



Soneri Bank

SBL/Secy/PSX/24/94
30 April 2024

The General Manager
Pakistan Stock Exchange Limited
Stock Exchange Building
Stock Exchange Road
Karachi.

Form - 7
Through PUCARS & hand delivery

Subject: **Financial Results for the 1st Quarter ended 31.03.2024**

Dear Sir,

We have to inform you that the Board of Directors of Soneri Bank Limited in its 204th meeting held on Tuesday, 30 April 2024 at 1230 hours at 10th Floor, PNSC Building, M.T. Khan Road, Karachi has approved the First Quarterly Accounts for the period ended 31 March 2024 and recommended the following:

1. **Cash Dividend** : NIL
2. **Bonus Shares** : NIL
3. **Right Shares** : NIL
4. **Any Other Entitlement/Corporate Action** : NIL
5. **Any Other Price – Sensitive Information** : NIL

Financial Results

The un-audited financial results of the Bank for the 1st quarter ended 31 March 2024 are enclosed herewith as Annexures A and B to this letter.

The Quarterly Report of the Bank for the period ended 31 March 2024 will be transmitted through PUCARS within the specified time.

Yours Sincerely,



Muhammad Altaf Butt
Company Secretary

Encls: a.a.

SONERI BANK LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER ENDED 31 MARCH 2024

	Note	2024	2023
		----- (Rupees in '000) -----	
Mark-up / return / interest earned	25	27,513,674	19,700,985
Mark-up / return / interest expensed	26	21,665,000	14,862,155
Net mark-up / interest income		5,848,674	4,838,830
Non mark-up / interest income			
Fee and commission income	27	969,097	665,358
Dividend income		12,172	51,177
Foreign exchange income		509,635	1,055,487
Gain / (loss) on securities - net	28	85,626	(29,367)
Net gains/(loss) on derecognition of financial assets measured at amortised cost	29	-	-
Other income	30	26,578	27,479
Total non-markup / interest Income		1,603,108	1,770,134
Total income		7,451,782	6,608,964
Non mark-up / interest expenses			
Operating expenses	31	4,309,757	3,409,320
Workers' Welfare Fund	32	75,023	60,377
Other charges	33	120	27,571
Total non mark-up / interest expenses		4,384,900	3,497,268
Profit before credit loss allowance		3,066,882	3,111,696
Credit loss allowance and write offs - net	34	(487,510)	417,235
Extraordinary / unusual items		-	-
Profit before taxation		3,554,392	2,694,461
Taxation	35	1,794,361	1,205,448
Profit after taxation		1,760,031	1,489,013
		----- (Rupees) -----	
Basic / Diluted earnings per share	36	1.5965	1.3506

The annexed notes 1 to 45 form an integral part of these condensed interim financial statements.



Chairman

President & Chief Executive Officer

Chief Financial Officer

Director

Director



Soneri Bank

Annexure “B”

**CONDENSED INTERIM FINANCIAL
STATEMENTS for the three months
ended March 31, 2024.**

SONERI BANK LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2024

		(Un-audited) 31 March 2024	(Audited) 31 December 2023
	Note		
		----- (Rupees in '000) -----	
ASSETS			
Cash and balances with treasury banks	6	45,304,569	44,206,702
Balances with other banks	7	1,962,395	1,458,642
Lendings to financial institutions	8	24,207,474	-
Investments	9	325,746,322	310,340,877
Advances	10	218,551,419	205,753,709
Property and equipment	11	13,809,248	12,944,973
Right-of-use assets	12	4,410,194	4,249,619
Intangible assets	13	173,580	206,127
Deferred tax assets - net		-	-
Other assets	14	33,543,309	79,401,023
		667,708,510	658,561,672
LIABILITIES			
Bills payable	16	5,707,443	8,737,971
Borrowings	17	43,256,223	68,741,646
Deposits and other accounts	18	551,658,658	517,868,984
Lease liabilities	19	5,337,790	5,113,794
Subordinated debt	20	7,998,400	7,998,400
Deferred tax liabilities - net	21	565,226	889,037
Other liabilities	22	26,350,418	20,598,674
		640,874,158	629,948,506
NET ASSETS		<u>26,834,352</u>	<u>28,613,166</u>
REPRESENTED BY			
Share capital		11,024,636	11,024,636
Reserves		5,485,062	5,133,056
Surplus / (Deficit) on revaluation of assets	23	2,293,149	1,661,082
Unappropriated profit		8,031,505	10,794,392
		<u>26,834,352</u>	<u>28,613,166</u>
CONTINGENCIES AND COMMITMENTS	24		

The annexed notes 1 to 45 form an integral part of these condensed interim financial statements.

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Chief Financial Officer

Director

Director

SONERI BANK LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER ENDED 31 MARCH 2024

	Note	2024	2023
		----- (Rupees in '000) -----	
Mark-up / return / interest earned	25	27,513,674	19,700,985
Mark-up / return / interest expensed	26	21,665,000	14,862,155
Net mark-up / interest income		<u>5,848,674</u>	<u>4,838,830</u>
Non mark-up / interest income			
Fee and commission income	27	969,097	665,358
Dividend income		12,172	51,177
Foreign exchange income		509,635	1,055,487
Gain / (loss) on securities - net	28	85,626	(29,367)
Net gains/(loss) on derecognition of financial assets measured at amortised cost	29	-	-
Other income	30	26,578	27,479
Total non-markup / interest Income		<u>1,603,108</u>	<u>1,770,134</u>
Total income		<u>7,451,782</u>	<u>6,608,964</u>
Non mark-up / interest expenses			
Operating expenses	31	4,309,757	3,409,320
Workers' Welfare Fund	32	75,023	60,377
Other charges	33	120	27,571
Total non mark-up / interest expenses		<u>4,384,900</u>	<u>3,497,268</u>
Profit before credit loss allowance		<u>3,066,882</u>	<u>3,111,696</u>
Credit loss allowance and write offs - net	34	(487,510)	417,235
Extraordinary / unusual items		-	-
Profit before taxation		<u>3,554,392</u>	<u>2,694,461</u>
Taxation	35	1,794,361	1,205,448
Profit after taxation		<u>1,760,031</u>	<u>1,489,013</u>
		----- (Rupees) -----	
Basic / Diluted earnings per share	36	<u>1.5965</u>	<u>1.3506</u>

The annexed notes 1 to 45 form an integral part of these condensed interim financial statements.

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President & Chief Executive Officer

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SONERI BANK LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER ENDED 31 MARCH 2024

	2024	2023
	------(Rupees in '000)-----	
Profit after taxation for the period	1,760,031	1,489,013
Other comprehensive income		
Items that may be reclassified to profit and loss account in subsequent periods		
Movement in surplus / (deficit) on revaluation of debt investments through FVOCI - net of tax	(580,034)	(913,067)
Items that will not be reclassified to profit and loss account in subsequent periods		
Movement in surplus / (deficit) on revaluation of equity investments - net of tax	(54,371)	-
Movement in surplus on revaluation of property and equipment - net of tax	(26,389)	-
Movement in surplus on revaluation of non-banking assets - net of tax	(53)	-
	(80,813)	-
Total comprehensive income	<u>1,099,184</u>	<u>575,946</u>

The annexed notes 1 to 45 form an integral part of these condensed interim financial statements.

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President & Chief Executive Officer

Chief Financial Officer

Director

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SONERI BANK LIMITED
CASH FLOW STATEMENT
FOR THE QUARTER ENDED 31 MARCH 2024

	Note	2024	2023
------(Rupees in '000)-----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		3,554,392	2,694,461
Less: dividend income		12,172	51,177
		<u>3,542,220</u>	<u>2,643,284</u>
Adjustments:			
Depreciation on fixed assets		296,753	198,645
Depreciation on right-of-use assets	12	227,727	218,707
Depreciation on Ijarah Assets		59,403	64,979
Amortisation		32,547	65,386
Depreciation on non-banking assets		3,531	810
Finance charge on lease liability against right-of-use assets	19	162,160	139,619
Gain on termination of lease	30	-	7,007
Credit loss allowance and write offs	34	(487,510)	417,235
Gain on sale of property and equipment - net	30	(13,152)	(2,558)
Provision of Workers' Welfare Fund	32	75,023	60,377
Unrealised loss / (gain) on revaluation of investments classified as FVPL		190	(1)
		<u>356,672</u>	<u>1,170,206</u>
		<u>3,898,892</u>	<u>3,813,490</u>
(Increase) / decrease in operating assets			
Lendings to financial institutions		(24,212,594)	490,791
Securities classified as FVPL		(2,973,590)	(3,757)
Advances		(13,904,128)	34,153,784
Others assets (excluding advance taxation)		45,553,818	(1,161,752)
		<u>4,463,506</u>	<u>33,479,066</u>
Increase / (decrease) in operating liabilities			
Bills payable		(3,030,528)	(434,853)
Borrowings from financial institutions		(24,796,511)	(14,760,477)
Deposits		33,789,674	33,361,207
Other liabilities		5,850,378	2,168,283
		<u>11,813,013</u>	<u>20,334,160</u>
Income taxes paid		(1,477,612)	(570,446)
Net cash flow generated from operating activities		<u>18,697,798</u>	<u>57,056,270</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in amortized cost securities		15,050,823	(63,376)
Net Investments in securities classified as FVOCI		(26,299,811)	(45,593,372)
Dividends received		12,172	42,049
Investments in property and equipment		(1,549,351)	(1,065,318)
Disposal of property and equipment		13,172	3,413
Net cash flow used in investing activities		<u>(12,772,995)</u>	<u>(46,676,604)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of subordinated debt		-	-
Payments of lease obligations against right-of-use assets		(326,466)	(342,631)
Dividend paid		(3,307,392)	(946,890)
Net cash flow used in financing activities		<u>(3,633,858)</u>	<u>(1,289,521)</u>
Increase in cash and cash equivalents		<u>2,290,945</u>	<u>9,090,145</u>
ECL impact of IFRS 9 on cash and cash equivalents		(81)	-
Cash and cash equivalents at beginning of the period		43,740,071	27,921,618
Cash and cash equivalents at end of the period		<u>46,030,935</u>	<u>37,011,763</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD			
Cash and balances with treasury banks	6	45,304,569	34,562,317
Balances with other banks	7	1,962,395	3,220,064
Overdrawn nostro accounts	17	(1,236,029)	(770,618)
		<u>46,030,935</u>	<u>37,011,763</u>

The annexed notes 1 to 45 form an integral part of these condensed interim financial statements.

Chairman

President & Chief Executive Officer

Chief Financial Officer

Director

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SONERI BANK LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE QUARTER ENDED 31 MARCH 2024

Share capital	Statutory reserve (a)	Surplus / (deficit) on revaluation of		Unappropriated profit (b)	Total	
		Investments	Property & Equipment / Non Banking assets			
(Rupees in '000)						
Balance as at 01 January 2023 (Audited)	11,024,636	3,917,964	(2,916,231)	2,132,027	6,987,795	21,146,191
Comprehensive income for the period						
- Profit after taxation for the quarter ended 31 March 2023	-	-	-	-	1,489,013	1,489,013
Other comprehensive income / (loss)						
- Movement in surplus / (deficit) on revaluation of investments - net of tax	-	-	(913,067)	-	-	(913,067)
	-	-	(913,067)	-	1,489,013	575,946
Transfer to statutory reserve	-	297,803	-	-	(297,803)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	(21,340)	21,340	-
Transaction with owners recorded directly in equity						
Final cash dividend for the year ended 31 December 2022 at Rs 1.00 per share	-	-	-	-	(1,102,463)	(1,102,463)
Balance as at 31 March 2023	11,024,636	4,215,767	(3,829,298)	2,110,687	7,097,882	20,619,674
Comprehensive income for the period						
- Profit after taxation for the nine months ended 31 December 2023	-	-	-	-	4,586,447	4,586,447
Other comprehensive income / (loss)						
- Movement in surplus / (deficit) on revaluation of investments - net of tax	-	-	2,694,139	-	-	2,694,139
- Remeasurement loss on defined benefit obligations - net of tax	-	-	-	-	(24,798)	(24,798)
- Movement in surplus on revaluation of property and equipment - net of tax	-	-	-	734,417	-	734,417
- Movement in surplus on revaluation of non banking assets	-	-	-	3,287	-	3,287
	-	-	2,694,139	737,704	4,561,649	7,993,492
Transfer to statutory reserve	-	917,289	-	-	(917,289)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	(52,150)	52,150	-
Balance as at 31 December 2023	11,024,636	5,133,056	(1,135,159)	2,796,241	10,794,392	28,613,166
Effect of reclassification on adoption of IFRS 9 (net of tax)	-	-	1,292,914	-	-	1,292,914
Effect of adoption of IFRS 9 - ECL (net of tax)	-	-	-	-	(889,962)	(889,962)
Balance as at 01 January 2023 - as restated	11,024,636	5,133,056	157,755	2,796,241	9,904,430	29,016,118
Comprehensive income for the period						
- Profit after taxation for the quarter ended 31 March 2024	-	-	-	-	1,760,031	1,760,031
Other comprehensive income / (loss)						
- Movement in surplus / (deficit) on revaluation of investments in debt instruments - net of tax	-	-	(580,034)	-	-	(580,034)
- Movement in surplus / (deficit) on revaluation of investments in equity instruments - net of tax	-	-	(54,371)	-	-	(54,371)
	-	-	(634,405)	-	1,760,031	1,125,626
Transfer to statutory reserve	-	352,006	-	-	(352,006)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	(26,442)	26,442	-
Transaction with owners recorded directly in equity						
Final cash dividend for the year ended 31 December 2023 at Rs 3.00 per share	-	-	-	-	(3,307,392)	(3,307,392)
Balance as at 31 March 2024	11,024,636	5,485,062	(476,650)	2,769,799	8,031,505	26,834,352

(a) This represents reserve created under section 21(i)(a) of the Banking Companies Ordinance, 1962.

(b) As explained in note 10.3.1 to these condensed interim financial statements, unappropriated profit includes an amount of Rs. 596.116 million - net of tax as at 31 March 2024 (31 December 2023: Rs.729.318 million) representing additional profit arising from availing forced sales value benefit for determining provisioning requirement which is not available for distribution either as cash or stock dividend to shareholders and bonus to employees.

The annexed notes 1 to 45 form an integral part of these condensed interim financial statements.

Chairman

President & Chief Executive Officer

Chief Financial Officer

Director

Director

SONERI BANK LIMITED
NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED 31 MARCH 2024

1 STATUS AND NATURE OF BUSINESS

Soneri Bank Limited ("the Bank") was incorporated in Pakistan on 28 September 1991 as a public limited bank under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). Its registered office and central office are situated at 2nd Floor, 307- Upper Mall Scheme, Lahore, Punjab and at 10th Floor, PNSC Building, M.T. Khan Road, Karachi respectively. The shares of the Bank are quoted on Pakistan Stock Exchange Limited. The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962 and operates with 455 branches including 48 Islamic banking branches, 15 Islamic banking windows. (2023: 443 branches including 45 Islamic banking branches, 15 Islamic banking windows in Pakistan. The credit rating of the Bank is disclosed in note 37 to the financial statements.

2 BASIS OF PRESENTATION

- 2.1** These condensed interim financial statements have been prepared in conformity with the format of financial statements prescribed by the State Bank of Pakistan (SBP) vide BPRD Circular No. 2 dated 09 February 2023.
- 2.2** In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilised and appropriate portion of mark-up thereon. However, the Islamic Banking branches of the Bank have complied with the requirements set out under the Islamic Financial Accounting Standards (IFAS), issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the provisions of Companies Act, 2017.
- 2.3** The financial results of all Islamic banking branches and windows of the Bank have been consolidated in these condensed interim financial statements for reporting purposes, after eliminating material intra branch transactions / balances. The financial results of Islamic banking branches and windows are disclosed in note 42 to these condensed interim financial statements.

3 STATEMENT OF COMPLIANCE

- 3.1** These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:
- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
 - Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Act, 2017;
 - Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
 - Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP) from time to time.

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017, or the directives issued by SBP and the SECP differ with the requirements of IFRS or IFAS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

- 3.2** The SBP, vide its BSD Circular Letter no.10 dated 26 August 2002 has deferred the applicability of International Accounting Standard 40, Investment Property, for banking companies till further instructions. Moreover, SBP vide BPRD circular no. 4, dated 25 February 2015 has deferred the applicability of Islamic Financial Accounting Standards (IFAS) 3, Profit and Loss Sharing on Deposits. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements.
- 3.3** The disclosures made in these condensed interim financial statements have been limited based on a format prescribed by the SBP vide BPRD Circular No. 2 dated 09 February 2023 and IAS 34, Interim Financial Reporting. They do not include all the disclosures required for annual financial statements, and these condensed interim financial statements should be read in conjunction with the financial statements of the Bank for the year ended 31 December 2023.
- 3.4 Standards, interpretations and amendments to published accounting and reporting standards that are effective in the current period**

There are certain new standards, amendments and interpretations of and to existing accounting standards that are mandatory for the Bank's accounting periods beginning on or after 1 January 2024. These are considered not to be relevant or do not have any significant impact on the Bank's operations and are therefore, not disclosed in these condensed interim financial statements, except for IFRS 9 (Financial Instruments), the details of which are disclosed in note 4.2.

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

There are certain new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after 01 January 2024 but are considered not to be relevant or will not have any significant effect on the Bank's operations and are therefore not detailed in these condensed interim financial statements.

4 MATERIAL ACCOUNTING POLICIES

The material accounting policies and the methods of computation used in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Bank for the year ended 31 December 2023 except for the adoption of IFRS 9 Financial Instruments from 01 January 2024.

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

The SBP, vide its BPRD Circular No. 02 dated 09 February 2023 and BPRD Circular No. 07 dated 13 April 2023, issued the revised forms for the preparation of the annual / interim financial information of the banks which are applicable for quarterly / half yearly periods beginning on or after 01 January 01 2024 (previously 01 January 2023). The implementation of the revised forms has resulted in certain changes to the presentation and disclosures of various elements of the condensed interim financial information. Right of use assets and corresponding lease liability are now presented separately on the face of Statement of financial position. Previously they were presented under Property and Equipment (previously titled Fixed Assets) and Other Liabilities respectively. As a result of the this change, the Property and Equipment of the Bank decreased by Rs 4,410 million and Rs 4,250 million as of 31 March 2024 and 31 December 2023 respectively. Further, Other liabilities of the Bank decreased by Rs 5,338 million and Rs 5,114 as of 31 March 2024 and 31 December 2023 respectively.

The Bank has adopted the above changes in the presentation and made additional disclosures to the extent applicable to its operations and corresponding figures have been rearranged / reclassified to correspond to current year's presentation (Note 44).

4.2 Changes in accounting policies and transition disclosures on adoption of IFRS 9 - Financial Instruments

As directed by SBP via BPRD Circular Letter No. 7 of 2023 dated 13 April 2023, IFRS 9 Financial Instruments is effective for periods beginning on or after 01 January 2024. IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. The standard includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. These changes and impacts are discussed below:

4.2.1 Classification and measurement

Under the new standard, classification and measurement of financial assets depends on how these are managed (the entity's business model) and their contractual cash flow characteristics. Debt securities that do not meet the Solely Payment of Principal and Interest (SPPI) criteria are required to be measured at FVTPL regardless of the business model in which they are held. The entity's business model in which financial assets are held will determine whether the financial assets are to be measured at amortised cost, fair value through other comprehensive income ('FVOCI') or fair value through profit or loss ('FVTPL'). Equity instruments are generally measured as Fair Value through Profit & Loss (FVTPL) unless the Bank elects for an irrevocable option to designate the same as Fair Value through Other Comprehensive Income (FVTOCI) at initial recognition.

4.2.2 Impairment

The impairment requirements under IFRS 9, apply to financial assets measured at Amortised Cost and FVOCI (other than equity instruments), loans and receivables, and certain loan commitments and financial guarantee contracts. At initial recognition, an impairment allowance (or provision in the case of commitments and guarantees) is required for expected credit losses ('ECL') resulting from default events that are possible within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk (SICR), an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are in 'stage 1'; financial assets that are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is an objective evidence of impairment, so are considered to be in default or otherwise credit impaired, are in 'stage 3'.

The assessment of credit risk and the estimation of ECL should be unbiased and probability-weighted, and would incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL would take into account the time value of money.

Based on the requirements of IFRS 9 and SBP's IFRS 9 application instructions, the Bank has performed an ECL assessment taking into account the key elements such as assessment of SICR, Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). These elements are described below:

- PD: The probability that a counterparty will default, calibrated over the 12 months from the reporting date (stage 1) or over the lifetime of the product (stage 2) and incorporating forward looking information.
- LGD: It is an estimate of magnitude of loss sustained on any facility upon default by a customer. It is expressed as a percentage of the exposure outstanding on the date of classification of an obligor. It is the difference between contractual cash flows due and those that the Bank expects to receive, including any form of collateral.
- EAD: the expected balance sheet exposure at the time of default, incorporating expectations on drawdowns, amortisation, pre-payments and forward-looking information where relevant.

For the purpose of calculation of ECL, the Bank has used 5 years data till 31 December 2023 and going forward, one more year's data shall be included until the Bank has at least 10 years data.

Significant increase in credit risk (SICR)

A SICR is assessed in the context of an increase in the risk of a default occurring over the life of the financial instrument when compared to that expected at the time of initial recognition. It is not assessed in the context of an increase in the ECL. The Bank uses a number of qualitative and quantitative measures in assessing SICR. Quantitative measures relate to deterioration of Obligor Risk Ratings (ORR) or where principal and / or interest payments are 60 days or more past due. Qualitative factors include unavailability of financial information and pending litigations.

Based on the level of increase in credit risk, the Bank shall calculate 12 month ECL for assets which did not have a SICR i.e., Stage 1 or a lifetime expected loss for the life of the asset (for assets which demonstrated a SICR) i.e., Stage 2.

At every reporting date, the Bank shall assess whether there has been a SICR since the initial recognition of the asset. If there is a SICR, the asset must be assigned to the appropriate stage of credit impairment (Stage 2 or 3).

Under the SBP's instructions, credit exposure (in local currency) guaranteed by the Government and Government Securities are exempted from the application of ECL Framework. Moreover, until implementation of IFRS 9 has stabilized, Stage 1 and stage 2 provisions would be made as per IFRS 9 ECL criteria and Stage 3 provisions would be made considering higher of IFRS 9 ECL or provision computed under existing PRs' requirements on a segment basis.

As required by the Application Instructions, financial assets may be reclassified out of stage 3 if they meet the requirements of Prudential Regulations (PR) issued by SBP. Financial assets in stage 2 may be reclassified to stage 1 if the conditions that led to a SICR no longer apply.

4.2.3 Additional requirements and exceptions introduced by SBP Instructions

State Bank of Pakistan has enforced the application of IFRS 9 in its entirety except for some exceptions and additional requirements. A high-level comparison of such exceptions that are relevant to the Bank is as follows:

(i) Use of Fair Value Option for financial assets

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

(ii) Unquoted equity securities

SBP as part of its initial instructions advised banks to measure investment in unquoted equity securities at lower of cost or breakup value till 31 December 2023 (one year post implementation date). In case where the breakup value of such securities is less than the cost, the difference of the cost and the breakup value will be classified as loss and provided for by charging it to the Profit and Loss account.

(iii) Rebuttable presumptions about default and SICR

IFRS 9 includes a rebuttable presumption that a default does not occur later than 90 days past due and it also presumes that there is SICR if credit exposure is more than 30 days past due. In order to bring consistency, SBP has allowed the backstop to the rebuttable presumption of days past due of credit portfolio against a specific credit facility and its stage allocation under IFRS 9 as mentioned in Annexure-C of BPRD Circular no 3 of 2022. However, banks are free to choose more stringent days past due criteria.

(iv) Transfer out of stage 3

An exposure cannot be upgraded from Stage 3 to Stage 1 directly and should be upgraded to Stage 2 initially. For the purpose of reversal of provisions, the PRs requirements will be followed for Stage 3 assets in the transition phase.

(v) Income recognition on impaired assets

The Banks are advised to recognize income on impaired assets (loans classified under PRs i.e. OAEM and Stage 3 loans) on a receipt basis in accordance with the requirements of Prudential Regulations issued by SBP.

(vi) Expected Credit Loss Model (ECL)

Credit exposure (in local currency) guaranteed by the Government and Government Securities are exempted from the application of ECL Framework. Moreover, until implementation of IFRS 9 has stabilized, a two-track approach is required i.e. Stage 1 and stage 2 provisions are to be made as per IFRS 9 ECL while stage 3 provisions are to be made as higher of IFRS 9 ECL or PR's requirement as for each segment.

(vii) Impact of Provisions on Regulatory Capital

The banks are allowed to include provisions for Stage 1 and Stage 2 in Tier 2 capital up to a limit of 1.25% of total credit risk-weighted assets. In order to mitigate the impact of ECL provisioning on capital, a transitional arrangement is allowed to the banks to absorb the impact on regulatory capital. Accordingly, banks, which choose to apply transitional arrangement, may implement this arrangement in accordance with SBP's Guideline for absorption of ECL for CAR Purposes as mentioned in Annexure-B of BPRD Circular no 3 of 2022. The Bank has chosen to apply the same and further details are incorporated in note 41 of these condensed interim financial statements.

4.2.4 Impact of adoption of IFRS 9

As permitted by the transitional provisions of IFRS 9 (Financial Instruments), the Bank has opted for modified retrospective approach and has not restated comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves at the beginning of the current year without restating the comparatives.

For notes disclosures, the consequential amendments to IFRS 7 (Financial Instruments - Disclosures) as a result of adoption of IFRS 9 (Financial Instruments) have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

4.2.4.1 Reconciliation of statement of financial position balances from existing local regulations to IFRS 9 (being impacted) as of January 1, 2024

	Carrying amount as per current accounting policy as at 31 December 2023	Classification Under IFRS 9					IFRS 9 carrying amount as at 01 January 2024
		At FVPL	At FVOCI - with recycling	At FVOCI - without recycling	At Amortized Cost	Remeasurement under IFRS 9	
------(Rupees in '000)-----							
Balances with Other Banks	1,458,642	-	-	-	1,458,642	(331)	1,458,311
Investments in financial assets							
Held for trading	2,870	2,870	-	-	-	-	2,870
Held to maturity	16,706,727	-	-	-	16,706,727	-	16,706,727
Available for sale	293,631,280	2,245,484	264,976,091	61,598	23,695,166	2,444,894	293,423,233
Advances	214,209,579	-	-	-	214,209,579	(1,353,665)	212,855,914
Deferred tax liabilities - net	(889,037)	-	-	-	(889,037)	(387,149)	(1,276,186)
Other liabilities	(25,712,468)	-	-	-	(25,712,468)	(300,797)	(26,013,265)
Surplus / (Deficit) on revaluation of assets	(1,661,082)	-	-	-	(1,661,082)	(1,292,914)	(2,953,996)
Unappropriated profit	(10,794,392)	-	-	-	(10,794,392)	889,962	(9,904,430)
	486,952,119	2,248,354	264,976,091	61,598	217,013,135	-	484,299,178

4.2.4.2 The following explains how applying the new classification requirements of IFRS 9 led to changes in classification of certain financial assets held by the Bank as shown in the table above:

(A) Debt instruments previously classified as available for sale (AFS) but which fail the SPPI test

The Bank holds a portfolio of debt instruments that failed to meet the 'solely payments of principal and interest' (SPPI) requirement for FVOCI classification under IFRS 9. These represent Bank's investment in perpetual TFCs / Sukuk issued by other Banks, and the repayments received on the same can not be termed as payment of principal since the call option on the same lies with the Issuer. As a result, available for sale instruments, which amounted to Rs. 905.203 million respectively, were classified as FVPL from the date of initial application.

(B) Designation of Debt Instruments previously classified as Available for Sale (AFS) as measured at Amortized Cost on initial adoption

The Bank holds a portfolio of debt instruments (government securities) which were classified as Available for Sale under the previous framework; amounting to Rs. 26,348.107 million (Market Value - Rs. 23,695.166 million). On the date of Initial adoption, the Bank decided that these securities fall under the Hold to Collect business model instead of Hold to Collect and Sell; since the Bank has the intention and ability to hold the same till maturity and there was no trading pattern since their initial acquisition. As a result these were classified as measured at Amortized Cost and the resulting Deficit on revaluation amounting to Rs. 2,652.941 million (Rs. 1,353.000 million net of tax) was derecognised from Investments, Surplus on Revaluation (Equity) and Deferred Tax Liabilities accordingly. This treatment is consistent with the retrospective reclassification criteria prescribed by the standard under paragraphs 7.2.3 and 5.6.5.

(C) Designation of equity instruments as FVPL on initial adoption

The Bank holds / held a portfolio of equity securities which were classified as AFS under the previous framework; amounting to Rs. 1,222.437 million (Market Value - Rs. 1,340.254 million). For these, the Bank decided to chose the default category of FVPL under IFRS 9 (since recycling is not allowed for equity securities designated as FVOCI). As a result, surplus on these securities amounting to Rs. 60.086 million (net of tax) was transferred from Surplus on Revaluation of Investments (Equity) to Retained Earnings on Initial adoption. A substantial portion of these securities were disposed off during the quarter and the profit and loss impact was reported on a net basis

(D) Designation of equity instruments as FVOCI

The Bank has elected to irrevocably designate Rs. 61.598 million (Book Value) of unquoted / quoted equity securities as FVOCI as permitted under IFRS 9. These were previously classified as Available for Sale. The changes in fair value of such securities will never be reclassified to profit and loss account when they are disposed off. The Bank will measure these at fair value by applying appropriate valuation techniques; for which the initial relaxation of one year from the implementation date under the final impementation instructions is assumed to be applicable till December 31, 2024.

(E) Reclassification from retired categories with no change in measurement

In addition to the above, following debt instruments have been reclassified to new categories under IFRS 9, as their previous categories under existing local regulations were 'retired', with no changes to their measurement basis:

- (i) Those previously classified as available for sale and now classified as measured at FVOCI; and
- (ii) Those previously classified as held to maturity and now classified as measured at amortised cost.

5 BASIS OF MEASUREMENT AND FINANCIAL RISK MANAGEMENT

5.1 These condensed interim financial statements have been prepared under the historical cost convention except that certain property and equipment / non-banking assets acquired in satisfaction of claims have been stated at revalued amounts, certain investments and derivative financial instruments have been stated at fair value and net obligations in respect of defined benefit schemes and lease liability under IFRS 16 are carried at their present values.

5.2 Critical Accounting Estimates And Judgements

The preparation of these condensed interim financial statements in conformity with accounting and reporting standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgment in the application of its accounting policies. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The significant judgments made by management in applying its accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial statements of the Bank for the year ended 31 December 2023.

5.3 Financial risk management

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

		(Un-audited) 31 March 2024	(Audited) 31 December 2023
----- (Rupees in '000) -----			
6	CASH AND BALANCES WITH TREASURY BANKS		
	In hand		
	Local currency	9,181,636	10,251,296
	Foreign currencies	1,543,604	1,850,057
		10,725,240	12,101,353
	With State Bank of Pakistan in		
	Local currency current accounts	29,402,737	26,541,383
	Foreign currency current accounts	1,399,468	1,327,568
	Foreign currency deposit accounts against foreign currency deposits mobilised	2,665,893	2,602,867
		33,468,098	30,471,818
	With National Bank of Pakistan in		
	Local currency current accounts	1,066,594	1,577,832
	Prize bonds	44,637	55,699
		<u>45,304,569</u>	<u>44,206,702</u>
7	BALANCES WITH OTHER BANKS		
	In Pakistan		
	In current accounts	6,366	6,366
	In deposit accounts	32	32
		6,398	6,398
	Outside Pakistan		
	In current accounts	1,956,410	1,452,244
	Less: Credit loss allowance held against balances with other banks	(413)	-
	Balances with other banks - net of credit loss allowance	<u>1,962,395</u>	<u>1,458,642</u>
8	LENDINGS TO FINANCIAL INSTITUTIONS		
	Call money lendings	100,000	-
	Repurchase agreement lendings (reverse repo)	24,112,594	-
		24,212,594	-
	Less: Credit loss allowance held against lending to financial institutions	(5,120)	-
	Lendings to financial institutions - net of credit loss allowance	<u>24,207,474</u>	<u>-</u>
8.1	Lending to FIs- Particulars of credit loss allowance		
		(Un-audited)	
		31 March 2024	
		Lending	Credit loss allowance held
		----- (Rupees in '000) -----	
	Performing	24,212,594	5,120
	Under performing	-	-
	Non-performing	-	-
	Total	<u>24,212,594</u>	<u>5,120</u>

(Un-audited)			
31 March 2024			
Cost / amortised cost	Credit loss allowance	Surplus / (deficit)	Carrying value

------(Rupees in '000)-----

9.1 Investments by type:

Fair Value Through Profit & Loss

Federal Government securities	1,560,130	-	(190)	1,559,940
Units of mutual funds	500,000	-	-	500,000
Shares	11,100	-	-	11,100
Non Government debt securities	905,230	-	-	905,230
	<u>2,976,460</u>	<u>-</u>	<u>(190)</u>	<u>2,976,270</u>

Fair Value Through Other Comprehensive Income

Federal Government securities	279,206,739	-	(959,628)	278,247,111
Shares	85,504	(33,537)	20,838	72,805
Non-Government debt securities	1,644,090	(204,674)	4,182	1,443,598
	<u>280,936,333</u>	<u>(238,211)</u>	<u>(934,608)</u>	<u>279,763,514</u>

Amortized Cost

Federal Government securities	43,006,538	-	-	43,006,538
Non Government debt securities	58,533	(58,533)	-	-
	<u>43,065,071</u>	<u>(58,533)</u>	<u>-</u>	<u>43,006,538</u>

Total investments

	<u>326,977,864</u>	<u>(296,744)</u>	<u>(934,798)</u>	<u>325,746,322</u>
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(Audited)			
31 December 2023			
Cost / amortised cost	Credit loss allowance	Surplus / (deficit)	Carrying value

------(Rupees in '000)-----

Investments by type:

Held-for-trading securities

Federal Government securities	2,870	-	-	2,870
	<u>2,870</u>	<u>-</u>	<u>-</u>	<u>2,870</u>

Available-for-sale securities

Federal Government securities	291,794,084	-	(2,342,976)	289,451,108
Shares	807,941	(33,537)	127,448	901,852
Non-Government debt securities	2,885,131	(96,537)	(10,274)	2,778,320
Units of mutual funds	500,000	-	-	500,000
	<u>295,987,156</u>	<u>(130,074)</u>	<u>(2,225,802)</u>	<u>293,631,280</u>

Held-to-maturity securities

Federal Government securities	16,706,727	-	-	16,706,727
Non Government debt securities	58,533	(58,533)	-	-
	<u>16,765,260</u>	<u>(58,533)</u>	<u>-</u>	<u>16,706,727</u>

Total investments

	<u>312,755,286</u>	<u>(188,607)</u>	<u>(2,225,802)</u>	<u>310,340,877</u>
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(Un-audited) (Audited)
31 March 31 December
2024 2023

------(Rupees in '000)-----

9.2 Investments given as collateral - market value

Market Treasury Bills	14,166,537	21,088,722
Pakistan Investment Bonds	7,806,387	23,637,724
	<u>21,972,924</u>	<u>44,726,446</u>

9.3 Credit loss allowance for diminution in value of investments

Opening balance	188,607	92,319
Impact of ECL recognised on adoption of IFRS 9	208,047	-
Charge for the period / year	948	96,537
Reversal during the period / year	(100,858)	(249)
Derecognition of ECL on disposals	-	-
Amounts written off	-	-
Closing balance	<u>296,744</u>	<u>188,607</u>

9.4 Particulars of credit loss allowance

Category of classification		(Un-audited)	
		31 March 2024	
		Outstanding amount	Credit loss allowance Held
----- (Rupees in '000) -----			
Performing	Stage 1	326,585,455	1,532
Underperforming	Stage 2	-	-
Non-performing	Stage 3		
Substandard		300,339	203,142
Doubtful		-	-
Loss		92,070	92,070
		<u>326,977,864</u>	<u>296,744</u>

Particulars of provision against debt securities

Category of classification		(Audited)	
		31 December 2023	
		Non-Performing Investments	Provision
----- (Rupees in '000) -----			
Substandard		386,150	96,537
Loss		58,533	58,533
		<u>444,683</u>	<u>155,070</u>

9.5 The market value of securities classified as held-to-maturity as at 31 March 2024 amounted to Rs. 38,557.010 million (31 December 2023: Rs. 14,103.460 million).

9.6 Federal Government Securities include Pakistan Investment Bonds having book value of Rs. 18.400 million (31 December 2023: Rs. 18.400 million) pledged with the State Bank of Pakistan to facilitate T. T. discounting facility for the branches of the Bank. Market Treasury Bills and Pakistan Investment Bonds under Federal Government Securities, are eligible for discounting with the State Bank of Pakistan.

10 ADVANCES

(Un-audited)			
31 March 2024			
	Performing	Non-Performing	Total
----- (Rupees in '000) -----			
Loans, cash credits, running finances, etc.	193,387,189	8,767,685	202,154,874
Islamic financing and related assets	19,411,115	949,463	20,360,578
Bills discounted and purchased	5,538,852	-	5,538,852
Advances - gross	<u>218,337,156</u>	<u>9,717,148</u>	<u>228,054,304</u>

Credit loss allowance against advances

- Stage 1	(479,258)	-	(479,258)
- Stage 2	(1,141,863)	-	(1,141,863)
- Stage 3	-	(7,881,764)	(7,881,764)
	<u>(1,621,121)</u>	<u>(7,881,764)</u>	<u>(9,502,885)</u>
Advances - net of credit loss allowance	<u>216,716,035</u>	<u>1,835,384</u>	<u>218,551,419</u>

(Audited)			
31 December 2023			
	Performing	Non-Performing	Total
----- (Rupees in '000) -----			

Loans, cash credits, running finances, etc.	181,081,012	8,953,925	190,034,937
Islamic financing and related assets	16,848,624	1,542,583	18,391,207
Bills discounted and purchased	5,783,435	-	5,783,435
Advances - gross	<u>203,713,071</u>	<u>10,496,508</u>	<u>214,209,579</u>

Provision against advances

- Specific	-	(8,397,744)	(8,397,744)
- General	(58,126)	-	(58,126)
	<u>(58,126)</u>	<u>(8,397,744)</u>	<u>(8,455,870)</u>
Advances - net of provision	<u>203,654,945</u>	<u>2,098,764</u>	<u>205,753,709</u>

10.1 Particulars of advances (Gross)

	(Un-audited)	(Audited)
	31 March 2024	31 December 2023
----- (Rupees in '000) -----		
In local currency	222,292,465	207,450,007
In foreign currencies	5,761,839	6,759,572
	<u>228,054,304</u>	<u>214,209,579</u>

10.2 Advances include Rs. 9,717.148 million (31 December 2023 Rs. 10,496.508 million) which have been placed under non-performing status as detailed below:

Category of Classification		(Un-audited)	
		31 March 2024	
		Non-performing loans	Credit loss allowance
		----- (Rupees in '000) -----	
Other Assets Especially Mentioned	Stage 3	5,118	-
Substandard		34,374	8,522
Doubtful		1,181,276	565,200
Loss		8,496,380	7,308,042
		<u>9,717,148</u>	<u>7,881,764</u>
		(Audited)	
		31 December 2023	
		Non-performing loans	Provision
		----- (Rupees in '000) -----	
Other Assets Especially Mentioned		7,161	-
Substandard		24,589	6,086
Doubtful		1,196,285	572,704
Loss		9,268,473	7,818,954
		<u>10,496,508</u>	<u>8,397,744</u>

10.2.1 The OAEM category pertains to agriculture finance, small enterprise finance and consumer finance amounting to Rs. 4.559 million (31 December 2023: Rs. 0.289 million), Rs. NIL (31 December 2022: NIL) and Rs. 0.559 million (31 December 2023: Rs. 6.872 million) respectively.

10.3 Particulars of credit loss allowance against advances

	31 March 2024 (Un-audited)				31 December 2023 (Audited)		
	Stage 1	Stage 2	Stage 3	Total	Specific	General	Total
	Rupees in '000				Rupees in '000		
Opening balance	58,126	-	8,397,744	8,455,870	7,282,106	58,126	7,340,232
Impact of Adoption of IFRS 9	554,963	798,702	-	1,353,665	-	-	-
Charge for the period / year	68,326	401,084	57,955	527,365	2,531,570	-	2,531,570
Reversals	(202,157)	(57,923)	(573,935)	(834,015)	(1,241,115)	-	(1,241,115)
	(133,831)	343,161	(515,980)	(306,650)	1,290,455	-	1,290,455
Amounts written off	-	-	-	-	(174,817)	-	(174,817)
Transfers	-	-	-	-	-	-	-
Closing balance	<u>479,258</u>	<u>1,141,863</u>	<u>7,881,764</u>	<u>9,502,885</u>	<u>8,397,744</u>	<u>58,126</u>	<u>8,455,870</u>

10.3.1 The Bank has availed the benefit of forced sale value of pledged stocks, mortgaged residential and commercial properties held as collateral against non-performing advances as allowed under the Prudential Regulations issued by the State Bank of Pakistan. Had the benefit not been taken by the Bank, the specific provision against non-performing advances would have been higher by Rs. 1,168.855 million (31 December 2023: Rs. 1,430.036 million). The additional profit arising from availing this benefit - net of the tax amounts to Rs. 596.116 million (31 December 2023: Rs. 729.318 million). The FSV benefit is not available for distribution either as cash or stock dividend to shareholders and bonus to employees.

10.3.2 The SBP has granted relaxation in provisioning requirements in respect of exposures in Dewan Mushtaq Group (DMG). Had this relaxation not been available, provision against loans and advances would have been higher by Rs. 44.930 million (31 December 2023: Rs. 44.930 million).

10.3.3 The Bank has made provision against its non-performing portfolio as per the category of classification of the loans. However, the Bank still holds enforceable collateral realisable through litigation. This enforceable collateral includes mortgage charge etc. against various tangible assets of the borrower including land, building and machinery, stock in trade, etc.

10.4 Advances - Particulars of credit loss allowance

	(Un-audited)			
	31 March 2024			
	Stage 1	Stage 2	Stage 3	Total
	----- (Rupees in '000) -----			
10.4.1 Opening balance	58,126	-	8,397,744	8,455,870
Impact of Adoption of IFRS 9	554,963	798,702	-	1,353,665
Fresh Disbursements	23,394	493	-	23,887
Advances derecognised or repaid	(14,800)	(11,869)	(459,091)	(485,760)
Transfer to stage 1	44,932	(44,932)	-	-
Transfer to stage 2	(31,579)	142,664	(111,085)	-
Transfer to stage 3	(119)	(1,122)	1,241	-
	<u>21,828</u>	<u>85,234</u>	<u>(568,935)</u>	<u>(461,873)</u>
Amounts written off / charged off	-	-	-	-
Changes in risk parameters	(155,659)	257,927	52,955	155,223
Closing balance	<u>479,258</u>	<u>1,141,863</u>	<u>7,881,764</u>	<u>9,502,885</u>

10.4.2 Advances - Category of classification

		(Un-audited)	
		31 March 2024	
Category of classification		Outstanding amount	Credit loss allowance Held
----- (Rupees in '000) -----			
Performing	Stage 1	192,400,452	479,258
Underperforming	Stage 2	25,936,704	1,141,863
Non-performing	Stage 3		
Substandard		39,492	8,522
Doubtful		1,181,276	565,200
Loss		8,496,380	7,308,042
		9,717,148	7,881,764
		<u>228,054,304</u>	<u>9,502,885</u>

		(Un-audited)	(Audited)
		31 March	31 December
		2024	2023
----- (Rupees in '000) -----			
11	PROPERTY AND EQUIPMENT		
	Capital work-in-progress	2,098,034	1,484,366
	Property and equipment	11,711,214	11,460,607
		<u>13,809,248</u>	<u>12,944,973</u>

11.1	Capital work-in-progress		
	Civil works	270,708	140,626
	Advances to suppliers and contractors	1,694,316	1,230,731
	Advances against purchase of premises	64,042	58,402
	Consultant's fee and other charges	68,968	54,607
		<u>2,098,034</u>	<u>1,484,366</u>

		(Un-audited)	(Un-audited)
		31 March	31 March
		2024	2023
----- (Rupees in '000) -----			
11.2	Additions to property and equipment		

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

Capital work-in-progress	613,668	274,623
Freehold land	5,000	-
Buidling on freehold land	-	120
Buidling on leasehold land	153,121	77,041
Leasehold improvements	97,544	32,413
Furniture and fixture	4,582	9,741
Electrical office and computer equipment	37,406	31,656
Vehicles	249,728	32,337
	547,381	183,308
Total	<u>1,161,049</u>	<u>457,931</u>

11.3 Disposal of property and equipment

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

Furniture and fixture	3	42
Electrical office and computer equipment	17	813
Total	<u>20</u>	<u>855</u>

12 RIGHT-OF-USE ASSETS

	(Un-audited) 31 March 2024	(Audited) 31 December 2023
	Others	
	----- (Rupees in '000) -----	
At January 1, 2024		
Cost	7,433,012	5,910,621
Accumulated Depreciation	(3,183,393)	(2,272,486)
Net Carrying amount at January 1, 2024	4,249,619	3,638,135
Additions during the period / year	388,302	1,522,391
Deletions during the period / year	-	-
Depreciation Charge for the period / year	(227,727)	(910,907)
Net Carrying amount at March 31, 2024	4,410,194	4,249,619

13 INTANGIBLE ASSETS

Computer Software

173,580	206,127
173,580	206,127

(Un-audited) 31 March 2024	(Un-audited) 31 March 2023
----- (Rupees in '000) -----	

13.1 Additions to intangible assets

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

Directly purchased

-	8,453
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13.1.1 There were no disposals in intangible assets during the current and prior period.

14 OTHER ASSETS

Note	(Un-audited) 31 March 2024	(Audited) 31 December 2023
	----- (Rupees in '000) -----	
	19,754,459	17,274,210
	36,091	57,057
	736,712	529,459
	-	91,087
14.1.2	1,434,256	1,437,684
	79,356	-
	123,148	84,333
	17,750	52,813,210
	10,207,016	6,103,700
	608,919	401,780
14.2	143,443	143,443
	505,964	568,762
	33,647,114	79,504,725
14.3	(238,811)	(238,811)
	33,408,303	79,265,914
	135,006	135,109
	33,543,309	79,401,023
14.1.1	1,572,793	1,572,793

14.1.1 The non-banking assets acquired in satisfaction of claims by the Bank were revalued by independent and professional valuers in December 2023. The valuations were carried out by M/s Harvester Services (Pvt) Limited, M/s Arch-e-Decon, M/s. K.G. Traders, M/s. Oceanic Surveyors, M/s Indus Surveyors, M/s. Amir Evaluators, M/s Asrem (Private) Limited, Tristar International Consultant (Pvt) Limited and Al Hadi Financial & Legal Consultant on the basis of professional assessment of present market values and the revalued amount is disclosed in note 14.1.2 to these condensed financial statements.

14.1.2 Non-banking assets acquired in satisfaction of claims

	(Un-audited) 31 March 2024	(Audited) 31 December 2023
	----- (Rupees in '000) -----	
Opening balance	1,572,793	1,121,753
Acquired during the period / year	-	434,250
Revaluation	-	20,032
Depreciation	(3,531)	(3,242)
Closing balance	1,569,262	1,572,793

14.2 This represents amount in respect of fraud and forgery claims relating to cash embezzlement made in the Bank. The Bank has initiated legal proceedings against the alleged and has also taken necessary steps to further strengthen its internal control system.

	(Un-audited) 31 March 2024	(Audited) 31 December 2023
	----- (Rupees in '000) -----	
14.3 Credit loss allowance held against other assets		
Receivable against fraud and forgeries	143,443	143,443
Others	95,368	95,368
	238,811	238,811

14.3.1 For better understanding and analysis, the Expected Credit Loss (ECL) impact of Acceptances has been presented in Other Liabilities alongwith ECL provision required for other Off Balance Sheet obligations. Moreover, the ECL impact on Profit Receivable on Advances, Investments and Lending has been presented under the respective heads, since the same was made part of the Exposure at Default while computing the ECL as per the requirements of IFRS - 9 (Financial Instruments).

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

15 **CONTINGENT ASSETS**
There were no contingent assets as at the balance sheet date.

16 **BILLS PAYABLE**

In Pakistan	5,707,443	8,737,971
Outside Pakistan	-	-
	5,707,443	8,737,971

17 **BORROWINGS**

Secured

Borrowings from State Bank of Pakistan		
Under export refinance scheme	13,362,484	14,931,546
Long term financing facility for plant and machinery	2,370,590	2,468,723
Temporary economic refinance scheme	1,977,901	2,031,100
Financing facility for storage of agriculture produce	67,204	77,679
Financing facility for Renewable Energy	897,511	902,692
Under Rupee based discounting	1,600,298	1,900,614
	20,275,988	22,312,354
Repurchase agreement borrowings - other banks	20,836,320	43,585,444
Refinance from Pakistan Mortgage Refinance Company Limited	907,886	918,907
Total secured	42,020,194	66,816,705

Unsecured

Overdraw nostro accounts	1,236,029	1,924,941
Total unsecured	1,236,029	1,924,941
	43,256,223	68,741,646

17.1 **Particulars of borrowings with respect to currencies**

In local currency	42,020,194	66,816,705
In foreign currencies	1,236,029	1,924,941
	43,256,223	68,741,646

18 **DEPOSITS AND OTHER ACCOUNTS**

	(Un-audited)			(Audited)		
	31 March 2024			31 December 2023		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	----- (Rupees in '000) -----					
Customers						
Current deposits	130,228,784	13,269,620	143,498,404	119,390,313	12,807,720	132,198,033
Savings deposits	173,175,177	7,736,603	180,911,780	162,868,454	6,901,701	169,770,155
Term deposits	103,356,180	3,910,567	107,266,747	102,422,027	3,244,428	105,666,455
Others*	24,828,059	-	24,828,059	22,036,696	-	22,036,696
	431,588,200	24,916,790	456,504,990	406,717,490	22,953,849	429,671,339
Financial Institutions						
Current deposits	2,802,852	931,441	3,734,293	2,648,674	657,594	3,306,268
Savings deposits	87,605,177	-	87,605,177	82,926,679	-	82,926,679
Term deposits	3,113,698	-	3,113,698	1,964,698	-	1,964,698
Others*	700,500	-	700,500	-	-	-
	94,222,227	931,441	95,153,668	87,540,051	657,594	88,197,645
	525,810,427	25,848,231	551,658,658	494,257,541	23,611,443	517,868,984

* This includes deposits in respect of import margin, guarantee margin and security deposits

18.1 Deposits eligible under Insurance arrangements

This includes deposits eligible to be covered under the State Bank of Pakistan's Depositor Protection Scheme. The amount of eligible deposits worked out based on the audited financial position of the Bank as at 31 December 2023 is 274,567 million.

	Note	(Un-audited) 31 March 2024	(Audited) 31 December 2023
------(Rupees in '000)-----			
19 LEASE LIABILITIES			
Outstanding amount at the start of the period / year		5,113,794	4,259,975
Additions during the period / year		388,302	1,511,043
Lease payments including interest		(326,466)	(1,305,863)
Interest expense		162,160	648,639
Outstanding amount at the end of the period / year		<u>5,337,790</u>	<u>5,113,794</u>
19.1 Liabilities Outstanding			
Not later than one year		844,973	810,887
Later than one year and upto five years		2,955,338	2,830,417
Over five years		1,537,479	1,472,490
		<u>5,337,790</u>	<u>5,113,794</u>
20 SUBORDINATED DEBT			
Listed Term Finance Certificates - Additional Tier I	20.1	4,000,000	4,000,000
Listed Term Finance Certificates - Tier II	20.2	3,998,400	3,998,400
		<u>7,998,400</u>	<u>7,998,400</u>

20.1 Listed Term Finance Certificates - Additional Tier I

This denotes rated, listed and unsecured Term Finance Certificates (TFCs) issued as instrument of redeemable capital of Rs. 4,000 million issued under Section 66 of the Companies Act, 2017. The funds raised by the Bank through the issuance of these TFCs have contributed towards the Bank's Additional Tier 1 Capital for meeting its capital adequacy requirements as per Basel III Guidelines set by SBP under BPRD Circular Number 6 dated 15 August 2013. The instrument is sub-ordinated as to the payment of principal and profit to all other indebtedness of the Bank (including the listed term finance certificates - Tier II previously issued by the Bank) and is not redeemable before maturity without prior approval of SBP. Furthermore, these funds are intended to be utilized for the Bank's ongoing business operations in accordance with the Bank's Memorandum and Articles of Association. The key features of the issue are as follows:

Issue amount	Rs. 4,000 million
Issue date	06 December 2018
Maturity date	Perpetual
Rating (Note 37)	"A" by PACRA on 28 December 2023
Security	Unsecured
Profit payment frequency	Semi-annually
Redemption	No fixed or final redemption date
Mark-up	6 Months KIBOR + 2.00% per annum
Call option	The Bank may call the TFCs (either partially or in full), after five (5) years from the date of issuance with the prior approval of SBP. Moreover, and as per Clause iv(b) of Annexure 2 of the Basel III Circular, the Issuer shall not exercise a call option unless the called instrument is replaced with capital of same or better quality. The Call must be subject to a prior notice of not less than 60 days given by the Bank to the investors. The Call Option once announced will not be revocable.
Lock-in-clause (if any)	The TFCs contain a lock-in clause which stipulates that no profit payments would be made if such payments result in a shortfall in the Bank's Minimum Capital Requirement (MCR) or Capital Adequacy Requirement (CAR) or increase any existing shortfalls in MCR and / or CAR.
Loss absorbency clause	The TFCs are also subject to loss absorbency and / or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a Point of Non-Viability event as defined by SBP's Basel III Capital Rule, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank and / or have them immediately written off (either partially or in full). Number of shares to be issued to TFC Holders at the time of conversion will be equal to the 'Outstanding Face Value of the TFC' divided by market value per share of the Bank's common equity on the date of trigger of the non-viability event as declared by SBP, subject to a cap of 360,000,000 shares.

20.2 Listed Term Finance Certificates - Tier II

This denotes privately placed, rated and unsecured Term Finance Certificates (TFCs) issued as an instrument of redeemable capital with a tenor of 10 years. The instrument was privately placed and was subsequently listed on the PSX as per the regulatory requirements for listing of privately placed debt securities. The instrument is sub-ordinated as to the payment of principal and profit to all other indebtedness of the Bank, and is not redeemable before maturity without prior approval of SBP. The key features of the issue are as follows:

Issue amount	Rs. 4,000 million
Issue date	26 December 2022
Maturity date	26 December 2032
Rating (Note 37)	"A+" by PACRA on 28 December 2023
Security	Unsecured
Profit payment frequency	Semi-annually
Redemption	Principal is redeemable semi-annually in such a way that 0.36% of the principal will be redeemed in the first 108 months and the remaining principal of 99.64% in two equal semi annual installments of 49.82% each in the last year.
Mark-up	6 Months KIBOR + 1.70% per annum
Call option (if any)	The Bank may call the TFCs (either partially or in full), with prior approval of SBP, any time after five years from the date of issue, subject to not less than 30 days prior notice being given to the investors.
Lock-in-clause (if any)	The TFCs contain a lock-in clause which stipulates that neither interest nor principal may be paid (even at maturity) if such payments will result in shortfall in the Bank's Minimum Capital Requirement (MCR) or Capital Adequacy Requirement (CAR) or Leverage Ratio (LR) or result in an increase in any existing shortfall in MCR or CAR or LR.
Loss absorbency clause	The instrument will be subject to loss absorbency and / or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a Point of Non-Viability event as defined by SBP's Basel III Capital Rule, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank and / or have them immediately written off (either partially or in full). Number of shares to be issued to TFC Holders at the time of conversion will be equal to the 'Outstanding Face Value of the TFC' divided by market value per share of the Bank's common equity on the date of trigger of the non-viability event as declared by SBP, subject to the cap of 484,000,000 shares.

21 DEFERRED TAX LIABILITIES- NET

(Un-audited)					
31 March 2024					
January 2024	Recognised in the profit and loss account	Recognised in Other Comprehensive Income	March 2024		
----- (Rupees in '000) -----					
Deductible temporary differences on					
- Post retirement employee benefits	(77,676)	-	-	(77,676)	
- Deficit on revaluation of investments	(1,090,643)	-	632,685	(457,958)	
- IFRS 9 transition impact	-	-	(912,792)	(912,792)	
- Provision against advances, off balance sheet etc.	(327,293)	2,483	-	(324,810)	
	(1,495,612)	2,483	(280,107)	(1,773,236)	
Taxable temporary differences on					
- Surplus on revaluation of fixed assets	1,540,038	(25,354)	-	1,514,684	
- Surplus on revaluation of non banking assets	66,204	(50)	-	66,154	
- Accelerated tax depreciation	778,407	(20,783)	-	757,624	
	2,384,649	(46,187)	-	2,338,462	
	889,037	(43,704)	(280,107)	565,226	
(Audited)					
31 December 2023					
January 2023	Recognised in the profit and loss account	Recognised in Other Comprehensive Income	December 2023		
----- (Rupees in '000) -----					
Deductible temporary differences on					
- Post retirement employee benefits	(42,282)	-	(35,394)	(77,676)	
- Deficit on revaluation of investments	(2,199,963)	-	1,109,320	(1,090,643)	
- Provision against advances, off balance sheet etc.	(217,877)	(109,416)	-	(327,293)	
	(2,460,122)	(109,416)	1,073,926	(1,495,612)	
Taxable temporary differences on					
- Surplus on revaluation of fixed assets	1,018,367	(70,408)	592,079	1,540,038	
- Surplus on revaluation of non banking assets	49,659	(200)	16,745	66,204	
- Accelerated tax depreciation	501,475	276,932	-	778,407	
	1,569,501	206,324	608,824	2,384,649	
	(890,621)	96,908	1,682,750	889,037	

22	OTHER LIABILITIES	Note	(Un-audited)	(Audited)
			31 March 2024	31 December 2023
----- (Rupees in '000) -----				
	Mark-up / return / interest payable in local currency		10,676,199	10,220,222
	Mark-up / return / interest payable in foreign currencies		125,196	156,055
	Unearned commission and income on bills discounted		236,950	242,695
	Accrued expenses		1,508,029	1,237,717
	Current taxation (provisions less payments)		269,366	-
	Acceptances		10,207,016	6,103,700
	Unclaimed dividends		158,648	110,477
	Mark to market loss on forward foreign exchange contracts - net		-	61,618
	Payable to defined benefit plan		41,400	-
	Charity fund balance		649	-
	Payable to workers' welfare fund		893,030	818,007
	Credit loss allowance against off-balance sheet obligations	22.1	242,121	27,475
	Sundry deposits		669,681	672,152
	Clearing and Settlement account		621,163	286,704
	Others		700,970	661,852
			<u>26,350,418</u>	<u>20,598,674</u>
22.1	Credit loss allowance against off-balance sheet obligations (including Acceptances)			
	Opening balance		27,475	27,475
	Impact of adoption of IFRS 9		300,797	-
	Charge for the period / year		28,874	-
	Reversals for the period / year		(115,025)	-
	Amount written-off		-	-
	Closing balance		<u>242,121</u>	<u>27,475</u>
23	SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS			(Un-audited) 31 March 2024 (Rupees in '000)
	Surplus / (deficit) on revaluation of:			
	- Securities measured at FVOCI - Debt	9.1		(955,446)
	- Securities measured at FVOCI - Equity	9.1		20,838
	- Property and equipment	23.1		4,215,631
	- Non-banking assets acquired in satisfaction of claims	23.2		<u>135,006</u>
				3,416,029
	Deferred tax on surplus / (deficit) on revaluation of:			
	- Securities measured at FVOCI - Debt			468,169
	- Securities measured at FVOCI - Equity			(10,211)
	- Property and equipment	23.1		(1,514,684)
	- Non-banking assets acquired in satisfaction of claims	23.2		<u>(66,154)</u>
				<u>(1,122,880)</u>
				<u>2,293,149</u>
				(Audited) 31 December 2023 (Rupees in '000)
	Surplus / (deficit) on revaluation of:			
	- Available for sale securities - Debt	9.1		(2,353,250)
	- Available for sale securities - Equity	9.1		127,448
	- Property and equipment	23.1		4,267,374
	- Non-banking assets acquired in satisfaction of claims	23.2		<u>135,109</u>
				2,176,681
	Deferred tax on surplus / (deficit) on revaluation of:			
	- Available for sale securities - Debt			1,153,093
	- Available for sale securities - Equity			(62,450)
	- Property and equipment	23.1		(1,540,038)
	- Non-banking assets acquired in satisfaction of claims	23.2		<u>(66,204)</u>
				<u>(515,599)</u>
				<u>1,661,082</u>

	(Un-audited) 31 March 2024	(Audited) 31 December 2023
	----- (Rupees in '000) -----	
23.1 Surplus on revaluation of property and equipment		
Surplus on revaluation of property and equipment as at 01 January	4,267,374	3,084,568
Recognised during the period / year	-	1,373,588
Other adjustments during the period / year	-	(47,092)
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of deferred tax	(26,389)	(73,282)
Related deferred tax liability on incremental depreciation charged during the period / year	(25,354)	(70,408)
Surplus on revaluation of property and equipment	<u>4,215,631</u>	<u>4,267,374</u>
Less: related deferred tax liability on:		
- revaluation as at 01 January	(1,540,038)	(1,018,367)
- revaluation recognised during the period / year	-	(473,056)
- other adjustments during the year	-	23,075
- effect of rate change	-	(142,098)
- incremental depreciation charged during the period / year	25,354	70,408
	<u>(1,514,684)</u>	<u>(1,540,038)</u>
	<u>2,700,947</u>	<u>2,727,336</u>
23.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims		
Surplus on revaluation of non-banking assets as at 01 January	135,109	115,485
Recognised during the period / year	-	20,032
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of deferred tax	(53)	(208)
Related deferred tax liability on incremental depreciation charged during the period / year	(50)	(200)
Surplus on revaluation of non-banking assets	<u>135,006</u>	<u>135,109</u>
Less: related deferred tax liability on:		
- revaluation as at 01 January	(66,204)	(49,659)
- revaluation recognised during the period / year	-	(9,816)
- effect of rate change	-	(6,929)
- incremental depreciation charged during the period / year	50	200
	<u>(66,154)</u>	<u>(66,204)</u>
	<u>68,852</u>	<u>68,905</u>
24 CONTINGENCIES AND COMMITMENTS		
-Guarantees	24.1 39,967,981	37,434,980
-Commitments	24.2 204,584,857	217,312,272
-Other contingent liabilities	24.3 14,934,300	14,525,556
	<u>259,487,138</u>	<u>269,272,808</u>
24.1 Guarantees:		
-Financial guarantees	10,882,498	10,758,920
-Performance guarantees	26,094,207	24,685,788
-Other guarantees	2,991,276	1,990,272
	<u>39,967,981</u>	<u>37,434,980</u>
24.2 Commitments:		
Documentary credits and short-term trade-related transactions		
- letters of credit	67,186,176	62,140,172
Commitments in respect of:		
- forward foreign exchange contracts	24.2.1 136,493,310	154,713,757
- forward lending	24.2.2 341,000	212,314
Commitments for acquisition of:		
- Property and equipment	537,944	219,602
- intangible assets	2,427	2,427
Other commitments	24.2.3 24,000	24,000
	<u>204,584,857</u>	<u>217,312,272</u>

	(Un-audited) 31 March 2024	(Audited) 31 December 2023
24.2.1 Commitments in respect of forward foreign exchange contracts	----- (Rupees in '000) -----	
Purchase	<u>75,270,450</u>	<u>83,456,475</u>
Sale	<u>61,222,860</u>	<u>71,257,282</u>

The maturities of the above contracts are spread over a period of one year.

24.2.2 Commitments in respect of forward lending

Undrawn formal standby facilities, credit lines
and other commitments to lend

24.2.2.1 341,000 212,314

24.2.2.1 These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the Bank without the risk of incurring significant penalty or expense. The Bank has certain other commitments to extend credit that represent revocable commitments and do not attract any significant penalty or expense in case the facility is withdrawn unilaterally.

	(Un-audited) 31 March 2024	(Audited) 31 December 2023
24.2.3 Other commitments	----- (Rupees in '000) -----	
Donation	<u>24,000</u>	<u>24,000</u>
24.3 Other contingent liabilities	<u>14,934,300</u>	<u>14,525,556</u>

- 24.3.1 (a)** The income tax returns of the Bank have been filed up to tax year 2023 (accounting year ended 31 December 2022). The income tax authorities have issued amended assessment orders against different tax years, thereby creating additional tax demands against which payments have been made as required under the law. The Bank has filed appeals before various appellate forums against these amendments. Assessments from tax year 2003 to 2010 have been decided at the level of Honourable Lahore High Court. The Bank has filed petitions in Honourable Supreme Court of Pakistan for tax years 2003 to 2005 and tax year 2008 to 2010. In case of an adverse decision, an additional tax liability of Rs. 277.12 million may rise. The department has filed tax references in respect of certain matters with the Honourable Lahore High Court which are currently pending. In case of any adverse decision, an additional tax liability of Rs. 639.57 (which includes impact of certain timing differences as well) may arise for tax years 2011 and 2012. Honourable LHC has remanded back the proceedings for tax year 2001 to department, which are currently pending hearing and in case of an adverse inference, a demand of Rs. Rs. 1.225 million may arise. Further, assessments for tax years 2013 to 2021 have been decided at the level of Commissioner Inland Revenue (Appeals). The department has filed appeal for tax year 2013, 2020 and 2021 with Appellate Tribunal Inland Revenue which is currently pending and in case of any adverse decision, an additional tax liability of Rs. 6,493.68 million (which include impact of certain timing differences as well) may arise. The Bank has decided to file appeal for tax years 2014, 2015, 2016 and 2018 with Appellate Tribunal Inland Revenue, which in case of any adverse decision may create an additional tax liability of Rs. 128.74 million. A cross appeal has been filed for tax year 2019 with Appellate Tribunal Inland Revenue, which in case of any adverse decision may create an additional tax liability of Rs. 16.63 million. However, the management is confident that these matters will be ultimately decided in favor of the Bank and the Bank may not be exposed to any additional tax liability in such matters.
- (b)** Tax authorities have passed order for tax year 2017 under section 122(4) of the Income Tax Ordinance, 2001. This order has been passed as a result of audit under section 177 of the Income Tax Ordinance, 2001. The Bank has decided to file an appeal against the order with Commissioner Inland Revenue (Appeals). In case of any adverse decision, an additional tax liability of Rs. 73.07 million may arise. However, the management is confident that the matter will be ultimately decided in favor of the Bank and the Bank may not be exposed to any additional tax liability in such matter.
- (c)** Tax authorities have passed orders for tax years 2008 to 2012, levying Federal Excise Duty on certain items. The Bank filed appeals against these assessments before Appellate Tribunal Inland Revenue, which were decided in favor of Bank and tax demand was deleted in full. The department filed tax reference with Honourable High Court Lahore against the order issued by Appellate Tribunal Inland Revenue, which was set-aside with remanded back directions to Appellate Tribunal Inland Revenue by Honourable High Court Lahore. Provision to the extent of Rs. 81.083 million, created on the recommendation of the State Bank of Pakistan, is still being maintained in the accounts. Management is confident that Appellate Tribunal Inland Revenue will decide the case in favor of the Bank and the Bank may not be exposed to any additional tax liability in these matters. Management is also confident that SBP will allow reversal of this provision based on favorable order passed by Appellate Tribunal Inland Revenue.
- (d)** Appellate Tribunal Inland Revenue has passed an order under section 161/205 of the Income Tax Ordinance 2001 for tax year 2006 to 2012. Bank and department have filed petitions in Honourable High Court Lahore against these orders. These petitions are currently pending hearing and in case of any adverse decision an additional tax liability of Rs. 114.06 million may arise. Tax authorities have filed appeals against orders passed under section 161/205 of the Income Tax Ordinance 2001, for tax years 2014 and 2016 to 2021 with Appellate Tribunal Inland Revenue. These are currently pending and in case of any adverse decision an additional tax liability of Rs. 2,342.16 million may arise. However, the management is confident that the matter will be ultimately decided in favor of the Bank and the Bank may not be exposed to any additional tax liability in these matters.
- (e)** Tax authorities have issued an order, levying tax under section 4C of the Income Tax Ordinance, 2001 for tax year 2023. The damaged amount has already been paid by the Bank. The Bank has decided to file appeal before Commissioner Inland Revenue (Appeals) against the order. In case of any adverse decision an additional tax liability amounting to Rs. 501.83 million may arise. However, the management is confident that the matter will be ultimately decided in favor of the Bank and the Bank may not be exposed to any additional tax liability in this matter.

- (f) Punjab Revenue Authority has passed orders for years 2015, 2021 and 2022 under section 14, 19 and 35 of the Punjab Sales Tax on Services Act, 2012, creating demands of Rs. 144.688 million and 2,026.09 million respectively, on non-deduction of withholding tax and sales tax. The Bank has filed appeals before Commissioner Inland Revenue (Appeals) against these orders, which are currently pending. Order passed for year 2016 and 2017 has been decided at the level of Commissioner Inland Revenue (Appeals) whereby demands of 46.9 million and 24.79 million respectively, have been upheld. The Bank has filed appeals before Appellate Tribunal Punjab Revenue Authority against these orders, which are currently pending. However, the management is confident that these matters will be ultimately decided in favor of the Bank and the Bank may not be exposed to any additional tax liability in such matters.
- (g) Sindh Revenue Board has passed orders for year 2014 under section 23 of the Sindh Sales Tax on Services Act, 2011, creating demand of Rs. 142.18 million, on non-deduction of Sindh Sales Tax. The Bank has filed appeal before Commissioner Inland Revenue (Appeals) against the order, which is currently pending. However, the management is confident that the matter will be ultimately decided in favor of the Bank and the Bank may not be exposed to any additional tax liability in such matter.
- (h) The income tax authorities in Azad Jammu & Kashmir region have issued amended assessment orders for tax years 2013 to tax year 2022, thereby creating additional tax demands which have been paid by the Bank as required under the law. The Bank has decided to file appeal before Commissioner Inland Revenue (Appeals) for tax years 2020 to 2022. In case of an adverse decision, additional tax liability of Rs. 80.847 million may arise. The Bank had filed appeals before Commissioner Inland Revenue (Appeals) against orders from tax year 2013 to 2019, which were decided in favour of the Bank except for tax year 2016. The Bank has filed an appeal against order for tax year 2016 in Appellate Tribunal. In case of any adverse decision, an additional tax liability of Rs. 41.565 million may arise. Department has filed appeals against orders for tax year 2014 to 2019 in Appellate Tribunal, which are still pending. In case of an adverse decision, an additional tax liability of Rs. 263.01 million (excluding tax year 2016) may arise. However, the management is confident that these matters will ultimately be decided in favor of the Bank and the Bank may not be exposed to any additional tax liability in such matters.
- (i) The Finance Act, 2023 incorporated section 99D of the Income Tax Ordinance, 2001 imposing tax on windfall income, profits and gains. In pursuance of sub-section (2) of said section, the interim Federal Government has issued Notification No. SRO.1588(I)/2023 dated November 21, 2023 imposing 40% tax on foreign exchange income of the banks and has also specified the criteria for calculation of windfall income and tax liability thereon. In pursuance of the same, tax authorities issued recovery notice to the Bank thereby creating a demand to the extent of Rs. 1,021.891 million. However, the Bank filed Constitutional Petition before the Honorable High Court Lahore through its external legal counsel; challenging the same on various legal grounds inter-alia including the following:

- unlawful delegation of powers;
- absence of necessary conditions mentioned in section 99D;
- lack of right of appeal to the tax payers; and
- absence of machinery for declaration, assessment and collection.

Based on these grounds the Honorable High Court has suspended the operation of the SRO. Similar orders have also been passed by the High Courts of Sindh and Islamabad. Moreover, the subject SRO had to be ratified and approved by a functional National Assembly within a period of 90 days (already lapsed) from its issuance; therefore it has no legal effect.

On the basis of the aforementioned factors and as per the advise of our learned legal counsel, the management is confident that these matters will ultimately be decided in favor of the Bank and the Bank may not be exposed to any additional tax liability in such matters.

- 24.3.2** Claims against the Bank which are not acknowledged as debts amounted to Rs. 3.238 million (31 December 2023: Rs. 3.163 million).
- 24.3.3** The Assistant Commissioner, Inland Revenue vide orders under section 182/140 of the Income Tax Ordinance, 2001 has levied penalties against staff of the Bank amounting to Rs. 30 million and Rs. 0.06 million dated July 1, 2016 and January 12, 2021 respectively. Currently, these matter are pending before Commissioner Inland Revenue (Appeals) subsequent to appeal filed by the staff. In case of any adverse decision in appeals, the Bank reserves the right of recourse on customers for re-imburement. However, the management is confident that these matters will be ultimately decided in favor of the Bank and the Bank may not be exposed to any additional tax liability.
- 24.3.4** A penalty of Rs. 50 million had been imposed by the Competition Commission of Pakistan ("the Commission") on the Bank on account of uncompetitive behaviour and imposing uniform cost on cash withdrawal from ATM transactions dated June 28, 2012. The Bank along with other Banks had filed a constitutional petition before the Competition Appellate Tribunal which has set aside the order of the Commission. Against the said order of the Competition Appellate Tribunal, the Commission has filed an appeal before the Supreme Court of Pakistan, the hearing of which is currently pending. The management of the Bank is confident that the appeal will be decided in the favour of the Bank.
- 24.3.5** Through the Finance Act, 2008 an amendment was made in the Employees Old Age Benefits Act, 1976 whereby the exemption available to banks and their employees was withdrawn by omission of clause (e) of Section 47 of the said Act and banks and their employees were made liable for contribution to Employee Old Age Benefit Institution. The Lahore High Court, subsequently, nullified the amendments made through the Finance Act, 2008.

Subsequently, several other banks also filed the Constitutional Petition before the Sindh High Court which decided the matter in favour of the banks. As a result of the decision of the Lahore High Court and Sindh High Court, the Bank stopped EOBI contribution w.e.f. February 2012. An appeal was filed by the EOBI in the Supreme Court of Pakistan which has been disposed of by the Honourable Court vide its order dated 10 November 2016 in favour of the Banks. However, EOBI has filed review Petition on 07 March 2019 before the Supreme Court of Pakistan which is currently pending.

In case of any adverse decision by the Supreme Court of Pakistan, a contribution of Rs. 389.873 million (up to 31 December 2023: Rs. 364.834 million) will become payable by the Bank to the EOBI. The said amount of Rs. 389.873 million has not been provided in these financial statements as the Bank is confident that the case will be decided in the Bank's favour.

	Note	(Un-audited) 31 March 2024	(Un-audited) 31 March 2023
----- (Rupees in '000) -----			
25	MARK-UP / RETURN / INTEREST EARNED		
	Loans and advances	10,980,459	6,672,435
	Investments	15,761,473	12,001,013
	Lendings to financial institutions	516,097	634,268
	Balances with banks	67,258	48,543
	Placement and call lendings	188,387	344,726
		<u>27,513,674</u>	<u>19,700,985</u>
26	MARK-UP / RETURN / INTEREST EXPENSED		
	Deposits	18,412,196	10,338,925
	Borrowings	2,195,342	3,800,541
	Subordinated debt	466,027	372,230
	Cost of foreign currency swaps against foreign currency deposits / borrowings	26.1 429,275	210,840
	Finance cost lease liability	162,160	139,619
		<u>21,665,000</u>	<u>14,862,155</u>
26.1	A corresponding income of the same amount is recognised in foreign exchange income.		
27	FEE & COMMISSION INCOME		
	Branch banking customer fees	187,200	168,013
	Consumer finance related fees	10,655	13,511
	Debit card related fees	60,628	34,016
	Investment banking / arrangement fees	2,502	4,014
	Credit related fees	50,904	78,629
	Commission on trade	435,712	229,649
	Commission on guarantees	40,290	40,335
	Commission on cash management	7,065	4,970
	Commission on remittances including home remittances	9,691	4,903
	Commission on bancassurance	2,603	1,921
	Wealth management income	2,182	3,106
	Rebate income	157,294	79,460
	Others	2,371	2,831
		<u>969,097</u>	<u>665,358</u>
28	GAIN / (LOSS) ON SECURITIES		
	Realised	28.1 85,816	(29,368)
	Unrealised - Measured at FVPL	9.1 (190)	3
	Unrealised - forward of government securities	-	(2)
		<u>85,626</u>	<u>(29,367)</u>
28.1	Realised gain / (loss) on		
	Federal Government securities	(1,354)	4,498
	Shares	87,170	(33,866)
		<u>85,816</u>	<u>(29,368)</u>
28.2	Net gain / loss on financial assets / liabilities measured at FVPL:		(Un-audited) 31 March 2024 (Rupees in '000)
	Designated upon initial recognition		87,170
	Designated subsequent to adoption		(190)
	Mandatorily measured at FVPL		-
			86,980
	Net gain / (loss) on financial assets / liabilities measured at amortised cost		-
	Net gain / (loss) on financial debt assets measured at FVOCI		(1,354)
	Net gain / (loss) on investments in equity instruments designated at FVOCI		-
			(1,354)
			<u>85,626</u>

Name of company	Nature of Service		(Un-audited)	(Un-audited)
			31 March 2024	31 March 2023
			------(Rupees in '000)-----	
Prime Human Resource services	Business Development Services		3,717	9,029
31.2	This represents the insurance premium paid to the State Bank of Pakistan's Depositors Protection Corporation (DPC) during the quarter. The premium amount was worked out in accordance with the mechanism specified by DPC, based on eligible deposits position of the Bank as at 31 December 2023.			
		Note	(Un-audited) 31 March 2024	(Un-audited) 31 March 2023
			------(Rupees in '000)-----	
32	WORKERS' WELFARE FUND			
	Workers' Welfare Fund		<u>75,023</u>	<u>60,377</u>
33	OTHER CHARGES			
	Penalties imposed by State Bank of Pakistan (SBP)		<u>120</u>	<u>27,571</u>
34	CREDIT LOSS ALLOWANCE & WRITE OFFS - NET			
	Credit loss allowance against balance with other banks		81	-
	Credit loss allowance against lending to financial institutions		5,120	-
	Credit loss allowance for diminution in value of investments	9.3	(99,910)	-
	Credit loss allowance against loans & advances	10.3	(306,650)	417,235
	Credit loss allowance against off-balance sheet obligations	22.1	(86,151)	-
			<u>(487,510)</u>	<u>417,235</u>
35	TAXATION			
	Current		1,838,065	1,298,095
	Deferred		(43,704)	(92,647)
			<u>1,794,361</u>	<u>1,205,448</u>
36	BASIC / DILUTED EARNINGS PER SHARE			
	Profit for the period		<u>1,760,031</u>	<u>1,489,013</u>
			------(Number of shares)-----	
	Weighted average number of ordinary shares		<u>1,102,463,483</u>	<u>1,102,463,483</u>
			------(Rupee)-----	
	Basic / Diluted earnings per share		<u>1.5965</u>	<u>1.3506</u>

36.1 There were no convertible / dilutive potential ordinary shares as at 31 March 2024 and 31 March 2023.

37 CREDIT RATING

The Pakistan Credit Rating Agency (PACRA) has maintained the long term credit rating of 'AA-' (Double A Minus) and short term rating of 'A1+' (A One Plus) with Stable Outlook of the Bank through its notification dated 23 June 2023 [2022: long term 'AA-' (Double A Minus): short term 'A1+' (A One Plus)].

Furthermore, the Bank's unsecured, subordinated, rated, listed perpetual and non-cumulative Term Finance Certificates of Rs 4,000 million have been assigned the rating of 'A' with Stable Outlook by PACRA through their notification dated 28 December 2023.

PACRA had also maintained the credit rating of the Bank's unsecured, subordinated and listed Term Finance Certificates (TFC – 3) issue of Rs 4,000 million at 'A+' (Single A plus) with Stable Outlook through its notification dated 28 December 2023.

38 FAIR VALUE MEASUREMENTS

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

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

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since these are either short term in nature or, in the case of customer loans and deposits, are frequently repriced.

38.1 Fair value of financial assets

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

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

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

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

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

	31 March 2024 (Un-audited)			
	Level 1	Level 2	Level 3	Total
	-----Rupees in '000-----			
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government securities	-	279,807,051	-	279,807,051
Shares	22,805	-	61,100	83,905
Non-Government debt securities	-	2,348,828	-	2,348,828
Units of mutual fund	-	500,000	-	500,000
Financial assets - disclosed but not measured at fair value				
Investments				
Federal Government securities	-	38,557,010	-	38,557,010
Non-Government debt securities	-	-	-	-
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	74,566,955	-	74,566,955
Forward sale of foreign exchange	-	60,440,009	-	60,440,009
Non - Financial Assets				
Land and Building (property and equipment & non-banking assets)	-	-	8,165,643	8,165,643
	<u>22,805</u>	<u>456,219,853</u>	<u>8,226,743</u>	<u>464,469,401</u>
	31 December 2023 (Audited)			
	Level 1	Level 2	Level 3	Total
	-----Rupees in '000-----			
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government securities	-	289,453,978	-	289,453,978
Shares	840,752	-	61,100	901,852
Non-Government debt securities	-	2,778,320	-	2,778,320
Units of mutual fund	-	500,000	-	500,000
Financial assets - disclosed but not measured at fair value				
Investments				
Federal Government securities	-	14,103,460	-	14,103,460
Non-Government debt securities	-	-	-	-
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	81,975,445	-	81,975,445
Forward sale of foreign exchange	-	69,828,809	-	69,828,809
Non - Financial Assets				
Land and Building (property and equipment & non-banking assets)	-	-	8,073,237	8,073,237
	<u>840,752</u>	<u>458,640,012</u>	<u>8,134,337</u>	<u>467,615,101</u>

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

(a) Financial instruments in level 1

Financial instruments included in level 1 comprise of investments in listed ordinary shares.

(b) Financial instruments in level 2

Financial instruments included in level 2 comprise of GoP Ijarah Sukuks, Pakistan Investment bonds, Market Treasury bills, Corporate bonds, Term Finance, Sukuk certificates and units of mutual funds.

(c) Financial instruments in level 3

Financial instruments included in level 3 comprise of Land and Building (property and equipment & non-banking assets) and unlisted securities

Valuation techniques and inputs used in determination of fair values

Item	Valuation techniques and input used
Fully paid-up ordinary shares	Fair values of investments in listed equity securities are valued on the basis of closing quoted market prices available at the stock exchange.
Pakistan Investment Bonds / Market Treasury Bills	Fair values of Pakistan Investment Bonds and Treasury Bills are determined on the basis of rates / prices sourced from Reuters.
Government of Pakistan - Ijarah Sukuks	Fair values of GoP Ijarah Sukuks are derived using the PKISRV rates announced by the Financial Market Association (FMA) through Reuters. These rates denote an average of quotes received from pre-defined / approved dealers / brokers.
Term Finance, Bonds and Sukuk certificates	Investments in debt securities (comprising term finance certificates, bonds, sukuk certificates and any other security issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital) are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan. In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded
Units of mutual funds	Fair values of investments in units of mutual funds are determined based on their net asset values as published at the close of each business day.
Land and Building (property and equipment & non-banking assets)	Land and buildings are revalued on a periodic basis using professional valuers. The valuation is based on their assessment of the market value of the assets. The effect of changes in the unobservable inputs used in the valuations cannot be determined with reasonable certainty. Accordingly, a qualitative disclosure of sensitivity has not been presented in these financial statements.

39 SEGMENT INFORMATION

39.1 Segment details with respect to business activities

	31 March 2024 (Un-audited)					
	Retail Banking	Corporate	Islamic	Trading and Sales	Others	Total
	-----Rupees in '000-----					
Profit and loss						
Net mark-up / return / profit	(13,611,727)	6,690,415	335,296	13,009,349	(574,659)	5,848,674
Inter segment revenue - net	20,809,518	(5,934,587)	-	(14,723,884)	(151,047)	-
Non mark-up / return / interest income	986,261	286,964	37,565	775,044	(482,726)	1,603,108
Total income	8,184,052	1,042,792	372,861	(939,491)	(1,208,432)	7,451,782
Segment direct expenses	2,955,495	91,852	338,179	46,393	952,981	4,384,900
Inter segment expense allocation	(82,498)	(5,376)	(35,803)	(2,287)	125,964	-
Total expenses	2,872,996	86,475	302,377	44,105	1,078,947	4,384,900
Credit loss allowance	87,572	(179,595)	(409,470)	6,348	7,635	(487,510)
Profit before tax	5,223,484	1,135,912	479,954	(989,944)	(2,295,014)	3,554,392
Balance sheet						
Cash & bank balances	39,647,352	2,149,314	4,133,000	1,337,298	-	47,266,964
Investments	-	163	27,314,200	298,431,959	-	325,746,322
Net inter segment lending	402,533,806	-	-	119,656,748	25,929,590	548,120,144
Lendings to financial institutions	-	-	-	24,207,474	-	24,207,474
Advances - performing	44,827,426	152,643,500	19,245,109	-	-	216,716,035
- non-performing	570,797	634,995	621,938	-	7,654	1,835,384
Others	9,203,324	13,255,205	4,577,710	8,331,942	16,568,150	51,936,331
Total assets	496,782,705	168,683,177	55,891,957	451,965,421	42,505,394	1,215,828,654
Borrowings	6,478,397	12,777,210	1,020,400	22,072,330	907,886	43,256,223
Subordinated debt	-	-	-	-	7,998,400	7,998,400
Deposits & other accounts	470,055,864	35,370,769	46,232,025	-	-	551,658,658
Net inter segment borrowing	-	112,338,587	6,114,873	429,666,684	-	548,120,144
Others	20,248,444	8,196,611	2,524,659	226,407	6,764,756	37,960,877
Total liabilities	496,782,705	168,683,177	55,891,957	451,965,421	15,671,042	1,188,994,302
Equity	-	-	-	-	26,834,352	26,834,352
Total equity & liabilities	496,782,705	168,683,177	55,891,957	451,965,421	42,505,394	1,215,828,654
Contingencies & commitments						
In respect of letter of credit / guarantees	73,038,048	30,314,346	3,801,763	-	-	107,154,157
In respect of forward foreign exchange contracts	-	-	-	136,493,310	-	136,493,310
In respect of forward lendings	-	341,000	-	-	-	341,000
In respect of fixed assets	-	-	-	-	540,371	540,371
In respect of other Commitments	-	-	-	-	24,000	24,000
In respect of other contingencies	-	-	-	-	14,934,300	14,934,300
Total	73,038,048	30,655,346	3,801,763	136,493,310	15,498,671	259,487,138

31 March 2023 (Un-audited)

Retail Banking	Corporate	Islamic	Trading and Sales	Others	Total	
-----Rupees in '000-----						
Profit and loss						
Net mark-up / return / profit	(7,147,428)	3,517,753	331,186	8,587,818	(450,499)	4,838,830
Inter segment revenue - net	11,647,550	(2,602,372)	-	(8,735,013)	(310,165)	-
Non mark-up / return / interest income	921,012	348,756	48,351	1,151,600	(699,585)	1,770,134
Total income	5,421,134	1,264,137	379,537	1,004,405	(1,460,249)	6,608,964
Segment direct expenses	2,230,941	63,185	216,076	49,832	937,234	3,497,268
Inter segment expense allocation	(61,288)	(939)	(6,229)	(395)	68,851	-
Total expenses	2,169,653	62,246	209,847	49,437	1,006,085	3,497,268
Provision	214,891	53,410	147,493	-	1,441	417,235
Profit before tax	3,036,590	1,148,481	22,197	954,968	(2,467,775)	2,694,461

31 December 2023 (Audited)

Retail Banking	Corporate	Islamic	Trading and Sales	Others	Total	
-----Rupees in '000-----						
Balance sheet						
Cash & bank balances	38,306,451	2,258,640	4,094,131	1,006,122	-	45,665,344
Investments	-	163	27,648,031	282,692,683	-	310,340,877
Net inter segment lending	382,821,051	-	-	101,991,644	18,620,769	503,433,464
Lendings to financial institutions	-	-	-	-	-	-
Advances - performing	38,226,913	142,695,954	16,848,624	-	5,883,454	203,654,945
- non-performing	675,044	634,996	823,269	-	(34,545)	2,098,764
Others	4,015,239	6,361,348	3,754,067	61,399,361	21,271,727	96,801,742
Total assets	464,044,698	151,951,101	53,168,122	447,089,810	45,741,405	1,161,995,136
Borrowings	8,338,373	12,936,700	1,037,300	45,510,366	918,907	68,741,646
Subordinated debt	-	-	-	-	7,998,400	7,998,400
Deposits & other accounts	435,402,013	39,448,922	43,018,049	-	-	517,868,984
Net inter segment borrowing	-	95,558,330	6,433,314	401,441,820	-	503,433,464
Others	20,304,312	4,007,149	2,679,459	137,624	8,210,932	35,339,476
Total liabilities	464,044,698	151,951,101	53,168,122	447,089,810	17,128,239	1,133,381,970
Equity	-	-	-	-	28,613,166	28,613,166
Total equity & liabilities	464,044,698	151,951,101	53,168,122	447,089,810	45,741,405	1,161,995,136
Contingencies & commitments						
In respect of letter of credit / guarantees	62,321,270	34,505,354	2,748,528	-	-	99,575,152
In respect of forward foreign exchange contracts	-	-	-	154,713,757	-	154,713,757
In respect of forward lendings	-	212,314	-	-	-	212,314
In respect of fixed assets	-	-	-	-	222,029	222,029
In respect of other Commitments	-	-	-	-	24,000	24,000
In respect of other contingencies	-	-	-	-	14,525,556	14,525,556
Total	62,321,270	34,717,668	2,748,528	154,713,757	14,771,585	269,272,808

39.1.1 The operations of the Bank are currently based only in Pakistan, therefore, geographical segment is not relevant.

39.1.2 Segment Assets include inter segment lending, while inter segment borrowings forms part of Segment Liabilities, at gross level. Segment Wise Total Assets as well as Total Liabilities therefore appear higher by Rs. 548,120 million (December 2023: 503,433 million) , when compared to Total Assets / Liabilities reported at Bank Level, where inter segment lending / borrowing stands eliminated.

40 RELATED PARTY TRANSACTIONS

The Bank has related party transactions with its related group companies, major shareholders, Staff retirement funds, directors and their close family members (including their associates) employee benefit plans and key management personnel.

The Bank enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these condensed interim financial statements are as follows:

Particulars	31 March 2024 (Un-audited)			31 December 2023 (Audited)		
	Directors (a)	Key * management personnel (a)	Other related parties	Directors (a)	Key * management personnel (a)	Other related parties
(Rupees in '000)						
Statement of financial position						
Investments						
Opening balance	-	-	50,000	-	-	189,298
Investment made during the period / year	-	-	-	-	-	-
Investment redeemed / disposed during the period / year	-	-	-	-	-	(139,298)
Closing balance	-	-	50,000	-	-	50,000
Advances						
Opening balance	201,010	428,779	131,960	201,409	295,896	-
Addition during the period / year	15,240	15,580	182,628	265,629	387,289	161,224
Repaid during the period / year	(214,347)	(18,329)	(160,308)	(266,028)	(199,708)	(129,255)
Transfer in / (out) - net	-	(21,237)	-	-	(54,698)	99,991
Closing balance	1,903	404,793	154,280	201,010	428,779	131,960
Statement of financial position						
Other assets						
Interest / mark-up accrued	26	10,579	6,918	34,662	4,754	7,579
E-banking settlement	-	-	-	-	-	123,209
	26	10,579	6,918	34,662	4,754	130,788
Deposits and other accounts						
Opening balance	398,820	489,344	4,544,505	323,441	164,700	4,183,190
Received during the period / year	527,399	625,970	26,039,719	1,429,564	4,469,120	86,859,409
Withdrawn during the period / year	(511,266)	(672,208)	(24,897,013)	(1,354,185)	(4,141,636)	(86,637,395)
Transfer in / (out) - net	-	(19)	118	-	(2,840)	139,301
Closing balance	414,953	443,087	5,687,329	398,820	489,344	4,544,505
Other liabilities						
Interest / mark-up payable	9,813	11,588	98,952	7,042	12,442	94,604
E-banking settlement	-	-	12,244	-	-	-
Payable to staff retirement fund	-	-	41,400	-	-	-
	9,813	11,588	152,596	7,042	12,442	94,604

Particulars	31 March 2024 (Un-audited)			31 March 2023 (Un-audited)		
	Directors (a)	Key * management personnel (a)	Other related parties	Directors (a)	Key * management personnel (a)	Other related parties
(Rupees in '000)						
Profit and loss account						
Income						
Mark-up / return / interest earned	11,093	14,274	6,918	8,600	10,134	-
Fee and commission income	18	200	103	16	65	98
Rental Income	-	-	2,062	-	-	1,650
Expense						
Mark-up / return / interest paid	15,452	14,215	261,753	10,415	4,277	158,407
Directors' fee and allowance	9,780	-	-	11,720	-	-
Compensation Expense	518	122,838	-	391	110,049	-
Rent expense	-	-	5,664	-	-	5,056
ATM and ADC charges	-	-	10,940	-	-	6,766
Charge for defined benefit plan	-	-	41,400	-	-	34,488
Contribution to defined contribution plan	-	-	49,373	-	-	44,622

* including President and CEO

(a) including their relatives

** Actual rent expense is disclosed as part of related party transactions. While accounting for branches / locations on lease for the purpose of financial statements, the bank applies the requirements of IFRS 16 - Leases.

	(Un-audited) 31 March 2024	(Audited) 31 December 2023
-----Rupees in '000-----		
41 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS		
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	11,024,636	11,024,636
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	24,937,696	26,574,005
Eligible Additional Tier 1 (ADT 1) Capital	3,584,770	3,584,770
Total Eligible Tier 1 Capital	28,522,466	30,158,775
Eligible Tier 2 Capital	6,568,277	5,648,703
Total Eligible Capital (Tier 1 + Tier 2)	35,090,743	35,807,478
Risk Weighted Assets (RWAs):		
Credit Risk	168,642,015	163,994,300
Market Risk	527,554	1,663,407
Operational Risk	38,185,126	28,512,801
Total	207,354,695	194,170,508
------(Percentage)-----		
Common Equity Tier 1 Capital Adequacy ratio	12.03%	13.69%
Tier 1 Capital Adequacy Ratio	13.76%	15.53%
Total Capital Adequacy Ratio	16.92%	18.44%
National minimum capital requirements prescribed by SBP		
CET1 minimum ratio	6.00%	6.00%
Tier 1 minimum ratio	7.50%	7.50%
Total capital minimum ratio	11.50%	11.50%

- 41.1 As allowed under Annexure - B of Final Implementation Instructions issued by SBP via BPRD Circular Letter No. 7 of 2023 dated 13 April 2023, the Bank has opted to avail the benefit of transitional arrangement on initial adoption of IFRS 9 (Financial Instruments) and the related ECL provision impact on Opening Retained earnings while computing the CAR and LR. Had this benefit not been availed, the CAR and LR of the Bank as of March 31, 2024 would have been lower by 5 bps and 9 bps respectively.

	(Un-audited) 31 March 2024	(Audited) 31 December 2023
-----Rupees in '000-----		
Leverage Ratio (LR):		
Eligible Tier-1 Capital	28,522,466	30,158,775
Total Exposures	766,017,034	750,691,470
Leverage Ratio - percentage	3.72%	4.02%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	331,869,762	289,829,067
Total Net Cash Outflow	177,362,620	120,031,638
Liquidity Coverage Ratio - percentage	187.11%	241.46%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	376,909,605	366,546,605
Total Required Stable Funding	224,500,274	189,036,715
Net Stable Funding Ratio - percentage	167.89%	193.90%

- 41.2 The Bank follows the below mentioned approach for determining credit risk, market risk and operational risk exposures in the capital adequacy calculation:

Risk Type	Approach adopted by Bank
Credit Risk	Standardized Approach
Market Risk	Standardized Approach
Operational Risk	Basic Indicator Approach

42 ISLAMIC BANKING BUSINESS

The Bank is operating with 48 Islamic Banking Branches (31 December 2023: 45) and 15 Islamic Banking Windows (31 December 2023: 15). The statement of financial position and profit and loss account of these branches and windows (including Islamic Banking Division) are as follows:

	Note	(Un-audited) 31 March 2024	(Audited) 31 December 2023
----- (Rupees in '000) -----			
ASSETS			
Cash and balances with treasury banks		3,500,976	3,641,611
Balances with other banks		632,024	452,520
Due from financial institutions		-	-
Investments	42.1	27,314,200	27,648,031
Islamic financing and related assets- net	42.2	19,841,504	17,634,001
Property and equipment		614,018	602,070
Right-of-use assets ¹		533,446	506,488
Intangible assets		-	-
Due from head office		-	-
Other assets		3,430,246	2,645,509
Total assets		<u>55,866,414</u>	<u>53,130,230</u>
LIABILITIES			
Bills payable		375,984	233,688
Due to financial institutions		1,020,400	1,037,300
Deposits and other accounts	42.3	46,232,025	43,018,049
Due to head office		3,602,308	3,284,747
Lease liabilities		619,122	586,499
Other liabilities		1,529,553	1,821,380
Total liabilities		<u>53,379,392</u>	<u>49,981,663</u>
NET ASSETS		<u>2,487,022</u>	<u>3,148,567</u>
REPRESENTED BY:			
Islamic banking fund		2,000,000	2,000,000
Surplus on revaluation of assets - net of tax		7,068	148,995
Accumulated profit / (loss)	42.5	479,954	999,572
		<u>2,487,022</u>	<u>3,148,567</u>
CONTINGENCIES AND COMMITMENTS	42.6		
* This represents profit for the period, as last year's profit is remitted back to the head office at the start of the period.			
	Note	(Un-audited) 31 March 2024	(Un-audited) 31 March 2023
----- (Rupees in '000) -----			
Profit / return earned	42.7	2,257,189	1,330,211
Profit / return expensed	42.8	1,921,893	999,025
Net profit / return		<u>335,296</u>	<u>331,186</u>
Other income			
Fee and commission Income		40,097	20,041
Foreign exchange income		(3,561)	28,138
Other income		1,029	172
Total other income		<u>37,565</u>	<u>48,351</u>
Other expenses			
Operating expenses		302,377	209,847
Other charges		-	-
Total other expenses		<u>302,377</u>	<u>209,847</u>
Profit before provisions credit loss allowance		<u>70,484</u>	<u>169,690</u>
Credit loss allowance and write offs - net		409,470	(147,493)
Profit before tax		<u>479,954</u>	<u>22,197</u>

42.1 Investments by segments:

31 March 2024 (Un-audited)			
Cost /amortised cost	Credit loss allowance for diminution	Surplus / (deficit)	Carrying value
------(Rupees in '000)-----			
Classified / Measured at amortised cost			
Non Government debt securities	19,860	(19,860)	-
	19,860	(19,860)	-
Classified / Measured at FVOCI			
Federal Government securities:			
-Ijarah sukuku	25,954,800	-	(35,389)
Non Government debt securities	1,594,089	(203,483)	4,183
	27,548,889	(203,483)	(31,206)
			27,314,200
Total Investments	27,568,749	(223,343)	(31,206)
			27,314,200
31 December 2023 (Audited)			
Cost /amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
------(Rupees in '000)-----			
Federal Government securities:			
-Ijarah sukuku	25,953,947	-	106,954
	25,953,947	-	106,954
Non-Government debt securities			
-Listed	900,000	-	-
-Unlisted	799,760	(116,397)	3,767
	1,699,760	(116,397)	3,767
			1,587,130
Total Investments	27,653,707	(116,397)	110,721
			27,648,031

42.2 Islamic financing and related assets

(Un-audited)	
31 March	
2024	
(Rupees in '000)	
Ijarah	537,811
Murabaha	813,965
Musharaka	6,995,671
Diminishing Musharaka	3,773,911
Bai Muajjal	33,805
Istisna	378,522
Salam	56,300
Other islamic modes	15,590
Advances against islamic assets	
Murabaha	3,495
Ijarah	13,259
Diminishing musharakah	441,147
Salam	6,522,546
Istisna	749,017
Gross Islamic financing and related assets	20,335,039
Less: Credit loss allowance against Islamic financings	
- Stage 1	(48,894)
- Stage 2	(117,117)
- Stage 3	(327,524)
	(493,535)
Islamic financing and related assets - net of provision	19,841,504

(Audited)
31 December
2023
(Rupees in '000)

Islamic financing and related assets

Ijarah	601,170
Murabaha	1,065,290
Musharaka	3,608,014
Diminishing Musharaka	3,746,662
Bai Muajjal	3,165,265
Istisna	120,003
Salam	64,900
Other islamic modes	6,498
Advances against islamic assets	
Murabaha	3,320
Ijarah	13,259
Diminishing musharakah	441,147
Salam	4,345,414
Istisna	1,172,373
Gross Islamic financing and related assets	18,353,315
Less: Provision against Islamic financing	
- Specific	(719,314)
- General	-
	(719,314)
Islamic financing and related assets - net of provision	17,634,001

	(Un-audited) 31 March 2024	(Audited) 31 December 2023
	----- (Rupees in '000) -----	
42.3 Deposits and other accounts		
Customers		
Current deposits	4,623,640	3,617,547
Savings deposits	10,587,618	12,551,243
Other	2,381,192	1,673,544
Term deposits	6,619,559	6,169,954
	<u>24,212,009</u>	<u>24,012,288</u>
Financial Institutions		
Current deposits	121,273	134,814
Savings deposits	20,091,243	18,049,247
Other	700,000	-
Term deposits	1,107,500	821,700
	<u>22,020,016</u>	<u>19,005,761</u>
	<u>46,232,025</u>	<u>43,018,049</u>
42.4 Charity Fund		
Opening balance	-	47
Additions during the period / year		
Received from customers on account of delayed payment	649	1,361
	<u>649</u>	<u>1,408</u>
Payments / utilization during the period / year		
Health	-	1,408
	<u>-</u>	<u>1,408</u>
Closing balance	<u>649</u>	<u>-</u>
42.5 Islamic Banking Business - Unappropriated Profit / (loss)		
Opening balance	999,572	255,273
Impact of adoption of IFRS 9	(294,539)	-
Add: Islamic Banking profit / (loss) for the period / year	479,954	999,572
Less: Transferred / remitted to Head Office	(705,033)	(255,273)
Closing balance	<u>479,954</u>	<u>999,572</u>
42.6 CONTINGENCIES AND COMMITMENTS		
-Guarantees	1,241,428	1,106,684
-Other contingent liabilities	2,560,335	1,641,844
	<u>3,801,763</u>	<u>2,748,528</u>

	(Un-audited) 31 March 2024	(Un-audited) 31 March 2023
----- (Rupees in '000) -----		
42.7 Profit / Return Earned of Financing, Investments and Placement		
Financing	700,055	413,603
Investments	1,557,134	696,453
Placements	-	220,155
	<u>2,257,189</u>	<u>1,330,211</u>

42.8 Profit on Deposits and Other Dues Expensed

Deposits and other accounts	1,615,088	960,197
Due to financial institutions	44,289	22,181
Others	262,516	16,647
	<u>1,921,893</u>	<u>999,025</u>

42.9 Deposits and other accounts include redeemable capital of Rs. 38,405.920 million (31 December 2023: Rs.37,592.144 million) and deposits on Qard basis of Rs. 7,126.105 million (31 December 2023: Rs. 5,425.905 million). Remunerative deposits which are on Mudaraba basis are considered as Redeemable capital and non-remunerative deposits are classified as being on Qard basis.

42.10 Pool Management

	31 March 2024 (Un -audited)			31 December 2023 (Audited)		
	Normal Pool	Special Pool	Total	Normal Pool	Special Pool	Total
----- (Rupees in '000) -----						
Chemical and Pharmaceuticals	1,358,155	2,412,391	3,770,546	1,150,425	1,854,469	3,004,894
Agri, forestry, hunting, fishing	16,743	94,632	111,375	-	112,147	112,147
Textile	-	1,761,488	1,761,488	56,800	1,997,439	2,054,239
Sugar	2,598,179	2,879,737	5,477,916	854,575	2,468,587	3,323,162
GOP Bai Muajjal / Ijarah Sukuk	3,611,716	23,957,033	27,568,749	8,716,815	18,936,892	27,653,707
Automobile and transportation equipment	258,190	52,991	311,181	283,753	52,991	336,744
Financial	29,063	3,858	32,921	31,995	3,265	35,260
Electronics and electrical appliances	-	190,226	190,226	-	321,400	321,400
Production and transmission of energy	350,112	1,779,311	2,129,423	350,112	1,881,460	2,231,572
Exports Imports	-	199,439	199,439	-	199,440	199,440
Wholesale & Retail Trade	-	884,594	884,594	-	4,169,884	4,169,884
Construction	201,604	712,709	914,313	220,710	751,647	972,357
Food and allied	38,000	3,569,473	3,607,473	596,242	16,833	613,075
Services	19,784	151,446	171,230	19,940	160,550	180,490
Individual	28,142	392,154	420,296	42,129	399,687	441,816
Others	181,047	197,110	378,157	294,727	100,000	394,727
	<u>8,690,735</u>	<u>39,238,592</u>	<u>47,929,327</u>	<u>12,618,223</u>	<u>33,426,691</u>	<u>46,044,914</u>

Musharaka investments from the SBP under Islamic Export Refinance Scheme (IERS) are channelled towards the export sector of the economy and other financings as per SBP guidelines.

42.11 Key features and risk and reward characteristics of all pools

The 'Mudaraba Pool' for Local Currency caters to all Soneri Bank Limited - Islamic Banking depositors and provides profit / loss based on Mudaraba.

The IERS Pool caters to the 'Islamic Export Refinance' requirements based on the guidelines issued by the SBP.

The risk characteristic of each pool mainly depends on the asset and liability profile of each pool.

Jointly financed by the Bank and unrestricted investments / PLS deposit account holders

This represents all earning assets of the Bank except those tagged to the Islamic Export Refinance Scheme. Major categories include:

	Funded Income	Expenses	Gains / (loss) on sale of securities	Total
----- (Rupees in '000) -----				
Islamic financing and related assets	698,064	-	-	698,064
Investments	1,557,134	-	-	1,557,134
Due from financial institutions	-	-	-	-
Others	-	(381)	-	(381)
	<u>2,255,198</u>	<u>(381)</u>	<u>-</u>	<u>2,254,817</u>

42.12 Incentive profits (Hiba)

The Bank paid an aggregate amount of Rs. 110.282 million as incentive profits (Hiba), which includes Rs. 32.884 million for normal pool and Rs. 77.399 million for special pool during the period ended 31 March 2024. The following guidelines are approved by the Bank's Sharia Advisor for determination of incentive profits (Hiba):

- Special weightage deposits in designated tiers / slabs in Mudaraba Pool shall be offered extra weightages outside the Mudaraba Pool, provided the specified parameters are met ;
- The deposit deal shall be at least of Rs 25 thousands ;
- In case a Term Deposit is pre-maturely encased, profit shall be paid at the expected rate of completed tenor;
- The payment of Hiba on deposits will be at the sole discretion of the Bank and could be decreased or / and removed any time during the tenure of the deposit, under intimation to the customer, if the customer fails to meet the prerequisites at any time during the tenure of the deposit and / or the profit rate no longer remains sustainable from Bank's share; and
- The Bank shall ensure that all the operational procedures and controls to the satisfaction of Shariah are in place.

42.13 Contractual maturities of mudaraba based deposit accounts

Particulars	31 March 2024 (Un-audited)							
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years
	(Rupees in '000)							
Fixed Deposits	7,727,059	299,435	4,905,840	2,130,908	365,573	16,950	8,353	-
Savings Deposits	26,190,245	26,190,245	-	-	-	-	-	-
Current Account								
- Remunerative	4,488,616	4,488,616	-	-	-	-	-	-
	38,405,920	30,978,296	4,905,840	2,130,908	365,573	16,950	8,353	-

Profit / (loss) distribution to depositor's pool

General Remunerative Depositor's Pools	Profit Sharing Ratio (Depositor: Mudarib)	Profit rate return earned	Mudarib Share transferred to the Depositors through Hiba (Rs in '000)	Mudarib Share transferred to the Depositors through Hiba (Percentage)	Mudarib share Net of Hiba (Rs in '000)	Mudarib share Net of Hiba Percent	Profit rate and weightage announcement period	Profit rate return distributed
Mudaraba Pool								
Normal Pool	66 : 31	8.71%	32,884	38.50%	52,519	30.75%	Monthly	6.03%
Special Pool	94 : 06	21.17%	77,399	46.43%	89,284	5.59%	Monthly	20.03%
Total	92 : 08	18.55%	110,282	43.75%	141,804	8.01%	Monthly	17.14%

IERS Musharaka Pool	Ratio of weightage of Bank to SBP	Share of profit to SBP (Rupees in '000)	HIBA (Rupees in '000)	Profit rate and weightage announcement period	Profit rate return earned by SBP
Musharaka Pool SBP's Islamic Export Refinance Scheme	0.9158	32,736	-	Quarterly	17.77%

Parameters used for allocation of profit, charging expenses and provisions, etc. along with a brief description of their major components:

Income generated from relevant assets, calculated at the end of each month is first set aside for the Musharaka pool arrangement between the Bank and the State Bank of Pakistan. It is then allocated between the participants of the pool as per the agreed weightages and rates.

The Mudaraba Pool profit is divided between the Bank and depositors in the ratio of Bank's average equity (pertaining to Islamic banking branches) and average depositors balances commingled in each pool on a pro-rata basis. The depositors' share of profit is allocated amongst them on the basis of weightages declared before start of each month, after deduction of a mudarib fee. During the period ended 31 March 2024, the Bank charged 8.01% (2023: 11.13%) of the profit as Mudarib fee. These weightages are declared by the Bank in compliance with the requirements of the SBP and Shariah.

The allocation (of income and expenses to different pools) is made on a pre-defined basis and accounting principles / standards. Provisions against any non-performing assets of the pool are not passed on to the pool.

42.14 Allocation of Income and Expenses to Depositors' Pools**a) Following are material items of revenues, expenses, gains and losses**

	(Un-audited) 31 March 2024	(Un-audited) 31 March 2023
	----- (Rupees in '000) -----	
Profit / return earned on financings, investments and placements	1,835,760	1,178,738
Directly related costs attributable to pool	(44,686)	(44,275)
	<u>1,791,075</u>	<u>1,134,463</u>

b) Following weightages have been assigned to different products under the Mudaraba Pool during the period:

	Percentage of total Mudaraba	Minimum weightage	Maximum weightage
Savings - Soneri Munafa Account	68%	0.32955	0.96364
Savings - Soneri Bachat Account	1%	0.32955	0.32955
Savings - Assan Account	0%	0.32955	0.32955
Current Account - Remunerative	12%	0.00227	0.00227
Time Deposits - Soneri Meadi	20%	0.32955	0.97273

43 GENERAL

Figures have been rounded off to the nearest thousand rupees unless otherwise stated.

44 RECLASSIFICATIONS

As a result of change in forms for the preparation of condensed interim financial information issued by SBP as referred in note 4.1.1 and for better presentation, corresponding figures have been rearranged as follows:

Transfer from	Transfer to	(Audited) 31 December 2023 (Rupees in '000)
Property and equipment	Right-of-use assets	<u>4,249,619</u>
Other liabilities	Lease liabilities	<u>5,113,794</u>

45 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 30 April 2024 by the Board of Directors of the Bank.

Chairman

President & Chief Executive Officer

Chief Financial Officer

Director

Director