



The Bank Of Khyber



**CONDENSED INTERIM
FINANCIAL INFORMATION**
FOR THE SIX MONTHS ENDED JUNE 30, 2023

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CORPORATE INFORMATION

Board of Directors

Muhammad Zubair Asghar Qureshi
Muhammad Ayaz
Syed Asad Ali Shah
Tahir Jawaid
Mir Javed Hashmat
Abid Sattar
Dr. Aliya Hashmi

Chairman / Non-Executive Director
Non-Executive Director
Independent Director
Independent Director
Independent Director
Independent Director

Managing Director / CEO

Muhammad Ali Gulfaraz

Shariah Board

Mufti Muhammad Zahid
Mufti Muhammad Arif Khan
Mufti Abdul Wahab
Qazi Abdul Samad

Chairman Shariah Board
Member Shariah Board
Member Shariah Board
Resident Shariah
Board Member (RSBM)

Board Audit Committee

Syed Asad Ali Shah
Muhammad Ayaz
Abid Sattar
Dr. Aliya Hashmi

Chairman
Member
Member
Member

Board Human Resource & Remuneration Committee

Dr. Aliya Hashmi
Tahir Jawaid
Abid Sattar

Chairman
Member
Member

Board Risk Management Committee

Abid Sattar
Muhammad Ayaz
Dr. Aliya Hashmi
Mir Javed Hashmat
Managing Director

Chairman
Member
Member
Member
Member

Board I.T Steering Committee

Abid Sattar
Tahir Jawaid
Managing Director

Chairman
Member
Member

Board Compliance Committee

Tahir Jawaid
Abid Sattar
Managing Director

Chairman
Member
Member

Chief Financial Officer

Irfan Saleem Awan

Company Secretary

Sara Shah

Registered Office / Head Office

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

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 2nd quarter ended June 30, 2023. The results are inclusive of Islamic Banking Operations.

Financial Highlights

The financial results of The Bank of Khyber for the 2nd quarter (Half year) ended June 30, 2023 are as under:

	(Rs. in Million)	
	June 30 <u>2023</u>	December 31 <u>2022</u>
Total Assets	345,763	344,984
Deposits	274,544	248,906
Advances (Gross)	110,986	134,913
Investments (Net)	181,825	173,669

	(Rs. in Million)	
	Period Ended <u>2023</u>	June 30 <u>2022</u>
Operating Profit	3,505	1,102
Provision against non-performing advances /others	439	514
Profit before taxation	3,066	588
Taxation	1,377	197
Profit after tax	1,689	391

Performance Review

The combination of domestic political instability and global inflation in commodity prices has created a difficult economic environment in Pakistan with steep inflation, sharp devaluation in the Pak Rupee, slow down in import dependent manufacturing industries. In order to control inflation SBP has raised its policy rate to 22%, the highest on record.

Pakistan's recent agreement with the International Monetary Fund (IMF) should provide the short term macroeconomic stability necessary to pursue a comprehensive and sustainable long-term strategy to turn the economy around.

Prudent planning and repositioning of our balance sheet has helped the Bank successfully navigate these stormy conditions. We are pleased to report a sharp increase of 422% in profit before tax to Rs.3,066 million for the half year ended (HYE) June 30, 2023 from Rs. 588m for HYE 2022. Similarly net profit after tax for HYE 2023 rose 332% to Rs.1,689 million against Rs.391 million for HYE 2022.

Future Outlook

This complex economic landscape is likely to persist for some time. To address potential challenges and ensure seamless operations, The Bank is proactively implementing a series of measures to strengthen our competitive position on a sustainable basis.

The Bank continues to expand its network for maximum customer reach while continuously investing in upgrading the systems and capabilities to meet the expectations of our customers. The rapid growth in traffic on our digital channels is an affirmation that our customers are increasingly engaging with the Bank on our new initiatives.

The Bank is strategically repositioning while closely monitoring the prevailing situation. Our objective is to deliver sustainable growth by diversifying our liabilities portfolio with greater contribution from individuals and the private sector, growing our share of fee/non mark-up income and providing the latest relevant digital financial services to facilitate our customers. We have taken actions to strengthen our risk management capabilities in order to manage asset quality under the difficult economic circumstances that are expected to persist for some time. Based on the above, we have confidence in maintaining our positive momentum in the second half of the year.

Credit Rating

The Pakistan Credit Rating Agency Limited (PACRA) has maintained the medium to long term entity rating of the Bank at 'A+' (Single A Plus) and also maintained short term entity rating of the Bank at "A1" (Single A One). Outlook on the assigned rating is "Stable".

VIS Credit Rating Company Limited (VIS) has reaffirmed the medium to long term entity rating of the Bank at 'A+' (Single A Plus) and short-term rating at 'A-1' (A-One). The medium to long-term rating of 'A+' denotes good credit quality, with adequate protection factors. Outlook on the assigned rating is 'Stable'

The ratings denote low expectation of credit risk emanating from strong capacity for timely payment of financial commitments.

Acknowledgment

The Board would like to thank the Provincial Government, State Bank of Pakistan and other regulatory authorities for their guidance 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



Muhammad Ali Gulfaraz
Managing Director

Islamabad: August 25,2023



A-F-FERGUSON & CO.

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of The Bank of Khyber

Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of The Bank of Khyber (the Bank) as at June 30, 2023 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim cash flow statement, and notes to the condensed interim financial statements for the six-month period then ended (here-in-after referred to as the 'interim financial statements'). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the three months ended June 30, 2023 and June 30, 2022 have not been reviewed, and we do not express a conclusion on them.

Scope of Review

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

Conclusion

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

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

Chartered Accountants
Islamabad
Date: August 28, 2023

UDIN: RR202310050ySsvUhAKJ

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Tel: +92 (0) 323 427 0000. Fax: +92 (0) 323 427 0000. <www.a-f-ferguson.com>

MEMBERSHIP: LAHORE ISLAMABAD

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2023**

	(Un-audited) June 30, 2023	(Audited) December 31, 2022
	----- Rupees in '000 -----	
ASSETS		
Cash and balances with treasury banks	5 25,944,123	16,273,825
Balances with other banks	6 9,559,442	3,556,532
Lendings to financial institutions	7 4,275,251	7,641,077
Investments	8 181,824,512	173,668,614
Advances	9 103,233,404	127,515,211
Fixed assets	10 5,950,758	5,613,279
Intangible assets	11 446,866	473,720
Deferred tax assets	12 2,821,135	1,367,841
Other assets	13 11,707,023	8,873,921
	345,762,514	344,984,020
LIABILITIES		
Bills payable	14 1,280,358	2,102,234
Borrowings	15 39,855,847	66,263,168
Deposits and other accounts	16 274,544,087	248,905,981
Liabilities against assets subject to finance lease	-	-
Sub-ordinated debt	-	-
Deferred tax liabilities	-	-
Other liabilities	17 13,193,028	11,285,139
	328,873,320	328,556,522
NET ASSETS	16,889,194	16,427,498
REPRESENTED BY		
Share capital	18 11,027,905	11,027,905
Reserves	19 3,984,497	3,646,746
Deficit on revaluation of assets - net	(1,459,126)	(229,857)
Unappropriated profit	3,335,918	1,982,704
	16,889,194	16,427,498
CONTINGENCIES AND COMMITMENTS	20	

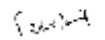
The annexed notes 1 to 36 form an integral part of these condensed interim financial statements.




MANAGING
DIRECTOR



CHIEF FINANCIAL
OFFICER



DIRECTOR



DIRECTOR



DIRECTOR

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2023**

	Quarter ended		Period ended		
	April 1 to June 30, 2023	April 1 to June 30, 2022	January 1 to June 30, 2023	January 1 to June 30, 2022	
Note ----- Rupees in '000 -----					
Mark-up / return / interest earned	21	13,807,045	10,823,693	24,777,709	18,728,853
Mark-up / return / interest expensed	22	11,108,659	9,185,991	18,801,484	15,205,179
Net mark-up / interest income		2,698,386	1,637,702	5,976,225	3,523,674
NON MARK-UP / INTEREST INCOME					
Fee and commission income	23	157,067	113,082	300,833	233,631
Dividend income		2,648	1,631	4,901	4,636
Foreign exchange income		650,516	115,891	893,187	332,122
Income / (loss) from derivatives		-	-	-	-
(Loss) / gain on securities	24	(108)	(9,404)	(1,692)	10,209
Share of (loss) / profit of associate		(765)	328	(865)	1,608
Other income	25	37,522	45,416	70,563	72,440
Total non-markup / interest income		846,880	266,944	1,266,927	654,646
Total income		3,545,266	1,904,646	7,243,152	4,178,320
NON MARK-UP / INTEREST EXPENSES					
Operating expenses	26	1,880,561	1,548,405	3,735,761	3,076,018
Workers Welfare Fund		-	-	-	-
Other charges	27	17	-	2,442	5
Total non-markup / interest expenses		1,880,578	1,548,405	3,738,203	3,076,023
PROFIT BEFORE PROVISIONS		1,664,688	356,241	3,504,949	1,102,297
Provisions and write offs - net	28	245,525	415,385	438,852	514,478
Extra ordinary / unusual items		-	-	-	-
PROFIT / (LOSS) BEFORE TAXATION		1,419,163	(59,144)	3,066,097	587,819
Taxation	29	669,073	(60,702)	1,377,343	196,637
PROFIT AFTER TAXATION		750,090	1,558	1,688,754	391,182
----- Rupees -----					
Basic and diluted earnings per share	30	0.68	0.001	1.53	0.35

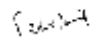
The annexed notes 1 to 36 form an integral part of these condensed interim financial statements.



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**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2023**

	Quarter ended		Period ended	
	April 1 to June 30, 2023	April 1 to June 30, 2022	January 1 to June 30, 2023	January 1 to June 30, 2022
	Rupees in '000			
Profit after taxation for the period	750,090	1,558	1,688,754	391,182
Other comprehensive income / (loss)				
Items that may be reclassified to profit and loss account in subsequent periods:				
Movement in deficit on revaluation of investments - net of tax	(112,328)	(319,185)	(1,224,371)	(402,553)
Share of deficit on revaluation of investments in associate - net of tax	(109)	(1,181)	(571)	(1,135)
	(112,437)	(320,366)	(1,224,942)	(403,688)
Items that will not be reclassified to profit and loss account in subsequent periods:				
Movement in deficit on revaluation of non-banking assets - net of tax	(2,680)	(3,247)	(2,680)	(3,247)
Share of remeasurement (loss) / gain on defined benefit obligation of associate - net of tax	(66)	268	564	268
	(2,746)	(2,979)	(2,116)	(2,979)
Total comprehensive income / (loss)	634,907	(321,787)	461,696	(15,485)

The annexed notes 1 to 36 form an integral part of these condensed interim financial statements.



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**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2023**

	Share capital	Statutory reserve	Surplus / (deficit) on revaluation of		Unappropriated profit	Total
			Investments	Fixed assets		
----- Rupees in '000 -----						
Balance as at January 1, 2022 (audited)	10,502,710	3,555,773	(486,113)	787,200	49,530	16,569,874
Profit after taxation for the six months ended June 30, 2022	-	-	-	-	391,182	391,182
Other comprehensive (loss) / income - net of tax	-	-	(403,688)	-	268	(406,667)
Transfer to statutory reserve	-	78,236	(403,688)	-	391,450	(15,485)
Transfer from surplus on revaluation of non-banking asset - net of tax	-	-	-	-	(78,236)	-
Transactions with owners, recorded directly in equity	-	-	-	-	(2,893)	-
Bonus shares issued for the year ended December 31, 2021 (Rs. 0.50 per share)	525,195	-	-	-	-	2,893
Balance as at June 30, 2022 (un-audited)	11,027,905	3,634,009	(889,801)	787,200	43,390	16,554,389
Profit after taxation for the six months ended December 31, 2022	-	-	(152,717)	-	(15,037)	63,482
Other comprehensive loss - net of tax	-	-	(152,717)	-	40,863	(126,891)
Transfer to statutory reserve	-	12,737	-	-	-	(12,737)
Transfer from surplus on revaluation of non-banking asset - net of tax	-	-	-	-	(2,892)	2,892
Balance as at December 31, 2022 (audited)	11,027,905	3,646,746	(1,042,518)	787,200	25,461	16,437,498
Profit after taxation for the six months ended June 30, 2023	-	-	(1,224,942)	-	(2,680)	1,688,754
Other comprehensive (loss) / income - net of tax	-	-	(1,224,942)	-	(2,680)	(1,227,056)
Transfer to statutory reserve	-	337,751	-	-	-	(337,751)
Transfer from surplus on revaluation of non-banking asset - net of tax	-	-	-	-	(1,647)	1,647
Balance as at June 30, 2023 (un-audited)	11,027,905	3,984,497	(2,267,460)	787,200	21,134	16,889,194

The annexed notes 1 to 36 form an integral part of these condensed interim financial statements.



**MANAGING
DIRECTOR**



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DIRECTOR



DIRECTOR

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2023**

	January 1 to June 30, 2023	January 1 to June 30, 2022
Note	----- Rupees in '000 -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	3,066,097	587,819
Less: Dividend income	4,901	4,636
	<u>3,061,196</u>	<u>583,183</u>
Adjustments:		
Depreciation - Fixed assets	330,077	231,715
Depreciation - Non-banking assets acquired in satisfaction of claims	16,876	11,297
Depreciation - Right-of-use assets	353,788	257,003
Amortization	47,584	35,719
Provisions and write offs - net	438,852	514,478
Interest expense on lease liability	115,918	67,233
Share of loss / (profit) of associate	865	(1,608)
Gain on early culmination of lease	(1,434)	(781)
Loss / (gain) on sale of fixed assets	236	(1,805)
	<u>1,302,762</u>	<u>1,113,251</u>
	4,363,958	1,696,434
(Increase) / decrease in operating assets		
Lendings to financial institutions	3,365,826	4,482,294
Held-for-trading securities	-	2,385,571
Advances	23,926,404	(14,170,814)
Others assets (excluding advance taxation)	<u>(3,561,061)</u>	<u>(2,234,979)</u>
	23,731,169	(9,537,928)
(Decrease) / increase in operating liabilities		
Bills payable	(821,876)	254,303
Borrowings from financial institutions	(26,407,321)	29,152,328
Deposits	25,638,106	5,332,782
Other liabilities	1,595,741	999,529
	4,650	35,738,942
Income tax paid	<u>(664,221)</u>	<u>(364,473)</u>
Net cash flow generated from operating activities	<u>27,435,556</u>	<u>27,532,975</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(10,806,300)	(27,126,992)
Net investments in held-to-maturity securities	28,656	170,286
Dividends received	4,901	4,563
Investments in operating fixed assets	(406,968)	(450,449)
Investments in intangible assets	(20,730)	(90,025)
Proceeds from sale of fixed assets	2,373	4,205
Net cash flow used in investing activities	<u>(11,198,068)</u>	<u>(27,488,412)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Payment against lease obligations	(564,162)	(319,000)
Dividend paid	(118)	(232)
Net cash flow used in financing activities	<u>(564,280)</u>	<u>(319,232)</u>
Increase / (decrease) in cash and cash equivalents	15,673,208	(274,669)
Cash and cash equivalents at beginning of the period	19,830,357	29,489,896
Cash and cash equivalents at end of the period	<u>35,503,565</u>	<u>29,215,227</u>

The annexed notes 1 to 36 form an integral part of these condensed interim financial statements.



MANAGING
DIRECTOR



CHIEF FINANCIAL
OFFICER



DIRECTOR



DIRECTOR



DIRECTOR

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2023**

1 STATUS AND NATURE OF BUSINESS

The Bank of Khyber (the Bank) was established 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 232 branches including 120 Islamic banking branches (December 31, 2022: 231 branches including 119 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 'A+' and 'A+' respectively and the short-term credit ratings assigned are 'A-1' (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.

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 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** 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.
- 2.3** The financial results of the Islamic Banking Branches have been included in these condensed interim financial statements for reporting purpose, after eliminating the effects of inter-branch transactions and balances. Key financial figures of the Islamic Banking Branches are disclosed in note 35 to these condensed interim financial statements.
- 2.4** These 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.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2023**

3 STATEMENT OF COMPLIANCE

3.1 These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan 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 and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

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

3.2 The disclosures made in these condensed interim financial statements have been limited based on the format prescribed by the SBP vide BPRD Circular Letter No. 5 dated March 22, 2019 and IAS 34. These 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, 2022.

3.3 SBP vide BSD Circular Letter No. 10, dated August 26, 2002, has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement and International Accounting Standard 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. Further, according to the notification of the SECP issued vide SRO 411(I)/2008 dated April 28, 2008, International Financial Reporting Standard (IFRS) 7, Financial Instruments: Disclosures has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2023**

4 SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT POLICIES

4.1 Significant accounting policies

The accounting policies and methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the audited annual financial statements of the Bank for the year ended December 31, 2022.

4.2 Standards, interpretations and amendments to approved accounting standards that are effective in the current period

There are certain amendments to existing accounting and reporting standards that have become applicable to the Bank for accounting periods beginning on or after January 1, 2023. These are considered either not to be relevant or do not have any significant impact on these condensed interim financial statements.

4.3 Standards, amendments to approved accounting standards that are not yet effective or implemented

As per SBP's BPRD Circular Letter No. 7 dated April 13, 2023, the effective date of implementation of IFRS-9, 'Financial Instruments' for all the banks has been extended to January 1, 2024, and accordingly the standard will be applied in the Bank's financial statements for accounting periods beginning on or after January 1, 2024.

Moreover, the Bank is continuing with the process of assessment of impacts of IFRS - 9 on its financial statements as per the applicable regulatory requirements.

4.4 Critical accounting estimates and judgements

The basis for accounting estimates adopted in the preparation of these condensed interim financial statements are the same as that applied in the preparation of the financial statements for the year ended December 31, 2022.

4.5 Financial risk management

The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed in the financial statements for the year ended December 31, 2022.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2023**

	(Un-audited) June 30, 2023	(Audited) December 31, 2022
----- Rupees in '000 -----		
5 CASH AND BALANCES WITH TREASURY BANKS		
In hand:		
Local currency	5,581,961	4,388,733
Foreign currencies	238,837	120,782
	5,820,798	4,509,515
With State Bank of Pakistan in:		
Local currency current accounts	16,002,040	11,263,770
Foreign currency current accounts	98,645	67,454
Foreign currency deposit accounts	126,813	101,318
	16,227,498	11,432,542
With National Bank of Pakistan in:		
Local currency current accounts	3,735,126	119,343
Local currency deposit accounts	109,929	209,917
Foreign currency current accounts	49,559	1,287
	3,894,614	330,547
Prize bonds	1,213	1,221
	25,944,123	16,273,825
6 BALANCES WITH OTHER BANKS		
In Pakistan:		
In current accounts	2,627,352	999,756
In deposit accounts	426,189	376,221
	3,053,541	1,375,977
Outside Pakistan:		
In current accounts	718,545	278,348
In deposit accounts	5,797,384	1,912,235
	6,515,929	2,190,583
Less: provision for doubtful placement with the bank	(10,028)	(10,028)
	9,559,442	3,556,532
7 LENDINGS TO FINANCIAL INSTITUTIONS		
Repurchase agreement lendings (Reverse Repo)	575,251	3,841,077
Placements with financial institutions	3,938,944	4,038,944
	4,514,195	7,880,021
Less: provision held against lendings to financial institutions	(238,944)	(238,944)
Lendings to financial institutions - net of provision	4,275,251	7,641,077

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2023**

7.1 Category of classification	(Un-audited) June 30, 2023		(Audited) December 31, 2022	
	Classified lending	Provision held	Classified lending	Provision held
Domestic	-	-	-	-
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	238,944	238,944	238,944	238,944
Overseas	238,944	238,944	238,944	238,944
Not past due but impaired	-	-	-	-
Overdue by:	-	-	-	-
1 to 30 days	-	-	-	-
91 to 180 days	-	-	-	-
181 to 365 days	-	-	-	-
> 365 days	-	-	-	-
Total	238,944	238,944	238,944	238,944

8 INVESTMENTS	(Un-audited) June 30, 2023		(Audited) December 31, 2022	
	Cost / amortized cost	Provision for diminution	Cost / amortized cost	Provision for diminution
8.1 Investments by type:				
Held-for-trading securities	-	-	-	-
Available-for-sale securities				
Federal Government Securities	173,287,587	-	162,153,215	-
Shares	984,309	(762,634)	1,023,174	(757,415)
Non Government Debt Securities	7,833,672	(165,042)	7,872,879	(165,042)
Held-to-maturity securities	181,855,568	(927,676)	171,049,268	(922,457)
Federal Government securities	5,249,979	-	5,278,635	-
	5,249,979	-	5,278,635	-
Associate	89,104	-	89,983	-
Total	187,194,651	(927,676)	176,417,886	(922,457)

8.1.1 SBP vide its letter no. SBPHOK-BPRD-RPD-BOK-Z4314 dated July 25, 2022 had allowed the Bank to gradually stagger the unrealized mark-to-market (MTM) losses on certain PIBs having face value of Rs. 26,450 million held by the Bank in its Available-for-sale portfolio. In accordance with the requirements of aforementioned SBP letter, the Bank has accounted for 100% impact of the MTM losses on these PIBs as at June 30, 2023 in these condensed interim financial statements.

8.2 Investments given as collateral	(Un-audited) June 30, 2023	(Audited) December 31, 2022
Market Treasury Bills	3,548,711	29,346,172
Pakistan Investment Bonds	21,572,396	25,513,973
	25,121,107	54,860,145

8.2.1 These represent the market values of securities at reporting date.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2023**

	(Un-audited) June 30, 2023	(Audited) December 31, 2022
	----- Rupees in '000 -----	
8.3 Provision for diminution in value of investments		
Opening balance	922,457	792,243
Charge / (reversals)		
Charge for the period / year	26,099	142,614
Reversals for the period / year	-	-
Reversal on disposals / repayment	(20,880)	(12,400)
Closing balance	927,676	922,457

Category of classification	(Un-audited) June 30, 2023		(Audited) December 31, 2022	
	NPI	Provision	NPI	Provision
	----- Rupees in '000 -----			
Domestic				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	165,042	165,042	165,042	165,042
	165,042	165,042	165,042	165,042
Overseas				
Not past due but impaired	-	-	-	-
Overdue by:				
Upto 90 days	-	-	-	-
91 to 180 days	-	-	-	-
181 to 365 days	-	-	-	-
> 365 days	-	-	-	-
	-	-	-	-
Total	165,042	165,042	165,042	165,042

8.5 The market value of securities classified as held-to-maturity as at June 30, 2023 amounted to Rs. 4,837.54 million (December 31, 2022: Rs. 4,844.37 million).

	Performing		Non performing		Total	
	(Un-audited) June 30, 2023	(Audited) December 31, 2022	(Un-audited) June 30, 2023	(Audited) December 31, 2022	(Un-audited) June 30, 2023	(Audited) December 31, 2022
	----- Rupees in '000 -----					
Loans, cash credits, running finances, etc.	55,807,319	78,939,816	9,059,449	8,260,811	64,866,768	87,200,627
Islamic financing and related assets	42,264,001	44,036,577	2,212,222	1,953,857	44,476,223	45,990,434
Bills discounted and purchased	102,000	180,334	1,541,365	1,541,365	1,643,365	1,721,699
Advances - gross	98,173,320	123,156,727	12,813,036	11,756,033	110,986,356	134,912,760
Provision against advances						
- Specific	-	-	7,669,470	7,313,193	7,669,470	7,313,193
- General	83,482	84,356	-	-	83,482	84,356
	83,482	84,356	7,669,470	7,313,193	7,752,952	7,397,549
Advances - net of provision	98,089,838	123,072,371	5,143,566	4,442,840	103,233,404	127,515,211

	(Un-audited) June 30, 2023	(Audited) December 31, 2022
	----- Rupees in '000 -----	
9.1 Particulars of advances (gross)		
In local currency	110,986,356	134,912,760
In foreign currencies	-	-
	110,986,356	134,912,760

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2023**

- 9.2** Advances include Rs. 12,813.036 million (December 31, 2022: Rs. 11,756.033 million) which have been placed under non-performing status as detailed below:-

Category of classification	(Un-audited) June 30, 2023		(Audited) December 31, 2022	
	Non performing loans	Provision	Non performing loans	Provision
----- Rupees in '000 -----				
Domestic				
Other assets especially mentioned	340,215	4,687	140,297	1,294
Substandard	1,362,464	52,365	556,428	42,282
Doubtful	273,032	21,668	1,076,998	25,375
Loss	10,837,325	7,590,750	9,982,310	7,244,242
	12,813,036	7,669,470	11,756,033	7,313,193
Overseas				
Not past due but impaired	-	-	-	-
Overdue by:				
Upto 90 days	-	-	-	-
91 to 180 days	-	-	-	-
181 to 365 days	-	-	-	-
> 365 days	-	-	-	-
	-	-	-	-
Total	12,813,036	7,669,470	11,756,033	7,313,193

9.3 Particulars of provision against advances	(Un-audited) June 30, 2023			(Audited) December 31, 2022		
	Specific	General	Total	Specific	General	Total
----- Rupees in '000 -----						
Opening balance	7,313,193	84,356	7,397,549	6,553,768	63,519	6,617,287
Charge for the period / year	439,780	-	439,780	1,000,620	20,837	1,021,457
Reversals	(83,503)	(874)	(84,377)	(241,195)	-	(241,195)
	356,277	(874)	355,403	759,425	20,837	780,262
Amounts written off	-	-	-	-	-	-
Closing balance	7,669,470	83,482	7,752,952	7,313,193	84,356	7,397,549

- 9.3.1** General provision includes provision amounting to Rs. 76.352 million (December 31, 2022: Rs. 75.659 million) against consumer finance portfolio as required by the Prudential Regulations issued by the SBP.
- 9.3.2** State Bank of Pakistan 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. As at June 30, 2023 the Bank has availed cumulative benefit of forced sales value of Rs. 3,343.150 million (December 31, 2022: Rs. 3,176.61 million). Increase in unappropriated profit amounting to Rs.1,705,007 million (December 31, 2022: Rs. 1,810.67 million) is not available for the distribution of cash or stock dividend to shareholders or bonus to employees.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2023**

		(Un-audited) June 30, 2023	(Audited) December 31, 2022
		----- Rupees in '000 -----	
10	FIXED ASSETS		
	Capital work-in-progress	179,277	247,680
	Property and equipment	4,099,934	3,957,249
	Right-of-use assets	1,671,547	1,408,350
	Total	5,950,758	5,613,279
10.1	Capital work-in-progress		
	Civil works	16,878	86,896
	Furniture and equipment	162,399	141,934
	Advances to suppliers	-	18,850
	Total	179,277	247,680

10.2 Additions / (transfers) to fixed assets

The following additions / (transfers) have been made to fixed assets during the period:

	(Un-audited) June 30, 2023	June 30, 2022
	----- Rupees in '000 -----	
Capital work-in-progress - net (transfers) / additions	(68,403)	109,535
Property and equipment		
Furniture and fixtures	48,960	32,739
Electrical, office and computer equipment	122,256	196,203
Vehicles	19,715	827
Books	-	11
Leasehold improvements	284,440	111,134
	475,371	340,914
Right-of-use assets	639,231	173,490
Total	1,046,199	623,939

10.3 Disposals of fixed assets

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

Furniture and fixtures	1,523	639
Office equipment	339	1,316
Leasehold improvements	747	445
	2,609	2,400
Derecognition of right-of-use assets	22,246	9,925
Total	24,855	12,325

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2023**

	(Un-audited) June 30, 2023	(Audited) December 31, 2022
	----- Rupees in '000 -----	
11 INTANGIBLE ASSETS		
Licenses and computer softwares	403,216	440,187
Capital work in progress	43,650	33,533
	446,866	473,720
	(Un-audited)	(Audited)
	June 30,	June 30,
	2023	2022
	----- Rupees in '000 -----	
11.1 Additions to intangible assets		
The following additions have been made to intangible assets during the period:		
Directly purchased - intangible assets	-	-
Capital work in progress - net	10,117	88,499
Total	10,117	88,499
11.2 Disposals of intangible assets		
No intangible assets were disposed off during the period.		
	(Un-audited)	(Audited)
	June 30,	December 31,
	2023	2022
	----- Rupees in '000 -----	
12 DEFERRED TAX ASSETS		
Deductible temporary differences on:		
Deficit on revaluation of investments	2,176,807	785,530
Accelerated tax depreciation	170,133	124,261
Provision against loans and advances - net	268,201	321,467
Provision for balances with other banks	4,914	4,312
Provision for diminution in value of investments	151,153	130,402
Provision against other assets	84,444	-
Islamic pool management reserves	76,037	59,420
	2,931,689	1,425,392
Taxable temporary differences on:		
Share of profit of associate	(23,814)	(21,276)
Surplus on revaluation of non-banking asset	(20,305)	(19,208)
Others	(66,435)	(17,067)
	(110,554)	(57,551)
Deferred tax assets - net	2,821,135	1,367,841

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2023**

	(Un-audited) June 30, 2023	(Audited) December 31, 2022
Note	----- Rupees in '000 -----	
13 OTHER ASSETS		
Income / mark-up accrued in local currency	9,500,749	6,923,063
Advances, deposits and prepayments	138,534	133,794
Advance taxation (payments less provisions)	-	632,853
Non-banking assets acquired in satisfaction of claims	299,285	312,931
Branch adjustment account	-	1,357
Mark to market gain on forward foreign exchange contracts	38,016	59,027
Acceptances	259,551	292,098
Pre-IPO investment	100,000	100,000
Stationary and stamps on hand	121,071	102,617
Employees benefits	179,844	210,349
Clearing and settlement accounts	966,256	-
Receivable from the State Bank of Pakistan	96,819	48,154
Others	188,115	157,435
	11,888,240	8,973,678
Less: provision held against other assets	13.1 (222,656)	(144,426)
Other assets - net of provision	11,665,584	8,829,252
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	41,439	44,669
Other assets - total	11,707,023	8,873,921
13.1 Provision held against other assets		
Pre-IPO Investment	100,000	100,000
Others	122,656	44,426
	222,656	144,426
13.1.1 Movement in provision held against other assets		
Opening balance	144,426	152,765
Charge for the period / year	78,230	-
Reversal for the period / year	-	(8,339)
Closing balance	222,656	144,426
14 BILLS PAYABLE		
In Pakistan	1,280,358	2,102,234
Outside Pakistan	-	-
	1,280,358	2,102,234

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2023**

15 BORROWINGS		(Un-audited)	(Audited)
		June 30, 2023	December 31, 2022
		----- Rupees in '000 -----	
Secured			
Borrowings from State Bank of Pakistan (SBP) under:			
- Export refinance scheme		5,057,566	4,976,044
- Long term financing facility		3,654,394	3,222,602
- SME Asaan Scheme SAAF		438,946	601,903
- Financing facility for storage of agriculture produce		76,154	83,077
- Refinance and credit guarantee scheme for women entrepreneurs		28,179	35,408
- Financing facility for renewable energy		167,718	140,642
- Refinance facility for modernization of Small and Medium Enterprises (SMEs)		26,120	29,643
- Refinance scheme for payment of wages and salaries		-	96,937
- Refinance facility for combating COVID-19		803,007	957,059
- Repurchase agreement borrowings		22,106,988	46,207,244
		32,359,072	56,350,559
Repurchase agreement borrowings		3,547,382	8,950,464
Call borrowings		949,393	962,145
Total secured		4,496,775	9,912,609
Unsecured			
Call borrowings		3,000,000	-
Total		39,855,847	66,263,168

16 DEPOSITS AND OTHER ACCOUNTS

	(Un-audited)			(Audited)		
	June 30, 2023			December 31, 2022		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	----- Rupees in '000 -----					
Customers						
Current deposits	49,752,132	701,689	50,453,821	41,401,851	567,644	41,969,495
Saving deposits	124,427,535	177,355	124,604,890	125,362,662	127,589	125,490,251
Term deposits	78,548,948	350,338	78,899,286	62,397,921	243,413	62,641,334
Others	12,601,141	-	12,601,141	15,231,796	-	15,231,796
	265,329,756	1,229,382	266,559,138	244,394,230	938,646	245,332,876
Financial Institutions						
Current deposits	291,634	-	291,634	446,768	3,367	450,135
Saving deposits	7,693,315	-	7,693,315	3,122,970	-	3,122,970
	7,984,949	-	7,984,949	3,569,738	3,367	3,573,105
	273,314,705	1,229,382	274,544,087	247,963,968	942,013	248,905,981

17 OTHER LIABILITIES		(Un-audited)	(Audited)
		June 30, 2023	December 31, 2022
		----- Rupees in '000 -----	
Mark-up / return / interest payable in local currency		9,612,608	7,577,871
Mark-up / return / interest payable in foreign currencies		6,646	1,321
Unearned commission and income on bills discounted		139,050	187,366
Accrued expenses and supplier payables		440,338	426,676
Current taxation (provisions less payments)		144,966	-
Acceptances		259,551	292,098
Unclaimed dividends		61,498	61,616
Mark to market loss on forward foreign exchange contracts		67,782	33,455
Lease liability against right-of-use assets		1,535,968	1,368,661
Branch adjustment account		14,802	-
Deferred income on government schemes		2,506	2,452
Deferred income on Islamic financing		147,329	118,309
Islamic pool management reserves		155,178	138,183
Share subscription money refund		1,091	1,091
Retention money		63,318	63,457
Bills payment system over the counter (BPS-OTC)		21,723	3,195
Charity fund balance		22,744	14,502
Security deposits against ijarah		140,729	167,416
Clearing and settlement accounts		-	454,369
Levies and other taxes payable		30,046	71,217
Others		325,155	301,884
		13,193,028	11,285,139

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2023**

18 SHARE CAPITAL

18.1 Authorized capital

(Un-audited) June 30, 2023	(Audited) December 31, 2022		(Un-audited) June 30, 2023	(Audited) December 31, 2022
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

18.2 Issued, subscribed and paid up

(Un-audited) June 30, 2023	(Audited) December 31, 2022		(Un-audited) June 30, 2023	(Audited) December 31, 2022
Number of shares			----- Rupees in '000 -----	
722,698,448	722,698,448	Ordinary shares of Rs. 10 each	7,226,984	7,226,984
		Fully paid in cash	7,226,984	7,226,984

Issued as fully paid bonus shares:

380,092,081	327,572,595	Opening balance	3,800,921	3,275,726
-	52,519,486	Issued during the period / year (Note 18.3)	-	525,195
380,092,081	380,092,081	Closing balance	3,800,921	3,800,921
1,102,790,529	1,102,790,529		11,027,905	11,027,905

18.3 During the year ended December 31, 2022, 52,519,486 shares were issued as fully paid bonus shares in respect of the year ended December 31, 2021.

18.4 The Bank has only one class of shares and at reporting date, the Government of Khyber Pakhtunkhwa and Ismail Industries Limited held 774,184,576 (December 31, 2022: 774,184,576) and 269,383,781 (December 31, 2022: 269,383,781) ordinary shares respectively. Moreover, the Bank has no reserved shares under options.

19 DEFICIT ON REVALUATION OF ASSETS - NET OF TAX

Deficit on revaluation of:

- Available-for-sale securities
- Fixed assets
- Non-banking assets
- Revaluation of investment of associate

(Un-audited) June 30, 2023	(Audited) December 31, 2022
----- Rupees in '000 -----	
(4,442,463)	(1,826,815)
787,200	787,200
41,439	44,669
(3,283)	(2,163)
(3,617,107)	(997,109)

Deferred tax on deficit on revaluation of:

- Available-for-sale securities
- Non-banking assets
- Revaluation of investment of associate

2,176,807	785,530
(20,305)	(19,208)
1,479	930
2,157,981	767,252

Deficit on revaluation of assets - net of tax

(1,459,126)	(229,857)
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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2023**

		(Un-audited) June 30, 2023	(Audited) December 31, 2022
		----- Rupees in '000 -----	
20	CONTINGENCIES AND COMMITMENTS		
	Guarantees	20.1 37,369,625	32,938,542
	Commitments	20.2 43,269,047	28,861,757
		<u>80,638,672</u>	<u>61,800,299</u>
20.1	Guarantees:		
	Financial guarantees	1,321,634	1,606,291
	Performance guarantees	36,041,909	31,326,169
	Other guarantees	6,082	6,082
		<u>37,369,625</u>	<u>32,938,542</u>
20.2	Commitments:		
	Documentary credits and short-term trade-related transactions		
	Letters of credit	13,452,700	9,680,802
	Commitments in respect of:		
	Forward foreign exchange contracts	20.2.1 29,455,358	18,234,328
	Commitments for acquisition of:		
	Fixed assets	181,294	642,630
	Intangible assets	179,695	303,997
		<u>43,269,047</u>	<u>28,861,757</u>
20.2.1	Commitments in respect of forward foreign exchange contracts		
	Purchase	12,203,996	8,522,993
	Sale	17,251,362	9,711,335
		<u>29,455,358</u>	<u>18,234,328</u>
20.3	Other contingent liabilities		
20.3.1	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 favor and the possibility of any adverse outcome is remote. Accordingly, no provision has been made in these condensed interim financial statements for the same.		
20.3.2	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 favorable outcome of the case. Hence, no provision in this respect is recognized in these condensed interim financial statements. Considering the complexity and uncertainty in nature, the financial impact cannot be reasonably ascertained.		

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2023**

20.3.3 The income tax assessments of the Bank have been finalized up to Tax Year 2022.

- 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.

During the year ended 2022, the remand back proceedings were also completed by CIR, and order was issued, creating a total demand of 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, Assistant Commissioner Inland Revenue issued an order dated September 30, 2021 rectified later vide order dated March 30, 2022 creating additional tax demand of Rs. 54 million under section 21(c) of Income Tax Ordinance, 2001 mainly on account of disallowance due to non-deduction of withholding tax. The Bank filed an appeal with CIRA on October 28, 2021. During the period, CIRA vide its order dated May 9, 2023 upheld the earlier orders issued by Additional Commissioner Inland Revenue. Being aggrieved, the Bank filed an appeal before Appellate Tribunal Inland Revenue (ATIR) on July 21, 2023, which is currently pending.

During the period, Assistant Commissioner Inland Revenue issued an order dated February 23, 2023 creating an additional tax demand along with default surcharge of Rs. 645 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 before Commissioner (Appeals) Peshawar dated March 22, 2023 which is currently pending.

- 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 on account of provision for non-performing loans and advances. Being aggrieved the Bank filed an appeal with Commissioner (Appeals) Peshawar dated 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 on account of provision for non-performing loans and advances. Being aggrieved the Bank filed an appeal with Commissioner (Appeals) Peshawar dated July 4, 2023 which is currently pending.
- v) In respect of Tax Year 2020, Additional Commissioner (Audit) vide order dated February 18, 2022 created an additional demand amounting to Rs. 520 million on account of Bai Muajjal transaction and related penalty under section 111(1) and section 182 of Income Tax Ordinance, 2001. Being aggrieved the Bank filed an appeal against the said order with CIRA dated April 12, 2022. Commissioner (Appeals) Peshawar vide order dated October 20, 2022 decided the matter in favour of the Bank. During the period, the appeal filed against penalty under section 182 has also been decided in favour of the Bank by CIRA vide order dated May 24, 2023.

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

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2023**

		(Un-audited)	
		<u>For the six months ended</u>	
		June 30, 2023	June 30, 2022
		----- Rupees in '000 -----	
21	MARK-UP / RETURN / INTEREST EARNED	Note	
	On:		
	Loans and advances	9,127,084	6,928,721
	Investments	12,240,897	9,721,168
	Lendings to financial institutions	367,025	245,359
	Balances with banks	175,926	102,711
	Sukuk bonds	2,866,777	1,730,894
		<u>24,777,709</u>	<u>18,728,853</u>
22	MARK-UP / RETURN / INTEREST EXPENSED		
	On:		
	Deposits	14,748,916	7,570,223
	Borrowings	3,936,650	7,567,723
	Lease liability	115,918	67,233
		<u>18,801,484</u>	<u>15,205,179</u>
23	FEE AND COMMISSION INCOME		
	Branch banking customer fees	41,189	11,900
	Consumer finance related fees	383	494
	Card related fees	83,468	32,366
	Commission on trade	51,837	63,828
	Commission on guarantees	103,917	103,983
	Commission on remittances including home remittances	15,137	16,454
	Commission on foreign currency bills	2,016	3,520
	Others	2,886	1,086
		<u>300,833</u>	<u>233,631</u>
24	(LOSS) / GAIN ON SECURITIES		
	Realised	24.1 (1,692)	10,209
	Unrealised - held-for-trading	-	-
		<u>(1,692)</u>	<u>10,209</u>
24.1	Realised (loss) / gain on:		
	Federal Government Securities	10,257	(5,259)
	Shares	(11,949)	1,221
	Non-Government Debt Securities	-	2,635
	Mutual funds	-	11,612
		<u>(1,692)</u>	<u>10,209</u>
25	OTHER INCOME		
	Rent on property	887	1,376
	Gain on sale of fixed assets - net	-	1,805
	Postal, swift and other services	53,776	49,544
	Service income on Government schemes	1,381	3,863
	Gain on early culmination of lease	1,434	781
	Rebate from financial institutions	13,085	15,071
		<u>70,563</u>	<u>72,440</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2023**

	(Un-audited)	
	For the six months ended	
	June 30, 2023	June 30, 2022
	-----Rupees in '000-----	
26 OPERATING EXPENSES		
Total compensation expense	1,789,486	1,575,689
Property expense		
Rent and taxes	9,734	6,474
Utilities cost	154,897	109,467
Security (including guards)	120,915	82,456
Repair and maintenance	7,069	24,907
Depreciation - Right of use assets	353,788	257,003
Depreciation - Non banking assets acquired in satisfaction of claims	16,876	11,297
Depreciation - Fixed assets	161,557	105,705
	824,836	597,309
Information technology expenses		
Software maintenance	128,233	112,247
Hardware maintenance	12,521	11,814
Depreciation - Fixed assets	123,830	108,580
Amortization	47,584	35,719
Network charges	10,101	5,001
ATM charges	100,291	71,969
	422,560	345,330
Other operating expenses		
Directors' fees and allowances	11,164	2,849
Fees and allowances to Shariah Board	2,670	83
Legal and professional charges	42,012	50,126
Outsourced service cost	132,740	115,513
Travelling and conveyance	31,395	31,441
Cash carriage charges	42,499	33,429
NIFT clearing charges	13,550	12,427
Depreciation - Fixed assets	44,690	17,430
Communication	49,190	18,900
Postage and courier charges	19,723	6,395
Stationery and printing	38,712	31,692
Marketing, advertisement and publicity	73,286	62,164
Repair and maintenance	22,346	13,483
Insurance	32,512	21,841
Auditors' remuneration	7,452	6,480
Brokerage and commission	17,474	20,300
Rent and taxes	743	466
Entertainment	23,812	19,361
Newspapers and periodicals	1,048	952
Training and development	5,142	11,509
Fees and subscriptions	5,220	4,093
Deposit protection premium	53,423	46,907
Loss on sale of fixed assets	236	-
Others	27,840	29,849
	698,879	557,690
	3,735,761	3,076,018
27 OTHER CHARGES		
Penalties imposed by State Bank of Pakistan	2,442	5

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2023**

		(Un-audited)	
		For the six months ended	
		June 30, 2023	June 30, 2022
		----- Rupees in '000 -----	
28	PROVISIONS AND WRITE OFFS - NET	Note	
	Provision for diminution in value of investments - net	8.3	5,219
	Provisions against loans and advances - net	9.3	355,403
	Provision / (reversal) against other assets	13.1.1	78,230
			93,328
			429,489
			(8,339)
			514,478
29	TAXATION		
	Current	1,442,040	244,917
	Prior periods	-	(18,380)
	Deferred	(64,697)	(29,900)
		1,377,343	196,637
29.1	This also includes the impact of applicable Super Tax.		
30	BASIC AND DILUTED EARNINGS PER SHARE		
	Profit for the period	1,688,754	391,182
	Weighted average number of ordinary shares	1,102,790,529	1,102,790,529
		1.53	0.35
30.1	There were no dilutive potential ordinary shares outstanding as at June 30, 2023 and June 30, 2022.		
31	FAIR VALUE MEASUREMENTS		
	The fair value of quoted securities other than those classified as held to maturity is based on quoted market prices. The fair value of unquoted equity securities, other than investments in associates, is determined on the basis of break-up value of these investments as per their latest available audited financial statements.		
	The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy.		
	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.		
31.1	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).		

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2023**

The table below analyzes 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:

	Carrying value	(Un-audited) June 30, 2023			
		Fair value			
		Level 1	Level 2	Level 3	Total
----- Rupees in '000 -----					
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Federal Government Securities	168,793,669	-	168,793,669	-	168,793,669
Shares	291,482	209,821	81,661	-	291,482
Non-Government Debt Securities	7,400,278	-	7,400,278	-	7,400,278
Financial assets - disclosed but not measured at fair value					
Investments					
Federal Government Securities	5,249,979	-	4,837,540	-	4,837,540
Associate	89,104	-	89,104	-	89,104
Off-balance sheet financial instruments - measured at fair value					
Forward exchange contracts purchase and sale	29,455,358	-	29,766	-	29,766
----- Rupees in '000 -----					
On balance sheet financial instruments					
Financial assets measured at fair value					
Investments					
Federal Government Securities	160,287,656	-	160,287,656	-	160,287,656
Shares	325,420	246,502	78,918	-	325,420
Non-Government Debt Securities	7,686,920	-	7,686,920	-	7,686,920
Financial assets - disclosed but not measured at fair value					
Investments					
Federal Government Securities	5,278,635	-	4,844,370	-	4,844,370
Associate	89,983	-	89,983	-	89,983
Off-balance sheet financial instruments - measured at fair value					
Forward exchange contracts purchase and sale	18,234,328	-	25,572	-	25,572

The valuation techniques used for above assets are same as disclosed in the most recent audited annual financial statements.

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

31.2.1 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 units of mutual funds.

(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 Forward Exchange Contracts.

(c) Financial instruments in level 3

Currently, no financial instruments are classified in level 3.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2023**

31.2.2 Fair value of non - financial assets

Certain categories of fixed assets (leasehold land) of Rs. 903.36 million (December 31, 2022: Rs. 903.36 million) and non banking assets acquired in satisfaction of claims of Rs. 340.72 million (December 31, 2022: Rs. 357.60 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.

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

Fully paid-up ordinary shares	Fair values of investments in listed equity securities are valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange.
Unit of mutual funds	The fair value of investments in units of mutual funds are determined based on their net asset values as published at the close of each business day.

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).
Government of Pakistan (GoP) - Ijarah Sukuks	Fair values of GoP Ijarah Sukuks are derived using the PKISRV rates announced by the Financial Market Association (FMA) through Reuters. These rates denote an average of quotes received from 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 categorises these as traded, thinly traded and non-traded securities.

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

Operating fixed assets (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.
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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2023**

32 SEGMENT INFORMATION

32.1 Segment details with respect to business activities

	For the six months ended June 30, 2023 (Un-audited)				Total
	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	
	----- Rupees in 000 -----				
Profit and loss					
Net mark-up / return / profit	1,420,793	2,602,606	259,308	1,693,518	5,976,225
Non mark-up / return / interest income	17,738	949,145	86,683	213,361	1,266,927
Total income	1,438,531	3,551,751	345,991	1,906,879	7,243,152
Segment direct expenses	(741,943)	(1,831,868)	(178,451)	(985,941)	(3,738,203)
Total expenses	(741,943)	(1,831,868)	(178,451)	(985,941)	(3,738,203)
Provisions	-	(5,219)	(45,212)	(388,421)	(438,852)
Profit before tax	696,588	1,714,664	122,328	532,517	3,066,097

	As at June 30, 2023 (Un-audited)				Total
	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	
	----- Rupees in 000 -----				

Balance sheet

Cash and bank balances	5,024,940	18,900,420	749,267	10,828,938	35,503,565
Lendings to financial institutions	-	4,275,251	-	-	4,275,251
Investments	5,249,979	176,485,429	-	89,104	181,824,512
Advances - performing	42,796,163	-	7,165,869	48,127,806	98,089,838
Advances - non performing	251,607	-	114,537	4,777,422	5,143,566
Operating fixed assets / intangible assets	1,081,606	4,069,251	161,317	1,085,450	6,397,624
Deferred tax assets	80,344	2,449,960	32,689	258,142	2,821,135
Others	1,765,260	6,315,073	1,215,096	2,411,594	11,707,023
Total assets	56,249,899	212,495,384	9,438,775	67,578,456	345,762,514

Bills payable	714,564	13,290	240,701	311,803	1,280,358
Borrowings	-	39,855,847	-	-	39,855,847
Deposits and other accounts	153,222,215	2,849,748	51,612,845	66,859,279	274,544,087
Others	5,833,048	2,549,225	1,967,984	2,842,771	13,193,028
Total liabilities	159,769,827	45,268,110	53,821,530	70,013,853	328,873,320
Equity / Inter-segment (lending) / borrowing	(103,519,929)	167,227,274	(44,382,754)	(2,435,397)	16,889,194
Total equity and liabilities	56,249,898	212,495,384	9,438,776	67,578,456	345,762,514

Contingencies and commitments	31,564,766	29,684,967	6,534,085	12,854,854	80,638,672
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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2023**

For the six months ended June 30, 2022 (Un-audited)					
Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Total	
----- Rupees in 000 -----					
Net mark-up / return / profit	1,018,376	1,488,025	142,326	874,947	3,523,674
Non mark-up / return / interest income	10,828	412,266	33,499	198,053	654,646
Total Income	1,029,204	1,900,291	175,825	1,073,000	4,178,320
Segment direct expenses	(757,686)	(1,398,966)	(129,439)	(789,932)	(3,076,023)
Total expenses	(757,686)	(1,398,966)	(129,439)	(789,932)	(3,076,023)
Provisions	-	(93,328)	(34,938)	(386,212)	(514,478)
Profit before tax	271,518	407,997	11,448	(103,144)	587,819

As at December 31, 2022 (Audited)				
Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Total
----- Rupees in 000 -----				

Balance sheet

Cash and bank balances	4,161,691	10,362,251	420,099	4,886,316	19,830,357
Lendings to financial institutions	-	7,641,077	-	-	7,641,077
Investments	5,278,635	168,299,996	-	89,983	173,668,614
Advances - performing	65,362,169	-	7,132,884	50,577,318	123,072,371
Advances - non performing	236,870	-	108,918	4,097,052	4,442,840
Operating fixed assets / intangible assets	1,412,667	3,518,450	142,643	1,013,239	6,086,999
Deferred tax assets	69,373	985,170	19,955	293,343	1,367,841
Others	1,740,210	4,273,336	170,855	2,689,520	8,873,921
Total assets	78,261,615	195,080,280	7,995,354	63,646,771	344,984,020
Bills payable	1,191,923	-	434,447	475,864	2,102,234
Borrowings	10,143,314	55,157,708	-	962,146	66,263,168
Deposits and other accounts	141,124,523	-	51,438,808	56,342,650	248,905,981
Others	4,698,427	2,533,477	1,665,459	2,387,776	11,285,139
Total liabilities	157,158,187	57,691,185	53,538,714	60,168,436	328,556,522
Equity / Inter-segment (lending) / borrowing	(78,896,572)	137,389,095	(45,543,360)	3,478,335	16,427,498
Total equity and liabilities	78,261,615	195,080,280	7,995,354	63,646,771	344,984,020

Contingencies and commitments	8,764,284	18,781,504	22,183	34,232,328	61,800,299
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32.2 Geographical segment

The Bank conducts all its operations in Pakistan.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2023**

33 RELATED PARTY TRANSACTIONS

The Bank 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 Managing Director of the Bank and Government of Khyber Pakhtunkhwa having face value of Rs. 50 million (December 31, 2022: Rs. 50 million) and Rs. 33,163.60 million (December 31, 2022: Rs Nil) as at June 30, 2023, respectively

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

	(Un-audited) As at June 30, 2023				(Audited) As at December 31, 2022			
	Directors	Key management personnel	Associate	Employee funds	Directors	Key management personnel	Associate	Employee funds
----- Rupees in '000 -----								
Advances								
Opening balance	-	213,178	-	-	-	216,982	-	-
Addition during the period / year	-	10,395	-	-	-	45,629	-	-
Repaid during the period / year	-	(8,609)	-	-	-	(65,797)	-	-
Transfer (out) / in - net	-	(60,702)	-	-	-	16,364	-	-
Closing balance	-	154,262	-	-	-	213,178	-	-
Deposits and other accounts								
Opening balance	3,228	7,637	40,825	2,841,338	3,255	7,118	35,149	2,648,713
Received during the period / year	26,721	54,746	45,851	1,804,872	124,418	157,997	52,059	1,087,701
Withdrawn during the period / year	21,283	53,388	45,393	1,577,502	124,445	157,531	46,383	895,076
Transfer (out) / in - net	-	(177)	-	-	-	53	-	-
Closing balance	8,666	8,818	41,283	3,068,708	3,228	7,637	40,825	2,841,338
Other liabilities								
Accrued markup	81	754	3,447	109,731	281	530	2,529	130,433
----- Rupees in '000 -----								
	(Un-audited) For the six months ended June 30, 2023				(Un-audited) For the six months ended June 30, 2022			
	Directors	Key management personnel	Associate	Employee funds	Directors	Key management personnel	Associate	Employee funds
----- Rupees in '000 -----								
Income								
Mark-up / return / interest earned	-	1,920	-	-	-	2,060	-	-
Expense								
Mark-up / return / interest expensed	288	761	3,447	249,889	-	642	2,658	125,396
Operating expenses	37,419	77,918	-	-	29,105	72,537	-	-

33.1 As of June 30, 2023, the Bank has an equity investment having cost of Rs. 112.50 million (December 31, 2022: Rs. 112.50 million) and carrying value of Rs. 81.65 million (December 31, 2022: Rs. 78.90 million) in Dawood Family Takaful Limited, a related party.

33.2 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 Government and its related entities. Such transactions include advances to, deposits from and provision of 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 condensed interim financial statements, as at period end includes loans and advances and deposits amounting to Rs. 43,423 million (December 31, 2022: Rs. 65,993 million) and Rs. 153,222 million (December 31, 2022: Rs. 141,125 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	18

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2023**

	(Un-audited) June 30, 2023	(Audited) December 31, 2022
	----- Rupees in '000 -----	
34 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS		
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	<u>11,027,905</u>	<u>11,027,905</u>
Capital Adequacy Ratio (CAR):		
Eligible common equity tier 1 (CET 1) capital	<u>15,234,004</u>	<u>15,958,762</u>
Eligible additional tier 1 (ADT 1) capital	<u>-</u>	<u>-</u>
Total eligible tier 1 capital	<u>15,234,004</u>	<u>15,958,762</u>
Eligible tier 2 capital	<u>83,482</u>	<u>84,356</u>
Total eligible capital (Tier 1 + Tier 2)	<u>15,317,486</u>	<u>16,043,118</u>
Risk weighted assets (RWAs):		
Credit risk	<u>78,301,277</u>	<u>77,978,803</u>
Market risk	<u>15,055,092</u>	<u>14,694,592</u>
Operational risk	<u>15,132,319</u>	<u>15,132,319</u>
Total	<u>108,488,688</u>	<u>107,805,714</u>
Common equity tier 1 capital adequacy ratio	<u>14.04%</u>	<u>14.80%</u>
Tier 1 capital adequacy ratio	<u>14.04%</u>	<u>14.80%</u>
Total capital adequacy ratio	<u>14.12%</u>	<u>14.88%</u>
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	15,234,004	15,958,762
Total exposures	<u>404,654,054</u>	<u>396,849,832</u>
Leverage ratio	<u>3.76%</u>	<u>4.02%</u>
Liquidity Coverage Ratio (LCR):		
Total high quality liquid assets	152,811,037	97,117,507
Total net cash outflow	<u>82,100,423</u>	<u>66,443,018</u>
Liquidity coverage ratio	<u>186.13%</u>	<u>146.17%</u>
Net Stable Funding Ratio (NSFR):		
Total available stable funding	193,838,102	178,322,676
Total required stable funding	<u>115,305,983</u>	<u>119,019,906</u>
Net stable funding ratio	<u>168.11%</u>	<u>149.83%</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2023**

ISLAMIC BANKING BUSINESS

35 The Bank is operating 120 (December 31, 2022: 119) Islamic banking branches as at June 30, 2023.

		(Un-audited) June 30, 2023	(Audited) December 31, 2022
	Note	----- Rupees in '000 -----	
STATEMENT OF FINANCIAL POSITION			
ASSETS			
Cash and balances with treasury banks		9,647,995	7,752,193
Balances with other banks		1,320,338	653,278
Due from financial institutions	35.1	3,700,000	3,800,000
Investments	35.2	34,117,328	32,872,613
Islamic financing and related assets - net	35.3	43,653,411	45,374,836
Fixed assets		1,040,562	982,084
Intangible assets		-	-
Due from head office		1,062,793	1,213,111
Other assets		2,752,074	2,577,348
Total Assets		97,294,501	95,225,463
LIABILITIES			
Bills payable		601,088	561,372
Due to financial institutions		2,049,075	2,183,216
Deposits and other accounts	35.4	84,656,323	82,407,343
Due to head office		-	-
Sub-ordinated debt		-	-
Other liabilities		3,237,623	3,811,815
Total Liabilities		90,544,109	88,963,746
NET ASSETS		6,750,392	6,261,717
REPRESENTED BY			
Islamic banking fund		1,000,000	1,000,000
Reserves		43,166	36,288
Deficit on revaluation of assets		(674,064)	(408,352)
Unappropriated profit	35.8	6,381,290	5,633,781
		6,750,392	6,261,717
CONTINGENCIES AND COMMITMENTS			
35.5 The profit and loss account of the Bank's Islamic banking branches for the six months ended June 30, 2023 is as follows:			
(Un-audited)			
January 1 to June 30, 2023			
January 1 to June 30, 2022			
---- Rupees in '000 ----			
PROFIT AND LOSS ACCOUNT			
Profit / return earned	35.6	6,736,783	4,239,213
Profit / return expensed	35.7	3,114,097	1,915,470
Net profit / return		3,622,686	2,323,743
OTHER INCOME			
Fee and commission income		96,427	71,815
Dividend income		-	940
Foreign exchange income		151,799	80,990
Gain on securities		-	4,852
Other income		28,428	29,130
Total other income		276,654	187,727
Total income		3,899,340	2,511,470
OTHER EXPENSES			
Operating expenses		1,782,865	1,459,034
Other charges		-	-
Total other expenses		1,782,865	1,459,034
Profit before provisions		2,116,475	1,052,436
Provisions and write offs - net		284,345	23,591
Profit before taxation		1,832,130	1,028,845
Taxation		897,744	504,134
Profit after taxation		934,386	524,711

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2023**

35.1	Due from financial institutions Placement with financial institutions	(Un-audited) June 30, 2023		(Audited) December 31, 2022			
		In local currency	In foreign currency	Total Rupees in '000	In local currency	In foreign currency	Total
		3,700,000	-	3,700,000	3,800,000	-	3,800,000
		3,700,000	-	3,700,000	3,800,000	-	3,800,000

35.2	Investments by segments:	(Un-audited) June 30, 2023		(Audited) December 31, 2022					
		Cost / Amortised cost	Provision for (Deficit) / Surplus diminution	Cost / Amortised cost	Provision for diminution	(Deficit) / Surplus	Carrying value		
	Federal Government securities:								
	- GoP Ijarah sukuk	30,887,642	-	(682,255)	30,205,387	29,088,048	-	(416,135)	28,671,913
		30,887,642	-	(682,255)	30,205,387	29,088,048	-	(416,135)	28,671,913
	Non - government debt securities:								
	- Power / gas and other sukuk - listed	2,425,000	-	8,191	2,433,191	2,475,000	-	7,783	2,482,783
	- unlisted	1,478,750	-	-	1,478,750	1,717,917	-	-	1,717,917
		3,903,750	-	8,191	3,911,941	4,192,917	-	7,783	4,200,700
	Total investments	34,791,392	-	(674,064)	34,117,328	33,280,965	-	(408,352)	32,872,613

35.3	Islamic financing and related assets	(Un-audited) June 30, 2023		(Audited) December 31, 2022	
		Rupees in '000		Rupees in '000	
	Ijarah	310,618	402,680		
	Murabaha	1,475,909	2,063,430		
	Diminishing musharaka	9,159,817	9,186,875		
	Running musharaka	28,269,653	29,121,080		
	Qarize Hasna	-	50		
	Istisna	5,260,226	5,216,320		
	Gross Islamic financing and related assets	44,476,223	45,990,435		
	Less: provision against Islamic financings				
	- Specific	808,664	592,986		
	- General	14,148	73,613		
		822,812	615,599		
	Islamic financing and related assets - net of provision	43,653,411	45,374,836		

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2023**

35.4 Deposits	(Un-audited) June 30, 2023			(Audited) December 31, 2022		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	T total
	----- Rupees in '000 -----					
Customers						
Current deposits	22,711,258	76,345	22,787,603	20,254,072	59,568	20,313,640
Savings deposits	47,516,171	4,419	47,520,590	51,362,281	1,161	51,363,442
Term deposits	5,085,548	-	5,085,548	4,126,937	-	4,126,937
Others	2,807,262	-	2,807,262	3,945,517	-	3,945,517
	78,120,239	80,764	78,201,003	79,688,807	60,729	79,749,536
Financial Institutions						
Current Deposits	97,687	-	97,687	340,436	-	340,436
Savings deposits	6,357,633	-	6,357,633	2,317,371	-	2,317,371
	6,455,320	-	6,455,320	2,657,807	-	2,657,807
	84,575,559	80,764	84,656,323	82,346,614	60,729	82,407,343
				(Un-audited) June 30, 2023	(Audited) December 31, 2022	
				----- Rupees in '000 -----		
35.5 Contingencies and commitments						
Guarantees				8,308,948	8,889,432	
Commitments				2,783,443	5,601,456	
				11,092,391	14,490,888	
				(Un-audited) For the six months ended June 30, 2023	June 30, 2022	
				----- Rupees in '000 -----		
35.6 Profit / return earned on financing, investments and placements						
Financing				3,803,670	2,389,456	
Investments				2,819,448	1,730,894	
Placements				101,952	30,222	
Balances with banks				11,713	88,641	
				6,736,783	4,239,213	
35.7 Profit on deposits and other dues expensed						
Deposits and other accounts				2,907,658	1,472,832	
Due to Financial Institutions				183,630	423,027	
Lease liability				22,809	19,611	
				3,114,097	1,915,470	
				(Un-audited) June 30, 2023	(Audited) December 31, 2022	
35.8 Islamic banking business unappropriated profit				----- Rupees in '000 -----		
Opening balance				5,633,781	4,810,395	
Add: Islamic banking profit before taxation for the period / year				1,832,130	2,477,903	
Less: Taxation				(897,744)	(1,214,173)	
Less: Transferred to head office				(186,877)	(440,344)	
Closing balance				6,381,290	5,633,781	

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2023**

35.9 Profit equalization reserve

The profit equalization reserves amounting to Rs. 43.16 million (December 31, 2022: Rs. 36.29 million) classified in other liabilities, which has been presented as reserves in note 17.

35.10 Creation of a new special pool

During the period, following new special pool has been created:

- Raast Financial Institution Pool-2

The main characteristics of the pool are as under:

- i) Profit Equalization Reserve upto 2% of net income will be created, if needed.
- ii) Investment Risk Reserve upto 1% of distributable profit of depositors will be created, if needed.

36 DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorised for issue in the Board of Directors meeting of the Bank held on August 25, 2023.



MANAGING
DIRECTOR



CHIEF FINANCIAL
OFFICER



DIRECTOR



DIRECTOR




DIRECTOR

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