CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2026

Bank of Khyber

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CORPORATE INFORMATION
As of June 30, 2026

Board of Directors

Islam Zaib	Chairman / Non-Executive Director
Kamran Ahmed Afridi	Secretary Finance / Non-Executive Director
Syed Asad Ali Shah	Independent Director
Tahir Jawaid	Independent Director
Osman Asghar Khan	Independent Director
Muhammed Shahid Sadiq	Independent Director
Natasha Jehangir Khan	Independent Director

Managing Director / CEO

Hassan Raza

Shariah Board

Mufti Muhammad Zahid	Chairman Shariah Board
Mufti Muhammad Arif Khan	Member Shariah Board
Mufti Abdul Wahab	Member Shariah Board
Qazi Abdul Samad	Resident Shariah Board Member (RSBM)

Board Audit Committee

Syed Asad Ali Shah	Chairman
Kamran Ahmed Afridi	Member
Muhammed Shahid Sadiq	Member
Osman Asghar Khan	Member

Board Human Resource & Remuneration Committee

Islam Zaib	Chairman
Natasha Jehangir Khan	Member
Tahir Jawaid	Member
Osman Asghar Khan	Member

Board Risk Management Committee

Kamran Ahmed Afridi	Chairman
Muhammed Shahid Sadiq	Member
Hassan Raza	Member

Bank of Khyber

Board Information Technology Committee

Osman Asghar Khan	Chairman
Tahir Jawaid	Member
Natasha Jehangir Khan	Member
Syed Asad Ali Shah	Member
Hassan Raza	Member

Board Compliance Committee

Natasha Jehangir Khan	Chairperson
Muhammed Shahid Sadiq	Member
Hassan Raza	Member

Chief Financial Officer

Irfan Saleem Awan

Company Secretary

Raza Mohsin Qizilbash

Registered Office / Head Office

The Bank of Khyber
24 – The Mall, Peshawar Cantt.

UAN# 00-92-91-111 95 95 95
URL: www.bok.com.pk

Auditors

M/s Pwc A.F. Ferguson & Co.
Chartered Accountants

Legal Advisors

M/s. Mohsin Tayebaly & Co., Karachi

Registrar and Share Registration Office

THK Associates (Pvt) Ltd.
Plot # 32 – C, Jami Commercial Street 2
D.H.A, Phase – VII,
Karachi – 75500

Bank of Khyber

Directors' Review

On behalf of the Board of Directors of the Bank of Khyber ("The Bank"), I am pleased to present the condensed interim financial information of the Bank for the six-month period ended June 30, 2026.

Financial Highlights

The financial results of the Bank (Standalone) for the period under review are as follows:

	(Rs. in Million) As at June 30 2026	(Rs. in Million) As at December 31 2025
Total Assets	597,418	453,300
Deposits	486,658	378,123
Advances (Gross)	182,568	138,605
Investments (Net)	353,233	274,957

	(Rs. in Million) For the six-month period ended June 30 2026	(Rs. in Million) For the six-month period ended June 30 2025
Profit Before Credit Loss Allowance	2,893	6,576
(Reversal) of Credit Loss allowance - Net	(292)	(618)
Profit before taxation	3,185	7,194
Taxation	1,719	3,829
Profit after tax	1,466	3,365
	(Rupees)	
Earnings Per Share	1.27	2.91

Economic and Performance Review

[illegible] regional geopolitical headwinds. In this scenario, the State Bank of Pakistan maintained a cautious monetary approach to balance price stability with growth incentives. The SBP raised the key benchmark rate by 100 basis points to 11.50% with effect from April 28, 2026 and the same rate is maintained to date.

In this backdrop, during the six-month period ended June 30, 2026, the Bank posted a profit before tax of Rs. 3,185 million, while profit after tax stood at Rs. 1,466 million, compared to profit before tax of Rs. 7,194 million and profit after tax of Rs. 3,365 million earned in the corresponding period last year. The market interest rate movements had negative impact on the comparative net yields [illegible] portfolio which thereby resulted in reduction in the net interest income as well as gain on securities for the half year. Moreover, Q2-2026 profitability moderated compared to Q1, driven by lower net markup income alongside higher non-markup expenses and credit loss provisions.

Non-markup expenses registered an increase of 13% during the six-month period compared to the corresponding period last year, mainly reflecting impact of increase in business activities and inflationary adjustments.

As a result of continuous recovery efforts and the prudent lending strategy pursued by management, the Bank achieved net reduction in NPLs from Rs. 12,530 million as at December 31, 2025 to Rs. 11,703 million as at June 30, 2026. Similarly, the Bank recorded a net reversal of credit loss allowance of Rs. 292 million during this half year.

Notwithstanding comparative reduction in profitability, the Bank maintained strong balance sheet growth during the period, reflecting continued business expansion and focus on strategy implementation. [illegible] June 30, 2026 against Rs. 453,300 million as of December 31, 2025. Net advances increased to Rs. 171,027 million as at June 30, 2026 (December 31, 2025: Rs. 126,706 million) while net investments increased to Rs. 353,233 million as compared to Rs. 274,957 million as at December 31, 2025.

The balance sheet growth during the period was funded by sizeable increase in deposits which amounted to Rs. 486,658 million as at June 30, 2026 as compared to Rs. 378,123 as of December 31, 2025. Similarly, borrowings increased to Rs. 71,720 million as against Rs. 35,698 million as at December 31, 2025. Alongside growth in balance sheet, the Bank continues to maintain strong liquidity and capital profile with LCR and CAR standing 205.10% and 15.46% respectively as at June 30, 2026 well above the regulatory requirements. The Bank also continued to make progress towards implementation of its Islamic Banking conversion strategy. During the period under view, the Bank converted additional 11 conventional banking branches into Islamic banking Branches (IBBs). At the period end, the Bank is operating with 256 branches across the country out of which 212 are dedicated IBBs. The deposit of Islamic banking operations of the Bank as of June 30, 2026 stood at Rs. 259,275 million thereby reflecting growth of 28% since December 31, 2025.

Update on Subsidiary

On January 19, 2026, the SECP issued certificate of incorporation of the BOK Currency Exchange Company (Pvt.) Limited, a wholly owned subsidiary of the Bank. In this respect, the Bank has injected an amount of Rs. 1 billion as paid-up capital of the BOK exchange company during the six-month period under review. Accordingly, the Bank has also prepared and presented its consolidated financial statements for the six-month ended June 30, 2026. Currently, the subsidiary is in the process of completing the remaining regulatory formalities required for obtaining necessary approvals to commence foreign exchange business operations.

Ratings

In June 2026, The Pakistan Credit Rating Agency Limited (PACRA) upgraded the medium to long [illegible]
Moreover, in June 2026, VIS Credit Rating Company Limited (VIS) re-[illegible] medium to long term entity rating of the Bank at AA- (Double A Minus) and short-[illegible]
[illegible] The medium to long-[illegible] protection factors.

In April 2026, [illegible] Islamic Banking Operations of the Bank [illegible] to global standards in terms of fulfil[illegible]

Future Outlook

The Bank remains vigilant of prevailing economic conditions and will continue to focus on sustaining growth momentum while [illegible] of service quality standards and the delivery of state-of-the-art banking services through effective leverage of technology and a well-trained workforce.

Furthermore, the Bank will prioritize prudent increase in advances across all economic segments and also aims to diversify its financing portfolio by targeting high-quality private sector borrowers for fresh loans, with an emphasis on opportunities in ancillary business and trade finance.

Acknowledgments

The Board would like to thank the Provincial Government, State Bank of Pakistan, Shareholders, regulatory authorities and all other stakeholders for their continued trust and support. We are also grateful to our valued customers for their patronage and continued confidence in the Bank.

For and on behalf of the Board of Directors

Peshawar: August 27, 2026

Hassan Raza
Managing Director & CEO

Bank of Khyber

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of The Bank of Khyber

Report on review of Unconsolidated Condensed Interim Financial Statements

Introduction

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of The Bank of Khyber (the Bank) as at June 30, 2026 and the related unconsolidated condensed interim statement of profit and loss account, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim statement of changes in equity, and unconsolidated condensed interim cash flow statement, and notes to the unconsolidated condensed interim financial statements for the six month period then ended (here-in-after referred to as the "unconsolidated interim financial statements"). Management is responsible for the preparation and presentation of these unconsolidated interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these unconsolidated interim financial statements based on our review.

Scope of Review

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

Conclusion

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

Other Matter

Pursuant to the requirement of Section 237 (1) (b) of the Companies Act, 2017, only cumulative figures for the half year, presented in the second quarter accounts are subject to a limited scope review by the statutory auditors of the Bank. Accordingly, the figures of the unconsolidated condensed interim statement of profit and loss account and unconsolidated condensed interim statement of comprehensive income for the quarter ended June 30, 2026 have not been reviewed by us.

The engagement partner on the audit resulting in this independent auditor's report is M. Imtiaz Aslam.

Chartered Accountants
Islamabad
Date: August 28, 2026

UDIN: RR202610050qdspcRM0m

Bank of Khyber

Unconsolidated Condensed Interim Financial Statements

For the Six Months period ended June 30, 2026

Bank of Khyber

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2026

	Note	(Un-audited) June 30, 2026	(Audited) December 31, 2025
		-------- Rupees in '000 --------	
ASSETS			
Cash and balances with treasury banks	5	**33,883,291**	25,398,116
Balances with other banks	6	**14,548,148**	3,217,067
Lendings to financial institutions	7	**1,633,632**	3,438,549
Investments	8	**353,233,177**	274,956,627
Advances	9	**171,026,970**	126,705,821
Property and equipment	10	**4,584,546**	4,796,539
Right-of-use assets	11	**1,336,666**	1,626,161
Intangible assets	12	**347,960**	379,645
Deferred tax assets	13	**2,374,766**	1,032,911
Other assets	14	**14,448,470**	11,748,178
Total Assets		**597,417,626**	453,299,614
LIABILITIES			
Bills payable	15	**2,812,871**	3,212,340
Borrowings	16	**71,720,280**	35,697,978
Deposits and other accounts	17	**486,658,247**	378,123,220
Lease liabilities	18	**1,544,988**	1,757,104
Subordinated debt		**-**	-
Deferred tax liabilities		**-**	-
Other liabilities	19	**12,800,867**	10,832,282
Total Liabilities		**575,537,253**	429,622,924
NET ASSETS		**21,880,373**	23,676,690
REPRESENTED BY			
Share capital	20	**11,579,360**	11,579,360
Reserves		**6,522,374**	6,229,178
Surplus on revaluation of assets	21	**53,389**	1,358,853
Unappropriated profit		**3,725,250**	4,509,299
		21,880,373	23,676,690
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The annexed notes 1 to 41 form an integral part of these unconsolidated condensed interim financial statements.

MANAGING DIRECTOR	CHIEF FINANCIAL OFFICER	DIRECTOR	DIRECTOR	DIRECTOR

Bank of Khyber

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2026

	Note	Quarter ended		Period ended	
		April 1 to June 30, 2026	April 1 to June 30, 2025	**January 1 to June 30, 2026**	January 1 to June 30, 2025
		--------- Rupees in '000 ---------			
Mark-up / return / interest earned	23	**13,160,470**	14,088,548	**24,534,738**	27,588,830
Mark-up / return / interest expensed	24	**9,027,956**	9,348,813	**16,185,449**	17,743,484
Net mark-up / interest income		**4,132,514**	4,739,735	**8,349,289**	9,845,346
NON MARK-UP / INTEREST INCOME					
Fee and commission income	25	**308,301**	322,713	**612,472**	550,814
Dividend income		**-**	-	**-**	-
Foreign exchange income		**133,728**	209,795	**225,559**	282,162
Income / (loss) from derivatives		**-**	-	**-**	-
(Loss) / gain on securities	26	**(15,780)**	975,858	**50,449**	1,496,573
Net gain / (loss) on derecognition of financial assets measured at amortised cost	27	**42,523**	(41,361)	**12,837**	9,610
Share of profit of associate		**5,719**	5,498	**8,504**	8,466
Other income	28	**30,387**	47,730	**62,314**	72,513
Total non-mark-up / interest income		**504,878**	1,520,233	**972,135**	2,420,138
Total income		**4,637,392**	6,259,968	**9,321,424**	12,265,484
NON MARK-UP / INTEREST EXPENSES					
Operating expenses	29	**3,374,544**	2,968,884	**6,307,106**	5,689,358
Workers Welfare Fund		**-**	-	**-**	-
Other charges	30	**120,823**	30	**120,848**	160
Total non-mark-up / interest expenses		**3,495,367**	2,968,914	**6,427,954**	5,689,518
PROFIT BEFORE CREDIT LOSS ALLOWANCE		**1,142,025**	3,291,054	**2,893,470**	6,575,966
Charge / (Reversal) of credit loss allowance and write offs - net	31	**65,557**	(500,483)	**(291,575)**	(618,472)
PROFIT BEFORE TAXATION		**1,076,468**	3,791,537	**3,185,045**	7,194,438
Taxation	32	**623,384**	2,028,703	**1,719,064**	3,829,072
PROFIT AFTER TAXATION		**453,084**	1,762,834	**1,465,981**	3,365,366
		----------Rupees ---------			
Basic and diluted earnings per share	33	**0.39**	1.52	**1.27**	2.91

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

MANAGING DIRECTOR | **CHIEF FINANCIAL OFFICER** | **DIRECTOR** | **DIRECTOR** | **DIRECTOR**

Bank of Khyber

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME (UN-AUDITED) FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2026

	Quarter ended		Period ended	
	April 1 to June 30, 2026	April 1 to June 30, 2025	**January 1 to June 30, 2026**	January 1 to June 30, 2025
	-------------------- Rupees in '000 --------------------			
Profit after taxation for the period	**453,084**	1,762,834	**1,465,981**	3,365,366
Other comprehensive income / (loss)				
Items that may be reclassified to statement of profit and loss account in subsequent periods:				
Movement in surplus / (deficit) on revaluation of debt investments through FVOCI - net of tax	**2,039**	1,459,585	**(1,289,302)**	598,551
Loss / (gain) on sale of debt investments carried at FVOCI reclassified to profit and loss - net of tax	**7,574**	(473,624)	**(24,216)**	(718,355)
	9,613	985,961	**(1,313,518)**	(119,804)
Items that will not be reclassified to statement of profit and loss account in subsequent periods:				
Movement in (deficit) / surplus on revaluation of equity investments - net of tax	**(12,065)**	(58,921)	**10,935**	19,479
Share of (deficit) / surplus on revaluation of investment in associate - net of tax	**(151)**	-	**-**	1,339
	(12,216)	(58,921)	**10,935**	20,818
Total comprehensive income	**450,481**	2,689,874	**163,398**	3,266,380

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

MANAGING DIRECTOR	CHIEF FINANCIAL OFFICER	DIRECTOR	DIRECTOR	DIRECTOR

Bank of Khyber

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2026

	Share capital	Statutory reserve	Surplus / (deficit) on revaluation of			Unappropriated profit	Total
			Investments	Property and equipment	Non-banking assets		
	Rupees in '000						
Balance as at December 31, 2024 (audited)	11,579,360	5,066,025	749,966	900,120	26,612	3,577,136	21,899,219
Effect of remeasurement on adoption of IFRS 9 - net of tax	-	-	90,629	-	-	-	90,629
Balance as at January 1, 2025 - restated	11,579,360	5,066,025	840,595	900,120	26,612	3,577,136	21,989,848
Profit after taxation for the six month period ended June 30, 2025	-	-	-	-	-	3,365,366	3,365,366
Other comprehensive (loss) / income - net of tax							
Movement in surplus on revaluation of investments in debt instruments through OCI - net of tax	-	-	598,551	-	-	-	598,551
Gain on sale of debt investments carried at FVOCI reclassified to profit and loss - net of tax	-	-	(718,355)	-	-	-	(718,355)
Share of surplus on revaluation of investment of associate - net of tax	-	-	1,339	-	-	-	1,339
Movement in surplus on revaluation of equity investments - net of tax	-	-	19,479	-	-	-	19,479
Total other comprehensive loss - net of tax	-	-	(98,986)	-	-	-	(98,986)
Transfer to statutory reserve	-	673,073	-	-	-	(673,073)	-
Transfer from surplus on revaluation of non-banking asset to unappropriated profit - net of tax	-	-	-	-	(2,708)	2,708	-
Gain on disposal of equity investments at FVOCI of associate transferred to unappropriated profit-net of tax	-	-	(3,791)	-	-	3,791	-
Transactions with owners, recorded directly in equity							
Final cash dividend for the year ended December 31, 2024 (Rs.1.70 per share)	-	-	-	-	-	(1,968,682)	(1,968,682)
Balance as at June 30, 2025 (un-audited) - restated	11,579,360	5,739,098	737,818	900,120	23,904	4,307,246	23,287,546
Profit after taxation for the six month period ended December 31, 2025	-	-	-	-	-	2,450,397	2,450,397
Other comprehensive income / (loss) - net of tax							
Movement in surplus on revaluation of investments in debt instruments through FVOCI- net of tax	-	-	42,186	-	-	-	42,186
Gain on sale of debt investments carried at FVOCI reclassified to profit and loss - net of tax	-	-	(400,990)	-	-	-	(400,990)
Share of surplus on revaluation of investment of associate - net of tax	-	-	-	-	-	-	-
Movement in surplus on revaluation of equity investments - net of tax	-	-	26,540	-	-	-	26,540
Remeasurement (loss) on defined benefit obligations - net of tax	-	-	-	-	-	(24,064)	(24,064)
Deficit transferred to profit and loss on reclassification of debt investment - net of tax	-	-	792	-	-	-	792
Movement in surplus on revaluation of non-banking assets - net of tax	-	-	-	-	31,187	-	31,187
Total other comprehensive loss - net of tax	-	-	(331,472)	-	31,187	(24,064)	(324,349)
Transfer to statutory reserve	-	490,080	-	-	-	(490,080)	-
Transfer from surplus on revaluation of non-banking asset to unappropriated profit - net of tax	-	-	-	-	(2,704)	2,704	-
Gain on disposal of equity investments at FVOCI transferred to unappropriated profit - net of tax	-	-	-	-	-	-	-
Transactions with owners, recorded directly in equity							
Interim cash dividend for the year ended December 31, 2025 (Rs.1.50 per share)	-	-	-	-	-	(1,736,904)	(1,736,904)
Balance as at December 31, 2025 (audited)	**11,579,360**	**6,229,178**	**406,346**	**900,120**	**52,387**	**4,509,299**	**23,676,690**
Impact of adoption of IFRS 9 - net of tax (note 4.1.2)	**-**	**-**	**-**	**-**	**-**	**8,977**	**8,977**
Balance as at January 1, 2026 - restated	**11,579,360**	**6,229,178**	**406,346**	**900,120**	**52,387**	**4,518,276**	**23,685,667**
Profit after taxation for the six month period ended June 30, 2026	**-**	**-**	**-**	**-**	**-**	**1,465,981**	**1,465,981**
Other comprehensive income / (loss) - net of tax							
Movement in deficit on revaluation of investments in debt instruments through OCI - net of tax	**-**	**-**	**(1,289,302)**	**-**	**-**	**-**	**(1,289,302)**
Gain on sale of debt investments carried at FVOCI reclassified to profit and loss - net of tax	**-**	**-**	**(24,216)**	**-**	**-**	**-**	**(24,216)**
Share of surplus on revaluation of investment of associate - net of tax	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Movement in surplus on revaluation of equity investments - net of tax	**-**	**-**	**10,935**	**-**	**-**	**-**	**10,935**
Total other comprehensive loss - net of tax	**-**	**-**	**(1,302,583)**	**-**	**-**	**-**	**(1,302,583)**
Transfer to statutory reserve	**-**	**293,196**	**-**	**-**	**-**	**(293,196)**	**-**
Transfer from surplus on revaluation of non-banking asset - net of tax	**-**	**-**	**-**	**-**	**(2,881)**	**2,881**	**-**
Transactions with owners, recorded directly in equity							
Final cash dividend for the year ended December 31, 2025 (Rs.1.70 per share)	**-**	**-**	**-**	**-**	**-**	**(1,968,692)**	**(1,968,692)**
Balance as at June 30, 2026 (un-audited)	**11,579,360**	**6,522,374**	**(896,237)**	**900,120**	**49,506**	**3,725,250**	**21,880,373**

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

MANAGING DIRECTOR	**CHIEF FINANCIAL OFFICER**	**DIRECTOR**	**DIRECTOR**	**DIRECTOR**

Bank of Khyber

UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2026

	Note	January 1 to June 30, 2026	January 1 to June 30, 2025
		------- Rupees in '000 -------	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		3,185,045	7,194,438
Less: Dividend income		-	-
		3,185,045	7,194,438
Adjustments:			
Net mark-up / return / interest income		(8,525,158)	(10,046,097)
Depreciation - Property and equipment	29	516,842	413,728
Depreciation - Non-banking assets acquired in satisfaction of claims	29	29,675	22,356
Depreciation - Right-of-use assets	29	377,535	377,190
Amortization	29	43,745	42,888
(Reversal) of credit loss allowance and write offs - net	31	(291,575)	(618,472)
Gain on disposal of property and equipment - net	28	(1,037)	(5,330)
Gain on early culmination of lease	28	(210)	(3,904)
Finance charges on leased assets	24	175,869	200,751
Net (gain) on derecognition of financial assets measured at amortised cost	27	(12,837)	(9,610)
Unwinding of deferred cost on staff loans		85,489	74,270
Exchange loss / (gain) on cash and cash equivalents		26,721	(100,831)
Share of profit of associate		(8,504)	(8,466)
		(7,583,445)	(9,661,527)
		(4,398,400)	(2,467,089)
(Increase) / decrease in operating assets			
Lendings to financial institutions		1,807,096	(3,767,461)
Securities classified as FVPL		40	5,402
Advances		(43,894,412)	31,936,269
Other assets (excluding advance taxation and mark-up receivable)		80,066	(395,895)
		(42,007,210)	27,778,315
Increase / (decrease) in operating liabilities			
Bills payable		(399,469)	(19,678,013)
Borrowings from financial institutions		36,022,302	(25,259,637)
Deposits		108,535,027	104,368,445
Other liabilities (excluding mark-up payable)		207,689	(81,018)
		144,365,549	59,349,777
Mark-up / interest received		22,916,369	26,497,613
Mark-up / interest paid		(14,280,455)	(19,641,987)
Income tax paid		(3,032,570)	(2,285,498)
Net cash flow generated from operating activities		103,563,283	89,231,131
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in amortised cost		(195,456)	(2,441,879)
Net investments in securities classified as FVOCI		(79,782,220)	(66,548,984)
Investment in BOK Currency Exchange Company (Private) Limited		(1,000,000)	-
Investments in property and equipment		(304,963)	(304,794)
Investments in intangible assets		(12,060)	(31,858)
Disposal of property and equipment		1,151	6,095
Net cash flow (used in) investing activities		(81,293,548)	(69,321,420)
CASH FLOW FROM FINANCING ACTIVITIES			
Payments of lease obligations against right-of-use assets		(475,815)	(504,176)
Dividend paid		(1,950,575)	(1,950,361)
Net cash flow (used in) financing activities		(2,426,390)	(2,454,537)
Effects of credit loss allowance changes on cash and cash equivalents		(368)	(118)
Effects of exchange rate changes on cash and cash equivalents		(26,721)	100,831
Increase in cash and cash equivalents		19,816,256	17,555,887
Cash and cash equivalents at beginning of the period		28,615,183	27,245,369
Cash and cash equivalents at end of the period		48,431,439	44,801,256

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

MANAGING DIRECTOR	CHIEF FINANCIAL OFFICER	DIRECTOR	DIRECTOR	DIRECTOR

Bank of Khyber

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2026

1 STATUS AND NATURE OF BUSINESS

The Bank of Khyber (the Bank) was established in Pakistan under The Bank of Khyber Act, 1991 and is principally engaged in the business of commercial banking and related services. The Bank acquired the status of a scheduled bank in 1994 and is listed on the Pakistan Stock Exchange Limited. The registered office of the Bank is situated at 24-The Mall, Peshawar Cantt, Peshawar. The Bank operates 256 branches including 212 Islamic banking branches (December 31, 2025: 254 branches including 199 Islamic banking branches). During the period, the Bank has converted additional 11 of its conventional banking branches into Islamic banking branches. The long term credit rating of the Bank assigned by VIS Credit Rating Company Limited and Pakistan Credit Rating Agency Limited (PACRA) are 'AA-' and 'AA-' (December 31, 2025: 'AA-' and 'A+') respectively and the short-term credit ratings assigned are 'A1' (A-One) and 'A-1' (A-One) (December 31, 2025: 'A1' (A-One) and 'A-1' (A-One)) respectively. The majority shares (i.e. 70.20%) of the Bank are held by Government of Khyber Pakhtunkhwa (GoKP).

During the period, the Securities and Exchange Commission of Pakistan (SECP) has issued certificate of incorporation of 'BOK Currency Exchange Company (Private) Limited' dated January 19, 2026 (incorporated as a wholly owned subsidiary of the Bank), and the Bank has injected an amount of Rs. 1,000 million as paid up capital in BOK Exchange Company. Currently, the BoK Exchange Company is in the process of completing the regulatory formalities and obtaining the necessary approvals to commence its operations.

The Provincial Assembly of Khyber Pakhtunkhwa has passed the Bank of Khyber (Amendment) Act, 2022. As part of the amendments, the name of Bank has been changed from 'The Bank of Khyber' to 'Bank of Khyber'. The Bank is in the process of seeking necessary regulatory approval for the same.

2 BASIS OF PREPARATION

2.1 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by the banks from their customers and immediate resale to them at appropriate profit in price on deferred payment basis. The purchases and sales arising under the respective arrangements (except for Murabaha financings accounted for under Islamic Financial Accounting Standard -1"Murabaha") are not reflected in these unconsolidated condensed interim financial statements as such, but are restricted to the amount of facility actually utilized and the appropriate portion of profit thereon.

2.2 These unconsolidated condensed interim financial statements represent separate financial statements of the Bank in which investment in subsidiary is accounted for on the basis of cost less accumulated impairment losses, if any. Consolidated condensed interim financial statements are prepared seperately.

2.3 The Islamic banking branches of the Bank have complied with the requirements as set out in 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.

2.4 The financial results of the Islamic Banking Branches have been included in these unconsolidated condensed interim financial statements for reporting purposes, after eliminating the effects of inter-branch transactions and balances. Key financial figures of the Islamic Banking Branches are disclosed in note 38 to these unconsolidated condensed interim financial statements.

2.5 These unconsolidated condensed interim financial statements have been prepared under the historical cost convention except that certain class of property and equipment and non-banking assets acquired in satisfaction of claims are stated at revalued amounts; certain investments classified at fair value through profit or loss and at fair value through other comprehensive income, foreign exchange contracts and derivative financial instruments, if any, are stated at fair value; staff loans are measured at fair value at initial recognition; and the recognition of certain employees benefits, lease liabilities and corresponding right of use assets at present value, as disclosed in their respective notes.

2.6 The Bank believes that there is no significant doubt on the Bank's ability to continue as a going concern. Therefore, these unconsolidated condensed interim financial statements have been prepared on a going concern basis.

2.7 These unconsolidated condensed interim financial statements have been presented in Pakistani Rupee, which is the Bank's functional and presentation currency. The figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

3 STATEMENT OF COMPLIANCE

3.1 These unconsolidated condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, 'Interim Financial Reporting' issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;

- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Act, 2017;

- Provisions of, directives and notifications 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).

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 or the directives and notifications issued by the SBP and the SECP differ with the requirements of IAS 34 or IFAS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives and notifications, shall prevail.

3.2 The disclosures made in these unconsolidated condensed interim financial statements have been limited based on the format prescribed by the SBP vide BPRD Circular Letter No. 2 dated February 9, 2023 and IAS 34. These unconsolidated condensed interim financial statements do not include all the information and disclosures required in the audited annual financial statements, and should be read in conjunction with the audited annual financial statements for the year ended December 31, 2025.

3.3 SBP vide BSD Circular Letter No. 10, dated August 26, 2002, has deferred the applicability of International Accounting Standard (IAS) 40, Investment Property for banking companies till further instructions. Moreover, SBP vide BPRD Circular No. 4, dated February 25, 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 unconsolidated condensed interim financial statements.

3.4 Standards, interpretations of and amendments to published approved accounting and reporting standards that are effective in the current period

There are certain new and amended standards, issued by the International Accounting Standards Board (IASB), interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2026 but are considered not to be relevant or will not have any material effect on the Bank's unconsolidated condensed interim financial statements including the following:

- IFRS 7, 'Financial Instruments: Disclosures'; the SECP through S.R.O. 742(1)/2025 dated April 16, 2025 has required disclosures regarding the significance of financial instruments to the Bank's financial position and performance, as well as the nature, extent, and management of risks arising from such instruments. Accordingly, the Bank will adopt IFRS 7 in preparing its annual financial statements for the year ending December 31, 2026. However, the disclosure requirements of IFRS 7 do not apply to these unconsolidated condensed interim financial statements except for those specified in paragraph 16A(j) of IAS 34, 'Interim Financial Reporting'.

- certain amendments to IFRS 7 'Financial Instruments: Disclosures' and IFRS 9 'Financial Instruments' have become applicable on the Bank which clarify the date of recognition and derecognition of a financial asset or financial liability. These amendments do not have any material impact and therefore, have not been detailed in these unconsolidated condensed interim financial statements.

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

There are certain new and amended standards, issued by IASB, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2027 but are considered not to be relevant or do not have any material effect on the Bank's unconsolidated condensed interim financial statements except for:

- the new standard - IFRS 18 'Presentation and Disclosure in Financial Statements' (published in April 2024) with applicability date of January 1, 2027. Application of IFRS 18 will impact the presentation of 'Statement of Profit and Loss Account' with certain additional disclosures as and when instructed by SBP.

4 MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policies applied in the preparation of these unconsolidated condensed interim financial statements are consistent with those applied in the preparation of the annual audited financial statements of the Bank for the year ended December 31, 2025, except for changes mentioned in note 4.1 below.

4.1 IFRS 9 - Financial Instruments

4.1.1 The Bank adopted IFRS 9 effective from January 1, 2024, except for certain relaxations and extensions issued by the SBP from time to time. The impacts of these relaxations and extensions were incorporated in the annual audited financial statements of the Bank for the years ended December 2024 and 2025, with the modified retrospective approach as permitted under IFRS-9.

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2026

4.1.2 In addition, SBP in a separate instruction vide letter BPRD/RPD/822456/25 dated January 22, 2025 allowed an extension for application of Effective Interest Rate (EIR) upto December 31, 2025. During the current period, in accordance with aforementioned instructions, the Bank has applied the EIR on the financial instruments as at January 1, 2026. Accordingly, cumulative impact of application of EIR amounting to Rs. 8,977 thousand, net of tax, has increased the equity at the beginning of the current period with a corresponding impact on the income / mark-up accrued and mark-up / return / interest payable.

4.2 The SBP has directed the Banks through its BPRD Circular Letter No. 1 dated January 22, 2025 to continue to apply the existing revenue recognition methodology for Islamic Operations, including the requirements of IFAS 1 and IFAS 2 until further instructions. Had the IFRS-9 been adopted in its entirety for revenue recognition from islamic operations. The profit after tax of the bank would have been higher by Rs. 185,265 thousand.

4.3 Critical accounting estimates and judgements

The basis for accounting estimates adopted in the preparation of these unconsolidated condensed interim financial statements are the same as that applied in the preparation of the annual audited financial statements for the year ended December 31, 2025.

4.4 Financial risk management

The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed in the annual audited financial statements for the year ended December 31, 2025.

	(Un-audited) June 30, 2026	(Audited) December 31, 2025
5 CASH AND BALANCES WITH TREASURY BANKS	-------- Rupees in '000 --------	
In hand		
Local currency	**8,649,359**	7,042,878
Foreign currencies	**224,042**	142,560
	8,873,401	7,185,438
With State Bank of Pakistan in		
Local currency current accounts	**18,794,476**	14,897,044
Foreign currency current accounts	**35,444**	105,018
Foreign currency deposit accounts	**321,033**	266,202
	19,150,953	15,268,264
With National Bank of Pakistan in		
Local currency current accounts	**5,837,714**	2,321,247
Local currency deposit accounts	**12,202**	612,385
Foreign currency current accounts	**8,683**	10,442
	5,858,599	2,944,074
Prize bonds	**354**	354
Less: Credit loss allowance held against cash and balances with treasury banks	**(16)**	(14)
Cash and balances with treasury banks - net of credit loss allowance	**33,883,291**	25,398,116

Bank of Khyber

	Note	(Un-audited) June 30, 2026	(Audited) December 31, 2025
6 BALANCES WITH OTHER BANKS		-------- Rupees in '000 --------	
In Pakistan			
In current accounts		**3,880,305**	1,010,786
In deposit accounts		**632,706**	344,727
		4,513,011	1,355,513
Outside Pakistan			
In current accounts		**957,650**	357,530
In deposit accounts		**9,087,993**	1,514,164
		10,045,643	1,871,694
Less: Credit loss allowance held against balances with other banks		**(10,506)**	(10,140)
Balances with other banks - net of credit loss allowance		**14,548,148**	3,217,067
7 LENDINGS TO FINANCIAL INSTITUTIONS			
Placements with financial institutions		**217,140**	224,236
Call / clean money lending		**1,500,000**	3,300,000
		1,717,140	3,524,236
Less: Credit loss allowance held against lendings to financial institutions	7.1	**(83,508)**	(85,687)
Lendings to financial institutions - net of credit loss allowance		**1,633,632**	3,438,549

7.1 Lendings to financial institutions - particulars of credit loss allowance		Note	(Un-audited) June 30, 2026 Lending	(Un-audited) June 30, 2026 Credit loss allowance held	(Audited) December 31, 2025 Lending	(Audited) December 31, 2025 Credit loss allowance held
			---------- Rupees in '000 ----------			
Domestic						
Performing	Stage 1		**1,500,000**	-	3,300,000	-
Under performing	Stage 2		-	-	-	-
Non-performing	Stage 3					
Substandard			-	-	-	-
Doubtful			-	-	-	-
Loss		7.2	**217,140**	**83,508**	224,236	85,687
			217,140	**83,508**	224,236	85,687
Total			**1,717,140**	**83,508**	3,524,236	85,687
Overseas			-	-	-	-
Total			-	-	-	-

7.2 As at June 30, 2026, the Bank has availed the forced sales value benefit amounting to Rs. 133.63 million (December 31, 2025: Rs. 138.55 million), that is equivalent to the market value of the Pakistan Investment Bonds received by the Bank as part of the settlement agreement against a non performing lending of the Bank. The resulting increase in the unappropriated profit (net of tax) amounting to Rs. 64.14 million (December 31, 2025: Rs. 65.12 million) is not available for the distribution of cash or stock dividend to shareholders or bonus to employees.

Bank of Khyber

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2026

8 INVESTMENTS

8.1 Investments by type:

	(Un-audited) June 30, 2026			
	Cost / amortised cost	Credit loss allowance	Surplus / (deficit)	Carrying value
	--------------Rupees in '000--------------			
Fair value through profit or loss (FVPL)				
Non Government Debt Securities	**1,364,640**	**-**	**(15,459)**	**1,349,181**
Fair value through other comprehensive income (FVOCI)				
Federal Government Securities	**340,022,536**	**-**	**(1,039,827)**	**338,982,709**
Shares	**677,081**	**-**	**(155,675)**	**521,406**
Non-Government Debt Securities	**2,371,795**	**(137,493)**	**(125,087)**	**2,109,215**
	343,071,412	**(137,493)**	**(1,320,589)**	**341,613,330**
Amortised cost (AC)				
Federal Government Securities	**8,636,803**	**-**	**-**	**8,636,803**
Non-Government Debt Securities	**507,882**	**(13)**	**-**	**507,869**
	9,144,685	**(13)**	**-**	**9,144,672**
Associate	**125,994**	**-**	**-**	**125,994**
Subsidiary	**1,000,000**	**-**	**-**	**1,000,000**
Total investments	**354,706,731**	**(137,506)**	**(1,336,048)**	**353,233,177**

	(Audited) December 31, 2025			
	Cost / amortised cost	Credit loss allowance	Surplus / (deficit)	Carrying value
	-------------Rupees in '000-------------			
Fair value through profit or loss (FVPL)				
Non Government Debt Securities	1,364,680	-	(15,459)	1,349,221
Fair value through other comprehensive income (FVOCI)				
Federal Government Securities	259,127,494	-	1,661,852	260,789,346
Shares	677,081	-	(178,456)	498,625
Non-Government Debt Securities	2,617,666	(141,626)	(90,270)	2,385,770
	262,422,241	(141,626)	1,393,126	263,673,741
Amortised cost (AC)				
Federal Government Securities	9,308,916	-	-	9,308,916
Non-Government Debt Securities	507,264	(5)	-	507,259
	9,816,180	(5)	-	9,816,175
Associate	117,490	-	-	117,490
Total investments	273,720,591	(141,631)	1,377,667	274,956,627

8.2 Investments given as collateral	**Note**	**(Un-audited) June 30, 2026**	(Audited) December 31, 2025
		------- Rupees in '000 --------	
Market Treasury Bills		**-**	-
Pakistan Investment Bonds		**43,474,337**	13,878,200
Ijara Sukuks		**19,473,726**	-
	8.2.1	**62,948,063**	13,878,200

8.2.1 The market value of securities given as collateral is Rs. 63,476.18 million (December 31, 2025: Rs. 13,871.20 million).

		(Un-audited) June 30, 2026	(Audited) December 31, 2025
8.3	**Credit loss allowance for diminution in value of investments**	------ Rupees in '000 ------	
	Opening balance	**141,631**	158,189
	Charge / (reversals)		
	Charge for the period / year	**7**	5
	Reversal on disposals / repayment during the period / year	**(4,132)**	(16,563)
		(4,125)	(16,558)
	Closing balance	**137,506**	141,631

8.4 Particulars of credit loss allowance against debt securities

Category of classification		(Un-audited) June 30, 2026		(Audited) December 31, 2025	
		Outstanding amount	**Credit loss allowance held**	Outstanding amount	Credit loss allowance held
Domestic		-------- Rupees in '000 --------			
Performing	Stage 1	**2,742,184**	**13**	2,983,304	5
Underperforming	Stage 2	**-**	**-**	-	-
Non-performing	Stage 3				
Substandard		**-**	**-**	-	-
Doubtful		**-**	**-**	-	-
Loss		**137,493**	**137,493**	141,626	141,626
		137,493	**137,493**	141,626	141,626
Total		**2,879,677**	**137,506**	3,124,930	141,631
Overseas		**-**	**-**	-	-
Total		**-**	**-**	-	-

8.5 Summarised financial information of associate

8.5.1 Investment in associate - unlisted

	Period / year ended	Number of shares	Percentage of holding	Country of incorporation	Cost Rupees in '000
Taurus Securities Limited	**June 30, 2026 (Un-audited)**	**4,050,374**	**30%**	**Pakistan**	**40,504**
Taurus Securities Limited	December 31, 2025 (Audited)	4,050,374	30%	Pakistan	40,504

8.5.2 Summary of financial information of associate

	Assets	Liabilities	Equity	Revenue	Profit after taxation	Total comprehensive income
	----------	----------	---------- Rupees in '000	----------	----------	----------
Based on financial statements:						
- October 1, 2025 to June 30, 2026	**1,686,079**	**1,266,102**	**419,977**	**285,034**	**28,348**	**28,348**
- October 1, 2024 to September 30, 2025	1,560,181	1,168,548	391,633	325,148	51,292	60,588

8.5.3 Reporting date of associate (i.e. Taurus Securities Limited) is December 31. Further, results of its operations including share of profit and other comprehensive income for the three months period October 1, 2025 to December 31, 2025 has been extracted by subtracting nine months period January 1, 2025 to September 30, 2025 figures from the annual audited financial statements for the year ended December 31, 2025 and then adding that to six months period figures from January 1, 2026 to June 30, 2026 based on its un-audited interim financial statements.

8.6 Summarised financial information of subsidiary

8.6.1 Investment in subsidiary - unlisted

	Period / year ended	Number of shares	Percentage of holding	Country of incorporation	Cost Rupees in '000
BoK Currency Exchange Company (Private) Limited	**June 30, 2026 (Un-audited)**	**100,000,000**	**100%**	**Pakistan**	**1,000,000**

8.6.2 Summary of financial information of subsidiary

	Assets	Liabilities	Equity	Revenue	Profit after taxation	Total comprehensive incom e
	----------	----------	---------- Rupees in '000	----------	----------	----------
Based on financial statements:						
- January 19, 2026 to June 30, 2026	**1,035,020**	**25,382**	**1,009,638**	**33,071**	**9,638**	**9,638**

8.7 The market value of securities classified as amortised cost as at June 30, 2026 amounted to Rs. 9,164.22 million (December 31, 2025: Rs. 9,921.04 million).

9 ADVANCES

	Note	Performing		Non performing		Total	
		(Un-audited) June 30, 2026	(Audited) December 31, 2025	**(Un-audited) June 30, 2026**	(Audited) December 31, 2025	**(Un-audited) June 30, 2026**	(Audited) December 31, 2025
		------------Rupees in '000------------					
Loans, cash credits, running finances, etc.		**49,327,485**	41,044,761	**9,247,116**	10,367,438	**58,574,601**	51,412,199
Islamic financing and related assets		**123,372,041**	86,833,272	**2,236,254**	1,943,405	**125,608,295**	88,776,677
Bills discounted and purchased		**-**	99,608	**219,630**	219,630	**219,630**	319,238
		172,699,526	127,977,641	**11,703,000**	12,530,473	**184,402,526**	140,508,114
Impact of fair valuation and modification of advances		**(1,834,483)**	(1,903,583)	**-**	-	**(1,834,483)**	(1,903,583)
Advances - gross		**170,865,043**	126,074,058	**11,703,000**	12,530,473	**182,568,043**	138,604,531
Credit loss allowance against advances	**9.3**						
- Stage 1		**605,888**	702,763	**-**	-	**605,888**	702,763
- Stage 2		**523,401**	395,797	**-**	-	**523,401**	395,797
- Stage 3		**-**	-	**10,411,784**	10,800,150	**10,411,784**	10,800,150
		1,129,289	1,098,560	**10,411,784**	10,800,150	**11,541,073**	11,898,710
Advances - net of credit loss allowance		**169,735,754**	124,975,498	**1,291,216**	1,730,323	**171,026,970**	126,705,821

9.1 Particulars of advances (gross)

	(Un-audited) June 30, 2026	(Audited) December 31, 2025
	------ Rupees in '000 ------	
In local currency	**182,568,043**	138,604,531
In foreign currencies	**-**	-
	182,568,043	138,604,531

9.2 Advances include Rs. 11,703 million (December 31, 2025: Rs. 12,530.47 million) which have been placed under non-performing / stage 3 status as detailed below:

Category of classification in stage 3	(Un-audited) June 30, 2026 Non performing loans	(Un-audited) June 30, 2026 Credit loss allowance	(Audited) December 31, 2025 Non performing loans	(Audited) December 31, 2025 Credit loss allowance
	---------- Rupees in '000 ----------			
Domestic				
Other assets especially mentioned (OAEM)	**59,006**	**41,888**	151,988	81,548
Substandard	**511,023**	**333,988**	774,959	530,827
Doubtful	**794,166**	**518,057**	419,689	283,341
Loss	**10,338,805**	**9,517,851**	11,183,837	9,904,434
	11,703,000	**10,411,784**	12,530,473	10,800,150
Overseas	-	-	-	-
Total	**11,703,000**	**10,411,784**	12,530,473	10,800,150

9.3 Particulars of credit loss allowance against advances

	(Un-audited) June 30, 2026				(Audited) December 31, 2025			
	Credit loss allowance held							
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
	Rupees in '000							
Opening balance	**702,763**	**395,797**	**10,800,150**	**11,898,710**	731,140	584,619	11,425,873	12,741,632
Charge for the period / year	**251,858**	**638,188**	**255,638**	**1,145,684**	522,484	650,837	1,027,433	2,200,754
Reversals for the period / year	**(348,733)**	**(510,584)**	**(644,004)**	**(1,503,321)**	(550,861)	(839,659)	(1,653,156)	(3,043,676)
	(96,875)	**127,604**	**(388,366)**	**(357,637)**	(28,377)	(188,822)	(625,723)	(842,922)
Amounts written off	**-**	**-**	**-**	**-**	-	-	-	-
Closing balance	**605,888**	**523,401**	**10,411,784**	**11,541,073**	702,763	395,797	10,800,150	11,898,710

9.4 Advances - Particulars of credit loss allowance

	(Un-audited) June 30, 2026				(Audited) December 31, 2025			
	Credit loss allowance held							
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
	Rupees in '000							
Opening balance	**702,763**	**395,797**	**10,800,150**	**11,898,710**	731,140	584,619	11,425,873	12,741,632
New advances	**187,752**	**230,475**	**1,126**	**419,353**	435,680	88,991	88,754	613,425
Advances derecognised or repaid	**(104,401)**	**(154,552)**	**(261,249)**	**(520,202)**	(170,478)	(94,545)	(1,162,741)	(1,427,764)
Transfer to stage 1	**64,106**	**(55,645)**	**(8,461)**	**-**	86,804	(82,910)	(3,894)	-
Transfer to stage 2	**(33,419)**	**407,713**	**(374,294)**	**-**	(75,325)	561,846	(486,521)	-
Transfer to stage 3	**(2,563)**	**(11,527)**	**14,090**	**-**	(8,594)	(132,486)	141,080	-
	111,475	**416,464**	**(628,788)**	**(100,849)**	268,087	340,896	(1,423,322)	(814,339)
Changes in risk parameters (PDs/ LGDs/ EADs)	**(208,350)**	**(288,860)**	**240,422**	**(256,788)**	(296,464)	(529,718)	797,599	(28,583)
Closing balance	**605,888**	**523,401**	**10,411,784**	**11,541,073**	702,763	395,797	10,800,150	11,898,710

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2026

9.4.1 Advances - Category of classification		(Un-audited) June 30, 2026 Outstanding amount	(Un-audited) June 30, 2026 Credit loss allowance held	(Audited) December 31, 2025 Outstanding amount	(Audited) December 31, 2025 Credit loss allowance held
		----- Rupees in '000 -----			
Domestic					
Performing	Stage 1	**118,551,256**	**605,888**	81,305,726	702,763
Underperforming	Stage 2	**52,313,787**	**523,401**	44,768,332	395,797
Non-performing	Stage 3				
Other assets especially mentioned (OAEM)		**59,006**	**41,888**	151,988	81,548
Substandard		**511,023**	**333,988**	774,959	530,827
Doubtful		**794,166**	**518,057**	419,689	283,341
Loss		**10,338,805**	**9,517,851**	11,183,837	9,904,434
		11,703,000	**10,411,784**	12,530,473	10,800,150
Total		**182,568,043**	**11,541,073**	138,604,531	11,898,710
Overseas		-	-	-	-
Total		**-**	**-**	-	-

9.4.2 State Bank of Pakistan (SBP) through BSD Circular No.1 dated October 21, 2011 has allowed benefit of the forced sales value (FSV) of plant & machinery under charge, pledged stocks & mortgaged residential, commercial and industrial properties (land and building only), held as collateral against Non-Performing Loans (NPLs) for a maximum of five years from the date of classification.

The Bank has adopted IFRS 9 with effect from January 1, 2024. In accordance with the SBP's IFRS 9 Application Instructions (together with BPRD Circular Letter No.16 of 2024 dated July 29, 2024), credit loss allowance / provision against NPLs has been taken at higher of the i) provision as required under SBP's Prudential Regulations; or ii) credit loss allowance computed in accordance with the requirements of the Application Instructions. This has effectively reduced the cumulative FSV benefit availed by the Bank as on period end. As at June 30, 2026, the Bank has availed cumulative benefit of forced sales value of Rs. 743.53 million (December 31, 2025: Rs. 936.19 million). Increase in unappropriated profit amounting to Rs. 356.90 million (December 31, 2025: Rs. 440.00 million) is not available for the distribution of cash or stock dividend to shareholders or bonus to employees.

10 PROPERTY AND EQUIPMENT	Note	(Un-audited) June 30, 2026	(Audited) December 31, 2025
		------ Rupees in '000 ------	
Capital work-in-progress	10.1	**141,570**	290,463
Property and equipment		**4,442,976**	4,506,076
		4,584,546	4,796,539

10.1 Capital work-in-progress

Civil works	**137,333**	76,921
Equipment	**4,237**	212,400
Furniture and fixtures	**-**	216
Advances to suppliers	**-**	926
	141,570	290,463

Bank of Khyber

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2026

	(Un-audited) For the six months ended June 30, 2026	June 30, 2025
10.2 Additions to property and equipment	------ Rupees in '000 ------	
The following additions have been made to property and equipment during the period:		
Capital work-in-progress - net (transfers) / additions	**(148,893)**	44,130
Property and equipment		
Furniture and fixtures	**26,481**	31,441
Electrical, office and computer equipment	**334,105**	118,151
Vehicles	**-**	26,701
Books	**10**	-
Leasehold improvements	**93,260**	84,371
	453,856	260,664
Total	**304,963**	304,794

10.3 Disposal of property and equipment		
The net book value of property and equipment disposed off during the period is as follows:		
Furniture and fixtures	**21**	2,473
Electrical, office and computer equipment	**93**	545
Leasehold improvements	**-**	1,063
Total	**114**	4,081

	(Un-audited) June 30, 2026	(Audited) December 31, 2025
11 RIGHT-OF-USE ASSETS	------ Rupees in '000 ------	
Buildings		
At January 1		
Cost	**5,235,628**	4,965,179
Accumulated depreciation	**(3,609,467)**	(2,905,209)
Net carrying amount at January 1	**1,626,161**	2,059,970
Additions during the period / year	**91,658**	379,414
Terminations during the period / year - at cost	**(8,424)**	(108,965)
Accumulated depreciation on termination	**4,806**	63,251
	(3,618)	(45,714)
Depreciation charge for the period / year	**(377,535)**	(767,509)
Net carrying amount at the period / year end	**1,336,666**	1,626,161
12 INTANGIBLE ASSETS		
Capital work in progress	**62,765**	53,879
Licenses and computer softwares	**285,195**	325,766
	347,960	379,645

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2026

		(Un-audited) For the six months ended	
		June 30, 2026	June 30, 2025
12.1	**Additions to intangible assets**	------ Rupees in '000 ------	
	The following additions have been made to intangible assets during the period:		
	Directly purchased - intangible assets	**-**	-
	Capital work in progress - net	**3,174**	9,922
	Total	**3,174**	9,922

12.2 Disposals of intangible assets

No intangible assets were disposed off during the periods ended June 30, 2026 and June 30, 2025.

		(Un-audited)	(Audited)
		June 30, 2026	December 31, 2025
13	**DEFERRED TAX ASSETS**	------ Rupees in '000 ------	
	Deductible temporary differences on		
	Accelerated accounting depreciation	**510,150**	409,463
	Credit loss allowance against investments	**12,862**	15,007
	Unrealised loss on FVPL investments	**8,039**	8,039
	Credit loss allowance against advances and off balance sheet obligations	**1,382,519**	1,521,093
	Credit loss allowance against cash and balances with treasury banks	**10**	8
	Credit loss allowance against balances with other banks	**5,463**	5,273
	Credit loss allowance against other assets	**23,479**	23,812
	Islamic pool management reserves	**48,314**	51,067
	Deficit on revaluation of FVOCI investments - net	**426,946**	-
	Others	**222,773**	188,373
		2,640,555	2,222,135
	Taxable temporary differences on		
	Share of profit of associate	**(44,455)**	(40,033)
	Surplus on revaluation of FVOCI investments - net	-	(984,186)
	Surplus on revaluation of non-banking asset	**(53,628)**	(56,751)
	Modification of advances	**(38,571)**	(14,175)
	Fair valuation of staff loans	**(129,135)**	(94,079)
		(265,789)	(1,189,224)
	Deferred tax assets - net	**2,374,766**	1,032,911

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2026

		Note	(Un-audited) June 30, 2026	(Audited) December 31, 2025
			------ Rupees in '000 ------	
14	**OTHER ASSETS**			
	Income / mark-up accrued in local currency		**7,913,636**	6,522,531
	Advances, deposits, advance rent and other prepayments		**447,176**	373,019
	Advance taxation (payments less provisions)		**1,996,706**	623,647
	Non-banking assets acquired in satisfaction of claims		**202,787**	226,459
	Mark to market gain on forward foreign exchange contracts		**3,215**	8,926
	Acceptances		**2,173**	2,910
	Pre-IPO investment		**100,000**	100,000
	Stationary and stamps on hand		**164,664**	169,411
	Clearing and settlement accounts		**659,307**	1,019,518
	Branch adjustment account		**4,841**	10,812
	Receivable from the State Bank of Pakistan		**689,626**	477,287
	Deferred cost on staff loans		**2,156,993**	2,111,764
	Others		**193,790**	182,975
			14,534,914	11,829,259
	Less: Credit loss allowance held against other assets	**14.1**	**(189,578)**	(190,219)
	Other assets - net of credit loss allowance		**14,345,336**	11,639,040
	Surplus on revaluation of non-banking assets acquired in satisfaction of claims	**21**	**103,134**	109,138
	Other assets - total		**14,448,470**	11,748,178
14.1	**Credit loss allowance held against other assets**			
	Income / mark-up accrued in local currency		**2,082**	2,723
	Advances for Pre-IPO investment		**100,000**	100,000
	Others		**87,496**	87,496
			189,578	190,219
14.1.1	**Movement in credit loss allowance held against other assets**			
	Opening balance		**190,219**	190,357
	Charge for the period / year		**591**	1,250
	Reversal for the period / year		**(1,232)**	(1,388)
			(641)	(138)
	Closing balance		**189,578**	190,219
15	**BILLS PAYABLE**			
	In Pakistan		**2,812,871**	3,212,340
	Outside Pakistan		-	-
			2,812,871	3,212,340

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2026

16 BORROWINGS

	(Un-audited) June 30, 2026	(Audited) December 31, 2025
	------ Rupees in '000 ------	
Secured		
Borrowings from State Bank of Pakistan (SBP) under:		
- Export refinance scheme	**1,971,000**	2,205,700
- Long term financing facility	**2,024,246**	2,367,827
- Refinance and credit guarantee scheme for women entrepreneurs	**38,443**	46,242
- Financing facility for renewable energy	**175,442**	204,448
- Refinance facility for modernization of Small and Medium Enterprises (SMEs)	**115,372**	134,449
- Refinance facility for combating COVID-19	**75,359**	182,745
- SME Asaan Scheme (SAAF)	**227,278**	321,801
- Financing facility for storage of agriculture produce	**95,077**	107,538
- Repurchase agreement borrowings	**42,351,908**	-
- Acceptance mudarbah	**19,473,726**	-
	66,547,851	5,570,750
Repurchase agreement borrowings	**1,122,429**	13,878,200
Total secured	**67,670,280**	19,448,950
Unsecured		
Call borrowings	**4,050,000**	16,249,028
Total	**71,720,280**	35,697,978

17 DEPOSITS AND OTHER ACCOUNTS

	(Un-audited) June 30, 2026			(Audited) December 31, 2025		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	------------------------------- Rupees in '000 -------------------------------					
Customers						
Current deposits	**80,703,550**	**1,302,549**	**82,006,099**	68,296,014	744,527	69,040,541
Saving deposits	**207,083,653**	**104,145**	**207,187,798**	176,241,734	116,671	176,358,405
Term deposits	**173,982,634**	**265,589**	**174,248,223**	107,567,941	601,574	108,169,515
Others	**18,731,042**	**-**	**18,731,042**	21,709,929	-	21,709,929
	480,500,879	**1,672,283**	**482,173,162**	373,815,618	1,462,772	375,278,390
Financial Institutions						
Current deposits	**1,042,106**	**31,071**	**1,073,177**	1,999,589	30,896	2,030,485
Saving deposits	**3,207,508**	**-**	**3,207,508**	814,345	-	814,345
Term deposits	**204,400**	**-**	**204,400**	-	-	-
	4,454,014	**31,071**	**4,485,085**	2,813,934	30,896	2,844,830
	484,954,893	**1,703,354**	**486,658,247**	376,629,552	1,493,668	378,123,220

18 LEASE LIABILITIES

	(Un-audited) June 30, 2026	(Audited) December 31, 2025
	------ Rupees in '000 ------	
Outstanding amount at the start of the period / year	**1,757,104**	2,147,700
Additions during the period / year	**91,658**	379,414
Lease payments including interest during the period / year	**(475,815)**	(1,097,755)
Interest expense	**175,869**	390,465
Terminations / modifications during the period / year	**(3,828)**	(62,720)
	(212,116)	(390,596)
Outstanding amount at the end of the period / year	**1,544,988**	1,757,104

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2026

	(Un-audited) June 30, 2026	(Audited) December 31, 2025
	------ Rupees in '000 ------	
18.1 Liabilities outstanding		
Not later than one year	**664,922**	585,565
Later than one year and up to five years	**880,066**	1,171,539
Total at the period / year end	**1,544,988**	1,757,104

18.2 The Bank mainly has lease contracts for real estate that are used in its operations including branches and other offices. Generally, the Bank is restricted from assigning and subleasing the lease assets. As a practical expedient, management does not separate lease and non-lease components, wherever applicable. The additions to lease obligations during the period have been discounted at rates ranging between 10.40% to 12.24% (December 31, 2025: 10.98% to 12.24%) per annum; being the relevant incremental borrowing rate of the Bank.

	Note	(Un-audited) June 30, 2026	(Audited) December 31, 2025
		------ Rupees in '000 ------	
19 OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		**9,072,518**	7,389,057
Mark-up / return / interest payable in foreign currencies		**3,059**	16,380
Unearned commission and income on bills discounted		**134,791**	150,512
Accrued expenses and supplier payables		**1,581,809**	1,835,808
Acceptances		**2,173**	2,910
Unclaimed dividends		**131,359**	113,242
Mark to market loss on forward foreign exchange contracts		**1,305**	147
Deferred income on government schemes		**1,275**	1,275
Deferred income on Islamic financing		**597,550**	622,651
Islamic pool management reserves		**92,911**	98,206
Share subscription money refund		**1,091**	1,091
Retention money		**32,317**	39,738
Bills payment system over the counter (BPS-OTC)		**-**	49,502
Charity fund balance		**12,483**	11,648
Payable to defined benefit plan		**81,053**	3,499
Security deposits against ijarah		**27,343**	32,153
Levies and other taxes payable		**64,726**	38,629
Credit loss allowance against off-balance sheet obligations	**19.1**	**115,045**	42,406
Others		**848,059**	383,428
		12,800,867	10,832,282

19.1 Credit loss allowance against off-balance sheet obligations		
Opening balance	**42,406**	44,098
Charge for the period / year	**105,993**	19,419
Reversal for the period / year	**(33,354)**	(21,111)
	72,639	(1,692)
Closing balance	**115,045**	42,406

20 SHARE CAPITAL

20.1 Authorized capital

(Un-audited) June 30, 2026	(Audited) December 31, 2025		(Un-audited) June 30, 2026	(Audited) December 31, 2025
Number of shares			----- Rupees in '000 -----	
1,500,000,000	1,500,000,000	Ordinary shares of Rs. 10 each	**15,000,000**	15,000,000

20.2 Issued, subscribed and paid up

(Un-audited) June 30, 2026	(Audited) December 31, 2025		(Un-audited) June 30, 2026	(Audited) December 31, 2025
Number of shares			----- Rupees in '000 -----	
		Ordinary shares of Rs. 10 each		
722,698,448	722,698,448	Fully paid in cash	**7,226,984**	7,226,984
435,237,541	435,237,541	Issued as fully paid bonus shares	**4,352,376**	4,352,376
1,157,935,989	1,157,935,989	**Closing balance**	**11,579,360**	11,579,360

20.3 The Bank has only one class of shares and at reporting date, the Government of Khyber Pakhtunkhwa and Ismail Industries Limited held 812,893,804 (December 31, 2025: 812,893,804) and 282,852,969 (December 31, 2025: 282,852,969) ordinary shares respectively. Moreover, the Bank has no reserved shares under options.

21 SURPLUS ON REVALUATION OF ASSETS

	(Un-audited) June 30, 2026	(Audited) December 31, 2025
	------ Rupees in '000 ------	
(Deficit) / surplus on revaluation of:		
- Securities measured at FVOCI - Debt	**(1,164,914)**	1,571,582
- Securities measured at FVOCI - Equity	**(155,675)**	(178,456)
- Property and equipment	**900,120**	900,120
- Non-banking assets acquired in satisfaction of claims	**103,134**	109,138
- Investment of associate	**(5,404)**	(5,404)
	(322,739)	2,396,980
Deferred tax on deficit / (surplus) on revaluation of:		
- Securities measured at FVOCI - Debt	**605,755**	(817,223)
- Securities measured at FVOCI - Equity	**(178,809)**	(166,963)
- Non-banking assets acquired in satisfaction of claims	**(53,628)**	(56,751)
- Investment of associate	**2,810**	2,810
	376,128	(1,038,127)
	53,389	1,358,853

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2026

		Note	(Un-audited) June 30, 2026	(Audited) December 31, 2025
			------ Rupees in '000 ------	
22	**CONTINGENCIES AND COMMITMENTS**			
	Guarantees	22.1	**31,049,486**	44,153,665
	Commitments	22.2	**45,458,569**	27,482,911
			76,508,055	71,636,576
22.1	**Guarantees:**			
	Financial guarantees		**300,000**	300,000
	Performance guarantees		**30,743,404**	43,847,583
	Other guarantees		**6,082**	6,082
			31,049,486	44,153,665
22.2	**Commitments:**			
	Documentary credits and short-term trade-related transactions			
	- Letters of credit		**17,704,998**	14,495,539
	Commitments in respect of:			
	- Forward foreign exchange contracts	22.2.1	**22,754,294**	2,660,236
	Commitments for acquisition of:			
	- Property and equipment		**116,308**	396,538
	- Intangible assets		**89,544**	69,828
	Undrawn loan commitments	22.2.2	**4,793,425**	9,860,770
	Other commitments		**-**	-
			45,458,569	27,482,911
22.2.1	**Commitments in respect of forward foreign exchange contracts**			
	Purchase		**6,854,373**	792,236
	Sale		**15,899,921**	1,868,000
			22,754,294	2,660,236

Commitments for outstanding forward foreign exchange contracts are disclosed in these unconsolidated condensed interim financial statements at contracted rates.

22.2.2 Undrawn loan commitments

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. In addition, the Bank makes revocable commitments that do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

22.3 Other contingent liabilities

22.3.1 There are certain claims which have not been acknowledged as debts. These mainly represent counter claims by the borrowers, claims filed by the former employees of the Bank and certain other claims. Based on legal advice and/or internal assessments management is optimistic that the matters will be decided in the Bank's favour and the possibility of any adverse outcome is remote. Accordingly, no provision has been made in these unconsolidated condensed interim financial statements for the same.

22.3.2 The Bank is contesting a case filed by an employee in the Peshawar High Court regarding changes in post retirement benefit plans made by the Bank w.e.f. January 1, 2019. The management based on a legal opinion is of the view that such changes were lawfully made as per Bank's policy and is optimistic about the favourable outcome of the case. Hence, no provision in this respect is recognised in these unconsolidated condensed interim financial statements. Considering the complexity and uncertainty in nature, the financial impact cannot be reasonably ascertained.

22.3.3 The Bank is subject to periodic inspections and reviews by the State Bank of Pakistan. Such inspections may result in observations, remedial actions, administrative penalties or other regulatory measures. As of the reporting date, an inspection is underway. Management believes that the outcome of this matter cannot be presently determined with sufficient certainty and accordingly no provision has been recognised. Moreover, as per the practice, the financial effect, if any, will be recognised when it becomes probable and can be reliably estimated.

22.3.4 During the period, the Bank entered into an agreement with M/s Mastercard Middle East Africa; under which certain support payments are linked to specified performance targets. As at period end, support payments amounting to USD 647 thousand received by the Bank remain contingent upon achievement of such targets over the period of ten years of the agreement. Based on an assessment performed, management is confident of achieving the specified targets in future periods, accordingly, no provision has been recognized in these unconsolidated interim financial statements.

22.3.5 The matters arising from income tax assessments of the Bank up to Tax Year 2025 are detailed below:

i) In respect of Tax Year 2014, the Commissioner Inland Revenue, Appeals (CIRA), issued an order dated November 24, 2021 under section 129 of the Income Tax Ordinance, 2001 in which he remanded back certain matters to Commissioner Inland Revenue (CIR) for reassessment and also upheld few matters. Being aggrieved, the Bank filed an appeal with Appellate Tribunal Inland Revenue (ATIR) on February 23, 2022, which is currently pending.

The remand back proceedings were also completed by CIR, and order was issued, creating a total demand of Rs. 231 million (December 31, 2025: Rs. 231 million) in respect of remand back proceedings and for matter upheld by CIRA and mainly included disallowances on account of provision for doubtful debt, depreciation and workers welfare fund. The Bank filed correction application with CIR as well as appeal with CIRA, on May 18, 2022 which is currently pending.

ii) In respect of Tax Year 2015, Deputy Commissioner Inland Revenue issued an order dated February 23, 2023 creating an additional tax demand along with default surcharge of Rs. 645 million (December 31, 2025: Rs. 645 million) under section 161 of Income Tax Ordinance, 2001, mainly on account of non-deduction of withholding taxes on profit on debt, salaries and wages, advertisement and professional charges etc. Being aggrieved, the Bank filed an appeal before CIRA on March 22, 2023 which is currently pending.

Further, the Bank's assessment was amended under section 122(5A) by the Additional Commissioner Inland Revenue on December 13, 2016. The Bank filed an appeal before the CIR(A), who deleted the additions made by the ACIR. The case was subsequently selected for audit, which was concluded on September 30, 2021, resulting in a tax demand of Rs. 64.13 million. The Bank filed an appeal before the CIR(A), who, on May 24, 2023, upheld the disallowance of markup. Being aggrieved, the Bank filed an appeal before the ATIR and tax demand was reduced to Rs. 54.24 million. The matter is currently pending before Peshawar High Court.

iii) In respect of Tax Year 2016, Additional Commissioner Inland Revenue issued an order dated June 21, 2022 creating a demand of Rs. 188 million (December 31, 2025: Rs. 188 million) on account of provision for non-performing loans and advances. Being aggrieved the Bank filed an appeal with CIRA on July 22, 2022 which is currently pending.

iv) In respect of Tax Year 2017, Additional Commissioner Inland Revenue issued an order dated May 29, 2023 creating a demand of Rs. 130 million (December 31, 2025: Rs. 130 million) on account of provision for non-performing loans and advances. Being aggrieved the Bank filed an appeal with CIRA on July 4, 2023 which is currently pending.

v) In respect of Tax Year 2019, Assistant Commissioner Inland Revenue issued an order dated November 30, 2023 creating a demand of Rs. 962 million (December 31, 2025: Rs. 962 million) along with default surcharge amounting to Rs. 567 million (December 31, 2025: Rs. 567 million) under section 161 of Income Tax Ordinance, 2001, mainly on account of non-deduction of withholding taxes. Being aggrieved, the Bank filed an appeal against the order on January 1, 2024. Appellate Tribunal Inland Revenue (ATIR) issued an order dated March 7, 2025, remanding the matter back to the assessing officer for a fresh decision after the examination of records.

During the period, the assessing officer completed the remand back proceedings and issued an order dated June 29, 2026 under section 161(1) of the Income Tax Ordinance, 2001, reducing the demand to Rs. 28 million including default surcharge of Rs. 6 million. Being aggrieved, the Bank filed an appeal before CIR(A) on July 28, 2026, which is currently pending.

vi) In respect of Tax Year 2020, Additional Commissioner Inland Revenue issued an order dated May 25, 2026 under section 122(5A) of the Income Tax Ordinance, 2001, creating a demand of Rs. 271 million by disallowing the Bank's claim of refund adjustment. Being aggrieved, the Bank filed an appeal before CIRA on June 18, 2026 which is currently pending.

Further, Assistant Commissioner Inland Revenue issued an order dated June 30, 2026 under section 161(1) of the Income Tax Ordinance, 2001, creating a demand of Rs. 26 million including default surcharge of Rs. 3 million, mainly on account of non-deduction of withholding taxes. Being aggrieved, the Bank filed an appeal before CIRA on July 28, 2026, which is currently pending.

vii) In respect of Tax Year 2021, Additional Commissioner Inland Revenue issued an order dated May 25, 2026 under section 122(5A) of the Income Tax Ordinance, 2001, creating a demand of Rs. 199 million by disallowing the Bank's claim of refund adjustment. Being aggrieved, the Bank filed an appeal before CIRA on June 18, 2026 which is currently pending.

viii) In respect of Tax Year 2022, Deputy Commissioner Inland Revenue issued an order dated December 8, 2025 creating a tax demand along with default surcharge of Rs. 6.620 billion under section 161 of Income Tax Ordinance, 2001, mainly on account of non-deduction of withholding taxes on profit on debt, dividend paid, salaries and wages, advertisement, professional and other charges etc. Being aggrieved, the Bank filed an appeal before CIRA on January 9, 2026. The demand was then reduced to Rs. 25 million (including default surcharge), vide order dated April 8, 2026.The Bank filed an appeal before the ATIR, which is currently pending.

ix) In respect of Tax Year 2023, Additional Commissioner Inland Revenue issued an order dated May 25, 2026 under section 122(5A) of the Income Tax Ordinance, 2001, creating a demand of Rs. 71 million by disallowing the Bank's claim of refund adjustment. Being aggrieved, the Bank filed an appeal before CIRA on June 18, 2026 which is currently pending.

x) In respect of Tax Year 2024, Additional Commissioner Inland Revenue issued an order dated April 14, 2026 under section 122(5A) of the Income Tax Ordinance, 2001, creating a demand of Rs. 210 million by disallowing the Bank's claim of refund adjustment. Being aggrieved, the Bank filed an appeal before CIRA on May 14, 2026 which is currently pending.

Moreover, a recovery notice under section 138(1) was issued to the Bank, against which the Bank's stay application was rejected by CIRA on May 20, 2026. The Bank thereafter filed an interim appeal along with a stay application before ATIR on May 21, 2026. The Division Bench of the ATIR, Peshawar, vide order dated May 25, 2026 granted a stay against recovery proceedings until the disposal of the main appeal by CIRA. Subsequently, CIRA on July 10, 2026 upheld the department's decision. Being aggrieved, the Bank filed an appeal before ATIR on July 23, 2026 and ATIR granted stay on July 24, 2026.

Management is confident of a favourable outcome of the above matters. Hence, no provision has been recognised for the same in these unconsolidated condensed interim financial statements.

22.3.6 The Bank's share of contingencies of it's associated company i.e. Taurus Securities Limited amounts to Rs. 8.61 million (December 31, 2025: Rs. 9.37 million). No provision has been recognised for the same in these unconsolidated condensed interim financial statements.

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2026

			(Un-audited) For the six months ended	
			June 30, 2026	June 30, 2025
23	**MARK-UP / RETURN / INTEREST EARNED**	**Note**	--------- Rupees in '000 ---------	
	Loans and advances		**7,766,463**	7,089,255
	Investments		**9,991,430**	13,305,414
	Lendings to financial institutions		**88,362**	327,820
	Balances with banks		**53,932**	108,122
	Sukuk bonds		**6,634,551**	6,758,219
			24,534,738	27,588,830
23.1	**Interest income included in above (calculated using effective interest rate method) recognized on:**			
	Financial assets measured at amortized cost		**8,407,800**	
	Financial assets measured at FVOCI		**16,040,409**	
		24.1.1	**24,448,209**	
24	**MARK-UP / RETURN / INTEREST EXPENSED**			
	Deposits		**11,596,765**	12,620,495
	Borrowings		**4,412,815**	4,922,238
	Lease liability		**175,869**	200,751
			16,185,449	17,743,484
24.1	**Interest expense included in above calculated using effective interest rate method:**			
	Financial liabilities	**24.1.1**	**16,009,580**	

24.1.1 As disclosed in note 4.1.2, the Bank has applied the effective interest rate method during the current period under the modified retrospective approach. The impact has been recognised in opening equity, and accordingly, prior information has not been presented.

			(Un-audited) For the six months ended	
			June 30, 2026	June 30, 2025
25	**FEE AND COMMISSION INCOME**	**Note**	--------- Rupees in '000 ---------	
	Branch banking customer fees		**15,811**	14,278
	Consumer finance related fees		**-**	475
	Card related fees (Debit cards)		**351,413**	262,654
	Commission on trade		**70,541**	82,573
	Commission on guarantees		**119,568**	118,068
	Commission on remittances including home remittances		**12,581**	34,683
	Rebate from financial institutions		**35,427**	30,644
	Others		**7,131**	7,439
			612,472	550,814
26	**GAIN ON SECURITIES**			
	Realised gain	**26.1**	**50,449**	1,496,573
	Unrealised gain/ (loss) - measured at FVPL		**-**	-
			50,449	1,496,573
26.1	**Realised gain on:**			
	Federal government securities		**50,449**	1,496,573
27	**NET GAIN / (LOSS) ON DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTISED COST**			
	Gain on derecognition of financial assets measured at amortised cost		**36,370**	29,736
	Loss on derecognition of financial assets measured at amortised cost		**(23,533)**	(20,126)
			12,837	9,610
28	**OTHER INCOME**			
	Rent on property		**1,204**	1,676
	Gain on sale of property and equipment - net		**1,037**	5,330
	Postal, swift and other services		**59,853**	61,283
	Gain on early culmination of lease		**210**	3,904
	Service income on Government schemes		**10**	320
			62,314	72,513

Bank of Khyber

		(Un-audited) For the six months ended	
		June 30, 2026	June 30, 2025
29	**OPERATING EXPENSES**	--------- Rupees in '000 ---------	
	Total compensation expense	**2,922,375**	2,584,182
	Property expense		
	Rent and taxes	**10,777**	7,340
	Utilities cost	**230,922**	245,277
	Security (including guards)	**200,134**	187,578
	Repair and maintenance (including janitorial charges)	**16,506**	14,034
	Depreciation - Right of use assets	**377,535**	377,190
	Depreciation - Non banking assets acquired in satisfaction of claims	**29,675**	22,356
	Depreciation - Property and equipment	**209,006**	198,741
		1,074,555	1,052,516
	Information technology expenses		
	Software maintenance	**326,810**	327,724
	Hardware maintenance	**36,902**	52,712
	Depreciation - Property and equipment	**253,241**	166,339
	Amortization	**43,745**	42,888
	Network charges	**9,087**	8,833
	Connectivity charges	**138,057**	158,774
	ATM charges	**92,048**	135,101
		899,890	892,371
	Other operating expenses		
	Directors' fees and allowances	**48,003**	24,602
	Fees and allowances to Shariah Board	**8,433**	7,652
	Legal and professional charges	**21,832**	27,805
	Outsourced service cost	**247,705**	209,264
	Travelling and conveyance	**57,251**	50,096
	NIFT clearing charges	**21,540**	16,243
	Depreciation - Property and equipment	**54,595**	48,648
	Training and development	**2,745**	8,691
	Postage and courier charges	**34,556**	40,681
	Communication	**154,606**	118,847
	Stationery and printing	**72,108**	73,262
	Marketing, advertisement and publicity	**270,606**	125,106
	Auditors' remuneration	**11,574**	12,300
	Entertainment	**34,598**	34,698
	Newspapers and periodicals	**903**	1,346
	Brokerage and commission	**16,201**	19,863
	Rent and taxes	**474**	1,270
	Cash carriage charges	**82,931**	71,700
	Repair and maintenance	**27,286**	68,140
	Utilities cost	**5,681**	5,692
	Insurance	**27,295**	48,039
	Fees and subscriptions	**7,597**	4,595
	Deposit protection premium	**104,682**	79,934
	Home remittance charges	**54,011**	31,223
	Others	**43,073**	30,592
		1,410,286	1,160,289
		6,307,106	5,689,358
30	**OTHER CHARGES**		
	Penalties imposed by State Bank of Pakistan	**120,848**	160

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2026

		Note	(Un-audited) For the six months ended June 30, 2026	June 30, 2025
			--------- Rupees in '000 ---------	
31	**(REVERSAL OF) / CREDIT LOSS ALLOWANCE AND WRITE OFFS - NET**			
	Credit loss allowance held against cash and and balances with treasury banks and balances with other banks	**5 & 6**	**368**	118
	(Reversal) of credit loss allowance against lendings to financial institutions	**7**	**(2,179)**	(10,912)
	(Reversal) of credit loss allowance for diminution in value of investments	**8.3**	**(4,125)**	(8,289)
	(Reversal) of credit loss allowance against advances	**9.3**	**(357,637)**	(605,778)
	(Reversal) of credit loss allowance against other assets	**14.1.1**	**(641)**	(337)
	Credit loss allowance against off balance sheet obligations	**19.1**	**72,639**	6,726
			(291,575)	(618,472)
32	**TAXATION**			
	Current		**1,659,511**	3,426,140
	Deferred		**59,553**	402,932
			1,719,064	3,829,072
33	**BASIC AND DILUTED EARNINGS PER SHARE**			
	Profit for the period		**1,465,981**	3,365,366
			------ (Number of shares) ------	
	Weighted average number of ordinary shares		**1,157,935,989**	1,157,935,989
			----------- (Rupees) ------------	
	Basic and diluted earnings per share		**1.27**	2.91

33.1 There were no dilutive potential ordinary shares outstanding as at June 30, 2026 and June 30, 2025.

34 FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than those classified under amortised cost, is based on quoted market price. Quoted securities classified under amortised cost are carried at cost. The fair value of unquoted equity securities, other than investments in subsidiary and associate, is determined on the basis of valuation methodologies. 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 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 assets and liabilities are either short-term in nature or in the case of customer loans and deposits, are frequently re-priced.

34.1 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 inputs 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 in to which the fair value measurement is categorized:

		(Un-audited) June 30, 2026			
	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
On balance sheet financial instruments		------------------- Rupees in '000 -------------------			
Financial assets - measured at fair value					
Investments					
Federal Government Securities	**338,982,709**	**89,313,426**	**249,669,283**	**-**	**338,982,709**
Shares	**521,406**	**220,695**	**-**	**300,711**	**521,406**
Non-Government Debt Securities	**3,458,396**	**1,006,994**	**2,451,402**	**-**	**3,458,396**
Financial assets - disclosed but not measured at fair value					
Investments					
Federal Government Securities	**8,636,803**	**-**	**8,628,261**	**-**	**8,628,261**
Non-Government Debt Securities	**507,869**	**535,959**	**-**	**-**	**535,959**
Off-balance sheet financial instruments - measured at fair value					
Forward exchange contracts purchase	**6,854,373**	**-**	**1,305**	**-**	**1,305**
Forward exchange contracts sale	**15,899,921**	**-**	**3,215**	**-**	**3,215**

		(Audited) December 31, 2025			
	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
On balance sheet financial instruments		------------------- Rupees in '000 -------------------			
Financial assets measured at fair value					
Investments					
Federal Government Securities	260,789,346	84,287,213	176,502,133	-	260,789,346
Shares	498,625	207,139	-	291,486	498,625
Non-Government Debt Securities	3,734,991	1,057,884	2,677,107	-	3,734,991
Financial assets - disclosed but not measured at fair value					
Investments					
Federal Government Securities	9,308,916	-	9,364,123	-	9,364,123
Non-Government Debt Securities	507,259	556,914	-	-	556,914
Off-balance sheet financial instruments - measured at fair value					
Forward exchange contracts purchase	792,236	-	147	-	147
Forward exchange contracts sale	1,868,000	-	8,926	-	8,926

34.2 The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Bank's policy is to recognize 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. During the period the Bank has reclassified two (2) Pakistan Investment Bonds (PIBs) with a carrying amount of Rs 866,951 million from amortised cost to FVOCI following a reassessment of the business model for managing the PIB portfolio. There were no transfers between level 1 and 2 during the period.

Leasehold land is carried at revalued amount as determined by professional valuer, based on their assessment of market value and has been classified under level-3 as the effect of changes in the unobservable inputs used in the valuation cannot be determined with certainty.

34.2.1 Fair value of financial assets

(a) Financial instruments in level 1

Financial instruments included in level 1 comprise of investments in listed ordinary shares and listed Government of Pakistan (GoP) - Ijarah Sukuks, and listed non-government debt securities.

(b) Financial instruments in level 2

Financial instruments included in level 2 comprise of Sukuks Bonds, Pakistan Investment Bonds, Market Treasury Bills, Term Finance certificates, and un-listed non-government debt securities and forward exchange contracts.

(c) Financial instruments in level 3

Financial instruments included in level 3 comprise of investments in un-listed ordinary shares.

34.2.2 Fair value of non - financial assets

Certain categories of property and equipment (leasehold land) of Rs. 1,016.28 million (December 31, 2025: Rs. 1,016.28 million) and non banking assets acquired in satisfaction of claims of Rs. 305.92 million (December 31, 2025: Rs. 335.60 million) are carried at revalued amounts (level 3 measurements) determined by professional valuers based on their assessment of the market values. The valuations are conducted by the valuation experts appointed by Bank which are also on panel of State Bank of Pakistan.

34.2.3 Valuation techniques and inputs used in determination of fair values within level 1

Fully paid-up ordinary shares, listed GOP ijarah, Sukuks (GIS) and listed non-Government debt securities.	Fair values of investments in listed equity securities and listed GOP ijarah Sukuks (GIS) are valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange.

34.2.4 Valuation techniques and inputs used in determination of fair values within level 2

Pakistan Investment Bonds / Market Treasury Bills	Fair values of Pakistan Investment Bonds and Treasury Bills are derived using the PKRV rates for fixed rate securities and PKFRV rates for floating rate PIB's (Reuters page).
Un-listed GOP ijarah Sukuks	Fair values of unlisted 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 eight different 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, the MUFAP takes into account the holding pattern of these securities and categorizes these as traded, thinly traded and non-traded securities. However, fair values of investments in unquoted debt securities are valued on the basis of present value technique based on market interest rates.

Valuation techniques and inputs used in determination of fair values within level 3

Property & equipment (Leasehold land) and non-banking assets acquired in satisfaction of claims	These assets are revalued on regular basis using professional valuers on the panel of Pakistan Banker's Association. The valuation is based on their assessment of market value of the properties. The valuation experts used a market based approach to arrive at the fair value of the Bank's properties. The market approach used prices and other relevant information generated by market transactions involving identical, comparable or similar properties. These values are adjusted to reflect the current condition of the properties. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty accordingly a qualitative disclosure of sensitivity has not been presented in these financial statements.
Unquoted equity securities	Fair value of unquoted equity securities is determined on the basis of income approach.

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurement of investments:

Description	Fair value Rupees in '000	Unobservable input	Discount rate	Relationship of unobservable inputs to fair value
Unquoted equity securities	300,711	Discount rate	15%	Increase / (decrease) in discount rate by 1% with all other variables held constant, would (decrease) / increase the fair value by Rs. 9,021 thousand.

The following table shows reconciliation of investments measured at level 3 fair value:

	(Un-audited) June 30, 2026	(Audited) December 31, 2025
	------ Rupees in '000 ------	
Opening balance	**291,486**	89,302
Impact of adoption of IFRS 9	**-**	188,810
Balance as at January 1	**291,486**	278,112
Remeasurement recognised in OCI	**9,225**	13,374
Closing balance	**300,711**	291,486

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2026

35 SEGMENT INFORMATION

35.1 Segment details with respect to business activities

	For the six months ended June 30, 2026 (Un-audited)				
	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Total
	Rupees in 000				
Profit and loss					
Net mark-up / return / profit	(5,143,102)	13,751,809	(1,765,985)	1,506,567	8,349,289
Inter segment revenue - net	6,490,318	(8,384,183)	1,990,472	(96,607)	-
Non mark-up / return / interest income	7,267	382,667	384,232	197,969	972,135
Total income	1,354,483	5,750,293	608,719	1,607,929	9,321,424
Segment direct expenses	(3,888,388)	(99,641)	(1,240,100)	(1,199,825)	(6,427,954)
Inter segment expense allocation	2,971,912	(3,791,151)	828,226	(8,987)	-
Total expenses	(916,476)	(3,890,792)	(411,874)	(1,208,812)	(6,427,954)
Credit loss allowance	-	(21,924)	11,844	301,655	291,575
Profit before tax	438,007	1,837,577	208,689	700,772	3,185,045

	As at June 30, 2026 (Un-audited)				
	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Total
	Rupees in 000				
Balance sheet					
Cash and bank balances	6,717,449	25,786,773	884,998	15,042,219	48,431,439
Investments	9,144,672	342,962,511	-	1,125,994	353,233,177
Net inter segment lending	241,720,366	(321,200,182)	83,143,004	(3,663,188)	-
Lendings to financial institutions	-	1,633,632	-	-	1,633,632
Advances - performing	80,622,766	-	11,507,540	77,605,448	169,735,754
Advances - non performing	-	-	314,220	976,996	1,291,216
Others	3,980,128	9,419,984	4,673,365	5,018,931	23,092,408
Total assets	342,185,381	58,602,718	100,523,127	96,106,400	597,417,626
Borrowings	24,195,943	43,474,337	-	4,050,000	71,720,280
Deposits and other accounts	304,845,215	-	97,222,422	84,590,610	486,658,247
Net inter segment borrowing	(241,720,366)	321,200,182	(83,143,004)	3,663,188	-
Others	9,464,700	1,218,129	2,664,159	3,811,738	17,158,726
Total liabilities	96,785,492	365,892,648	16,743,577	96,115,536	575,537,253
Equity	245,399,889	(307,289,930)	83,779,550	(9,136)	21,880,373
Total equity and liabilities	342,185,381	58,602,718	100,523,127	96,106,400	597,417,626
Contingencies and commitments	17,955,429	22,888,925	12,152,413	23,511,288	76,508,055

Bank of Khyber

	For the six months ended June 30, 2025 (Un-audited)				
	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Total
	Rupees in 000				
Profit and loss					
Net mark-up / return / profit	(3,230,520)	15,268,962	(2,166,746)	(26,350)	9,845,346
Inter segment revenue - net	4,785,654	(8,585,557)	2,780,731	1,019,172	-
Non mark-up / return / interest income	31,380	1,933,601	291,522	163,635	2,420,138
Total Income	1,586,514	8,617,006	905,507	1,156,457	12,265,484
Segment direct expenses	(3,094,285)	(109,307)	(1,524,964)	(960,962)	(5,689,518)
Inter segment expense allocation	2,358,380	(3,887,699)	1,104,944	424,375	-
Total expenses	(735,905)	(3,997,006)	(420,020)	(536,587)	(5,689,518)
Reversal of credit loss allowance	-	17,434	76,518	524,520	618,472
Profit before tax	850,609	4,637,434	562,005	1,144,390	7,194,438

	As at December 31, 2025 (Audited)				
	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Total
	Rupees in 000				
Balance sheet					
Cash and bank balances	3,908,003	17,966,414	886,196	5,854,570	28,615,183
Investments	9,816,175	265,022,962	-	117,490	274,956,627
Net inter segment lending	168,242,348	(263,810,079)	77,687,081	17,880,650	-
Lendings to financial institutions	-	3,438,549	-	-	3,438,549
Advances - performing	48,578,815	-	12,994,176	63,402,507	124,975,498
Advances - non performing	-	-	242,664	1,487,659	1,730,323
Others	3,343,288	7,236,330	3,624,791	5,379,025	19,583,434
Total assets	233,888,629	29,854,176	95,434,908	94,121,901	453,299,614
Borrowings	5,570,750	13,878,200	-	16,249,028	35,697,978
Deposits and other accounts	216,876,558	-	91,356,440	69,890,222	378,123,220
Net inter segment borrowing	(168,242,348)	263,810,079	(77,687,081)	(17,880,650)	-
Others	8,012,494	637,338	3,151,465	4,000,429	15,801,726
Total liabilities	62,217,454	278,325,617	16,820,824	72,259,029	429,622,924
Equity	171,671,175	(248,471,441)	78,614,084	21,862,872	23,676,690
Total equity and liabilities	233,888,629	29,854,176	95,434,908	94,121,901	453,299,614
Contingencies and commitments	22,590,344	2,969,298	12,163,032	33,913,902	71,636,576

35.2 Geographical segment

Segment details with respect to geographical locations are not presented in these unconsolidated condensed interim financial statements as geographically the Bank conducts all its operations in Pakistan only.

36 RELATED PARTY TRANSACTIONS

The Bank has related party relationship with its majority shareholders (Government of Khyber Pakhtunkhwa and Ismail Industries Limited), subsidiary, associate, directors, key management personnel, staff retirement benefit plan and other related parties.

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 are determined in accordance with terms of their appointments. Further, the Bank acts as a custodian for securities held in Investor Portfolio Securities (IPS) account maintained on behalf of Government of Khyber Pakhtunkhwa having face value of Rs. 52,933.00 million (December 31, 2025: Rs. 16,688.43 million).

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

	(Un-audited) As at June 30, 2026					(Audited) As at December 31, 2025				
	Directors	Key management personnel	Subsidiary	Associate	Employee funds	Directors	Key management personnel	Subsidiary	Associate	Employee funds
	Rupees in '000									
Investments										
Opening balance	-	-	-	117,490	-	-	-	-	102,351	-
Investment during the period / year	-	-	1,000,000	-	-	-	-	-	-	-
Movement during the period / year	-	-	-	8,504	-	-	-	-	15,139	-
Transfer (out) / in - net	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	1,000,000	125,994	-	-	-	-	117,490	-
Advances										
Opening balance	-	195,993	-	-	-	-	181,425	-	-	-
Addition during the period / year	-	47,732	-	-	-	-	62,999	-	-	-
Repaid during the period / year	-	13,936	-	-	-	-	37,180	-	-	-
Transfer (out) / in - net	-	(73,090)	-	-	-	-	(11,251)	-	-	-
Closing balance	-	156,699	-	-	-	-	195,993	-	-	-
Credit loss allowance held against advances	-	37	-	-	-	-	19		-	-
Other assets										
Other receivables / prepayments	-	-	8,935	-	-	-	-	-	-	-
Deposits and other accounts										
Opening balance	7,239	47,372	-	39,310	4,549,944	148	8,423	-	95,829	3,016,225
Received during the period / year	35,752	49,394	1,032,158	46,703	1,968,524	26,452	216,680	-	245,663	5,985,394
Withdrawn during the period / year	34,259	52,644	23,656	47,037	1,816,946	16,635	169,461	-	302,182	4,451,675
Transfer (out) / in - net	(755)	(3,434)	-	-	-	(2,726)	(8,270)	-	-	-
Closing balance	7,977	40,688	1,008,502	38,976	4,701,522	7,239	47,372	-	39,310	4,549,944
Other liabilities										
Interest / mark-up payable	6	1,840	5,313	753	36,463	4	1,110	-	715	23,869

	(Un-audited) For the six months ended June 30, 2026					(Un-audited) For the six months ended June 30, 2025				
	Directors	Key management personnel	Subsidiary	Associate	Employee funds	Directors	Key management personnel	Subsidiary	Associate	Employee funds
	Rupees in '000									
Income										
Mark-up / return / interest earned	-	2,026	-	-	-	-	2,017	-	-	-
Expense										
Mark-up / return / interest expensed	64	1,856	33,071	980	214,910	73	1,188	-	9,320	289,343
Operating expenses - Compensation	81,038	150,964	-	-	-	53,496	147,641	-	-	-

36.1 As of June 30, 2026, the Bank has an equity investment having cost of Rs. 112.50 million (December 31, 2025: Rs. 112.50 million) and carrying value of Rs. 300.71 million (December 31, 2025: Rs. 291.49 million) in Dawood Family Takaful Limited, a related party.

36.2 Government of Khyber Pakhtunkhwa (GoKP) holds 70.20% shareholding in the Bank and therefore, entities which are owned and / or controlled by the GoKP, or where the GoKP may exercise significant influence, are also related parties of the Bank. The Bank in the ordinary course of its business enters into transaction with various departments of the GoKP and its related entities. Such transactions include advances to, deposits from and provision for other banking services to Government related entities.

Transactions and balances with Government and its related entities, other than those disclosed in the respective notes to these unconsolidated condensed interim financial statements, as at period end includes loans and advances and deposits amounting to Rs. 80,623 million (December 31, 2025: Rs. 48,579 million) and Rs. 304,845 million (December 31, 2025: Rs. 216,877 million), respectively.

Detailed related party disclosure for being government entity is disclosed as required under IAS-24 "Related Party Disclosures". Relevant details are referred in the following notes:

Particulars	**Note**
Investments	8.1
Shareholding	20

	(Un-audited) June 30, 2026	(Audited) December 31, 2025
37 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS	---- Rupees in '000 ----	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	**11,579,360**	11,579,360
Capital Adequacy Ratio (CAR):		
Eligible common equity tier 1 (CET 1) capital	**21,252,160**	21,938,809
Eligible additional tier 1 (ADT 1) capital	**-**	-
Total eligible tier 1 capital	**21,252,160**	21,938,809
Eligible tier 2 capital	**1,144,155**	2,207,478
Total eligible capital (Tier 1 + Tier 2)	**22,396,315**	24,146,287
Risk weighted assets (RWAs):		
Credit risk	**92,362,032**	72,981,998
Market risk	**18,111,804**	12,497,974
Operational risk	**34,362,037**	34,362,037
Total	**144,835,873**	119,842,009
Common equity tier 1 capital adequacy ratio	**14.67%**	18.31%
Tier 1 capital adequacy ratio	**14.67%**	18.31%
Total capital adequacy ratio	**15.46%**	20.15%
National minimum capital requirements prescribed by SBP		
CET1 minimum ratio	**6.00%**	6.00%
ADT-1 minimum ratio	**1.50%**	1.50%
Tier 1 minimum ratio	**7.50%**	7.50%
Total capital minimum ratio	**10.00%**	10.00%
Capital conservation buffer (CCB- consisting of CET1 only)	**1.50%**	1.50%
Total capital plus CCB	**11.50%**	11.50%
Leverage Ratio (LR):		
Eligible tier 1 capital	**21,252,160**	21,938,809
Total exposures	**615,405,279**	506,810,207
Leverage ratio	**3.45%**	4.33%
Liquidity Coverage Ratio (LCR):		
Total high quality liquid assets	**265,837,594**	257,620,116
Total net cash outflow	**129,610,726**	110,482,513
Liquidity coverage ratio	**205.10%**	233.18%
Net Stable Funding Ratio (NSFR):		
Total available stable funding	**350,409,479**	255,767,794
Total required stable funding	**160,034,819**	116,739,966
Net stable funding ratio	**218.96%**	219.09%

37.1 The SBP in its application instructions for IFRS 9 has permitted the banks to adopt a transitional approach to phase in the initial impact of ECL for stage 1 and 2 financial assets over a period of five years. However, the Bank has opted to disclose the figures of "fully loaded" CAR.

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2026

ISLAMIC BANKING BUSINESS

38 The Bank is operating 212 (December 31, 2025: 199) Islamic banking branches and 44 (December 31, 2025 : 55) Islamic banking windows at June 30, 2026. As detailed in note 1, the Bank has converted additional 11 of its conventional banking branches into Islamic banking branches during the period.

		(Un-audited) June 30, 2026	(Audited) December 31, 2025
STATEMENT OF FINANCIAL POSITION	**Note**	---- Rupees in '000 ----	
ASSETS			
Cash and balances with treasury banks		**22,090,759**	15,904,625
Balances with other banks		**3,060,570**	590,967
Investments	**38.1**	**127,475,858**	122,278,524
Islamic financing and related assets - net	**38.2**	**122,082,190**	85,781,232
Property and equipment		**1,187,065**	1,163,565
Right-of-use assets		**858,005**	983,931
Due from head office		**15,172,161**	8,134,954
Other assets		**6,307,716**	5,084,531
Total Assets		**298,234,324**	239,922,329
LIABILITIES			
Bills payable		**1,953,294**	2,026,512
Due to financial institutions		**24,099,113**	16,702,858
Deposits and other accounts	**38.3**	**259,274,902**	202,619,318
Due to head office		**-**	-
Lease liabilities		**1,138,745**	1,251,641
Sub-ordinated debt		**-**	-
Other liabilities		**6,051,037**	10,341,474
Total Liabilities		**292,517,091**	232,941,803
NET ASSETS		**5,717,233**	6,980,526
REPRESENTED BY			
Islamic banking fund		**1,000,000**	1,000,000
Reserves		**18**	4,761
(Deficit) / surplus on revaluation of assets		**(1,063,154)**	458,810
Unappropriated profit	**38.7**	**5,780,369**	5,516,955
		5,717,233	6,980,526
CONTINGENCIES AND COMMITMENTS	**38.4**		

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2026

The profit and loss account of the Bank's Islamic banking branches including windows for the six months ended June 30, 2026 is as follows:

		(Un-audited) For the six months ended	
		June 30, 2026	June 30, 2025
PROFIT AND LOSS ACCOUNT	**Note**	---- Rupees in '000 ----	
Profit / return earned	**38.5**	**11,924,793**	8,256,964
Profit / return expensed	**38.6**	**5,372,916**	3,298,805
Net profit / return		**6,551,877**	4,958,159
Other income			
Fee and commission income		**391,269**	216,083
Dividend income		**-**	-
Foreign exchange income		**145,596**	107,955
Gain on securities		**250**	75,528
Net (loss) on derecognition of financial assets measured at amortized cost		**(1,853)**	(5,160)
Other income		**53,651**	36,425
Total other income		**588,913**	430,831
Total income		**7,140,790**	5,388,990
Other expenses			
Operating expenses		**3,732,569**	2,807,414
Workers Welfare Fund		**-**	-
Other charges		**50**	40
Total other expenses		**3,732,619**	2,807,454
Profit before credit loss allowance		**3,408,171**	2,581,536
Credit loss allowance and write offs - net		**449,787**	258,583
Profit before taxation		**2,958,384**	2,322,953
Taxation		**1,538,360**	1,231,165
Profit after taxation		**1,420,024**	1,091,788

38.1 Investments by segments

	(Un-audited) June 30, 2026			
	Cost / Amortised cost	**Credit loss allowance**	**Surplus / (Deficit)**	**Carrying value**
	--------------- Rupees in '000 ---------------			
Debt Instruments				
Classified / measured at amortised cost				
Federal Government securities				
- GoP ijarah sukuks	**5,006,536**	**-**	**-**	**5,006,536**
- Bai Muajjal	**3,630,267**	**-**	**-**	**3,630,267**
	8,636,803	**-**	**-**	**8,636,803**
Non-government debt securities	**304,598**	**-**	**-**	**304,598**
Classified / measured at fair value through other comprehensive income (FVOCI)				
Federal Government securities				
- GoP ijarah sukuks	**119,472,611**	**-**	**(1,063,967)**	**118,408,644**
Non - government debt securities	**125,000**	**-**	**813**	**125,813**
	119,597,611	**-**	**(1,063,154)**	**118,534,457**
Total investments	**128,539,012**	**-**	**(1,063,154)**	**127,475,858**

	(Audited) December 31, 2025			
	Cost / Amortised cost	Credit loss allowance	Surplus / (Deficit)	Carrying value
	--------------- Rupees in '000 ---------------			
Debt Instruments				
Classified / measured at amortised cost				
Federal Government securities				
- GoP ijarah sukuks	5,012,834	-	-	5,012,834
- Bai Muajjal	3,429,747	-	-	3,429,747
	8,442,581	-	-	8,442,581
Non-government debt securities	304,202	-	-	304,202
Classified / measured at fair value through other comprehensive income (FVOCI)				
Federal Government securities				
- GoP ijarah sukuks	112,687,931	-	444,571	113,132,502
Non - government debt securities	385,000	-	14,239	399,239
	113,072,931	-	458,810	113,531,741
Total investments	121,819,714	-	458,810	122,278,524

		(Un-audited) June 30, 2026	(Audited) December 31, 2025
		------Rupees in '000------	
38.2	**Islamic financing and related assets**		
	Ijarah	**65,783**	82,512
	Murabaha	**7,869,641**	6,002,101
	Diminishing musharaka	**26,029,739**	18,206,589
	Running musharaka	**58,781,453**	39,715,360
	Qarz e Hasna	**8,952**	463
	Istisna	**24,977,047**	16,306,496
	Tijarah	**293,472**	127,145
	Wakalah	**433,812**	578,000
	Bai Muajjal	**7,148,396**	7,758,011
		125,608,295	88,776,677
	Impact of fair valuation of Islamic financing and related assets	**(815,501)**	(692,021)
	Gross Islamic financing and related assets	**124,792,794**	88,084,656
	Less: Credit loss allowance against Islamic financing		
	- Stage 1	**467,502**	490,260
	- Stage 2	**324,746**	144,080
	- Stage 3	**1,918,356**	1,669,084
		2,710,604	2,303,424
	Islamic financing and related assets - net of credit loss allowance	**122,082,190**	85,781,232
38.3	**Deposits**		
	Customers		
	Current deposits	**64,260,692**	53,938,227
	Savings deposits	**164,583,351**	118,580,782
	Term deposits	**12,013,697**	10,836,479
	Others	**14,228,613**	16,662,005
		255,086,353	200,017,493
	Financial Institutions		
	Current Deposits	**897,553**	1,909,207
	Savings deposits	**3,090,996**	692,618
	Term deposits	**200,000**	-
		4,188,549	2,601,825
		259,274,902	202,619,318
38.4	**Contingencies and commitments**		
	Guarantees	**18,686,479**	16,097,383
	Commitments	**23,784,202**	22,225,306
		42,470,681	38,322,689

		(Un-audited) For the six months ended June 30, 2026	(Un-audited) For the six months ended June 30, 2025
38.5	**Profit / return earned on financing, investments and placements**	------Rupees in '000------	
	Profit earned on:		
	Financing	**5,279,998**	1,417,249
	Investments	**6,634,552**	6,731,897
	Placements	**3,589**	91,892
	Balances with banks	**6,654**	15,926
		11,924,793	8,256,964

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2026

		(Un-audited) For the six months ended June 30, 2026	June 30, 2025
38.6	**Profit on deposits and other dues expensed**	----- Rupees in '000 -----	
	Deposits and other accounts	**4,043,386**	3,073,787
	Due to financial institutions	**1,211,388**	142,372
	Finance charge on lease liability	**118,142**	82,646
		5,372,916	3,298,805

		(Un-audited) June 30, 2026	(Audited) December 31, 2025
38.7	**Islamic banking business unappropriated profit**	------Rupees in '000------	
	Opening balance	**5,516,955**	7,236,196
	Impacts of EIR application	**(32,104)**	-
	Balance after adoption of IFRS 9	**5,484,851**	7,236,196
	Add: Islamic banking profit before taxation for the period / year	**2,958,384**	5,282,861
	Less: Taxation	**(1,538,360)**	(2,799,916)
	Less: Transferred to head office	**(1,124,506)**	(4,202,186)
	Closing balance	**5,780,369**	5,516,955

38.8 Pool management

Islamic Banking Group of the Bank is operating following pools / sub-pools:

General Pool

i. General pool (PKR)
ii. General pool (FCY)

Special Pools

i. Riba Free Special Deposit Pool - 1
ii. Riba Free Special Deposit Pool - 2
iii. Riba Free Special Deposit Pool - Corporate - 1
iv. Riba Free Special Deposit Pool - Corporate - 2
v. Riba Free Special Deposit Pool - Corporate - 3
vi. Riba Free Special Deposit Pool - Corporate - 4
vii. Riba Free Special Deposit Pool - Corporate - 5
viii. Riba Free Special Deposit Pool - Corporate - 6
ix. Riba Free Special Deposit Pool - Corporate - 7
x. Riba Free Special Deposit Pool - Mutual fund / FI
xi. Riba Free Special Deposit Pool 2 - Mutual fund / FI
xii. RFSD - Daily Product - 1 Pool
xiii. RFSD - Daily Product - 2 Pool
xiv. RFSD - Daily Product - 3 Pool
xv. RFSD - Daily Product - 4 Pool
xvi. RFSD - Daily Product - 5 Pool
xvii. RFSD - Daily Product - 6 Pool
xviii. Khyber Islamic Investment Certificates - 1
xix. Khyber Islamic Investment Certificates - 2
xx. Raast Financial Institutions Pool - 1
xxi. Raast Financial Institutions Pool - 2
xxii. RFSD - Itminan Mahana Certificate - pool
xxiii. Riba free special deposit pool - Islamic Export Refinance Scheme (IERS)
xxiv. Riba free special deposit pool - Profit Equalization Reserves (PER)
xxv. Riba free special deposit pool - Investment Risk Reserves (IRR)
xxvi. RFSD Special Pool (USD)
xxvii. RFSD Special Pool 2 (USD)
xxviii. RFSD Special Pool FCY (Euro)
xxix. RFSD Special Pool FCY (GBP)

Features of general pool

In this pool all types of deposits are accepted on Mudarabah basis. The Bank converted its pool management and profit and loss distribution mechanism from Musharakah to Mudarabah with effect from December 1, 2024 and is accepting deposits against all types of assets and income earned from these assets. Certificates can also be issued for a fixed period.

Deposits received in this Pool are invested in Islamic assets like Murabaha, Ijarah, Diminishing Musharakah, Running Musharakah, Istisna, Islamic Sukuks and any other Shariah Compliant Investment which are duly approved by the Shariah Advisor. Deposits are accepted through all Islamic branches of the Bank.

Features of special pools

In special pools, deposits are accepted on Mudarabah basis by providing extended avenues to the depositors for placement of their funds attracting high rate of return. Certificates are issued for a fixed period against specific assets allocated to each special pool based on expected rate of return.

Deposits received in this pool are invested in Islamic assets like Ijarah, Diminishing Musharakah, Running Musharakah, Islamic Sukuks and any other Shariah Compliant investment which are duly approved by the Shariah Advisor. Deposits are accepted through all Islamic branches of the Bank.

Deposits in these special pools are accepted with prior approval from the management and are utilized for liquidity management along with some opportunity of investment.

Key features

- Minimum investment is prescribed by the Bank for each special pool.
- Profit payment on monthly basis.
- Profit calculated on daily average balance for the month.
- Investment as deposit and certificate for 1 month, 3 months and 6 months etc.
- Pre-mature termination is allowed without any adjustment for next two months, if sharing ratios and / or weightages are changed for coming months.

Risks of the special pools

All special pools are created as separate entities which have respective assets and liabilities and income and expense position. In each pool, depositors bear the risk of all direct losses and expenses of the pool. All indirect expenses of the pools are borne by the Bank as Mudarib. Same rate of return is paid to all the depositors in same category.

Profit sharing and weightages for distribution of profit

Assignment of weightage for profit distribution to different types of profit bearing sources of funds is as follows:

While considering weightages emphasis shall be given to the quantum, type and the period of risk assessed by following factors:

i. Period of investment (number of months, years)
ii. Profit payment option (monthly, quarterly, yearly maturity)
iii. Purpose of deposit (Hajj, Umrah etc.)
iv. Type of customer (pensioners, widows, corporate, individual)

Weightages are declared at least three days before start of each month.

As per policy of the Bank, no gift (Hiba) is given in favour of any particular customer, however, as per SBP guidelines (Circular No. 9 of Nov, 2024), hiba can be given to saving account depositors or category of customers / investors. However, the Bank has reduced its own share as Mudarabah Fee. Out of distributable income, an amount of Rs. 2,779.75 million (41.82%) has been charged as Mudarabah fee. The total Hiba amount of Rs. 513.73 million (13.28%) has been distributed during the period.

Brief highlights of profit earned and distributed to depositors and retained by IBG are as under:

Charging expenses

Net income is distributed as per SBP instruction, therefore, all pools shall bear their respective identified expenses. The Bank converted its pool management and profit-and-loss distribution mechanism from Musharakah to Mudarabah effective December 1, 2024. Under the previous policy, both direct and administrative expenses were charged to the Gross Income of the Pool (GIP). Following the transition to Mudarabah, only direct expenses attributable to the pool are charged. A list of lines of direct expenses are maintained, duly vetted from Shariah Board of the Bank. Indirect expenses are borne by the Mudarib and are not part of distribution.

All credit loss allowance created against non-performing financing and diminution in the value of investment under IFRS 9, prudential regulations and other SBP directives will be borne by the Bank as Mudarib. However, write-offs of financings and loss on sale of investments shall be charged to respective pool along with other direct expenses.

Bank of Khyber

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2026**

The profit equalization reserves amounting to Rs. 0.018 million (December 31, 2025: Rs. 4.76 million) has been presented in note 19 to these unconsolidated condensed interim financial statements.

Classification of assets, revenues, expenses, gain and loss on the basis of sources of finance

All earning assets of Islamic banking group are jointly financed by unrestricted investments/PLS deposits account holders and the Bank. Detail of jointly financed earning assets is:

	(Un-audited) June 30, 2026	(Audited) December 31, 2025
Financings	---------- Rupees in '000	----------
Agri business	**1,923,499**	2,442,413
Chemical and pharmaceuticals	**3,791,958**	3,320,724
Cement	**1,729,280**	3,850,921
Textile	**16,626,204**	13,479,648
Automobile and transportation equipment	**6,020,312**	3,620,561
Petro chemical	**4,839,702**	3,078,125
Housing	**1,358,159**	1,046,544
Manufacturing of match	**140,000**	140,000
Miscellaneous manufacturing	**14,456,945**	9,545,168
Personal	**3,683,195**	2,050,481
Construction	**359,297**	274,225
Tradings	**3,335,394**	3,677,316
Communication	**24,500**	28,000
Services	**1,318,969**	1,299,630
Auto loans	**658,642**	441,156
Metal products	**1,186,678**	973,688
Commodity finance	**34,648,392**	20,000,000
CNG station / gas	**1,561,872**	2,541,592
Consumer finance	**476,705**	640,075
Power	**18,405,401**	13,872,582
Sugar	**8,727,337**	2,169,996
Others	**335,854**	283,832
Impact of fair valuation of Islamic financing and related assets	**(815,501)**	(692,021)
	124,792,794	88,084,656
Investments		
GOP Ijarah Sukuks	**123,415,180**	118,145,336
Bai Muajjal	**3,630,267**	3,429,747
Power and electricity	**125,813**	399,239
Food	**304,598**	304,202
	127,475,858	122,278,524
	252,268,652	210,363,180

Bank of Khyber

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2026

Details regarding pools managed by the Bank

Remunerative depositors pools	Profit rate and announcement period	Profit rate return earned - average	Profit sharing ratios		Mudarib share	Profit rate return distributed to remunerative deposits (saving and fixed) - average	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib share transferred through Hiba Rupees in '000
			Mudarib share	Rab-ul - maal share	Rupees in '000			
General Pool								
PKR Pool	Monthly	8.25%	45%	55%	2,477,816	5.69%	9.35%	255,428
USD Pool	Monthly	2.50%	77%	23%	454	0.82%	7.34%	36
Special Pools								
Saving & TDRs	Monthly	10.70%	26%	74%	301,479	7.71%	46.14%	258,262
			Bank	SBP				
IERS Pool	Monthly	9.41%	74%	26%	45,627	Nil	29.55%	8,742

39 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on August 27, 2026 has declared an interim cash dividend of Rs NIL per share for the half year ended June 30, 2026 (June 30, 2025: Rs. 1.5 per share).

40 CORRESPONDING FIGURES

Comparative information has been restated in these unconsolidated condensed interim financial statements, wherever necessary to facilitate comparison.

41 DATE OF AUTHORIZATION FOR ISSUE

These unconsolidated condensed interim financial statements were authorized for issue in the Board of Directors meeting of the Bank held on August 27, 2026.

MANAGING DIRECTOR | CHIEF FINANCIAL OFFICER | DIRECTOR | DIRECTOR | DIRECTOR

Bank of Khyber

Consolidated Condensed
Interim Financial Statements
For the Six Months period ended June 30, 2026

Bank of Khyber

CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2026

	Note	(Un-audited) June 30, 2026	(Audited) December 31, 2025
		-------- Rupees in '000 --------	
ASSETS			
Cash and balances with treasury banks	5	**33,883,291**	25,398,116
Balances with other banks	6	**14,548,148**	3,217,067
Lendings to financial institutions	7	**1,633,632**	3,438,549
Investments	8	**352,233,177**	274,956,627
Advances	9	**171,026,970**	126,705,821
Property and equipment	10	**4,584,888**	4,796,539
Right-of-use assets	11	**1,353,336**	1,626,161
Intangible assets	12	**347,960**	379,645
Deferred tax assets	13	**2,374,766**	1,032,911
Other assets	14	**14,443,729**	11,748,178
Total Assets		**596,429,897**	453,299,614
LIABILITIES			
Bills payable	15	**2,812,871**	3,212,340
Borrowings	16	**71,720,280**	35,697,978
Deposits and other accounts	17	**485,649,745**	378,123,220
Lease liabilities	18	**1,561,342**	1,757,104
Subordinated debt		**-**	-
Deferred tax liabilities		**-**	-
Other liabilities	19	**12,795,648**	10,832,282
Total Liabilities		**574,539,886**	429,622,924
NET ASSETS		**21,890,011**	23,676,690
REPRESENTED BY			
Share capital	20	**11,579,360**	11,579,360
Reserves		**6,522,374**	6,229,178
Surplus on revaluation of assets	21	**53,389**	1,358,853
Unappropriated profit		**3,734,888**	4,509,299
		21,890,011	23,676,690
CONTINGENCIES AND COMMITMENTS	22		

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

MANAGING DIRECTOR	CHIEF FINANCIAL OFFICER	DIRECTOR	DIRECTOR	DIRECTOR

Bank of Khyber

CONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2026

	Note	Quarter ended		Period ended	
		April 1 to June 30, 2026	April 1 to June 30, 2025	**January 1 to June 30, 2026**	January 1 to June 30, 2025
		--------- Rupees in '000 ---------			
Mark-up / return / interest earned	23	**13,160,470**	14,088,548	**24,534,738**	27,588,830
Mark-up / return / interest expensed	24	**9,007,055**	9,348,813	**16,152,685**	17,743,484
Net mark-up / interest income		**4,153,415**	4,739,735	**8,382,053**	9,845,346
NON MARK-UP / INTEREST INCOME					
Fee and commission income	25	**308,301**	322,713	**612,472**	550,814
Dividend income		**-**	-	**-**	-
Foreign exchange income		**133,728**	209,795	**225,559**	282,162
Income / (loss) from derivatives		**-**	-	**-**	-
(Loss) / gain on securities	26	**(15,780)**	975,858	**50,449**	1,496,573
Net gain / (loss) on derecognition of financial assets measured at amortised cost	27	**42,523**	(41,361)	**12,837**	9,610
Share of profit of associate		**5,719**	5,498	**8,504**	8,466
Other income	28	**30,387**	47,730	**62,314**	72,513
Total non-mark-up / interest income		**504,878**	1,520,233	**972,135**	2,420,138
Total income		**4,658,293**	6,259,968	**9,354,188**	12,265,484
NON MARK-UP / INTEREST EXPENSES					
Operating expenses	29	**3,385,084**	2,968,884	**6,326,295**	5,689,358
Workers Welfare Fund		**-**	-	**-**	-
Other charges	30	**120,823**	30	**120,848**	160
Total non-mark-up / interest expenses		**3,505,907**	2,968,914	**6,447,143**	5,689,518
PROFIT BEFORE CREDIT LOSS ALLOWANCE		**1,152,386**	3,291,054	**2,907,045**	6,575,966
Charge / (reversal) of credit loss allowance and write offs - net	31	**65,557**	(500,483)	**(291,575)**	(618,472)
PROFIT BEFORE TAXATION		**1,086,829**	3,791,537	**3,198,620**	7,194,438
Taxation	32	**626,388**	2,028,703	**1,723,001**	3,829,072
PROFIT AFTER TAXATION		**460,441**	1,762,834	**1,475,619**	3,365,366
		----------Rupees ---------			
Basic and diluted earnings per share	33	**0.40**	1.52	**1.27**	2.91

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

MANAGING DIRECTOR	**CHIEF FINANCIAL OFFICER**	**DIRECTOR**	**DIRECTOR**	**DIRECTOR**

Bank of Khyber

CONSOLIDATED CONDENSED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME (UN-AUDITED) FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2026

	Quarter ended		Period ended	
	April 1 to June 30, 2026	April 1 to June 30, 2025	**January 1 to June 30, 2026**	January 1 to June 30, 2025
	Rupees in '000			
Profit after taxation for the period	**460,441**	1,762,834	**1,475,619**	3,365,366
Other comprehensive income / (loss)				
Items that may be reclassified to statement of profit and loss account in in subsequent periods:				
Movement in surplus / (deficit) on revaluation of debt investments through FVOCI - net of tax	**2,039**	1,459,585	**(1,289,302)**	598,551
Loss / (gain) on sale of debt investments carried at FVOCI reclassified to profit and loss - net of tax	**7,574**	(473,624)	**(24,216)**	(718,355)
	9,613	985,961	**(1,313,518)**	(119,804)
Items that will not be reclassified to statement of profit and loss account in subsequent periods:				
Movement in (deficit) / surplus on revaluation of equity investments - net of tax	**(12,065)**	(58,921)	**10,935**	19,479
Share of (deficit) / surplus on revaluation of investment in associate - net of tax	**(151)**	-	**-**	1,339
	(12,216)	(58,921)	**10,935**	20,818
Total comprehensive income	**457,838**	2,689,874	**173,036**	3,266,380

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

Bank of Khyber

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY(UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2026

	Share capital	Statutory reserve	Surplus / (deficit) on revaluation of			Unappropriated profit	Total
			Investments	Property and equipment	Non-banking assets		
	--- Rupees in '000 ---						
Balance as at December 31, 2024 (audited)	11,579,360	5,066,025	749,966	900,120	26,612	3,577,136	21,899,219
Effect of remeasurement on adoption of IFRS 9 - net of tax	-	-	90,629	-	-	-	90,629
Balance as at January 1, 2025 - restated	11,579,360	5,066,025	840,595	900,120	26,612	3,577,136	21,989,848
Profit after taxation for the six month period ended 30 June, 2025	-	-	-	-	-	3,365,366	3,365,366
Other comprehensive (loss) / income - net of tax							
Movement in surplus on revaluation of investments in debt instruments through FVOCI- net of tax	-	-	598,551	-	-	-	598,551
Gain on sale of debt investments carried at FVOCI reclassified to profit and loss - net of tax			(718,355)				(718,355)
Share of surplus on revaluation of investment of associate - net of tax	-	-	1,339	-	-	-	1,339
Movement in surplus on revaluation of equity investments - net of tax	-	-	19,479	-	-	-	19,479
Total other comprehensive loss - net of tax	-	-	(98,986)	-	-	-	(98,986)
Transfer to statutory reserve	-	673,073	-	-	-	(673,073)	-
Transfer from surplus on revaluation of non-banking asset to unappropriated profit - net of tax	-	-	-	-	(2,708)	2,708	-
Gain on disposal of equity investments at FVOCI of associate transferred to unappropriated profit - net of tax	-	-	(3,791)	-	-	3,791	-
Transactions with owners, recorded directly in equity							
Final cash dividend for the year ended December 31, 2024 (Rs.1.70 per share)	-	-	-	-	-	(1,968,682)	(1,968,682)
Balance as at June 30, 2025 (un-audited) - restated	11,579,360	5,739,098	737,818	900,120	23,904	4,307,246	23,287,546
Profit after taxation for the six month period ended December 31, 2025	-	-	-	-	-	2,450,397	2,450,397
Other comprehensive income / (loss) - net of tax						-	
Movement in surplus on revaluation of investments in debt instruments through FVOCI- net of tax	-	-	42,186	-	-	-	42,186
Gain on sale of debt investments carried at FVOCI reclassified to profit and loss - net of tax	-	-	(400,990)	-	-	-	(400,990)
Share of surplus on revaluation of investments of associate - net of tax	-	-	-	-	-	-	-
Movement in surplus on revaluation of equity investments - net of tax	-	-	26,540	-	-	-	26,540
Remeasurement (loss) on defined benefit obligations - net of tax	-	-	-	-	-	(24,064)	(24,064)
Deficit transferred to profit and loss on reclassification of debt investment - net of tax			792				792
Movement in surplus on revaluation of non-banking assets - net of tax	-	-	-	-	31,187	-	31,187
Total other comprehensive income - net of tax	-	-	(331,472)	-	31,187	(24,064)	(324,349)
Transfer to statutory reserve	-	490,080	-	-	-	(490,080)	-
Transfer from surplus on revaluation of non-banking asset to unappropriated profit - net of tax	-	-	-	-	(2,704)	2,704	-
Gain on disposal of equity investments at FVOCI transferred to unappropriated profit - net of tax	-	-	-	-	-	-	-
Transactions with owners, recorded directly in equity							
Interim cash dividend for the year ended December 31, 2025 (Rs.1.50 per share)	-	-	-	-	-	(1,736,904)	(1,736,904)
Balance as at December 31, 2025 (audited)	**11,579,360**	**6,229,178**	**406,346**	**900,120**	**52,387**	**4,509,299**	**23,676,690**
Impact of adoption of IFRS 9 - net of tax (note 4.1.2)	-	-	-	-	-	8,977	8,977
Balance as at January 1, 2026 - restated	**11,579,360**	**6,229,178**	**406,346**	**900,120**	**52,387**	**4,518,276**	**23,685,667**
Profit after taxation for the six month period ended June 30, 2026	-	-	-	-	-	**1,475,619**	**1,475,619**
Other comprehensive income / (loss) - net of tax				-			
Movement in deficit on revaluation of investments in debt instruments through OCI - net of tax	-	-	**(1,289,302)**		-	-	**(1,289,302)**
Gain on sale of debt investments carried at FVOCI reclassified to profit and loss - net of tax	-	-	**(24,216)**	-	-	-	**(24,216)**
Share of surplus on revaluation of investment of associate - net of tax	-	-	-	-	-	-	-
Movement in surplus on revaluation of equity investments - net of tax	-	-	**10,935**	-	-	-	**10,935**
Total other comprehensive loss - net of tax	-	-	**(1,302,583)**	-	-	-	**(1,302,583)**
Transfer to statutory reserve	-	**293,196**	-	-	-	**(293,196)**	-
Transfer from surplus on revaluation of non-banking asset - net of tax	-	-	-	-	**(2,881)**	**2,881**	-
Transactions with owners, recorded directly in equity							
Final cash dividend for the year ended December 31, 2025 (Rs.1.70 per share)	-	-	-	-	-	**(1,968,692)**	**(1,968,692)**
Balance as at June 30, 2026 (un-audited)	**11,579,360**	**6,522,374**	**(896,237)**	**900,120**	**49,506**	**3,734,888**	**21,890,011**

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

MANAGING DIRECTOR | **CHIEF FINANCIAL OFFICER** | **DIRECTOR** | **DIRECTOR** | **DIRECTOR**

Bank of Khyber

CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2026

	Note	January 1 to June 30, 2026	January 1 to June 30, 2025
		------- Rupees in '000 -------	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		**3,198,620**	7,194,438
Less: Dividend income		**-**	-
		3,198,620	7,194,438
Adjustments:			
Net mark-up / return / interest income		**(8,558,229)**	(10,046,097)
Depreciation - Property and equipment	29	**516,869**	413,728
Depreciation - Non-banking assets acquired in satisfaction of claims	29	**29,675**	22,356
Depreciation - Right-of-use assets	29	**377,962**	377,190
Amortization	29	**43,745**	42,888
(Reversal) of credit loss allowance and write offs - net	31	**(291,575)**	(618,472)
Gain on disposal of property and equipment - net	28	**(1,037)**	(5,330)
Gain on early culmination of lease	28	**(210)**	(3,904)
Finance charges on leased assets	24	**176,176**	200,751
Net (gain) on derecognition of financial assets measured at amortised cost	27	**(12,837)**	(9,610)
Unwinding of deferred cost on staff loans		**85,489**	74,270
Exchange loss / (gain) on cash and cash equivalents		**26,721**	(100,831)
Share of profit of associate		**(8,504)**	(8,466)
		(7,615,755)	(9,661,527)
		(4,417,135)	(2,467,089)
(Increase) / decrease in operating assets			
Lendings to financial institutions		**1,807,096**	(3,767,461)
Securities classified as FVPL		**40**	5,402
Advances		**(43,894,412)**	31,936,269
Other assets (excluding mark-up receivable)		**86,422**	(395,895)
		(42,000,854)	27,778,315
Increase / (decrease) in operating liabilities			
Bills payable		**(399,469)**	(19,678,013)
Borrowings from financial institutions		**36,022,302**	(25,259,637)
Deposits		**107,526,525**	104,368,445
Other liabilities (excluding mark-up payable)		**207,781**	(81,018)
		143,357,139	59,349,777
Mark-up / interest received		**22,916,369**	26,497,613
Mark-up / interest paid		**(14,252,696)**	(19,641,987)
Income tax paid		**(3,038,121)**	(2,285,498)
Net cash flow generated from operating activities		**102,564,702**	89,231,131
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in amortised cost		**(195,456)**	(2,441,879)
Net investments in securities classified as FVOCI		**(79,782,220)**	(66,548,984)
Investments in property and equipment		**(305,332)**	(304,794)
Investments in intangible assets		**(12,060)**	(31,858)
Disposal of property and equipment		**1,151**	6,095
Net cash flow (used in) investing activities		**(80,293,917)**	(69,321,420)
CASH FLOW FROM FINANCING ACTIVITIES			
Payments of lease obligations against right-of-use assets		**(476,865)**	(504,176)
Dividend paid		**(1,950,575)**	(1,950,361)
Net cash flow (used in) financing activities		**(2,427,440)**	(2,454,537)
Effects of credit loss allowance changes on cash and cash equivalents		**(368)**	(118)
Effects of exchange rate changes on cash and cash equivalents		**(26,721)**	100,831
Increase in cash and cash equivalents		**19,816,256**	17,555,887
Cash and cash equivalents at beginning of the period		**28,615,183**	27,245,369
Cash and cash equivalents at end of the period		**48,431,439**	44,801,256

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

MANAGING DIRECTOR	CHIEF FINANCIAL OFFICER	DIRECTOR	DIRECTOR	DIRECTOR

Bank of Khyber

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2026

1 STATUS AND NATURE OF BUSINESS

1.1 Holding Company

Bank of Khyber

The Bank of Khyber (the Bank) was established in Pakistan under The Bank of Khyber Act, 1991 and is principally engaged in the business of commercial banking and related services. The Bank acquired the status of a scheduled bank in 1994 and is listed on the Pakistan Stock Exchange Limited. The registered office of the Bank is situated at 24-The Mall, Peshawar Cantt, Peshawar. The Bank operates 256 branches including 212 Islamic banking branches (December 31, 2025: 254 branches including 199 Islamic banking branches). During the period, the Bank has converted additional 11 of its conventional banking branches into Islamic banking branches. The long term credit rating of the Bank assigned by VIS Credit Rating Company Limited and Pakistan Credit Rating Agency Limited (PACRA) are 'AA-' and 'AA-' (December 31, 2025: 'AA-' and 'A+') respectively and the short-term credit ratings assigned are 'A1' (A-One) and 'A-1' (A-One) (December 31, 2025: 'A1' (A-One) and 'A-1' (A-One)) respectively. The majority shares (i.e. 70.20%) of the Bank are held by Government of Khyber Pakhtunkhwa (GoKP).

The Provincial Assembly of Khyber Pakhtunkhwa has passed the Bank of Khyber (Amendment) Act, 2022. As part of the amendments, the name of Bank has been changed from "The Bank of Khyber" to "Bank of Khyber". The Bank is in the process of seeking necessary regulatory approval for the same.

1.2 Subsidiary

These consolidated condensed interim financial statements consists of holding company and its subsidiary company for the six month period ended June 30, 2026. These are the first six month period condensed interim financial statements of the Group. Therefore, corresponding figures of these consolidated consolidated financial statements are the same as those presented in the condensed consolidated financial statements of the parent.

2 BASIS OF PREPARATION

2.1 These consolidated condensed interim financial statements consists of holding company and its subsidiary company for the six month period ended June 30, 2026. These are the first condensed interim consolidated financial statements of the Group. Therefore, corresponding figures of these consolidated financial statements are the same as those presented in the condensed unconsolidated financial statements of the parent.

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 (SBP) has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by the banks from their customers and immediate resale to them at appropriate profit in price on deferred payment basis. The purchases and sales arising under the respective arrangements (except for Murabaha financings accounted for under Islamic Financial Accounting Standard -1 "Murabaha") are not reflected in these unconsolidated condensed interim financial statements as such, but are restricted to the amount of facility actually utilized and the appropriate portion of profit thereon.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2026

2.3 The Islamic banking branches of the Bank have complied with the requirements as set out in 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.

2.4 The financial results of the Islamic Banking Branches have been included in these consolidated condensed interim financial statements for reporting purposes, after eliminating the effects of inter-branch transactions and balances. Key financial figures of the Islamic Banking Branches are disclosed in note 38 to these consolidated condensed interim financial statements.

2.5 These consolidated condensed interim financial statements have been prepared under the historical cost convention except that certain class of property and equipment and non-banking assets acquired in satisfaction of claims are stated at revalued amounts; certain investments classified at fair value through profit or loss and at fair value through other comprehensive income, foreign exchange contracts and derivative financial instruments, if any, are stated at fair value; staff loans are measured at fair value at initial recognition; and the recognition of certain employees benefits, lease liabilities and corresponding right of use assets at present value, as disclosed in their respective notes.

2.6 The Holding Company believes that there is no significant doubt on the Group's ability to continue as a going concern. Therefore, these consolidated condensed interim financial statements have been prepared on a going concern basis.

2.7 These consolidated condensed interim financial statements have been presented in Pakistani Rupee, which is the Bank's functional and presentation currency. The figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

3 STATEMENT OF COMPLIANCE

3.1 These consolidated condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, 'Interim Financial Reporting' issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;

- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Act, 2017;

- Provisions of, directives and notifications 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).

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 or the directives and notifications issued by the SBP and the SECP differ with the requirements of IAS 34 or IFAS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives and notifications, shall prevail.

3.2 The disclosures made in these consolidated condensed interim financial statements have been limited based on the format prescribed by the SBP vide BPRD Circular Letter No. 2 dated February 9, 2023 and IAS 34. These consolidated condensed interim financial statements do not include all the information and disclosures required in the audited annual financial statements, and should be read in conjunction with the audited annual financial statements for the year ended December 31, 2025.

3.3 SBP vide BSD Circular Letter No. 10, dated August 26, 2002, has deferred the applicability of International Accounting Standard (IAS) 40, Investment Property for banking companies till further instructions. Moreover, SBP vide BPRD Circular No. 4, dated February 25, 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 consolidated condensed interim financial statements.

3.4 Standards, interpretations of and amendments to published approved accounting and reporting standards that are effective in the current period

There are certain new and amended standards, issued by the International Accounting Standards Board (IASB), interpretations and amendments that are mandatory for the Group's accounting periods beginning on or after January 1, 2026 but are considered not to be relevant or will not have any material effect on the Bank's unconsolidated condensed interim financial statements including the following:

- IFRS 7, 'Financial Instruments: Disclosures'; the SECP through S.R.O. 742(1)/2025 dated April 16, 2025 has required disclosures regarding the significance of financial instruments to the Group's financial position and performance, as well as the nature, extent, and management of risks arising from such instruments. Accordingly, the Group will adopt IFRS 7 in preparing its annual financial statements for the year ending December 31, 2026. However, the disclosure requirements of IFRS 7 do not apply to these consolidated condensed interim financial statements except for those specified in paragraph 16A(j) of IAS 34, 'Interim Financial Reporting'.

- certain amendments to IFRS 7 'Financial Instruments: Disclosures' and IFRS 9 'Financial Instruments' have become applicable on the Group which clarify the date of recognition and derecognition of a financial asset or financial liability. These amendments do not have any material impact and therefore, have not been detailed in these consolidated condensed interim financial statements.

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

There are certain new and amended standards, issued by IASB, interpretations and amendments that are mandatory for the Holding Company's accounting periods beginning on or after January 1, 2027 but are considered not to be relevant or do not have any material effect on the Group's consolidated condensed interim financial statements except for:

- the new standard - IFRS 18 'Presentation and Disclosure in Financial Statements' (published in April 2024) with applicability date of January 1, 2027. Application of IFRS 18 will impact the presentation of 'Statement of Profit and Loss Account' with certain additional disclosures as and when instructed by SBP.

4 MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policies applied in the preparation of these consolidated condensed interim financial statements are consistent with those applied in the preparation of the annual audited financial statements of the Holding company for the year ended December 31, 2025, except for changes mentioned in note 4.1 below.

Bank of Khyber

4.1 IFRS 9 - Financial Instruments

4.1.1 The Holding Company adopted IFRS 9 effective from January 1, 2024, except for certain relaxations and extensions issued by the SBP from time to time. The impacts of these relaxations and extensions were incorporated in the annual audited financial statements of the Holding company for the years ended December 2024 and 2025, with the modified retrospective approach as permitted under IFRS-9.

4.1.2 In addition, SBP in a separate instruction vide letter BPRD/RPD/822456/25 dated January 22, 2025 allowed an extension for application of Effective Interest Rate (EIR) upto December 31, 2025. During the current period, in accordance with aforementioned instructions, the Holding company has applied the EIR on the financial instruments as at January 1, 2026. Accordingly, cumulative impact of application of EIR amounting to Rs. 8,977 thousand, net of tax, has increased the equity at the beginning of the current period with a corresponding impact on the income / mark-up accrued and mark-up / return / interest payable.

4.2 The SBP has directed the Banks through its BPRD Circular Letter No. 1 dated January 22, 2025 to continue to apply the existing revenue recognition methodology for Islamic Operations, including the requirements of IFAS 1 and IFAS 2 until further instructions. Had the IFRS-9 been adopted in its entirety for revenue recognition from islamic operations. The profit after tax of the group would have been higher by Rs. 185,265 thousand.

4.3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The basis for accounting estimates adopted in the preparation of these consolidated condensed interim financial statements are the same as that applied in the preparation of the annual audited financial statements of the holding company for the year ended December 31, 2025.

4.4 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Group are consistent with those disclosed in the annual audited financial statements of the holding company for the year ended December 31, 2025.

		(Un-audited) June 30, 2026	(Audited) December 31, 2025
5	**CASH AND BALANCES WITH TREASURY BANKS**	-------- Rupees in '000 --------	
	In hand		
	Local currency	**8,649,359**	7,042,878
	Foreign currencies	**224,042**	142,560
		8,873,401	7,185,438
	With State Bank of Pakistan in		
	Local currency current accounts	**18,794,476**	14,897,044
	Foreign currency current accounts	**35,444**	105,018
	Foreign currency deposit accounts	**321,033**	266,202
		19,150,953	15,268,264
	With National Bank of Pakistan in		
	Local currency current accounts	**5,837,714**	2,321,247
	Local currency deposit accounts	**12,202**	612,385
	Foreign currency current accounts	**8,683**	10,442
		5,858,599	2,944,074
	Prize bonds	**354**	354
	Less: Credit loss allowance held against cash and balances with treasury banks	**(16)**	(14)
	Cash and balances with treasury banks - net of credit loss allowance	**33,883,291**	25,398,116

Bank of Khyber

		Note	(Un-audited) June 30, 2026	(Audited) December 31, 2025
			-------- Rupees in '000 --------	
6	**BALANCES WITH OTHER BANKS**			
	In Pakistan			
	In current accounts		**3,880,305**	1,010,786
	In deposit accounts		**632,706**	344,727
			4,513,011	1,355,513
	Outside Pakistan			
	In current accounts		**957,650**	357,530
	In deposit accounts		**9,087,993**	1,514,164
			10,045,643	1,871,694
	Less: Credit loss allowance held against balances with other banks		**(10,506)**	(10,140)
	Balances with other banks - net of credit loss allowance		**14,548,148**	3,217,067
7	**LENDINGS TO FINANCIAL INSTITUTIONS**			
	Placements with financial institutions		**217,140**	224,236
	Call / clean money lending		**1,500,000**	3,300,000
			1,717,140	3,524,236
	Less: Credit loss allowance held against lendings to financial institutions	7.1	**(83,508)**	(85,687)
	Lendings to financial institutions - net of credit loss allowance		**1,633,632**	3,438,549

7.1 Lendings to financial institutions - particulars of credit loss allowance		Note	(Un-audited) June 30, 2026 Lending	(Un-audited) June 30, 2026 Credit loss allowance held	(Audited) December 31, 2025 Lending	(Audited) December 31, 2025 Credit loss allowance held
			---------- Rupees in '000 ----------			
Domestic						
Performing	Stage 1		**1,500,000**	-	**3,300,000**	-
Under performing	Stage 2		-	-	-	-
Non-performing	Stage 3					
Substandard			-	-	-	-
Doubtful			-	-	-	-
Loss		7.2	**217,140**	**83,508**	**224,236**	**85,687**
			217,140	**83,508**	**224,236**	**85,687**
Total			**1,717,140**	**83,508**	**3,524,236**	**85,687**
Overseas			-	-	-	-
Total			-	-	-	-

7.2 As at June 30, 2026, the Holding company has availed the forced sales value benefit amounting to Rs. 133.63 million (December 31, 2025: Rs. 138.55 million), that is equivalent to the market value of the Pakistan Investment Bonds received by the Holding company as part of the settlement agreement against a non performing lending of the Holding company. The resulting increase in the unappropriated profit (net of tax) amounting to Rs. 64.14 million (December 31, 2025: Rs. 65.12 million) is not available for the distribution of cash or stock dividend to shareholders or bonus to employees.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2026

8 INVESTMENTS

8.1 Investments by type:

	(Un-audited) June 30, 2026			
	Cost / amortised cost	**Credit loss allowance**	**Surplus / (deficit)**	**Carrying value**
	--------------Rupees in '000--------------			
Fair value through profit or loss (FVPL)				
Non Government Debt Securities	**1,364,640**	**-**	**(15,459)**	**1,349,181**
Fair value through other comprehensive income (FVOCI)				
Federal Government Securities	**340,022,536**	**-**	**(1,039,827)**	**338,982,709**
Shares	**677,081**	**-**	**(155,675)**	**521,406**
Non-Government Debt Securities	**2,371,795**	**(137,493)**	**(125,087)**	**2,109,215**
	343,071,412	**(137,493)**	**(1,320,589)**	**341,613,330**
Amortised cost (AC)				
Non-Government Debt Securities	**8,636,803**	**-**	**-**	**8,636,803**
Non-Government Debt Securities	**507,882**	**(13)**	**-**	**507,869**
	9,144,685	**(13)**	**-**	**9,144,672**
Associate	**125,994**	**-**	**-**	**125,994**
Total investments	**353,706,731**	**(137,506)**	**(1,336,048)**	**352,233,177**

	(Audited) December 31, 2025			
	Cost / amortised cost	Credit loss allowance	Surplus / (deficit)	Carrying value
	-------------Rupees in '000-------------			
Fair value through profit or loss (FVPL)				
Non Government Debt Securities	1,364,680	-	(15,459)	1,349,221
Fair value through other comprehensive income (FVOCI)				
Federal Government Securities	259,127,494	-	1,661,852	260,789,346
Shares	677,081	-	(178,456)	498,625
Non-Government Debt Securities	2,617,666	(141,626)	(90,270)	2,385,770
	262,422,241	(141,626)	1,393,126	263,673,741
-				
Amortised cost (AC)				
Federal Government Securities	9,308,916	-	-	9,308,916
Non-Government Debt Securities	507,264	(5)	-	507,259
	9,816,180	(5)	-	9,816,175
Associate	117,490	-	-	117,490
Total investments	273,720,591	(141,631)	1,377,667	274,956,627

8.2 Investments given as collateral	**Note**	**(Un-audited) June 30, 2026**	(Audited) December 31, 2025
		------- Rupees in '000	**--------**
Market Treasury Bills		**-**	-
Pakistan Investment Bonds	**8.2.1**	**43,474,337**	13,878,200
Ijara Sukuks		**19,473,726**	-
		62,948,063	13,878,200

8.2.1 The market value of securities given as collateral is Rs. 63,476.18 million (December 31, 2025: Rs. 13,871.20 million).

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2026

	(Un-audited) June 30, 2026	(Audited) December 31, 2025
8.3 Credit loss allowance for diminution in value of investments	------ Rupees in '000 ------	
Opening balance	**141,631**	158,189
Charge / (reversals)		
Charge for the period / year	**7**	5
Reversal for the period / year	**-**	(16,563)
Reversal on disposals / repayment during the period / year	**(4,132)**	-
	(4,125)	(16,558)
Closing balance	**137,506**	141,631

8.4 Particulars of credit loss allowance against debt securities

Category of classification		(Un-audited) June 30, 2026		(Audited) December 31, 2025	
		Outstanding amount	**Credit loss allowance held**	Outstanding amount	Credit loss allowance held
Domestic		-------- Rupees in '000 --------			
Performing	Stage 1	**2,742,184**	**13**	2,983,304	5
Underperforming	Stage 2	**-**	**-**	-	-
Non-performing	Stage 3				
Substandard		**-**	**-**	-	-
Doubtful		**-**	**-**	-	-
Loss		**137,493**	**137,493**	141,626	141,626
		137,493	**137,493**	141,626	141,626
Total		**2,879,677**	**137,506**	3,124,930	141,631
Overseas		**-**	**-**	-	-
Total		**-**	**-**	-	-

8.5 Summarised financial information of associate

8.5.1 Investment in associate - unlisted

	Period / year ended	Number of shares	Percentage of holding	Country of incorporation	Cost Rupees in '000
Taurus Securities Limited	**June 30, 2026 (Un-audited)**	**4,050,374**	**30%**	**Pakistan**	**40,504**
Taurus Securities Limited	December 31, 2025 (Audited)	4,050,374	30%	Pakistan	40,504

8.5.2 Summary of financial information of associate

	Assets	Liabilities	Equity	Revenue	Profit after taxation	Total comprehensive income
	---------- Rupees in '000 ----------					
Based on financial statements:						
- October 1, 2025 to June 30, 2026	**1,686,079**	**1,266,102**	**419,977**	**285,034**	**28,348**	**28,348**
- October 1, 2024 to September 30, 2025	1,560,181	1,168,548	391,633	325,148	51,292	60,588

8.5.3 Reporting date of associate (i.e. Taurus Securities Limited) is December 31. Further, results of its operations including share of profit and other comprehensive income for the three months period October 1, 2025 to December 31, 2025 has been extracted by subtracting nine months period January 1, 2025 to September 30, 2025 figures from the annual audited financial statements for the year ended December 31, 2025 and then adding that to six months period figures from January 1, 2026 to June 30, 2026 based on its un-audited interim financial statements.

8.6 The market value of securities classified as amortised cost as at June 30, 2026 amounted to Rs. 9,164.22 million (December 31, 2025: Rs. 9,921.04 million).

9 ADVANCES

	Note	Performing		Non performing		Total	
		(Un-audited) June 30, 2026	(Audited) December 31, 2025	**(Un-audited) June 30, 2026**	(Audited) December 31, 2025	**(Un-audited) June 30, 2026**	(Audited) December 31, 2025
		------------Rupees in '000------------					
Loans, cash credits, running finances, etc.		**49,327,485**	41,044,761	**9,247,116**	10,367,438	**58,574,601**	51,412,199
Islamic financing and related assets		**123,372,041**	86,833,272	**2,236,254**	1,943,405	**125,608,295**	88,776,677
Bills discounted and purchased		**-**	99,608	**219,630**	219,630	**219,630**	319,238
		172,699,526	127,977,641	**11,703,000**	12,530,473	**184,402,526**	140,508,114
Impact of fair valuation of advances		**(1,834,483)**	(1,903,583)	**-**	-	**(1,834,483)**	(1,903,583)
Advances - gross		**170,865,043**	126,074,058	**11,703,000**	12,530,473	**182,568,043**	138,604,531
Credit loss allowance against advances	9.3						
- Stage 1		**605,888**	702,763	**-**	-	**605,888**	702,763
- Stage 2		**523,401**	395,797	**-**	-	**523,401**	395,797
- Stage 3		**-**	-	**10,411,784**	10,800,150	**10,411,784**	10,800,150
		1,129,289	1,098,560	**10,411,784**	10,800,150	**11,541,073**	11,898,710
Advances - net of credit loss allowance		**169,735,754**	124,975,498	**1,291,216**	1,730,323	**171,026,970**	126,705,821

9.1 Particulars of advances (gross)

	(Un-audited) June 30, 2026	(Audited) December 31, 2025
	------ Rupees in '000 ------	
In local currency	**182,568,043**	138,604,531
In foreign currencies	**-**	-
	182,568,043	138,604,531

9.2 Advances include Rs. 11,703.00 million (December 31, 2025: Rs. 12,530.47 million) which have been placed under non-performing / stage 3 status as detailed below:

Category of classification in stage 3	(Un-audited) June 30, 2026		(Audited) December 31, 2025	
	Non performing loans	Credit loss allowance	Non performing loans	Credit loss allowance
	------------------------ Rupees in '000 ------------------------			
Domestic				
Other assets especially mentioned (OAEM)	**59,006**	**41,888**	151,988	81,548
Substandard	**511,023**	**333,988**	774,959	530,827
Doubtful	**794,166**	**518,057**	419,689	283,341
Loss	**10,338,805**	**9,517,851**	11,183,837	9,904,434
	11,703,000	**10,411,784**	12,530,473	10,800,150
Overseas	**-**	**-**	-	-
	-	**-**	-	-
Total	**11,703,000**	**10,411,784**	12,530,473	10,800,150

9.3 **Particulars of credit loss allowance against advances**

	(Un-audited) June 30, 2026				(Audited) December 31, 2025			
	Credit loss allowance held							
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
	Rupees in '000							
Opening balance	**702,763**	**395,797**	**10,800,150**	**11,898,710**	731,140	584,619	11,425,873	12,741,632
Charge for the period / year	**251,858**	**638,188**	**255,638**	**1,145,684**	522,484	650,837	1,027,433	2,200,754
Reversals for the period / year	**(348,733)**	**(510,584)**	**(644,004)**	**(1,503,321)**	(550,861)	(839,659)	(1,653,156)	(3,043,676)
	(96,875)	**127,604**	**(388,366)**	**(357,637)**	(28,377)	(188,822)	(625,723)	(842,922)
Amounts written off	**-**	**-**	**-**	**-**	-		-	-
Closing balance	**605,888**	**523,401**	**10,411,784**	**11,541,073**	702,763	395,797	10,800,150	11,898,710

9.4 **Advances - Particulars of credit loss allowance**

	(Un-audited) June 30, 2026				(Audited) December 31, 2025			
	Credit loss allowance held							
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
	Rupees in '000							
Opening balance	**702,763**	**395,797**	**10,800,150**	**11,898,710**	731,140	584,619	11,425,873	12,741,632
New advances	**187,752**	**230,475**	**1,126**	**419,353**	435,680	88,991	88,754	613,425
Advances derecognised or repaid	**(104,401)**	**(154,552)**	**(261,249)**	**(520,202)**	(170,478)	(94,545)	(1,162,741)	(1,427,764)
Transfer to stage 1	**64,106**	**(55,645)**	**(8,461)**	**-**	86,804	(82,910)	(3,894)	-
Transfer to stage 2	**(33,419)**	**407,713**	**(374,294)**	**-**	(75,325)	561,846	(486,521)	-
Transfer to stage 3	**(2,563)**	**(11,527)**	**14,090**	**-**	(8,594)	(132,486)	141,080	-
	111,475	**416,464**	**(628,788)**	**(100,849)**	268,087	340,896	(1,423,322)	(814,339)
Changes in risk parameters (PDs/ LGDs/ EADs)	**(208,350)**	**(288,860)**	**240,422**	**(256,788)**	(296,464)	(529,718)	797,599	(28,583)
Closing balance	**605,888**	**523,401**	**10,411,784**	**11,541,073**	702,763	395,797	10,800,150	11,898,710

9.4.2 Advances - Category of classification

		(Un-audited) June 30, 2026		(Audited) December 31, 2025	
		Outstanding amount	**Credit loss allowance held**	Outstanding amount	Credit loss allowance held
		Rupees in '000			
Domestic					
Performing	Stage 1	**118,551,256**	**605,888**	81,305,726	702,763
Underperforming	Stage 2	**52,313,787**	**523,401**	44,768,332	395,797
Non-performing	Stage 3				
Other assets especially mentioned (OAEM)		**59,006**	**41,888**	151,988	81,548
Substandard		**511,023**	**333,988**	774,959	530,827
Doubtful		**794,166**	**518,057**	419,689	283,341
Loss		**10,338,805**	**9,517,851**	11,183,837	9,904,434
		11,703,000	**10,411,784**	12,530,473	10,800,150
Total		**182,568,043**	**11,541,073**	138,604,531	11,898,710
Overseas		-	-	-	-
Total		**-**	**-**	-	-

9.4.3 State Bank of Pakistan (SBP) through BSD Circular No.1 dated October 21, 2011 has allowed benefit of the forced sales value (FSV) of plant & machinery under charge, pledged stocks & mortgaged residential, commercial and industrial properties (land and building only), held as collateral against Non-Performing Loans (NPLs) for a maximum of five years from the date of classification.

The Holding company has adopted IFRS 9 with effect from January 1, 2024. In accordance with the SBP's IFRS 9 Application Instructions (together with BPRD Circular Letter No.16 of 2024 dated July 29, 2024), credit loss allowance / provision against NPLs has been taken at higher of the i) provision as required under SBP's Prudential Regulations; or ii) credit loss allowance computed in accordance with the requirements of the Application Instructions. This has effectively reduced the cumulative FSV benefit availed by the Holding company as on period end. As at June 30, 2026, the Holding company has availed cumulative benefit of forced sales value of Rs. 743.53 million (December 31, 2025: Rs. 936.19 million). Increase in unappropriated profit amounting to Rs. 356.90 million (December 31, 2025: Rs. 440.00 million) is not available for the distribution of cash or stock dividend to shareholders or bonus to employees.

		(Un-audited) June 30, 2026	(Audited) December 31, 2025
10 PROPERTY AND EQUIPMENT	**Note**	Rupees in '000	
Capital work-in-progress	**10.1**	**141,570**	290,463
Property and equipment		**4,443,318**	4,506,076
		4,584,888	4,796,539

10.1 Capital work-in-progress

Civil works	**137,333**	76,921
Equipment	**4,237**	212,400
Furniture and fixtures	**-**	216
Advances to suppliers	**-**	926
	141,570	290,463

10.2 Additions to property and equipment

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

	(Un-audited) For the six months ended June 30, 2026	(Un-audited) For the six months ended June 30, 2025
	------ Rupees in '000 ------	
Capital work-in-progress - net (transfers) / additions	**(148,893)**	44,130
Property and equipment		
Furniture and fixtures	**26,481**	31,441
Electrical, office and computer equipment	**334,474**	118,151
Vehicles	**-**	26,701
Books	**10**	-
Leasehold improvements	**93,260**	84,371
	454,225	260,664
Total	**305,332**	304,794

10.3 Disposal of property and equipment

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

	June 30, 2026	June 30, 2025
Furniture and fixtures	**21**	2,473
Electrical, office and computer equipment	**93**	545
Leasehold improvements	**-**	1,063
Total	**114**	4,081

	(Un-audited) June 30, 2026	(Audited) December 31, 2025
11 RIGHT-OF-USE ASSETS	------ Rupees in '000 ------	
Buildings		
At January 1		
Cost	**5,235,628**	4,965,179
Accumulated depreciation	**(3,609,467)**	(2,905,209)
Net carrying amount at January 1	**1,626,161**	2,059,970
Additions during the period / year	**108,755**	379,414
Terminations during the period / year - at cost	**(8,424)**	(108,965)
Accumulated depreciation on termination	**4,806**	63,251
	(3,618)	(45,714)
Depreciation charge for the period / year	**(377,962)**	(767,509)
Net carrying amount at the period / year end	**1,353,336**	1,626,161

12 INTANGIBLE ASSETS

Capital work in progress	**62,765**	53,879
Licenses and computer softwares	**285,195**	325,766
	347,960	379,645

		(Un-audited) For the six months ended	
		June 30, 2026	June 30, 2025
12.1	**Additions to intangible assets**	------ Rupees in '000 ------	
	The following additions have been made to intangible assets during the period:		
	Directly purchased - intangible assets	-	-
	Capital work in progress - net	**3,174**	9,922
	Total	**3,174**	9,922

12.2 Disposals of intangible assets

No intangible assets were disposed off during the periods ended June 30, 2026 and June 30, 2025.

		(Un-audited) June 30, 2026	(Audited) December 31, 2025
13	**DEFERRED TAX ASSETS**	------ Rupees in '000 ------	
	Deductible temporary differences on		
	Accelerated accounting depreciation	**510,150**	409,463
	Credit loss allowance against investments	**12,862**	15,007
	Unrealised loss on FVPL investments	**8,039**	8,039
	Credit loss allowance against advances and off balance sheet obligations	**1,382,519**	1,521,093
	Credit loss allowance against cash and balances with treasury banks	**10**	8
	Credit loss allowance against balances with other banks	**5,463**	5,273
	Credit loss allowance against other assets	**23,479**	23,812
	Islamic pool management reserves	**48,314**	51,067
	Deficit on revaluation of FVOCI investments - net	**426,946**	-
	Others	**222,773**	188,373
		2,640,555	2,222,135
	Taxable temporary differences on		
	Share of profit of associate	**(44,455)**	(40,033)
	Surplus on revaluation of FVOCI investments - net	-	(984,186)
	Surplus on revaluation of non-banking asset	**(53,628)**	(56,751)
	Modification of advances	**(38,571)**	(14,175)
	Fair valuation of staff loans	**(129,135)**	(94,079)
		(265,789)	(1,189,224)
	Deferred tax assets - net	**2,374,766**	1,032,911

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2026

			(Un-audited) June 30, 2026	(Audited) December 31, 2025
		Note	------ Rupees in '000 ------	
14	**OTHER ASSETS**			
	Income / mark-up accrued in local currency		**7,913,636**	6,522,531
	Advances, deposits, advance rent and other prepayments		**440,820**	373,019
	Advance taxation (payments less provisions)		**1,998,321**	623,647
	Non-banking assets acquired in satisfaction of claims		**202,787**	226,459
	Branch adjustment account		**4,841**	10,812
	Mark to market gain on forward foreign exchange contracts		**3,215**	8,926
	Acceptances		**2,173**	2,910
	Pre-IPO investment		**100,000**	100,000
	Stationary and stamps on hand		**164,664**	169,411
	Clearing and settlement accounts		**659,307**	1,019,518
	Receivable from the State Bank of Pakistan		**689,626**	477,287
	Deferred cost on staff loans		**2,156,993**	2,111,764
	Others		**193,790**	182,975
			14,530,173	11,829,259
	Less: Credit loss allowance held against other assets	**14.1**	**(189,578)**	(190,219)
	Other assets - net of credit loss allowance		**14,340,595**	11,639,040
	Surplus on revaluation of non-banking assets acquired in satisfaction of claims	**21**	**103,134**	109,138
	Other assets - total		**14,443,729**	11,748,178
14.1	**Credit loss allowance held against other assets**			
	Income / mark-up accrued in local currency		**2,082**	2,723
	Advances for Pre-IPO investment		**100,000**	100,000
	Others		**87,496**	87,496
			189,578	190,219
14.1.1	**Movement in credit loss allowance held against other assets**			
	Opening balance		**190,219**	190,357
	Charge for the period / year		**591**	1,250
	Reversal for the period / year		**(1,232)**	(1,388)
			(641)	(138)
	Closing balance		**189,578**	190,219
15	**BILLS PAYABLE**			
	In Pakistan		**2,812,871**	3,212,340
	Outside Pakistan		-	-
			2,812,871	3,212,340

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2026

16 BORROWINGS

	(Un-audited) June 30, 2026	(Audited) December 31, 2025
	------ Rupees in '000 ------	
Secured		
Borrowings from State Bank of Pakistan (SBP) under:		
- Export refinance scheme	**1,971,000**	2,205,700
- Long term financing facility	**2,024,246**	2,367,827
- Refinance and credit guarantee scheme for women entrepreneurs	**38,443**	46,242
- Financing facility for renewable energy	**175,442**	204,448
- Refinance facility for modernization of Small and Medium Enterprises (SMEs)	**115,372**	134,449
- Refinance facility for combating COVID-19	**75,359**	182,745
- SME Asaan Scheme (SAAF)	**227,278**	321,801
- Financing facility for storage of agriculture produce	**95,077**	107,538
- Repurchase agreement borrowings	**42,351,908**	-
- Acceptance mudarbah	**19,473,726**	-
	66,547,851	5,570,750
Repurchase agreement borrowings	**1,122,429**	13,878,200
Total secured	**67,670,280**	19,448,950
Unsecured		
Call borrowings	**4,050,000**	16,249,028
Total	**71,720,280**	35,697,978

17 DEPOSITS AND OTHER ACCOUNTS

	(Un-audited) June 30, 2026			(Audited) December 31, 2025		
	In local currency	**In foreign currencies**	**Total**	In local currency	In foreign currencies	Total
	------------------------------ Rupees in '000 ------------------------------					
Customers						
Current deposits	**80,703,550**	**1,302,549**	**82,006,099**	68,296,014	744,527	69,040,541
Saving deposits	**207,083,653**	**104,145**	**207,187,798**	176,241,734	116,671	176,358,405
Term deposits	**173,982,634**	**265,589**	**174,248,223**	107,567,941	601,574	108,169,515
Others	**18,731,042**	**-**	**18,731,042**	21,709,929	-	21,709,929
	480,500,879	**1,672,283**	**482,173,162**	373,815,618	1,462,772	375,278,390
Financial Institutions						
Current deposits	**1,042,106**	**31,071**	**1,073,177**	1,999,589	30,896	2,030,485
Saving deposits	**2,199,006**	**-**	**2,199,006**	814,345	-	814,345
Term deposits	**204,400**	**-**	**204,400**	-	-	-
	3,445,512	**31,071**	**3,476,583**	2,813,934	30,896	2,844,830
	483,946,391	**1,703,354**	**485,649,745**	376,629,552	1,493,668	378,123,220

18 LEASE LIABILITIES

	(Un-audited) June 30, 2026	(Audited) December 31, 2025
	------ Rupees in '000 ------	
Outstanding amount at the start of the period / year	**1,757,104**	2,147,700
Additions during the period / year	**108,756**	379,414
Lease payments including interest during the period / year	**(476,865)**	(1,097,755)
Interest expense	**176,176**	390,465
Terminations / modifications during the period / year	**(3,828)**	(62,720)
	(195,762)	(390,596)
Outstanding amount at the end of the period / year	**1,561,342**	1,757,104

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2026

		(Un-audited) June 30, 2026	(Audited) December 31, 2025
		------ Rupees in '000 ------	
18.1	**Liabilities outstanding**		
	Not later than one year	**681,276**	585,565
	Later than one year and up to five years	**880,066**	1,171,539
	Total at the period / year end	**1,561,342**	1,757,104

18.2 The Group mainly has lease contracts for real estate that are used in its operations including branches and other offices. Generally, the Bank is restricted from assigning and subleasing the lease assets. As a practical expedient, management does not separate lease and non-lease components, wherever applicable. The additions to lease obligations during the period have been discounted at rates ranging between 10.40% to 12.24% (December 31, 2025: 10.98% to 12.24%) per annum; being the relevant incremental borrowing rate of the Group.

		Note	(Un-audited) June 30, 2026	(Audited) December 31, 2025
			------ Rupees in '000 ------	
19	**OTHER LIABILITIES**			
	Mark-up / return / interest payable in local currency		**9,067,205**	7,389,057
	Mark-up / return / interest payable in foreign currencies		**3,059**	16,380
	Unearned commission and income on bills discounted		**134,791**	150,512
	Accrued expenses and supplier payables		**1,581,809**	1,835,808
	Acceptances		**2,173**	2,910
	Unclaimed dividends		**131,359**	113,242
	Mark to market loss on forward foreign exchange contracts		**1,305**	147
	Deferred income on government schemes		**1,275**	1,275
	Deferred income on Islamic financing		**597,550**	622,651
	Islamic pool management reserves		**92,911**	98,206
	Share subscription money refund		**1,091**	1,091
	Retention money		**32,317**	39,738
	Bills payment system over the counter (BPS-OTC)		**-**	49,502
	Charity fund balance		**12,483**	11,648
	Payable to defined benefit plan		**81,053**	3,499
	Security deposits against ijarah		**27,343**	32,153
	Levies and other taxes payable		**64,726**	38,629
	Credit loss allowance against off-balance sheet obligations	**19.1**	**115,045**	42,406
	Others		**848,152**	383,428
			12,795,648	10,832,282
19.1	**Credit loss allowance against off-balance sheet obligations**			
	Opening balance		**42,406**	44,098
	Charge for the period / year		**105,993**	19,419
	Reversal for the period / year		**(33,354)**	(21,111)
			72,639	(1,692)
	Closing balance		**115,045**	42,406

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2026

20 SHARE CAPITAL

20.1 Authorized capital

(Un-audited) June 30, 2026	(Audited) December 31, 2025		(Un-audited) June 30, 2026	(Audited) December 31, 2025
Number of shares			----- Rupees in '000 -----	
1,500,000,000	1,500,000,000	Ordinary shares of Rs. 10 each	**15,000,000**	15,000,000

20.2 Issued, subscribed and paid up

(Un-audited) June 30, 2026	(Audited) December 31, 2025		(Un-audited) June 30, 2026	(Audited) December 31, 2025
Number of shares			----- Rupees in '000 -----	
		Ordinary shares of Rs. 10 each		
722,698,448	722,698,448	Fully paid in cash	**7,226,984**	7,226,984
435,237,541	435,237,541	Issued as fully paid bonus shares	**4,352,376**	4,352,376
1,157,935,989	1,157,935,989	**Closing balance**	**11,579,360**	11,579,360

20.3 The Holding company has only one class of shares and at reporting date, the Government of Khyber Pakhtunkhwa and Ismail Industries Limited held 812,893,804 (December 31, 2025: 812,893,804) and 282,852,969 (December 31, 2025: 282,852,969) ordinary shares respectively. Moreover, the Holding company has no reserved shares under options.

21 SURPLUS ON REVALUATION OF ASSETS

	(Un-audited) June 30, 2026	(Audited) December 31, 2025
	------ Rupees in '000 ------	
(Deficit) / surplus on revaluation of:		
- Securities measured at FVOCI - Debt	**(1,164,914)**	1,571,582
- Securities measured at FVOCI - Equity	**(155,675)**	(178,456)
- Property and equipment	**900,120**	900,120
- Non-banking assets acquired in satisfaction of claims	**103,134**	109,138
- Investment of associate	**(5,404)**	(5,404)
	(322,739)	2,396,980
Deferred tax on deficit / (surplus) on revaluation of:		
- Securities measured at FVOCI - Debt	**605,755**	(817,223)
- Securities measured at FVOCI - Equity	**(178,809)**	(166,963)
- Non-banking assets acquired in satisfaction of claims	**(53,628)**	(56,751)
- Investment of associate	**2,810**	2,810
	376,128	(1,038,127)
	53,389	1,358,853

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2026

		Note	(Un-audited) June 30, 2026	(Audited) December 31, 2025
			------ Rupees in '000 ------	
22	**CONTINGENCIES AND COMMITMENTS**			
	Guarantees	22.1	**31,049,486**	44,153,665
	Commitments	22.2	**45,458,569**	27,482,911
			76,508,055	71,636,576
22.1	**Guarantees:**			
	Financial guarantees		**300,000**	300,000
	Performance guarantees		**30,743,404**	43,847,583
	Other guarantees		**6,082**	6,082
			31,049,486	44,153,665
22.2	**Commitments:**			
	Documentary credits and short-term trade-related transactions			
	- Letters of credit		**17,704,998**	14,495,539
	Commitments in respect of:			
	- Forward foreign exchange contracts	22.2.1	**22,754,294**	2,660,236
	Commitments for acquisition of:			
	- Property and equipment		**116,308**	396,538
	- Intangible assets		**89,544**	69,828
	Undrawn loan commitments	22.2.2	**4,793,425**	9,860,770
	Other commitments		**-**	-
			45,458,569	27,482,911
22.2.1	**Commitments in respect of forward foreign exchange contracts**			
	Purchase		**6,854,373**	792,236
	Sale		**15,899,921**	1,868,000
			22,754,294	2,660,236

Commitments for outstanding forward foreign exchange contracts are disclosed in these consolidated condensed interim financial statements at contracted rates.

22.2.2 Undrawn loan commitments

These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the Holding company without the risk of incurring significant penalty or expense. In addition, the Holding company makes revocable commitments that do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

22.3 Other contingent liabilities

22.3.1 There are certain claims which have not been acknowledged as debts. These mainly represent counter claims by the borrowers, claims filed by the former employees of the Holding company and certain other claims. Based on legal advice and/or internal assessments management is optimistic that the matters will be decided in the Holding company's favour and the possibility of any adverse outcome is remote. Accordingly, no provision has been made in these consolidated condensed interim financial statements for the same.

22.3.2 The Holding company is contesting a case filed by an employee in the Peshawar High Court regarding changes in post retirement benefit plans made by the Holding company w.e.f. January 1, 2019. The management based on a legal opinion is of the view that such changes were lawfully made as per Holding company's policy and is optimistic about the favourable outcome of the case. Hence, no provision in this respect is recognised in these consolidated condensed interim financial statements. Considering the complexity and uncertainty in nature, the financial impact cannot be reasonably ascertained.

22.3.3 The Holding company is subject to periodic inspections and reviews by the State Bank of Pakistan. Such inspections may result in observations, remedial actions, administrative penalties or other regulatory measures. As of the reporting date, an inspection is underway. Management believes that the outcome of this matter cannot be presently determined with sufficient certainty and accordingly no provision has been recognised. Moreover, as per the practice, the financial effect, if any, will be recognised when it becomes probable and can be reliably estimated.

22.3.4 During the period, the Holding company entered into an agreement with M/s Mastercard Middle East Africa; under which certain support payments are linked to specified performance targets. As at period end, support payments amounting to USD 647 thousand received by the Bank remain contingent upon achievement of such targets over the period of ten years of the agreement. Based on an assessment performed, management is confident of achieving the specified targets in future periods, accordingly, no provision has been recognized in these consolidated interim financial statements.

22.3.5 The matters arising from income tax assessments of the Holding company up to Tax Year 2025 are detailed below:

i) In respect of Tax Year 2014, the Commissioner Inland Revenue, Appeals (CIRA), issued an order dated November 24, 2021 under section 129 of the Income Tax Ordinance, 2001 in which he remanded back certain matters to Commissioner Inland Revenue (CIR) for reassessment and also upheld few matters. Being aggrieved, the Holding company filed an appeal with Appellate Tribunal Inland Revenue (ATIR) on February 23, 2022, which is currently pending.

The remand back proceedings were also completed by CIR, and order was issued, creating a total demand of Rs. 231 million (December 31, 2025: Rs. 231 million) in respect of remand back proceedings and for matter upheld by CIRA and mainly included disallowances on account of provision for doubtful debt, depreciation and workers welfare fund. The Holding company filed correction application with CIR as well as appeal with CIRA, on May 18, 2022 which is currently pending.

ii) In respect of Tax Year 2015, Deputy Commissioner Inland Revenue issued an order dated February 23, 2023 creating an additional tax demand along with default surcharge of Rs. 645 million (December 31, 2025: Rs. 645 million) under section 161 of Income Tax Ordinance, 2001, mainly on account of non-deduction of withholding taxes on profit on debt, salaries and wages, advertisement and professional charges etc. Being aggrieved, the Holding company filed an appeal before CIRA on March 22, 2023 which is currently pending.

Further, the Holding company's assessment was amended under section 122(5A) by the Additional Commissioner Inland Revenue on December 13, 2016. The Bank filed an appeal before the CIR(A), who deleted the additions made by the ACIR. The case was subsequently selected for audit, which was concluded on September 30, 2021, resulting in a tax demand of Rs. 64.13 million. The Bank filed an appeal before the CIR(A), who, on May 24, 2023, upheld the disallowance of markup. Being aggrieved, the Holding company filed an appeal before the ATIR and tax demand was reduced to Rs. 54.24 million. The matter is currently pending before Peshawar High Court.

iii) In respect of Tax Year 2016, Additional Commissioner Inland Revenue issued an order dated June 21, 2022 creating a demand of Rs. 188 million (December 31, 2025: Rs. 188 million) on account of provision for non-performing loans and advances. Being aggrieved the Bank filed an appeal with CIRA on July 22, 2022 which is currently pending.

iv) In respect of Tax Year 2017, Additional Commissioner Inland Revenue issued an order dated May 29, 2023 creating a demand of Rs. 130 million (December 31, 2025: Rs. 130 million) on account of provision for non-performing loans and advances. Being aggrieved the Holding company filed an appeal with CIRA on July 4, 2023 which is currently pending.

v) In respect of Tax Year 2019, Assistant Commissioner Inland Revenue issued an order dated November 30, 2023 creating a demand of Rs. 962 million (December 31, 2025: Rs. 962 million) along with default surcharge amounting to Rs. 567 million (December 31, 2025: Rs. 567 million) under section 161 of Income Tax Ordinance, 2001, mainly on account of non-deduction of withholding taxes. Being aggrieved, the Holding company filed an appeal against the order on January 1, 2024. Appellate Tribunal Inland Revenue (ATIR) issued an order dated March 7, 2025, remanding the matter back to the assessing officer for a fresh decision after the examination of records.

During the period, the assessing officer completed the remand back proceedings and issued an order dated June 29, 2026 under section 161(1) of the Income Tax Ordinance, 2001, reducing the demand to Rs. 28 million including default surcharge of Rs. 6 million. Being aggrieved, the Holding company filed an appeal before CIR(A) on July 28, 2026, which is currently pending.

vi) In respect of Tax Year 2020, Additional Commissioner Inland Revenue issued an order dated May 25, 2026 under section 122(5A) of the Income Tax Ordinance, 2001, creating a demand of Rs. 271 million by disallowing the Holding company's claim of refund adjustment. Being aggrieved, the Holding company filed an appeal before CIRA on June 18, 2026 which is currently pending.

Further, Assistant Commissioner Inland Revenue issued an order dated June 30, 2026 under section 161(1) of the Income Tax Ordinance, 2001, creating a demand of Rs. 26 million including default surcharge of Rs. 3 million, mainly on account of non-deduction of withholding taxes. Being aggrieved, the Holding company filed an appeal before CIRA on July 28, 2026, which is currently pending.

vii) In respect of Tax Year 2021, Additional Commissioner Inland Revenue issued an order dated May 25, 2026 under section 122(5A) of the Income Tax Ordinance, 2001, creating a demand of Rs. 199 million by disallowing the Holding company's claim of refund adjustment. Being aggrieved, the Bank filed an appeal before CIRA on June 18, 2026 which is currently pending.

viii) In respect of Tax Year 2022, Deputy Commissioner Inland Revenue issued an order dated December 8, 2025 creating a tax demand along with default surcharge of Rs. 6.620 billion under section 161 of Income Tax Ordinance, 2001, mainly on account of non-deduction of withholding taxes on profit on debt, dividend paid, salaries and wages, advertisement, professional and other charges etc. Being aggrieved, the Holding company filed an appeal before CIRA on January 9, 2026. The demand was then reduced to Rs. 25 million (including default surcharge), vide order dated April 8, 2026.The Bank filed an appeal before the ATIR, which is currently pending.

ix) In respect of Tax Year 2023, Additional Commissioner Inland Revenue issued an order dated May 25, 2026 under section 122(5A) of the Income Tax Ordinance, 2001, creating a demand of Rs. 71 million by disallowing the Holding company's claim of refund adjustment. Being aggrieved, the Holding company filed an appeal before CIRA on June 18, 2026 which is currently pending.

x) In respect of Tax Year 2024, Additional Commissioner Inland Revenue issued an order dated April 14, 2026 under section 122(5A) of the Income Tax Ordinance, 2001, creating a demand of Rs. 210 million by disallowing the Holding company's claim of refund adjustment. Being aggrieved, the Holding company filed an appeal before CIRA on May 14, 2026 which is currently pending.

Moreover, a recovery notice under section 138(1) was issued to the Holding company, against which the Holding company's stay application was rejected by CIRA on May 20, 2026. The Holding company thereafter filed an interim appeal along with a stay application before ATIR on May 21, 2026. The Division Bench of the ATIR, Peshawar, vide order dated May 25, 2026 granted a stay against recovery proceedings until the disposal of the main appeal by CIRA. Subsequently, CIRA on July 10, 2026 upheld the department's decision. Being aggrieved, the Holding company filed an appeal before ATIR on July 23, 2026 and ATIR granted stay on July 24, 2026.

Management is confident of a favourable outcome of the above matters. Hence, no provision has been recognised for the same in these consolidated condensed interim financial statements.

22.3.6 The Group share of contingencies of it's associated company i.e. Taurus Securities Limited amounts to Rs. 8.61 million (December 31, 2025: Rs. 9.37 million). No provision has been recognised for the same in these consolidated condensed interim financial statements.

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			(Un-audited) For the six months ended	
			June 30, 2026	June 30, 2025
23	**MARK-UP / RETURN / INTEREST EARNED**	**Note**	--------- Rupees in '000 ---------	
	Loans and advances		**7,766,463**	7,089,255
	Investments		**9,991,430**	13,305,414
	Lendings to financial institutions		**88,362**	327,820
	Balances with banks		**53,932**	108,122
	Sukuk bonds		**6,634,551**	6,758,219
			24,534,738	27,588,830
23.1	**Interest income included in above (calculated using effective interest rate method) recognized on:**			
	Financial assets measured at amortized cost		**8,407,800**	
	Financial assets measured at FVOCI		**16,040,409**	
		24.1.1	**24,448,209**	
24	**MARK-UP / RETURN / INTEREST EXPENSED**			
	Deposits		**11,563,694**	12,620,495
	Borrowings		**4,412,815**	4,922,238
	Lease liability		**176,176**	200,751
			16,152,685	17,743,484
24.1	**Interest expense included in above calculated using effective interest rate method:**			
	Financial liabilities		**16,009,580**	
		24.1.1	**16,009,580**	

24.2 As disclosed in note 4.1.2, the Bank has applied the effective interest rate method during the current period under the modified retrospective approach. The impact has been recognised in opening equity, and accordingly, prior information has not been presented.

25	**FEE AND COMMISSION INCOME**			
	Branch banking customer fees		**15,811**	14,278
	Consumer finance related fees		**-**	475
	Card related fees (Debit cards)		**351,413**	262,654
	Commission on trade		**70,541**	82,573
	Commission on guarantees		**119,568**	118,068
	Commission on remittances including home remittances		**12,581**	34,683
	Rebate from financial institutions		**35,427**	30,644
	Others		**7,131**	7,439
			612,472	550,814

			(Un-audited) For the six months ended	
			June 30, 2026	June 30, 2025
			--------- Rupees in '000 ---------	
26	**GAIN ON SECURITIES**			
	Realised gain	**26.1**	**50,449**	1,496,573
	Unrealised gain/ (loss) - measured at FVPL		**-**	-
			50,449	1,496,573
26.1	**Realised gain on:**			
	Federal government securities		**50,449**	1,496,573
			50,449	1,496,573
27	**NET GAIN / (LOSS) ON DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTISED COST**			
	Gain on derecognition of financial assets measured at amortised cost		**36,370**	29,736
	Loss on derecognition of financial assets measured at amortised cost		**(23,533)**	(20,126)
			12,837	9,610
28	**OTHER INCOME**			
	Rent on property		**1,204**	1,676
	Gain on sale of property and equipment - net		**1,037**	5,330
	Postal, swift and other services		**59,853**	61,283
	Gain on early culmination of lease		**210**	3,904
	Service income on Government schemes		**10**	320
			62,314	72,513
29	**OPERATING EXPENSES**			
	Total compensation expense		**2,932,403**	2,584,182
	Property expense			
	Rent and taxes		**10,796**	7,340
	Utilities cost		**230,922**	245,277
	Security (including guards)		**200,134**	187,578
	Repair and maintenance (including janitorial charges)		**16,506**	14,034
	Depreciation - Right of use assets		**377,962**	377,190
	Depreciation - Non banking assets acquired in satisfaction of claims		**29,675**	22,356
	Depreciation - Property and equipment		**209,006**	198,741
			1,075,001	1,052,516

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FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2026

	(Un-audited) For the six months ended	
	June 30, 2026	June 30, 2025
	--------Rupees in '000--------	
Information technology expenses		
Software maintenance	**326,810**	327,724
Hardware maintenance	**36,902**	52,712
Depreciation - Property and equipment	**253,241**	166,339
Amortization	**43,745**	42,888
Network charges	**9,087**	8,833
Connectivity charges	**138,057**	158,774
ATM charges	**92,048**	135,101
	899,890	892,371
Other operating expenses		
Directors' fees and allowances	**48,003**	24,602
Fees and allowances to Shariah Board	**8,433**	7,652
Legal and professional charges	**21,832**	27,805
Outsourced service cost	**247,705**	209,264
Travelling and conveyance	**57,251**	50,096
NIFT clearing charges	**21,540**	16,243
Depreciation - Property and equipment	**54,622**	48,648
Training and development	**2,745**	8,691
Postage and courier charges	**34,556**	40,681
Communication	**154,622**	118,847
Stationery and printing	**72,108**	73,262
Marketing, advertisement and publicity	**270,606**	125,106
Auditors' remuneration	**11,574**	12,300
Entertainment	**34,598**	34,698
Newspapers and periodicals	**903**	1,346
Brokerage and commission	**16,201**	19,863
Rent and taxes	**474**	1,270
Cash carriage charges	**82,931**	71,700
Repair and maintenance	**27,286**	68,140
Utilities cost	**5,681**	5,692
Insurance	**27,295**	48,039
Fees and subscriptions	**16,224**	4,595
Deposit protection premium	**104,682**	79,934
Home remittance charges	**54,011**	31,223
Others	**43,116**	30,592
	1,419,000	1,160,289
	6,326,295	5,689,358

30 OTHER CHARGES

Penalties imposed by State Bank of Pakistan	**120,848**	160

			(Un-audited) For the six months ended	
			June 30, 2026	June 30, 2025
31	**(REVERSAL OF) / CREDIT LOSS ALLOWANCE AND WRITE OFFS - NET**	**Note**	--------- Rupees in '000 ---------	
	Credit loss allowance held against cash and and balances with treasury banks and balances with other banks	**5 & 6**	**368**	118
	(Reversal) of credit loss allowance against lendings to financial institutions	**7**	**(2,179)**	(10,912)
	(Reversal) of credit loss allowance for diminution in value of investments	**8.3**	**(4,125)**	(8,289)
	(Reversal) of credit loss allowance against advances	**9.3**	**(357,637)**	(605,778)
	(Reversal) of credit loss allowance against other assets	**14.1.1**	**(641)**	(337)
	Credit loss allowance against off balance sheet obligations	**19.1**	**72,639**	6,726
			(291,575)	(618,472)
32	**TAXATION**			
	Current		**1,663,448**	3,426,140
	Deferred		**59,553**	402,932
			1,723,001	3,829,072
33	**BASIC AND DILUTED EARNINGS PER SHARE**			
	Profit for the period		**1,475,619**	3,365,366
			------ (Number of shares) ------	
	Weighted average number of ordinary shares		**1,157,935,989**	1,157,935,989
			----------- (Rupees) ------------	
	Basic and diluted earnings per share		**1.27**	2.91

33.1 There were no dilutive potential ordinary shares outstanding as at June 30, 2026 and June 30, 2025.

34 FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than those classified under amortised cost, is based on quoted market price. Quoted securities classified under amortised cost are carried at cost. The fair value of unquoted equity securities, other than investments in associate, is determined on the basis of valuation methodologies. 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 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 assets and liabilities are either short-term in nature or in the case of customer loans and deposits, are frequently re-priced.

34.1 Fair value of financial assets

The Group 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 inputs that are not based on observable market data (i.e. unobservable inputs).

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

	(Un-audited) June 30, 2026				
	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
On balance sheet financial instruments	------------------- Rupees in '000 -------------------				
Financial assets - measured at fair value					
Investments					
Federal Government Securities	**338,982,709**	**89,313,426**	**249,669,283**	**-**	**338,982,709**
Shares	**521,406**	**220,695**	**-**	**300,711**	**521,406**
Non-Government Debt Securities	**3,458,396**	**1,006,994**	**2,451,402**	**-**	**3,458,396**
Financial assets - disclosed but not measured at fair value					
Investments					
Federal Government Securities	**8,636,803**	**-**	**8,628,261**	**-**	**8,628,261**
Non-Government Debt Securities	**507,869**	**535,959**	**-**	**-**	**535,959**
Off-balance sheet financial instruments - measured at fair value					
Forward exchange contracts purchase	**6,854,373**	**-**	**1,305**	**-**	**1,305**
Forward exchange contracts sale	**15,899,921**	**-**	**3,215**	**-**	**3,215**

	(Audited) December 31, 2025				
	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
On balance sheet financial instruments	------------------- Rupees in '000 -------------------				
Financial assets measured at fair value					
Investments					
Federal Government Securities	260,789,346	84,287,213	176,502,133	-	260,789,346
Shares	498,625	207,139	-	291,486	498,625
Non-Government Debt Securities	3,734,991	1,057,884	2,677,107	-	3,734,991
Financial assets - disclosed but not measured at fair value					
Investments					
Federal Government Securities	9,308,916	-	9,364,123	-	9,364,123
Non-Government Debt Securities	507,259	-	556,914	-	556,914
Off-balance sheet financial instruments - measured at fair value					
Forward exchange contracts purchase	792,236	-	147	-	147
Forward exchange contracts sale	1,868,000	-	8,926	-	8,926

34.2 'The Holding company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Bank's policy is to recognize 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. During the period, the Bank has reclassified two (2) Pakistan Investment Bonds (PIBs) with a carrying amount of Rs. 866.951 million from amortised cost to FVOCI following a reassessment of the business model for managing the PIB portfolio. There were no transfers between level 1 and 2 during the period.

Leasehold land is carried at revalued amount as determined by professional valuer, based on their assessment of market value and has been classified under level-3 as the effect of changes in the unobservable inputs used in the valuation cannot be determined with certainty.

34.2.1 Fair value of financial assets

(a) Financial instruments in level 1

Financial instruments included in level 1 comprise of investments in listed ordinary shares and listed Government of Pakistan (GoP) - Ijarah Sukuks, and listed non-government debt securities.

(b) Financial instruments in level 2

Financial instruments included in level 2 comprise of Sukuks Bonds, Pakistan Investment Bonds, Market Treasury Bills, Term Finance certificates, and un-listed non-government debt securities and forward exchange contracts.

(c) Financial instruments in level 3

Financial instruments included in level 3 comprise of investments in un-listed ordinary shares.

34.2.2 Fair value of non - financial assets

Certain categories of property and equipment (leasehold land) of Rs. 1,016.28 million (December 31, 2025: Rs. 1,016.28 million) and non banking assets acquired in satisfaction of claims of Rs. 305.92 million (December 31, 2025: Rs. 335.60 million) are carried at revalued amounts (level 3 measurements) determined by professional valuers based on their assessment of the market values. The valuations are conducted by the valuation experts appointed by Bank which are also on panel of State Bank of Pakistan.

34.2.3 Valuation techniques and inputs used in determination of fair values within level 1

Fully paid-up ordinary shares, listed GOP ijarah, Sukuks (GIS) and listed non-government debt securities	Fair values of investments in listed equity securities, listed GOP ijarah Sukuks (GIS) and listed non-government debt securities are valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange.

34.2.4 Valuation techniques and inputs used in determination of fair values within level 2

Pakistan Investment Bonds / Market Treasury Bills	Fair values of Pakistan Investment Bonds and Treasury Bills are derived using the PKRV rates for fixed rate securities and PKFRV rates for floating rate PIB's (Reuters page).
Un-listed GOP ijarah Sukuks	Fair values of unlisted 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 eight different 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, the MUFAP takes into account the holding pattern of these securities and categorizes these as traded, thinly traded and non-traded securities. However, fair values of investments in unquoted debt securities are valued on the basis of present value technique based on market interest rates.

Valuation techniques and inputs used in determination of fair values within level 3

Property & equipment (Leasehold land) and non-banking assets acquired in satisfaction of claims	These assets are revalued on regular basis using professional valuers on the panel of Pakistan Banker's Association. The valuation is based on their assessment of market value of the properties. The valuation experts used a market based approach to arrive at the fair value of the Bank's properties. The market approach used prices and other relevant information generated by market transactions involving identical, comparable or similar properties. These values are adjusted to reflect the current condition of the properties. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty accordingly a qualitative disclosure of sensitivity has not been presented in these unconsolidated interim financial statements.
Unquoted equity securities	Fair value of unquoted equity securities is determined on the basis of income approach.

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurement of investments:

Description	Fair value Rupees in '000	Unobservable input	Discount rate	Relationship of unobservable inputs to fair value
Unquoted equity securities	300,711	Discount rate	15%	Increase / (decrease) in discount rate by 1% with all other variables held constant, would (decrease) / increase the fair value by Rs. 9,021 thousand.

The following table shows reconciliation of investments measured at level 3 fair value:

	(Un-audited) June 30, 2026	(Audited) December 31, 2025
	------ Rupees in '000 ------	
Opening balance	**291,486**	89,302
Impact of adoption of IFRS 9	**-**	188,810
Balance as at January 1	**291,486**	278,112
Remeasurement recognised in OCI	**9,225**	13,374
Closing balance	**300,711**	291,486

35 SEGMENT INFORMATION

35.1 Segment details with respect to business activities

	For the six months ended June 30, 2026 (Un-audited)				
	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Total
	----- Rupees in 000 -----				
Profit and loss					
Net mark-up / return / profit	(5,143,102)	13,751,809	(1,765,985)	1,539,331	8,382,053
Inter segment revenue - net	6,490,318	(8,384,183)	1,990,472	(96,607)	-
Non mark-up / return / interest income	7,267	382,667	384,232	197,969	972,135
Total income	1,354,483	5,750,293	608,719	1,640,693	9,354,188
Segment direct expenses	(3,888,388)	(99,641)	(1,240,100)	(1,219,014)	(6,447,143)
Inter segment expense allocation	2,971,912	(3,791,151)	828,226	(8,987)	-
Total expenses	(916,476)	(3,890,792)	(411,874)	(1,228,001)	(6,447,143)
Credit loss allowance	-	(21,924)	11,844	301,655	291,575
Profit before tax	438,007	1,837,577	208,689	714,347	3,198,620

	As at June 30, 2026 (Un-audited)				
	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Total
	----- Rupees in 000 -----				
Balance sheet					
Cash and bank balances	6,717,449	25,786,773	884,998	15,042,219	48,431,439
Investments	9,144,672	342,962,511	-	125,994	352,233,177
Net inter segment lending	241,720,366	(321,200,182)	83,143,004	(3,663,188)	-
Lendings to financial institutions	-	1,633,632	-	-	1,633,632
Advances - performing	80,622,766	-	11,507,540	77,605,448	169,735,754
Advances - non performing	-	-	314,220	976,996	1,291,216
Others	3,980,128	9,419,984	4,673,365	5,031,201	23,104,678
Total assets	342,185,381	58,602,718	100,523,127	95,118,670	596,429,897
Borrowings	24,195,943	43,474,337	-	4,050,000	71,720,280
Deposits and other accounts	304,845,215	-	97,222,422	83,582,108	485,649,745
Net inter segment borrowing	(241,720,366)	321,200,182	(83,143,004)	3,663,188	-
Others	9,464,700	1,218,129	2,664,159	3,822,873	17,169,861
Total liabilities	96,785,492	365,892,648	16,743,577	95,118,169	574,539,886
Equity	245,399,889	(307,289,930)	83,779,550	502	21,890,011
Total equity and liabilities	342,185,381	58,602,718	100,523,127	95,118,670	596,429,897
Contingencies and commitments	17,955,429	22,888,925	12,152,413	23,511,288	76,508,055

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	For the six months ended June 25 (Un-audited)				
	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Total
	------------------------------ Rupees in 000 ------------------------------				
Profit and loss					
Net mark-up / return / profit	(3,230,520)	15,268,962	(2,166,746)	(26,350)	9,845,346
Inter segment revenue - net	4,785,654	(8,585,557)	2,780,731	1,019,172	-
Non mark-up / return / interest income	31,380	1,933,601	291,522	163,635	2,420,138
Total Income	1,586,514	8,617,006	905,507	1,156,457	12,265,484
Segment direct expenses	(3,094,285)	(109,307)	(1,524,964)	(960,962)	(5,689,518)
Inter segment expense allocation	2,358,380	(3,887,699)	1,104,944	424,375	-
Total expenses	(735,905)	(3,997,006)	(420,020)	(536,587)	(5,689,518)
Reversal of credit loss allowance	-	17,434	76,518	524,520	618,472
Profit before tax	850,609	4,637,434	562,005	1,144,390	7,194,438

	As at December 31, 2025 (Audited)				
	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Total
	------------------------------ Rupees in 000 ------------------------------				
Balance sheet					
Cash and bank balances	3,908,003	17,966,414	886,196	5,854,570	28,615,183
Investments	9,816,175	265,022,962	-	117,490	274,956,627
Net inter segment lending	168,242,348	(263,810,079)	77,687,081	17,880,650	-
Lendings to financial institutions	-	3,438,549	-	-	3,438,549
Advances - performing	48,578,815	-	12,994,176	63,402,507	124,975,498
Advances - non performing	-	-	242,664	1,487,659	1,730,323
Others	3,343,288	7,236,330	3,624,791	5,379,025	19,583,434
Total assets	233,888,629	29,854,176	95,434,908	94,121,901	453,299,614
Borrowings	5,570,750	13,878,200	-	16,249,028	35,697,978
Deposits and other accounts	216,876,558	-	91,356,440	69,890,222	378,123,220
Net inter segment borrowing	(168,242,348)	263,810,079	(77,687,081)	(17,880,650)	-
Others	8,012,494	637,338	3,151,465	4,000,429	15,801,726
Total liabilities	62,217,454	278,325,617	16,820,824	72,259,029	429,622,924
Equity	171,671,175	(248,471,441)	78,614,084	21,862,872	23,676,690
Total equity and liabilities	233,888,629	29,854,176	95,434,908	94,121,901	453,299,614
Contingencies and commitments	22,590,344	2,969,298	12,163,032	33,913,902	71,636,576

35.2 Geographical segment

Segment details with respect to geographical locations are not presented in these consolidated condensed interim financial statements as geographically the Group conducts all its operations in Pakistan only.

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36 RELATED PARTY TRANSACTIONS

The Group has related party relationship with its majority shareholders (Government of Khyber Pakhtunkhwa and Ismail Industries Limited), associate, directors, key management personnel, staff retirement benefit plan and other related parties.

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 are determined in accordance with terms of their appointments. Further, the Bank acts as a custodian for securities held in Investor Portfolio Securities (IPS) account maintained on behalf of Government of Khyber Pakhtunkhwa having face value of Rs. 52.93 million (December 31, 2025: Rs. 16,688.43 million).

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

	(Un-audited) As at June 30, 2026				(Audited) As at December 31, 2025			
	Directors	**Key management personnel**	**Associate**	**Employee funds**	Directors	Key management personnel	Associate	Employee funds
	Rupees in '000							
Investments								
Opening balance	-	-	**117,490**	-	-	-	102,351	-
Investment during the period / year	-	-	-	-	-	-	-	-
Movement during the period / year	-	-	**8,504**	-	-	-	15,139	-
Transfer (out) / in - net	-	-	-	-	-	-	-	-
Closing balance	-	-	**125,994**	-	-	-	117,490	
Advances								
Opening balance	-	**195,993**	-	-	-	181,425	-	-
Addition during the period / year	-	**47,732**	-	-	-	62,999	-	-
Repaid during the period / year	-	**13,936**	-	-	-	37,180	-	-
Transfer (out) / in - net	-	**(73,090)**	-	-	-	(11,251)	-	-
Closing balance	-	**156,700**	-	-	-	195,993	-	-
Credit loss allowance / provision held against advances	-	**37**	-	-	-	19	-	-
Deposits and other accounts								
Opening balance	**7,239**	**47,372**	**39,310**	**4,549,944**	148	8,423	95,829	3,016,225
Received during the period / year	**35,752**	**49,394**	**46,703**	**1,968,524**	26,452	216,680	245,663	5,985,394
Withdrawn during the period / year	**34,259**	**52,644**	**47,037**	**1,816,946**	16,635	169,461	302,182	4,451,675
Transfer (out) / in - net	**(755)**	**(3,434)**	-	-	(2,726)	(8,270)	-	-
Closing balance	**7,977**	**40,688**	**38,976**	**4,701,522**	7,239	47,372	39,310	4,549,944
Other liabilities								
Interest / mark-up payable	**6**	**1,840**	**753**	**36,463**	4	1,110	715	23,869

	(Un-audited) For the six months ended June 30, 2026				(Un-audited) For the six months ended June 30, 2025			
	Directors	**Key management personnel**	**Associate**	**Employee funds**	Directors	Key management personnel	Associate	Employee funds
	Rupees in '000							
Income								
Mark-up / return / interest earned	-	**2,026**	-	-	-	2,017	-	-
Expense								
Mark-up / return / interest expensed	**64**	**1,856**	**980**	**214,910**	73	1,188	9,320	289,343
Operating expenses - Compensation	**82,988**	**158,459**	-	-	53,496	147,641	-	-

36.1 As of June 30, 2026, the Group has an equity investment having cost of Rs. 112.50 million (December 31, 2025: Rs. 112.50 million) and carrying value of Rs. 300.71 million (December 31, 2025: Rs. 291.49 million) in Dawood Family Takaful Limited, a related party.

36.2 Government of Khyber Pakhtunkhwa (GoKP) holds 70.20% shareholding in the Bank and therefore, entities which are owned and / or controlled by the GoKP, or where the GoKP may exercise significant influence, are also related parties of the Bank. The Bank in the ordinary course of its business enters into transaction with various departments of the GoKP and its related entities. Such transactions include advances to, deposits from and provision for other banking services to Government related entities.

Transactions and balances with Government and its related entities, other than those disclosed in the respective notes to these consolidated condensed interim financial statements, as at period end includes loans and advances and deposits amounting to Rs. 80,623 million (December 31, 2025: Rs. 48,579 million) and Rs. 304,845 million (December 31, 2025: Rs. 216,877 million), respectively.

Detailed related party disclosure for being government entity is disclosed as required under IAS-24 "Related Party Disclosures". Relevant details are referred in the following notes:

Particulars	**Note**
Investments	**8.1**
Shareholding	**20**

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	(Un-audited) June 30, 2026	(Audited) December 31, 2025
37 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS	---- Rupees in '000 ----	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	**11,579,360**	11,579,360
Capital Adequacy Ratio (CAR):		
Eligible common equity tier 1 (CET 1) capital	**20,625,464**	21,938,809
Eligible additional tier 1 (ADT 1) capital	**-**	-
Total eligible tier 1 capital	**20,625,464**	21,938,809
Eligible tier 2 capital	**1,113,152**	2,207,478
Total eligible capital (Tier 1 + Tier 2)	**21,738,616**	24,146,287
Risk weighted assets (RWAs):		
Credit risk	**89,850,793**	72,981,998
Market risk	**18,110,542**	12,497,974
Operational risk	**34,362,037**	34,362,037
Total	**142,323,371**	119,842,009
Common equity tier 1 capital adequacy ratio	**14.49%**	18.31%
Tier 1 capital adequacy ratio	**14.49%**	18.31%
Total capital adequacy ratio	**15.27%**	20.15%
National minimum capital requirements prescribed by SBP		
CET1 minimum ratio	**6.00%**	6.00%
ADT-1 minimum ratio	**1.50%**	1.50%
Tier 1 minimum ratio	**7.50%**	7.50%
Total capital minimum ratio	**10.00%**	10.00%
Capital conservation buffer (CCB- consisting of CET1 only)	**1.50%**	1.50%
Total capital plus CCB	**11.50%**	11.50%
Leverage Ratio (LR):		
Eligible tier 1 capital	**21,285,133**	21,938,809
Total exposures	**615,076,036**	506,810,207
Leverage ratio	**3.46%**	4.33%
Liquidity Coverage Ratio (LCR):		
Total high quality liquid assets	**265,837,594**	257,620,116
Total net cash outflow	**129,610,726**	110,482,513
Liquidity coverage ratio	**205.10%**	233.18%
Net Stable Funding Ratio (NSFR):		
Total available stable funding	**350,409,479**	255,767,794
Total required stable funding	**160,034,819**	116,739,966
Net stable funding ratio	**218.96%**	219.09%

37.1 The SBP in its application instructions for IFRS 9 has permitted the banks to adopt a transitional approach to phase in the initial impact of ECL for stage 1 and 2 financial assets over a period of five years. However, the Group has opted to disclose the figures of "fully loaded" CAR.

ISLAMIC BANKING BUSINESS

38 The Bank is operating 212 (December 31, 2025: 199) Islamic banking branches and 44 (December 31, 2025 : 55) Islamic banking windows at June 30, 2026. As detailed in note 1, the Bank has converted additional 11 of its conventional banking branches into Islamic banking branches during the period.

STATEMENT OF FINANCIAL POSITION	Note	(Un-audited) June 30, 2026	(Audited) December 31, 2025
		---- Rupees in '000 ----	
ASSETS			
Cash and balances with treasury banks		**22,090,759**	15,904,625
Balances with other banks		**3,060,570**	590,967
Investments	**38.1**	**127,475,858**	122,278,524
Islamic financing and related assets - net	**38.2**	**122,082,189**	85,781,232
Property and equipment		**1,187,065**	1,163,565
Right-of-use assets		**858,005**	983,931
Due from head office		**14,174,219**	8,134,954
Other assets		**6,307,716**	5,084,531
Total Assets		**297,236,381**	239,922,329
LIABILITIES			
Bills payable		**1,953,294**	2,026,512
Due to financial institutions		**24,099,113**	16,702,858
Deposits and other accounts	**38.3**	**258,266,400**	202,619,318
Due to head office		**-**	-
Lease liabilities		**1,138,745**	1,251,641
Sub-ordinated debt		**-**	-
Other liabilities		**6,045,722**	10,341,474
Total Liabilities		**291,503,274**	232,941,803
NET ASSETS		**5,733,107**	6,980,526
REPRESENTED BY			
Islamic banking fund		**1,000,000**	1,000,000
Reserves		**18**	4,761
(Deficit) / surplus on revaluation of assets		**(1,063,154)**	458,810
Unappropriated profit	**38.7**	**5,796,243**	5,516,955
		5,733,107	6,980,526
CONTINGENCIES AND COMMITMENTS	**38.4**		

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The profit and loss account of the Group's Islamic banking branches including windows for the six months ended June 30, 2026 is as follows:

		(Un-audited) For the six months ended	
		June 30, 2026	June 30, 2025
PROFIT AND LOSS ACCOUNT	**Note**	---- Rupees in '000 ----	
Profit / return earned	**38.5**	**11,924,793**	8,256,964
Profit / return expensed	**38.6**	**5,339,845**	3,298,805
Net profit / return		**6,584,948**	4,958,159
Other income			
Fee and commission income		**391,269**	216,083
Dividend income		**-**	-
Foreign exchange income		**145,596**	107,955
Gain on securities		**250**	75,528
Net (loss) on derecognition of financial assets measured at amortised cost		**(1,853)**	(5,160)
Other income		**53,651**	36,425
Total other income		**588,913**	430,831
Total income		**7,173,861**	5,388,990
Other expenses			
Operating expenses		**3,732,569**	2,807,414
Workers Welfare Fund		**-**	-
Other charges		**50**	40
Total other expenses		**3,732,619**	2,807,454
Profit before credit loss allowance		**3,441,242**	2,581,536
Credit loss allowance and write offs - net		**449,787**	258,583
Profit before taxation		**2,991,455**	2,322,953
Taxation		**1,555,557**	1,231,165
Profit after taxation		**1,435,898**	1,091,788

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38.1 Investments by segments

	(Un-audited) June 30, 2026			
	Cost / Amortised cost	**Credit loss allowance**	**Surplus / (Deficit)**	**Carrying value**
	---------- Rupees in '000 ----------			
Debt Instruments				
Classified / measured at amortised cost				
Federal Government securities				
- GoP ijarah sukuks	**5,006,536**	**-**	**-**	**5,006,536**
- Bai Muajjal	**3,630,267**	**-**	**-**	**3,630,267**
	8,636,803	**-**	**-**	**8,636,803**
Non-government debt securities	**304,598**	**-**	**-**	**304,598**
Classified / measured at fair value through other comprehensive income (FVOCI)				
Federal Government securities				
- GoP ijarah sukuks	**119,472,611**	**-**	**(1,063,967)**	**118,408,644**
Non - government debt securities	**125,000**	**-**	**813**	**125,813**
	119,597,611	**-**	**(1,063,154)**	**118,534,457**
Total investments	**128,539,012**	**-**	**(1,063,154)**	**127,475,858**

	(Audited) December 31, 2025			
	Cost / Amortised cost	Credit loss allowance	Surplus / (Deficit)	Carrying value
	---------- Rupees in '000 ----------			
Debt Instruments				
Classified / measured at amortised cost				
Federal Government securities				
- GoP ijarah sukuks	5,012,834	-	-	5,012,834
- Bai Muajjal	3,429,747	-	-	3,429,747
	8,442,581	-	-	8,442,581
Non-government debt securities	304,202	-	-	304,202
Classified / measured at fair value through other comprehensive income (FVOCI)				
Federal Government securities				
- GoP ijarah sukuks	112,687,931	-	444,571	113,132,502
Non - government debt securities	385,000	-	14,239	399,239
	113,072,931	-	458,810	113,531,741
Classified / measured at fair value through profit or loss (FVPL)	-	-	-	-
Non - government debt securities				
Total investments	121,819,714	-	458,810	122,278,524

		(Un-audited) June 30, 2026	(Audited) December 31, 2025
		------Rupees in '000------	
38.2	**Islamic financing and related assets**		
	Ijarah	**65,783**	82,512
	Murabaha	**7,869,641**	6,002,101
	Diminishing musharaka	**26,029,739**	18,206,589
	Running musharaka	**58,781,453**	39,715,360
	Qarz e Hasna	**8,952**	463
	Istisna	**24,977,047**	16,306,496
	Tijarah	**293,472**	127,145
	Wakalah	**433,812**	578,000
	Bai Muajjal	**7,148,396**	7,758,011
		125,608,295	88,776,677
	Impact of fair valuation of Islamic financing and related assets	**(815,501)**	(692,021)
	Gross Islamic financing and related assets	**124,792,794**	88,084,656
	Less: Credit loss allowance against Islamic financing		
	- Stage 1	**467,502**	490,260
	- Stage 2	**324,746**	144,080
	- Stage 3	**1,918,356**	1,669,084
		2,710,605	2,303,424
	Islamic financing and related assets - net of credit loss allowance	**122,082,190**	85,781,232
38.3	**Deposits**		
	Customers		
	Current deposits	**64,260,692**	53,938,227
	Savings deposits	**164,583,351**	118,580,782
	Term deposits	**12,013,697**	10,836,479
	Others	**14,228,613**	16,662,005
		255,086,353	200,017,493
	Financial Institutions		
	Current Deposits	**897,553**	1,909,207
	Savings deposits	**2,082,494**	692,618
	Term Deposits	**200,000**	-
		3,180,047	2,601,825
		258,266,400	202,619,318
38.4	**Contingencies and commitments**		
	Guarantees	**18,686,479**	16,097,383
	Commitments	**23,784,202**	22,225,306
		42,470,681	38,322,689

		(Un-audited) For the six months ended June 30, 2026	June 30, 2025
38.5	**Profit / return earned on financing, investments and placements**	----- Rupees in '000 -----	
	Profit earned on:		
	Financing	**5,279,998**	1,417,249
	Investments	**6,634,552**	6,731,897
	Placements	**3,589**	91,892
	Balances with banks	**6,654**	15,926
		11,924,793	8,256,964

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		(Un-audited) For the six months ended	
		June 30, 2026	June 30, 2025
38.6	**Profit on deposits and other dues expensed**	----- Rupees in '000 -----	
	Deposits and other accounts	**4,013,336**	3,073,787
	Due to financial institutions	**1,208,367**	142,372
	Finance charge on lease liability	**118,142**	82,646
		5,339,845	3,298,805

		(Un-audited) June 30, 2026	(Audited) December 31, 2025
38.7	**Islamic banking business unappropriated profit**	----- Rupees in '000 -----	
	Opening balance	**5,516,955**	7,236,196
	Impacts of EIR application	-	-
	Balance after adoption of IFRS 9	**5,516,955**	7,236,196
	Add: Islamic banking profit before taxation for the period / year	**2,991,455**	5,282,861
	Less: Taxation	**(1,555,557)**	(2,799,916)
	Less: Transferred to head office	**(1,156,610)**	(4,202,186)
	Closing balance	**5,796,243**	5,516,955

38.8 Pool management

Islamic Banking Group of the Bank is operating following pools / sub-pools:

General Pool

i. General pool (PKR)
ii. General pool (FCY)

Special Pools

i. Riba Free Special Deposit Pool - 1
ii. Riba Free Special Deposit Pool - 2
iii. Riba Free Special Deposit Pool - Corporate - 1
iv. Riba Free Special Deposit Pool - Corporate - 2
v. Riba Free Special Deposit Pool - Corporate - 3
vi. Riba Free Special Deposit Pool - Corporate - 4
vii. Riba Free Special Deposit Pool - Corporate - 5
viii. Riba Free Special Deposit Pool - Corporate - 6
ix. Riba Free Special Deposit Pool - Corporate - 7
x. Riba Free Special Deposit Pool - Mutual fund / FI
xi. Riba Free Special Deposit Pool 2 - Mutual fund / FI
xii. RFSD - Daily Product - 1 Pool
xiii. RFSD - Daily Product - 2 Pool
xiv. RFSD - Daily Product - 3 Pool
xv. RFSD - Daily Product - 4 Pool
xvi. RFSD - Daily Product - 5 Pool
xvii. RFSD - Daily Product - 6 Pool
xviii. Khyber Islamic Investment Certificates - 1
xix. Khyber Islamic Investment Certificates - 2
xx. Raast Financial Institutions Pool - 1
xxi. Raast Financial Institutions Pool - 2
xxii. RFSD - Itminan Mahana Certificate - pool
xxiii. Riba free special deposit pool - Islamic export refinance
xxiv. Riba free special deposit pool - Profit Equalization Reserves
xxv. Riba free special deposit pool - Investment Risk Reserves (IRR)
xxvi. RFSD Special Pool (USD)
xxvii. RFSD Special Pool 2 (USD)
xxviii. RFSD Special Pool FCY (Euro)
xxix. RFSD Special Pool FCY (GBP)

Features of general pool

In this pool all types of deposits are accepted on Mudarabah basis. The Holding company converted its pool management and profit and loss distribution mechanism from Musharakah to Mudarabah with effect from December 1, 2024 and is accepting deposits against all types of assets and income earned from these assets. Certificates can also be issued for a fixed period.

Deposits received in this Pool are invested in Islamic assets like Murabaha, Ijarah, Diminishing Musharakah, Running Musharakah, Istisna, Islamic Sukuks and any other Shariah Compliant Investment which are duly approved by the Shariah Advisor. Deposits are accepted through all Islamic branches of the Holding company.

Features of special pools

In special pools, deposits are accepted on Mudarabah basis by providing extended avenues to the depositors for placement of their funds attracting high rate of return. Certificates are issued for a fixed period against specific assets allocated to each special pool based on expected rate of return.

Deposits received in this pool are invested in Islamic assets like Ijarah, Diminishing Musharakah, Running Musharakah, Islamic Sukuks and any other Shariah Compliant investment which are duly approved by the Shariah Advisor. Deposits are accepted through all Islamic branches of the Bank.

Deposits in these special pools are accepted with prior approval from the management and are utilized for liquidity management along with some opportunity of investment.

Key features

- Minimum investment is prescribed by the Bank for each special pool.
- Profit payment on monthly basis.
- Profit calculated on daily average balance for the month.
- Investment as deposit and certificate for 1 month, 3 months and 6 months etc.
- Pre-mature termination is allowed without any adjustment for next two months, if sharing ratios and / or weightages are changed during disclosure.

Risks of the special pools

All special pools are created as separate entities which have respective assets and liabilities and income and expense position. In each pool, depositors bear the risk of all direct losses and expenses of the pool. All indirect expenses of the pools are borne by the Holding company as Mudarib. Same rate of return is paid to all the depositors in same category.

Profit sharing and weightages for distribution of profit

Assignment of weightage for profit distribution to different types of profit bearing sources of funds is as follows:

While considering weightages emphasis shall be given to the quantum, type and the period of risk assessed by following factors:

i. Period of investment (number of months, years)
ii. Profit payment option (monthly, quarterly, yearly maturity)
iii. Purpose of deposit (Hajj, Umrah etc.)
iv. Type of customer (pensioners, widows, corporate, individual)

Weightages are declared at least three days before start of each month.

As per policy of the Bank, no gift (Hiba) is given in favour of any particular customer, however, as per SBP guidelines (Circular No. 9 of Nov, 2024), hiba can be given to saving account depositors or category of customers / investors. However, the Holding company has reduced its own share as Mudarabah Fee. Out of distributable income, an amount of Rs. 2,779.75 million (41.82%) has been charged as Mudarabah fee. The total Hiba amount of Rs. 513.73 million (13.28%) has been distributed during the period.

Brief highlights of profit earned and distributed to depositors and retained by IBG are as under:

Charging expenses

Net income is distributed as per SBP instruction, therefore, all pools shall bear their respective identified expenses. The Group converted its pool management and profit-and-loss distribution mechanism from Musharakah to Mudarabah effective December 1, 2024. Under the previous policy, both direct and administrative expenses were charged to the Gross Income of the Pool (GIP). Following the transition to Mudarabah, only direct expenses attributable to the pool are charged. A list of lines of direct expenses are maintained, duly vetted from Shariah Board of the Group Indirect expenses are borne by the Mudarib and are not part of distribution.

All credit loss allowance created against non-performing financing and diminution in the value of investment under IFRS 9, prudential regulations and other SBP directives will be borne by the Bank as Mudarib. However, write-offs of financings and loss on sale of investments shall be charged to respective pool along with other direct expenses.

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The profit equalization reserves amounting to Rs. 0.018 million (December 31, 2025: Rs. 4.76 million) has been presented in note 19 to these consolidated condensed interim financial statements.

Classification of assets, revenues, expenses, gain and loss on the basis of sources of finance

All earning assets of Islamic banking group are jointly financed by unrestricted investments/PLS deposits account holders and the Bank. Detail of jointly financed earning assets is:

	(Un-audited) June 30, 2026	(Audited) December 31, 2025
Financings	---------- Rupees in '000 ----------	
Agri business	**1,923,499**	2,442,413
Chemical and pharmaceuticals	**3,791,958**	3,320,724
Cement	**1,729,280**	3,850,921
Textile	**16,626,204**	13,479,648
Automobile and transportation equipment	**6,020,312**	3,620,561
Petro chemical	**4,839,702**	3,078,125
Housing	**1,358,159**	1,046,544
Manufacturing of match	**140,000**	140,000
Miscellaneous manufacturing	**14,456,945**	9,545,168
Personal	**3,683,195**	2,050,481
Construction	**359,297**	274,225
Tradings	**3,335,394**	3,677,316
Communication	**24,500**	28,000
Services	**1,318,969**	1,299,630
Auto loans	**658,642**	441,156
Metal products	**1,186,678**	973,688
Commodity finance	**34,648,392**	20,000,000
CNG station / gas	**1,561,872**	2,541,592
Consumer finance	**476,705**	640,075
Power	**18,405,401**	13,872,582
Sugar	**8,727,337**	2,169,996
Others	**335,854**	283,832
Impact of fair valuation of Islamic financing and related assets	**(815,501)**	(692,021)
	124,792,794	88,084,656
Investments		
GOP Ijarah Sukuks	**123,415,180**	118,145,336
Bai Muajjal	**3,630,267**	3,429,747
Power and electricity	**125,813**	399,239
Food	**304,598**	304,202
	127,475,858	122,278,524
	252,268,652	210,363,180

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Details regarding pools managed by the Bank

Remunerative depositors pools	Profit rate and announcement period	Profit rate return earned - average	Profit sharing ratios		Mudarib share	Profit rate return distributed to remunerative deposits (saving and fixed) - average	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib share transferred through Hiba Rupees in '000
			Mudarib share	Rab-ul - maal share	Rupees in '000			
General Pool								
PKR Pool	Monthly	8.25%	45%	55%	2,477,816	5.69%	9.35%	255,428
USD Pool	Monthly	2.50%	77%	23%	454	0.82%	7.34%	36
Special Pools								
Saving & TDRs	Monthly	10.70%	26%	74%	301,479	7.71%	46.14%	258,262
			Bank	SBP				
IERS Pool	Monthly	9.41%	74%	26%	45,627	Nil	29.55%	8,742

39 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on August 27, 2026 has declared an interim cash dividend of Rs NIL per share for the half year ended June 30, 2026 (June 30, 2025: Rs. 1.5 per share).

40 CORRESPONDING FIGURES

Comparative information has been restated in these consolidated condensed interim financial statements, wherever necessary to facilitate comparison.

41 DATE OF AUTHORIZATION FOR ISSUE

These consolidated condensed interim financial statements were authorized for issue in the Board of Directors meeting of the Group held on August 27, 2026.

MANAGING DIRECTOR	CHIEF FINANCIAL OFFICER	DIRECTOR	DIRECTOR	DIRECTOR

Bank of Khyber

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