liabilities and Right of use assets on the face of Statement of Financial Position out of Property and equipment and Other Liabilities, respectively in these financial statements.

2.6 The Bank has not restated comparative information for 2023 for financial instruments in the scope of IFRS 9. Therefore, the comparative information for 2023 is reported under previous local regulatory requirements and is not comparable with the information presented for 2024. Differences arising from the adoption of IFRS 9 have been recognized directly in retained earnings as of January 01, 2024 and are disclosed in Note 8.

#### **2.7 Changes to classification and measurement**

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

New categories of financial assets under IFRS 9 are as follow:

- Debt instruments at amortized cost
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition
- Equity instruments at FVOCI, with no recycling of gains or losses in profit or loss on derecognition
- Financial assets at FVPL

The accounting for financial liabilities remains largely the same as it was under prior accounting policy.

#### **2.8 Changes to the impairment calculation**

The adoption of IFRS 9 has fundamentally changed the Bank's accounting for impairments loss by replacing prior incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Bank to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset.

### **3 AMENDMENTS TO THE PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE EFFECTIVE IN THE CURRENT PERIOD**

The material accounting policies and methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the audited annual financial statements for the year ended December 31, 2023. Other than initial and subsequent recognition of financial assets and financial liabilities as per IFRS 9 as stated below.

#### **a) Standards, interpretations of and amendments to accounting and reporting standards that are effective in the current period**

There are certain amendments to existing accounting and reporting standards that have become applicable to the Bank for accounting periods beginning on or after January 01, 2024. These are either considered to be not relevant or do not have any significant impact on these condensed interim financial statements except for IFRS 9 (Financial instruments), the impact of which is disclosed under note 8.

b) **Standards, interpretations of and amendments to accounting and reporting standards that are not yet effective**

There are certain new and amended standards, amendments and interpretations that are only effective for accounting periods, beginning on or after January 01, 2025. These standards, interpretations and the amendments are either not relevant to the Bank's operations or are not expected to have significant impact on the Bank's condensed interim financial statements other than certain additional disclosures.

4 **CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The basis for accounting estimates adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the financial statements of the Bank for the year ended December 31, 2023 unless otherwise specified in below mentioned adoption of new accounting policies.

5 **MATERIAL ACCOUNTING POLICIES**

The accounting policies adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements for the year ended December 31, 2023 other than initial and subsequent recognition of financial assets and financial liabilities as per IFRS 9 as stated below.

5.1 **Financial instruments – initial recognition (accounting policy applicable from January 01, 2024)**

a) **Date of recognition**

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognized on the trade date, i.e., the date on which the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades, i.e., purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognized when funds are transferred to the customers' accounts. The Bank recognizes balances due to customers when funds are transferred to the Bank.

b) **Initial measurement of financial instruments**

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, and loan processing fee (LPF) is subtracted from, or added to, this amount. However, requirement of adding/subtracting transaction cost and LPF from financial asset/liability is deferred by SBP BPRD through circular letter no 17 of 2024 till October 01, 2024. Therefore, no impact of transaction cost or LPF is taken in the financial instruments.

c) **Measurement categories of financial assets and liabilities**

From January 01, 2024, the Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortized cost
- Fair value through Other comprehensive income (FVOCI), and
- Fair value through profit and loss (FVTPL)

The Bank classifies and measures its derivative and trading portfolio at FVPL. The Bank may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.



Financial liabilities, other than loan commitments and financial guarantees, are measured at amortized cost or at FVPL when they are held for trading and derivative instruments or the fair value designation is applied.

d) **Financial assets and liabilities**

**Due from banks, Loans and advances to customers and investments**

From January 01, 2024, the Bank measures Due from banks, Loans and advances to customers and Investments at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

***Business model assessment***

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

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)

The expected frequency, value and timing of sales are also important aspects of the Bank's assessment. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'best case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

**The SPPI test**

As a second step of its classification process the Bank assesses the contractual terms of the financial asset to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and 'may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de Minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

**e) Debt instruments at FVOCI**

The Bank applies the new category under IFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset meet the SPPI test.

These instruments largely comprise assets that had previously been classified as financial investments available-for-sale. FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in OCI. Interest income and foreign exchange gains and losses are recognized in profit or loss in the same manner as for financial assets measured at amortized cost. Where the Bank holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to profit or loss.

**f) Equity instruments at FVOCI**

Upon initial recognition, the Bank occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognized in profit or loss as other operating income when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

**g) Debt issued and other borrowed funds**

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium on issued funds, and costs that are an integral part of the EIR.

**5.2 Derecognition of financial assets and liabilities**

**a) Derecognition for substantial modification of Financial assets**

The Bank derecognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be Purchase originated credit impaired (POCI).

For financial liabilities, the Bank considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent. For financial assets, this assessment is based on qualitative factors.

**b) Derecognition other than for substantial modification Financial assets**

A financial asset (or, where applicable, a part of a financial asset) is derecognized when the rights to receive cash flows from the financial asset have expired. The Bank also derecognizes the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

**c) Financial liabilities**

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

**d) Reclassification of financial assets and liabilities**

From January 01, 2024, the Bank does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Bank acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified. The Bank did not reclassify any of its financial assets or liabilities in 2024.

**5.3 Impairment of financial assets (Policy applicable from January 01, 2024)**

**a) Overview of the ECL principles**

IFRS 9 has fundamentally changed the Bank's loan loss impairment method by replacing incurred loss approach with a forward-looking ECL approach. From January 01, 2024, the Bank has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or (LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL).

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

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

|         |   |
|---------|---|
| Stage 1 | When loans are first recognized, the Bank recognizes an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.   |
| Stage 2 | When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.   |
| Stage 3 | Loans considered credit-impaired . The bank records an allowance for the LTECLs   |
| POCI    | Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit-adjusted EIR. ECLs are only recognized or released to the extent that there is a subsequent change in the expected credit losses. |

b) **The calculation of ECLs**

The Bank calculates ECLs based on a three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements

PD

PD The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio. The concept of PDs is further explained in credit risk management.

LGD

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

EAD

The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

When estimating the ECLs, the Bank considers three scenarios (a base case, an upside and a downside). The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier. Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The mechanics of the ECL method are summarized below:

Stage 1

The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios, as explained above.

|         |   |
|---------|---|
| Stage 2 | When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR |
| Stage 3 | For loans considered credit-impaired, the Bank recognizes the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.   |
| POCI    | POCI assets are financial assets that are credit impaired on initial recognition. The Bank only recognizes the cumulative changes in lifetime ECLs since initial recognition, based on a probability-weighting of the three scenarios, discounted by the credit-adjusted EIR.   |

**c) Debt instruments measured at fair value through OCI**

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognized in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognized in OCI is recycled to the profit and loss upon derecognition of the assets.

**d) Purchased or originated credit impaired financial assets (POCI)**

For POCI financial assets, the Bank only recognizes the cumulative changes in LTECL since initial recognition in the loss allowance.

**e) Forward looking information**

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

- GDP growth
- Consumer price indices
- Un-employment rate

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

**f) Credit enhancements: collateral**

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as gold, vehicle, house etc. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. However, the fair value of eligible collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a requirement basis.

Eligible collateral are those which has i) legal certainty and enforceability, and ii) history of forcibility and recovery. The bank has not consider any collateral as eligible for adjustment of EAD.

**g) Write-offs**

Financial assets are written off either partially or in their entirety only when the Bank has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to Credit loss allowance and write offs - net

**h) ECL on government guaranteed credit exposure**

ECL on credit exposure (in local currency) that have been guaranteed by the Government of Pakistan and Government Securities, has not been estimated due to exemption available under IFRS instructions issued by SBP through circular no. 3 of 2022 dated 05 July 2022.

**i) Two track approach for stage 3 loans**

As per instructions issued by SBP, the bank used two track approach for ECL assessment on stage 3 loans. As per this approach the bank calculated provision /ECL both under Prudential Regulations (PRs) issued by SBP for banks and IFRS 9 and higher amount has been taken and final ECL.

**5.4 Credit risk management**

Credit risk arises from the potential that an obligor is either unwilling to perform on an obligation or its ability is impaired resulting in economic loss to the Bank. The Bank takes necessary measures to control such risk by monitoring credit exposures, limiting transactions with specific counter parties with increased likelihood of default and continually assessing the creditworthiness of counter parties.

**a) PD estimation process**

**Consumer lending**

The banks entire loans and advances portfolio consist of consumer lending. Consumer lending comprises commercial, consumer secured, consumer unsecured, auto, house, agriculture and small medium enterperirse loans. The Bank does not have credit score card model for consumer lendings, therefore, the Bank used delinquency (day past due) based model for estimation of PDs. Average monthly transitions to default of relevant delinquency states were converted into current 12 months point in time PDs using statistical models. The lifetime PD is developed by applying a maturity profile to the current 12 months PD. Data from January 31, 2019 till December 31, 2023 has been used for PD estimations.

**b) LGD estimation process**

The Bank segments its consumer lending products into smaller homogeneous segments, based on key characteristics that are relevant to the estimation of future cash flows. The bank calculate LGD of each segment based historical experiences of cash recoveries from defaults (including settlements), cost and time of recoveries. one year set back is maintained for calculation of LGD for defaults, which means parties which are classified as default till end of last year are taken in to the calculation of LGD. Effective interest rate or approximate there of has been used to discount recoveries to date of default. Data from January 31, 2019 till date has been used for LGD estimations for the parties classified as default till December 31, 2022.

**c) Forward looking information:**

IFRS 9 requires incorporating future economic conditions into the measurement of ECL. Future economic conditions are incorporated by adjusting estimates of PD to reflect expectations about the stage of economic cycle expected to be prevalent in the economy as-and-when default is expected to arise in the future. The macroeconomic factors were selected based on management judgement and analysis of historical default rates. GDP growth rate, CPI and un-employment rate were considered to be the most suitable for the Bank's customers. The GDP, CPI and un-employment rate forecast were sourced from International Monetary Fund (IMF) which were used to determine forward looking Point in time PDs (Pit PDs)

## **6 Policies prior to adoption of IFRS 9 'Financial Instrument'**

### **6.1 Investments**

#### **6.1.1 Classification**

##### **Held for trading**

These are securities included in a portfolio in which a pattern of short-term trading exists or which are acquired for generating a profit from short-term fluctuations in market prices or interest rate movements.

##### **Held to maturity**

These are securities with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold till maturity.

##### **Available for sale**

These are investments, other than investments in subsidiaries, associates and joint ventures, that do not fall under the held for trading or held-to-maturity categories.

#### **6.1.2 Regular way contracts**

All purchases and sales of investments that require delivery within the time frame established by Prudential Regulations of the State Bank of Pakistan or market convention are recognised at the trade date. The trade date is the date on which the Bank commits to purchase or sell the investment.

#### **6.1.3 Initial measurement**

In the case of investments classified as held-for-trading, transaction costs are expensed through the profit and loss account. Transaction costs associated with investments other than those classified as held-for-trading are included in the cost of the investments.

#### **6.1.4 Subsequent measurement**

##### **Held-for-trading**

Investments classified as held-for-trading are subsequently measured at fair value. Any unrealised gain / loss arising on revaluation is taken to the profit and loss account.

##### **Held-to-maturity**

Investments classified as held-to-maturity are subsequently measured at amortised cost using the effective interest rate method, less any impairment.

##### **Available-for-sale**

Listed securities if any, are classified as available-for-sale are subsequently measured at fair value. Any unrealised surplus / deficit arising on revaluation is recorded in the surplus / deficit on revaluation of securities account (shown as part of equity in statement of financial position) and is taken to the profit and loss account either when realised upon disposal or when the investment is considered to be impaired.

Unlisted equity securities, if any are carried at the lower of cost and break-up value. The break-up value is calculated with reference to the net assets of the investee Bank as per its latest available audited financial statements. Other unlisted securities are valued at cost less impairment, if any.

#### **6.1.5 Impairment**

Impairment loss if any in respect of investments classified as available for sale and held to maturity is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged decline in fair value of an equity investment below its cost is also considered an objective evidence of impairment. In case of impairment of available for sale securities, the cumulative loss that previously reported in other comprehensive income is transferred to profit and loss account for the year. For investments classified as held to maturity, the impairment loss is recognised in the profit and loss account.

## **6.2 Advances**

Advances are stated net of provisions for non-performing advances. The Bank reviews its loan portfolio to assess the amount of non-performing loans and advances and provision required there-against. While assessing this requirement various factors including the delinquency in the account, financial position of the borrower, the forced sale value of securities and requirements of the Prudential Regulations are considered. For portfolio impairment provision on consumer advances, the Bank follows the general provision requirement set out in Prudential Regulations.

The provisions against non-performing advances are charged to the profit and loss account. Advances are written off when there is no realistic prospect of recovery.

## **7 FINANCIAL RISK MANAGEMENT**

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



**8 Transition disclosure**

**8.1** The following paras set out the impact of adopting IFRS9 on the statement of financial position, and retained earnings including the effect of placing prior accounting policy of incurred credit loss calculations with IFRS9's Expected Credit Loss(ECLs). A reconciliation between the carrying amounts under prior accounting policy to the balances reported under IFRS9 as of December 31, 2023 is, as follows:

| Description  | Note | Previous financial reporting framework                    |                  | Reclassification | Remeasurement    | Current IFRS-9 reporting framework |  |
|--|------|---|------------------|------------------|------------------|------------------------------------|--|
|  |      | Category  | Amount           |                  |                  | Amount                             | Category                                 |
| ----- Rupees in '000 -----   |      |   |                  |                  |                  |                                    |  |
| <b>Financial Assets</b>  |      |   |                  |                  |                  |                                    |  |
| CASH AND BALANCES WITH TREASURY BANKS                                      | 9    | With National Bank of Pakistan (amortized cost)           | 9,047,433        | 829,093          | -                | 9,876,526                          | Amortized cost                           |
| BALANCES WITH OTHER BANKS  | 10   | Balances with other banks (amortized cost)                | 18,968,670       | 2,436,130        | (319,054)        | 21,085,746                         | Amortized cost                           |
| INVESTMENTS  | 11   | Available-for-sale securities Held-to-maturity securities | 56,771<br>49,940 | -<br>-           | -<br>-           | 56,771<br>49,940                   | Fair value through OCI<br>Amortized cost |
| ADVANCES   | 12   | Advances (amortized cost)                                 | 3,874,147        | 78,277           | 7,750            | 3,960,174                          | Amortized cost                           |
| OTHER ASSETS   | 16   | Income / markup accrued (amortized cost)                  | 3,423,366        | (3,343,500)      | -                | 79,866                             | Amortized cost                           |
| <b>Financial Liabilities</b>   |      |   |                  |                  |                  |                                    |  |
| DEPOSITS AND OTHER ACCOUNTS  | 18   | Deposits and other accounts (Amortized cost)              | (24,144,665)     | (358,022)        |                  | (24,502,687)                       | Amortized cost                           |
| OTHER LIABILITIES  | 20   | Other liabilities (amortized cost)                        | (1,723,814)      | 358,022          | -                | (1,365,792)                        | Amortized cost                           |
| <b>Non-financial assets</b>  |      |   |                  |                  |                  |                                    |  |
| Deferred tax asset   | 15   | Deferred tax assets                                       | 31,984           | -                | 152,538          | 184,522                            | Deferred tax assets                      |
| <b>Net Assets</b>  |      |   |                  |                  |                  |                                    |  |
| SURPLUS / (DEFICIT) ON REVALUATION OF FINANCIAL                            | 21   | Available for sale  | 903              | (903)            | -                | -                                  | -  |
| Surplus on revaluation on investments measured at fair value through OCI - |      |   |                  |                  |                  |                                    |  |
| Net of deferred tax  |      |   |                  | 903              | -                | 903                                | Fair value through OCI                   |
| <b>Total Impact of adopting IFRS 9</b>                                     |      |   | <b>9,584,735</b> | <b>-</b>         | <b>(158,766)</b> | <b>9,425,969</b>                   |  |

**8.2** The impact of transition to IFRS 9 on unappropriated profit and revaluation of investment as at 1 January 2024 is as follows:

|   |  | -----Rupees in '000----- |
|---|--|--------------------------|
| <b>Unappropriated profit</b>                              |  |                          |
| Balance at December 31, 2023                              |  | 433,460                  |
| Impact of adopting IFRS 9 - net of related deferred tax   |  | (158,766)                |
| Restated balance at June 30, 2024                         |  | <u>274,694</u>           |
| <b>Fair value reserve of financial assets at FVOCI</b>    |  |                          |
| Balance at December 31, 2023                              |  | -                        |
| Impact of adopting IFRS 9 - net of related deferred tax   |  | 903                      |
| Restated balance at December 31, 2023                     |  | <u>903</u>               |
| <b>(Deficit) / surplus on revaluation of assets - net</b> |  |                          |
| Balance at December 31, 2023                              |  | 903                      |
| Impact of adopting IFRS 9 - net of related deferred tax   |  | (903)                    |
| Restated balance at December 31, 2023                     |  | <u>-</u>                 |

|  |           | (Un-audited)<br>June 30,<br>2024 | (Audited)<br>December<br>31, 2023 |
|--|-----------|----------------------------------|-----------------------------------|
|  |           | -----Rupees in '000-----         |                                   |
| <b>9 CASH AND BALANCES WITH TREASURY BANKS</b>                                 |           |                                  |                                   |
| In hand  |           |                                  |                                   |
| Local currency   |           | 486,260                          | 308,314                           |
| With National Bank of Pakistan in  |           |                                  |                                   |
| Local currency current accounts  |           | 607,016                          | 374,440                           |
| Local currency deposit accounts  | 9.1 & 9.2 | 18,041,699                       | 7,535,586                         |
| Total  |           | 18,648,715                       | 7,910,026                         |
| Accrued Mark-up  |           | 680,794                          | 829,093                           |
| Prize bonds  |           | -                                | -                                 |
| Less: Credit loss allowance held against cash and balances with treasury banks |           | -                                | -                                 |
| Cash and balances with treasury banks - net of credit loss allowance           |           | <u>19,815,769</u>                | <u>9,047,433</u>                  |

9.1 This represents deposit accounts carrying markup rate 20.50% (2023: 20.50%) per annum.

9.2 This represents term deposits carrying markup rates ranging from 17.90% to 22.60% (2023: 20.00% to 22.60%) per annum having maturities ranging from 2 months to 11 months.

|  |             | (Un-audited)<br>June 30,<br>2024 | (Audited)<br>December<br>31, 2023 |
|--|-------------|----------------------------------|-----------------------------------|
|  |             | -----Rupees in '000-----         |                                   |
| <b>10 BALANCES WITH OTHER BANKS</b>                                |             |                                  |                                   |
| In Pakistan (Azad Jammu and Kashmir)                               |             |                                  |                                   |
| In current accounts  |             | 783,243                          | 670,320                           |
| In deposit accounts  | 10.1 & 10.2 | 18,800,485                       | 15,862,220                        |
| Total  |             | 19,583,728                       | 16,532,540                        |
| Accrued Mark-up  |             | 2,767,144                        | 2,436,130                         |
| Less: Credit loss allowance held against balances with other banks |             | -                                | -                                 |
| Balances with other banks - net of credit loss allowance           |             | <u>22,350,872</u>                | <u>18,968,670</u>                 |

**10.1 Financial asset measured using effective interest rate method :-**

|   |                  |   |
|---|------------------|---|
| Opening balance   | -                | - |
| Financial asset measured using effective interest rate method | 2,000,000        | - |
| Fair value adjustment as per IFRS 9                           | (319,054)        | - |
| Addition during the year / period                             | -                | - |
| Matured during the year / period                              | (300,000)        | - |
| Accretion of interest   | 25,720           | - |
| Closing balance   | <u>1,406,666</u> | - |

10.2 This includes saving deposit accounts amounting Rs. 2,401,546 thousands (2023: Rs. 1,304,937 thousands) carrying markup rates ranging from 5.5% to 20.5% (2023: 15.5% to 20.5%) per annum and term deposits carrying markup rates ranging from 18.25% to 24% (2023: 16.5% to 24%) per annum having maturities ranging from 1 months to 2 years except for two term deposits amounting to Rs. 500,000 thousand and Rs. 1,200,000 thousand placed with a bank maturing in 2029 and 2032 respectively, which are measured using effective interest rate method.

**11 INVESTMENTS**

| (Un-audited)          |                       |                           |                | (Audited)             |                       |                           |                |
|-----------------------|-----------------------|---------------------------|----------------|-----------------------|-----------------------|---------------------------|----------------|
| June 30, 2024         |                       |                           |                | December 31, 2023     |                       |                           |                |
| Cost / Amortised cost | Credit loss allowance | Surplus / (Deficit) FVOCI | Carrying Value | Cost / Amortised cost | Credit loss allowance | Surplus / (Deficit) FVOCI | Carrying Value |

-----Rupees in '000-----

**11.1 Investments by type:**

**Fair value through Other Comprehensive Income**

|                                  |        |   |         |        |        |   |       |        |
|----------------------------------|--------|---|---------|--------|--------|---|-------|--------|
| Units of open ended mutual funds | 55,000 | - | (2,570) | 52,430 | 55,000 | - | 1,771 | 56,771 |
|----------------------------------|--------|---|---------|--------|--------|---|-------|--------|

**Amortised Cost**

|                                      |        |          |   |   |        |          |   |   |
|--------------------------------------|--------|----------|---|---|--------|----------|---|---|
| Term finance certificates - note 9.2 | 49,940 | (49,940) | - | - | 49,940 | (49,940) | - | - |
|--------------------------------------|--------|----------|---|---|--------|----------|---|---|

|                          |                |                 |                |               |                |                 |              |               |
|--------------------------|----------------|-----------------|----------------|---------------|----------------|-----------------|--------------|---------------|
| <b>Total Investments</b> | <u>104,940</u> | <u>(49,940)</u> | <u>(2,570)</u> | <u>52,430</u> | <u>104,940</u> | <u>(49,940)</u> | <u>1,771</u> | <u>56,771</u> |
|--------------------------|----------------|-----------------|----------------|---------------|----------------|-----------------|--------------|---------------|

|  | (Un-audited)<br>June 30,<br>2024 | (Audited)<br>December<br>31, 2023 |
|--|----------------------------------|-----------------------------------|
| <b>11.2 Credit loss allowance for diminution in value of investments</b> |                                  |                                   |
| <b>11.2.1 Opening balance</b>  | <b>49,940</b>                    | 49,940                            |
| Charge / reversals   |                                  |                                   |
| Charge for the period / year   | -                                | -                                 |
| Reversals for the period / year  | -                                | -                                 |
| Reversal on disposals  | -                                | -                                 |
| Transfers - net  | -                                | -                                 |
| Amounts written off  | -                                | -                                 |
| <b>Closing Balance</b>   | <b>49,940</b>                    | 49,940                            |

**11.3 Investments - Particulars of credit loss allowance**

| Investments -<br>Exposure          | (Un-audited)               |          |          |               | (Audited)         |          |          |               |
|------------------------------------|----------------------------|----------|----------|---------------|-------------------|----------|----------|---------------|
|                                    | June 30, 2024              |          |          |               | December 31, 2023 |          |          |               |
|                                    | Stage 1                    | Stage 2  | Stage 3  | Total         | Stage 1           | Stage 2  | Stage 3  | Total         |
|                                    | ----- Rupees in '000 ----- |          |          |               |                   |          |          |               |
| Gross carrying amount              | 55,000                     | -        | 49,940   | 104,940       | -                 | -        | -        | 254,940       |
| New Investments                    | -                          | -        | -        | -             | -                 | -        | -        | -             |
| Investments derecognised or repaid | -                          | -        | (49,940) | (49,940)      | -                 | -        | -        | (199,940)     |
| Transfer to stage 1                | -                          | -        | -        | -             | -                 | -        | -        | -             |
| Transfer to stage 2                | -                          | -        | -        | -             | -                 | -        | -        | -             |
| Transfer to stage 3                | -                          | -        | -        | -             | -                 | -        | -        | -             |
|                                    | -                          | -        | (49,940) | (49,940)      | -                 | -        | -        | (199,940)     |
| Change in exposure                 | -                          | -        | -        | -             | -                 | -        | -        | -             |
| <b>Closing balance</b>             | <b>55,000</b>              | <b>-</b> | <b>-</b> | <b>55,000</b> | <b>-</b>          | <b>-</b> | <b>-</b> | <b>55,000</b> |

12 ADVANCES

|   | Performing                 |                             | Non Performing             |                             | Total                      |                             |
|---|----------------------------|-----------------------------|----------------------------|-----------------------------|----------------------------|-----------------------------|
|   | (Un-audited) June 30, 2024 | (Audited) December 31, 2023 | (Un-audited) June 30, 2024 | (Audited) December 31, 2023 | (Un-audited) June 30, 2024 | (Audited) December 31, 2023 |
| Loans, cash credits, running finances, etc. | 4,280,842                  | 3,951,359                   | 248,396                    | 136,514                     | 4,529,238                  | 4,087,873                   |
| Income/Markup Accrued                       | 88,834                     | -                           | -                          | -                           | 88,834                     | -                           |
| Advances - gross                            | 4,369,676                  | 3,951,359                   | 248,396                    | 136,514                     | 4,618,072                  | 4,087,873                   |
| Provision against advances                  | -                          | (86,942)                    | -                          | (126,784)                   | -                          | (213,726)                   |
| - Specific                                  | -                          | -                           | -                          | -                           | -                          | -                           |
| - General                                   | -                          | (86,942)                    | -                          | (126,784)                   | -                          | (213,726)                   |
| Credit loss allowance against advances      | (23,269)                   | -                           | -                          | -                           | (23,269)                   | -                           |
| -Stage 1                                    | (7,394)                    | -                           | -                          | -                           | (7,394)                    | -                           |
| -Stage 2                                    | -                          | -                           | (218,690)                  | -                           | (218,690)                  | -                           |
| -Stage 3                                    | (30,563)                   | -                           | (218,690)                  | -                           | (249,353)                  | -                           |
| Advances - net of credit loss allowance     | 4,339,013                  | 3,864,417                   | 29,706                     | 9,730                       | 4,368,719                  | 3,874,147                   |

(Un-audited) June 30, 2024  
(Audited) December 31, 2023  
-----Rupees in '000-----  
4,529,238 4,087,873

12.1 Particulars of advances (Gross)

In local currency  
Advances include Rs. 248,396 thousand which have been placed under non-performing / stage 3

Category of classification in stage 3

|  | (Un-audited)  |               | (Audited)         |                   |
|--|---------------|---------------|-------------------|-------------------|
|  | June 30, 2024 | June 30, 2024 | December 31, 2023 | December 31, 2023 |
| Domestic                                 | 3,609         | 3,319         | 1,382             | 103               |
| Other Assets Especially Mentioned (OAEM) | 56,676        | 38,665        | 7,929             | 1,922             |
| Substandard                              | 23,992        | 18,082        | 1,344             | 672               |
| Doubtful                                 | 164,119       | 158,624       | 125,859           | 124,087           |
| Loss                                     | 248,396       | 218,690       | 136,514           | 126,784           |
| Total                                    | 3,609         | 3,319         | 1,382             | 103               |

12.2 Particulars of credit loss allowance against advances

|                              | (Un-audited)  |               |                   | (Audited)     |               |                   |
|------------------------------|---------------|---------------|-------------------|---------------|---------------|-------------------|
|                              | June 30, 2024 | June 30, 2024 | December 31, 2023 | June 30, 2024 | June 30, 2024 | December 31, 2023 |
| Opening balance              | -             | -             | -                 | -             | -             | 213,809           |
| IFRS 9 impact                | 173,749       | 7,634         | 24,593            | -             | -             | -                 |
| Charge for the period / year | 44,941        | -             | 44,941            | -             | -             | 505               |
| Reversals                    | -             | (240)         | (1,324)           | -             | -             | -                 |
| Amounts written off          | -             | -             | -                 | -             | -             | (588)             |
| Closing balance              | 218,690       | 7,394         | 23,269            | 249,353       | -             | 213,726           |

12.2.1 The credit loss allowance assessed on stage 1 and stage 2 amounts to Rs. 23,269 thousand and Rs. 7,394 thousand respectively.

**12.3 Advances - Particlurs of credit loss allowance**

|                                       | (Un-audited)<br>June 30, 2024 |           |           | Total     |
|---------------------------------------|-------------------------------|-----------|-----------|-----------|
|                                       | Stage 1                       | Stage 2   | Stage 3   |           |
|                                       | Rupees in '000                |           |           |           |
| 12.3.1 Opening Balance IFRS 9 impact  | -                             | -         | -         | -         |
| Gross carrying amount                 | 3,716,965                     | 88,537    | 598,884   | 4,404,386 |
| New advances                          | 918,494                       | 88,537    | 598,884   | 4,404,386 |
| Advances derecognised or repaid       | (523,747)                     | 197,634   | (188,321) | (514,434) |
| Transfer to stage 1                   | 431,996                       | (42,791)  | (389,205) | -         |
| Transfer to stage 2                   | (62,749)                      | 73,174    | (10,425)  | -         |
| Transfer to stage 3                   | (72,441)                      | (168,368) | 240,809   | -         |
| Change in Exposure                    | 691,553                       | 59,649    | (347,142) | 404,060   |
| Total movement in advances - exposure | (190,658)                     | 3,630     | (3,346)   | (190,374) |
| Amounts written off / charged off     | 500,895                       | 63,279    | (350,488) | 213,686   |
| Closing balance                       | 4,217,860                     | 151,816   | 248,396   | 4,618,072 |

**Advances - Credit loss allowance**

|                                       | (Un-audited)<br>December 31, 2023 |         |          | Total   |
|---------------------------------------|-----------------------------------|---------|----------|---------|
|                                       | Stage 1                           | Stage 2 | Stage 3  |         |
|                                       | Rupees in '000                    |         |          |         |
| 12.3.2 Opening Balance IFRS 9 impact  | -                                 | -       | -        | -       |
| Gross carrying amount                 | 24,593                            | 7,634   | 173,749  | 205,976 |
| New advances                          | 11,799                            | 7,634   | 173,749  | 205,976 |
| Advances derecognized or repaid       | (2,148)                           | (829)   | 6,055    | 3,078   |
| Transfer to stage 1                   | 22,553                            | (3,888) | (18,665) | -       |
| Transfer to stage 2                   | (2,115)                           | 4,406   | (2,291)  | -       |
| Transfer to stage 3                   | (1,944)                           | (569)   | 2,513    | -       |
| Change in Exposure                    | 28,145                            | (880)   | (12,388) | 14,877  |
| Total movement in advances - exposure | (29,469)                          | 640     | 57,329   | 28,500  |
| Amounts written off / charged off     | (1,324)                           | (240)   | 44,941   | 43,377  |
| Closing balance                       | 23,269                            | 7,394   | 218,690  | 249,353 |

|                                       | (Audited)<br>December 31, 2023 |         |         | Total     |
|---------------------------------------|--------------------------------|---------|---------|-----------|
|                                       | Stage 1                        | Stage 2 | Stage 3 |           |
|                                       | Rupees in '000                 |         |         |           |
| 12.3.1 Opening Balance IFRS 9 impact  | -                              | -       | -       | -         |
| Gross carrying amount                 | -                              | -       | -       | 3,504,039 |
| New advances                          | -                              | -       | -       | 3,504,039 |
| Advances derecognised or repaid       | -                              | -       | -       | -         |
| Transfer to stage 1                   | -                              | -       | -       | -         |
| Transfer to stage 2                   | -                              | -       | -       | -         |
| Transfer to stage 3                   | -                              | -       | -       | -         |
| Change in Exposure                    | -                              | -       | -       | -         |
| Total movement in advances - exposure | -                              | -       | -       | 584,422   |
| Amounts written off / charged off     | -                              | -       | -       | (588)     |
| Closing balance                       | -                              | -       | -       | 4,087,873 |

**Advances - Credit loss allowance**

|                                       | (Audited)<br>December 31, 2023 |         |         | Total   |
|---------------------------------------|--------------------------------|---------|---------|---------|
|                                       | Stage 1                        | Stage 2 | Stage 3 |         |
|                                       | Rupees in '000                 |         |         |         |
| 12.3.2 Opening Balance IFRS 9 impact  | -                              | -       | -       | -       |
| Gross carrying amount                 | -                              | -       | -       | 213,809 |
| New advances                          | -                              | -       | -       | 213,809 |
| Advances derecognized or repaid       | -                              | -       | -       | -       |
| Transfer to stage 1                   | -                              | -       | -       | -       |
| Transfer to stage 2                   | -                              | -       | -       | -       |
| Transfer to stage 3                   | -                              | -       | -       | -       |
| Change in Exposure                    | -                              | -       | -       | -       |
| Total movement in advances - exposure | -                              | -       | -       | 505     |
| Amounts written off / charged off     | -                              | -       | -       | (588)   |
| Closing balance                       | -                              | -       | -       | 213,726 |



|   | Note | (Un-audited)<br>June 30,<br>2024 | (Audited)<br>December<br>31, 2023 |
|---|------|----------------------------------|-----------------------------------|
| -----Rupees in '000-----  |      |                                  |                                   |
| <b>13 PROPERTY AND EQUIPMENT</b>  |      |                                  |                                   |
| Capital work-in-progress  | 13.1 | 18,396                           | 867                               |
| Property and equipment  | 13.2 | 296,558                          | 281,272                           |
|   |      | <u>314,954</u>                   | <u>282,139</u>                    |
| <b>13.1 Capital work-in-progress</b>  |      |                                  |                                   |
| Advances to suppliers   |      | <u>18,396</u>                    | <u>867</u>                        |
| 13.1.1 This represents advances to suppliers in respect of purchase of furniture and fixture. |      |                                  |                                   |
| <b>13.2 Additions to fixed assets</b>   |      | (Un-audited)<br>June 30,<br>2024 | (Audited)<br>December<br>31, 2023 |
| The following additions have been made to fixed assets during the period:                     |      |                                  |                                   |
| Capital work-in-progress  |      | 17,529                           | (13,795)                          |
| <b>Property and equipment</b>   |      |                                  |                                   |
| Freehold land   |      | -                                | -                                 |
| Leasehold Improvements  |      | 9,240                            | 9,914                             |
| Furniture and fixture   |      | 12,488                           | 15,286                            |
| Computer equipment  |      | 12,735                           | 8,604                             |
| Vehicles  |      | -                                | 11,674                            |
| Electrical office and computer equipment  |      | 8,339                            | 1,021                             |
|   |      | <u>42,802</u>                    | <u>46,499</u>                     |
| <b>Total</b>  |      | <u>60,331</u>                    | <u>32,704</u>                     |
|   |      | (Un-audited)<br>June 30,<br>2024 | (Audited)<br>December<br>31, 2023 |
|   | Note | -----Rupees in '000-----         |                                   |
| <b>14 RIGHT-OF-USE ASSETS</b>   |      |                                  |                                   |
| <b>Buildings</b>  |      |                                  |                                   |
| At January 1st  |      | 140,609                          | 145,892                           |
| Cost  |      | 288,979                          | 253,081                           |
| Accumulated Depreciation  |      | (148,370)                        | (107,189)                         |
| Net Carrying amount at January 1st  |      | <u>140,609</u>                   | <u>145,892</u>                    |
| Additions during the year   |      | 78,277                           | 35,548                            |
| Deletions during the year   |      | -                                | -                                 |
| Depreciation Charge for the year  |      | 23,099                           | 40,831                            |
| Net Carrying amount at June 30th  |      | <u>195,787</u>                   | <u>140,609</u>                    |
| <b>15 DEFERRED TAX ASSETS</b>   |      |                                  |                                   |
| <b>Taxable temporary differences on :</b>   |      |                                  |                                   |
| - Accelerated tax depreciation  |      | (87,459)                         | (61,429)                          |
| <b>Deductible temporary differences on :</b>  |      |                                  |                                   |
| -Provision against receivable from Kashmir Council  |      | 2,359                            | 2,359                             |
| -Provision against customer claims  |      | 8,169                            | 8,169                             |
| -Deficit on revaluation of investments  |      | 1,259                            | (868)                             |
| -Lease liability against right of used assets   |      | 99,127                           | 81,844                            |
| - Provision against non-performing advances   |      | 27,803                           | 1,909                             |
|   |      | <u>138,717</u>                   | <u>93,413</u>                     |
| Impact of IFRS 09   |      | 152,538                          | -                                 |
| Net deferred tax asset  |      | <u>203,796</u>                   | <u>31,984</u>                     |

|  | Note | (Un-audited)     | (Audited)            |
|--|------|------------------|----------------------|
|  |      | June 30,<br>2024 | December<br>31, 2023 |
| -----Rupees in '000-----                                     |      |                  |                      |
| <b>16 OTHER ASSETS</b>                                       |      |                  |                      |
| Income/ mark-up accrued in local currency - net of provision | 16.1 | 403,456          | 126,445              |
| Advances, deposits, advance rent and other prepayments       |      | 26,507           | 18,101               |
| Stationery and stamps in hand                                |      | 8,391            | 11,396               |
| Others   |      | 223,828          | 7,016                |
|  |      | <u>662,182</u>   | <u>162,958</u>       |
| Less: Credit loss allowance held against other assets        | 16.2 | (4,815)          | (4,815)              |
| Other assets - net of provision                              |      | <u>657,367</u>   | <u>158,143</u>       |

16.1 This balance has been arrived at after adjusting interest in suspense account of Rs. 148,092 thousand (2023: Rs. 151,281 thousand).

**16.2 Credit loss allowance held against other assets**

|                                 |              |              |
|---------------------------------|--------------|--------------|
| Receivable from Kashmir Council | <u>4,815</u> | <u>4,815</u> |
|---------------------------------|--------------|--------------|

|                          | Note | (Un-audited)     | (Audited)            |
|--------------------------|------|------------------|----------------------|
|                          |      | June 30,<br>2024 | December<br>31, 2023 |
| -----Rupees in '000----- |      |                  |                      |
| <b>17 BILLS PAYABLE</b>  |      |                  |                      |
| In Pakistan              |      | <u>18,841</u>    | <u>93,259</u>        |

**18 DEPOSITS AND OTHER ACCOUNTS**

|                          | (Un-audited)         |                          |                   | (Audited)            |                          |                   |
|--------------------------|----------------------|--------------------------|-------------------|----------------------|--------------------------|-------------------|
|                          | June 30, 2024        |                          |                   | December 31, 2023    |                          |                   |
|                          | In local<br>currency | In foreign<br>currencies | Total             | In local<br>currency | In foreign<br>currencies | Total             |
| -----Rupees in '000----- |                      |                          |                   |                      |                          |                   |
| <b>Customers</b>         |                      |                          |                   |                      |                          |                   |
| Current deposits         | 7,436,739            | -                        | 7,436,739         | 5,311,831            | -                        | 5,311,831         |
| Savings deposits         | 24,094,341           | -                        | 24,094,341        | 13,132,002           | -                        | 13,132,002        |
| Term deposits            | 7,435,928            | -                        | 7,435,928         | 5,599,705            | -                        | 5,599,705         |
| Others                   | 130,283              | -                        | 130,283           | 101,127              | -                        | 101,127           |
|                          | <u>39,097,291</u>    | <u>-</u>                 | <u>39,097,291</u> | <u>24,144,665</u>    | <u>-</u>                 | <u>24,144,665</u> |



|  | Note   | (Un-audited)<br>June 30,<br>2024 | (Audited)<br>December 31,<br>2023 |
|--|--|----------------------------------|-----------------------------------|
| -----Rupees in '000-----   |  |                                  |                                   |
| <b>19 LEASE LIABILITIES</b>  |  |                                  |                                   |
| <b>Outstanding amount at the start of the year</b>   |  | <b>167,028</b>                   | 162,026                           |
| Additions during the year  |  | 78,290                           | 33,038                            |
| Lease payments including interest  |  | (58,993)                         | (61,686)                          |
| Interest expense   |  | 15,974                           | 33,650                            |
| <b>Outstanding amount at the end of the year</b>   |  | <b>202,299</b>                   | 167,028                           |
| <b>Liabilities Outstanding</b>   |  |                                  |                                   |
| Less than one year   |  | 63,041                           | 53,535                            |
| One to five years  |  | 189,192                          | 145,599                           |
| More than five years   |  | 95,049                           | 33,471                            |
| <b>Total undiscounted lease liabilities</b>  |  | <b>347,282</b>                   | 232,605                           |
| <b>20 OTHER LIABILITIES</b>  |  |                                  |                                   |
| Mark-up/ return/ interest payable in local currency  | 20.1   | 794,214                          | 921,737                           |
| Accrued expenses   |  | 11,388                           | 8,120                             |
| Income tax payable   |  | 354,732                          | 275,328                           |
| Branch adjustment account  |  | 558,652                          | 152,868                           |
| Provision for bonus to employees   |  | 33,011                           | 62,927                            |
| Provision against customer claims  |  | 16,672                           | 16,672                            |
| Leave encashment   |  | 108,358                          | 109,434                           |
| Education cess   |  | 47,829                           | 60,394                            |
| Others   |  | 29,574                           | 116,334                           |
|  |  | <b>1,954,430</b>                 | 1,723,814                         |
| 20.1   | It includes an amount of Rs. 576,935 thousand (2023: Rs. 184,847 thousand) on account of interest payable to related parties . |                                  |                                   |
| <b>21 SURPLUS / (DEFICIT) ON REVALUATION OF FINANCIAL ASSETS AT FVOCI</b>  |  |                                  |                                   |
| Deficit on revaluation of  |  |                                  |                                   |
| - Surplus / (deficit) on revaluation at FVOCI - Equity   | 11.1   | (2,570)                          | 1,771                             |
| Deferred tax on deficit on revaluation of:   |  |                                  |                                   |
| - Surplus / (deficit) on revaluation of FVOCI - Equity   |  | 1,259                            | (868)                             |
|  |  | <b>(1,311)</b>                   | 903                               |
| <b>22 CONTINGENCIES AND COMMITMENTS</b>  |  |                                  |                                   |
| -Guarantees  | 22.1   | 135,165                          | 87,674                            |
| -Commitments   | 22.2   | 70,903                           | 182,307                           |
| -Bills for collection  | 22.3   | 15,519                           | 5,580                             |
|  |  | <b>221,587</b>                   | 275,561                           |
| 22.1 <b>Guarantees:</b>  |  |                                  |                                   |
| Financial guarantees   |  | <b>135,165</b>                   | 87,674                            |
| 22.2 <b>Commitments:</b>   |  |                                  |                                   |
| Loan sanctioned but not disbursed  |  | 7,644                            | 5,814                             |
| Unavailed running finance  |  | 63,259                           | 176,493                           |
|  |  | <b>70,903</b>                    | 182,307                           |
| 22.3 <b>Bills for collection</b>   |  |                                  |                                   |
| Bills for collection represent bills drawn in favor of various financial institutions on behalf of the Bank's customers. These are accepted by the Bank as an agent and the Bank does not carry any credit risk in respect of these bills. |  |                                  |                                   |