

MCB ISLAMIC BANK LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2024

	Note	2024	2023
Rupees in thousands			
ASSETS			
Cash and balances with treasury banks	6	18,114,511	10,529,055
Balances with other banks	7	962,093	2,803,425
Due from financial institutions	8	2,000,000	2,500,000
Investments - net	9	146,596,201	132,544,302
Islamic financing and related assets - net	10	119,353,143	89,347,415
Property and equipment	11	5,191,117	3,755,402
Right-of-use of assets	12	2,355,818	2,027,791
Intangible assets	13	1,044,088	532,846
Deferred tax assets	14	30,797	-
Other assets	15	11,695,860	13,959,469
		307,343,628	266,999,705
LIABILITIES			
Bills payable	17	11,594,493	2,175,473
Due to financial institutions	18	48,422,293	25,813,546
Deposits and other accounts	19	209,108,581	204,460,158
Lease liabilities	20	3,018,262	2,636,096
Liabilities against assets subject to finance lease		-	-
Sub-ordinated debts		-	-
Deferred tax liabilities	14	-	445,291
Other liabilities	21	9,253,993	9,432,889
		281,397,622	244,963,453
NET ASSETS		<u>25,946,006</u>	<u>22,036,252</u>
REPRESENTED BY			
Share capital	22	15,550,000	15,550,000
Reserves	23	2,276,220	1,428,486
Surplus on revaluation of assets-net	24	1,517,729	934,644
Accumulated profit		6,602,057	4,123,122
		<u>25,946,006</u>	<u>22,036,252</u>
CONTINGENCIES AND COMMITMENTS	25		

The annexed notes 1 to 47 form an integral part of these financial statements.

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 Chief Financial Officer
  President / Chief Executive
  Director
  Director
  Director

MCB ISLAMIC BANK LIMITED
STATEMENT OF PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2024

	Note	2024	2023
		Rupees in thousands	
Profit / return earned	26	45,874,654	35,942,288
Profit / return expensed	27	27,934,135	18,758,603
Net Profit / return		<u>17,940,519</u>	<u>17,183,683</u>
OTHER INCOME			
Fee and commission income	28	955,789	741,288
Dividend income		-	13,451
Foreign exchange income		418,991	735,118
Gain on securities - net	29	304,582	17,656
Other income	30	290,716	229,820
Total other income		<u>1,970,078</u>	<u>1,737,333</u>
Total income		<u>19,910,597</u>	<u>18,920,996</u>
OTHER EXPENSES			
Operating expenses	31	10,064,465	7,390,269
Workers welfare fund		191,519	217,510
Other charges	32	3,291	41,672
Total other expenses		<u>10,259,275</u>	<u>7,649,451</u>
Profit before credit loss allowance		<u>9,651,322</u>	<u>11,271,545</u>
Credit loss allowance and write offs - net	33	542,989	704,007
PROFIT BEFORE TAXATION		<u>9,108,333</u>	<u>10,567,538</u>
Taxation	34	4,869,661	5,414,203
PROFIT AFTER TAXATION		<u>4,238,672</u>	<u>5,153,335</u>
		Rupees	
Basic and diluted earnings per share	35	<u>2.726</u>	<u>3.314</u>

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Chief Financial Officer


President / Chief Executive


Director


Director


Director

MCB ISLAMIC BANK LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2024

	2024	2023
	Rupees in thousands	
Profit after taxation for the year	4,238,672	5,153,335
Other comprehensive income		
Items that may be reclassified to profit and loss account in subsequent periods:		
Movement in surplus on revaluation of debt investments through FVTOCI - net of tax	587,666	548,019
Items that will not be reclassified to profit and loss account in subsequent periods:		
Movement in deficit on revaluation of property and equipment - net of tax	(5,861)	(11,984)
Total comprehensive income	4,820,477	5,689,370

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 Director

MCB ISLAMIC BANK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2024

	Share Capital	Statutory Reserve	Surplus / (deficit) on revaluation of		Accumulated (Loss) / Profit	Total
			Investments	Fixed Assets		
Rupees in thousands						
Balance as at January 01, 2023	15,550,000	397,819	(79,928)	480,758	(1,767)	16,346,882
Profit after taxation for the year ended December 31, 2023	-	-	-	-	5,153,335	5,153,335
Other comprehensive (loss) / income - net of tax	-	-	548,019	(11,984)	-	536,035
	-	-	548,019	(11,984)	5,153,335	5,689,370
Transfer to statutory reserve	-	1,030,667	-	-	(1,030,667)	-
Transfer from surplus on revaluation of fixed assets to unappropriated profit in respect of disposals - net of tax	-	-	-	-	-	-
Transfer from surplus on revaluation of fixed assets to unappropriated profit in respect of incremental depreciation - net of tax	-	-	-	(2,221)	2,221	-
Transactions with owners, recorded directly in equity	-	-	-	-	-	-
Issue of share capital	-	-	-	-	-	-
Balance as at December 31, 2023	15,550,000	1,428,488	468,091	466,553	4,123,122	22,036,252
Impact of adopting IFRS-9						
Expected Credit Loss - net of tax	-	-	3,371	-	(914,094)	(910,723)
Restated Balance under IFRS 9 as at December 31, 2023	15,550,000	1,428,488	471,462	466,553	3,209,028	21,126,529
Profit after taxation for the year ended December 31, 2024	-	-	-	-	4,236,672	4,236,672
Other comprehensive income / (loss) - net of tax	-	-	587,666	(5,861)	-	581,805
	-	-	587,666	(5,861)	4,236,672	4,820,477
Transfer to statutory reserve	-	847,734	-	-	(847,734)	-
Transfer from surplus on revaluation of fixed assets to unappropriated profit in respect of incremental depreciation - net of tax	-	-	-	(2,091)	2,091	-
Balance as at December 31, 2024	15,550,000	2,276,220	1,059,128	458,601	6,602,057	25,946,006

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MCB ISLAMIC BANK LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2024

	Note	2024 Rupees in thousands	2023
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		9,108,333	10,567,538
Less: Dividend income		-	13,451
		<u>9,108,333</u>	<u>10,554,087</u>
Adjustments			
Depreciation on fixed assets	11.2	650,122	466,176
Depreciation on right-of-use assets	12	831,479	527,299
Depreciation onjarah assets under IFAS 2	10.4.1	370,047	552,153
Amortisation	13.1	178,573	187,463
Unwinding of lease liability against right-of-use assets	27	373,045	309,332
Credit loss allowances and write offs - net	33	542,989	704,007
Unrealized loss on forward foreign exchange contracts - net		156,882	27,819
Gain on sale of fixed assets - net	30	(22,863)	(1,112)
Gain on termination of lease liability against right-of-use asset	30	(7,604)	(6,319)
Gain on conversion ofjarah agreements	30	(9,762)	(21,391)
Unrealised loss / (gain) on revaluation of FVTPL securities	29	4,181	(4,181)
Unrealised loss on revaluation of FVTPL securities	29	8,867	-
Gain on sale of securities - net	29	(317,630)	(13,475)
		<u>2,568,126</u>	<u>2,727,771</u>
		<u>11,666,459</u>	<u>13,281,858</u>
(Increase) / decrease in operating assets			
Due from financial institutions		500,000	3,670,000
Islamic financing and related assets		(30,917,162)	(280,475)
Other assets (excluding advance taxation)		230,085	(4,586,741)
		<u>(30,187,077)</u>	<u>(1,197,216)</u>
Increase / (decrease) in operating liabilities			
Bills payable		9,419,020	(1,562,009)
Due to financial institutions		22,608,747	11,142,767
Deposits and other accounts		4,648,423	50,458,698
Other liabilities (excluding current taxation)		882,547	1,048,406
		<u>37,558,737</u>	<u>61,087,882</u>
		<u>19,038,119</u>	<u>73,172,524</u>
		<u>(6,139,998)</u>	<u>(5,060,151)</u>
Income tax paid		12,898,121	68,112,373
Net cash generated from operating activities		<u>12,898,121</u>	<u>68,112,373</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net divestments / (investment) in securities classified as FVTPL		1,326,619	(1,996,619)
Net investments in securities classified as FVTOCI		(21,789,448)	(37,778,770)
Net divestments / (investments) in amortised cost securities		8,004,203	(19,024,550)
Dividend received		-	13,451
Investments in property and equipment		(2,085,501)	(1,234,271)
Disposal of property and equipment		32,526	1,766
Investments in intangible assets		(689,815)	(143,555)
Net cash used in investing activities		<u>(15,211,416)</u>	<u>(80,162,548)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		-	-
Payment of lease liability against right-of-use asset		(942,581)	(761,903)
Net cash used in financing activities		<u>(942,581)</u>	<u>(761,903)</u>
Increase in cash and cash equivalents during the year		<u>(3,255,876)</u>	<u>7,187,922</u>
Cash and cash equivalents at the beginning of the year		22,332,480	15,144,558
Cash and cash equivalents at the end of the year	36	<u>19,076,604</u>	<u>22,332,480</u>

The annexed notes 1 to 47 form an integral part of these financial statements.

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President / Chief Executive


Director


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Director

MCB ISLAMIC BANK LIMITED

NOTES TO AND FORMING PART OF THESE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

1 STATUS AND NATURE OF BUSINESS

- 1.1 MCB Islamic Bank Limited (the Bank) was incorporated in Pakistan as an unlisted public limited company on May 15, 2014 under the Companies Ordinance, 1984 (repealed after the enactment of the Companies Act, 2017) to carry out the business of an Islamic Commercial Bank in accordance and in conformity with the principles of Islamic Sharī'ah and in accordance with regulations and guidelines of the State Bank of Pakistan. The Securities and Exchange Commission of Pakistan granted "Certificate of Commencement of Business" to the Bank on January 30, 2015. The Bank is a wholly owned subsidiary of MCB Bank Limited (MCB).
- 1.2 The State Bank of Pakistan (SBP) granted a "Certificate of Commencement of Banking Business" to the Bank on September 14, 2015 under Section 27 of the Banking Companies Ordinance, 1962. The Bank formally commenced operations as a Scheduled Islamic Commercial Bank with effect from October 15, 2015 upon receiving notification in this regard from SBP under section 37 of the State Bank of Pakistan Act, 1956. Currently, the Bank is engaged in corporate, commercial, consumer, micro finance, investment and retail banking activities.
- 1.3 The Bank is operating through 303 branches including two sub branches in Pakistan as at December 31, 2024 (December 31, 2023: 226 branches including two sub branches in Pakistan). The Registered Office of the Bank is situated at 59 Block T, Phase II, DHA, Lahore Cantt and Principal Office is situated at 14-A Main Jail Road, Gulberg, Lahore.
- 1.4 Pakistan Credit Rating Agency (PACRA) has upgraded our the Bank's medium to long-term rating from "A" to "A+" and maintained the short-term rating as "A-1" with stable outlook.
- 1.5 The Board of Directors in their meeting held on April 24, 2024 had approved the Scheme of Compromises, Arrangements and Reconstruction (the "Scheme") between the Bank and MCB Bank Ltd. (MCB). The Scheme envisages transfer of banking business of thirty nine (39) branches of MCB subject to the approval of the shareholders of the banks and sanction by the Honourable Lahore High Court, where the assets, rights, liabilities, operations, systems, staff, assets of back office functions and obligations of MCB relating to the banking business of these branches will be transferred and vested in the Bank. The banking business of these branches will also stand converted into Islamic banking business on the effective date pursuant to the compliance of applicable regulatory permissions.

Both the banks filed a petition before the Honourable Lahore High Court for sanction of, and for other orders facilitating implementation of the Scheme under Section 279 to 283 and 285 read with other enabling provisions of the Companies Act, 2017. The shareholders approved the Scheme in the Extra Ordinary General Meeting (EOGM) held on July 06, 2024. The Honourable Lahore High Court has sanctioned the Scheme on October 03, 2024. The business of these 39 branches have been transferred from MCB with effect from the Effective date i.e. close of the business on November 15, 2024.

The carrying amount of assets and liabilities acquired are as follows:

Assets	Rupees in thousands
Cash in hand	323,834
Property and equipment	148,365
Other assets	1,509
	473,708
Liabilities	
Bills payable	117,601
Deposits and other accounts	5,432,428
Other liabilities	2,643
	5,552,672
Net liabilities transferred from MCB Bank	(5,078,964)

2 BASIS OF PRESENTATION

- 2.1 The Bank provides Islamic financing and related assets mainly through Shari'ah compliant financing products mainly through Murabaha, Istisna, Salam, Ijarah, Diminishing Musharaka and Running Musharaka. The Bank also provides refinance facilities under various refinance schemes of the State Bank of Pakistan including Islamic Export Refinance Scheme.
- 2.2 The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of profit thereon. The income on such Islamic financing is recognised in accordance with the principles of Islamic Shari'ah and in accordance with regulations and guidelines of the State Bank of Pakistan. However, income, if any, received which does not comply with the principles of Islamic Shari'ah is recognised as charity payable if so directed by the Shari'ah Board of the Bank.
- 2.3 **Adoption of new forms for the preparation of annual financial statements**

The SBP, vide its BPRD Circular No. 02 dated February 09, 2023, issued the revised forms for the preparation of the annual financial statements of the Banks. The implementation of the revised forms has resulted in certain changes to the presentation and disclosures of various elements of the annual financial statements. Right of use assets and corresponding lease liability are now presented separately on the face of the Statement of financial position. Previously, these were presented under property and equipment (earlier titled as fixed assets) and other liabilities respectively. There is no impact of this change on the annual financial statements in terms of recognition and measurement of assets and liabilities.

3 STATEMENT OF COMPLIANCE

- 3.1 These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan comprise of:
- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
 - Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan 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, Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of IFRS or IFAS, requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

The State Bank of Pakistan has deferred the applicability of International Accounting Standards 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002 and International Accounting Standard 39 'Financial Instruments: Recognition and Measurement' (IAS 39) through BSD Circular Letter No. 10, dated August 26, 2002. The Securities and Exchange Commission of Pakistan (SECP) has deferred applicability of IFRS-7 'Financial Instruments: Disclosures' on banks through S.R.O 411(1) /2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

- 3.2 **Standards, interpretations and amendments to published approved accounting standards that are effective in the current year**

There are certain new and amended standards, issued by International Accounting Standards Board (IASB), interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2024 but are considered not to be relevant or do not have any material effect on the Bank's operations and therefore are not detailed in these financial statements except for IFRS 9 'Financial Instruments', the impact of which is disclosed under note 5.2.

3.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following other standards, amendments and interpretations of approved accounting standards are effective for accounting periods beginning on or after January 1, 2024:

	Effective date (annual periods beginning on or after)
Amendments to IAS 21 - Lack of Exchangeability	January 1, 2025
Amendments to IFRS 9 and IFRS 7 – Classification and Measurement of Financial Instruments	January 1, 2026
IFRS 18 – Presentation and Disclosure in Financial Statements	January 1, 2027

4 BASIS OF MEASUREMENT

- 4.1 These financial statements have been prepared under the historical cost convention, except that certain classes of fixed assets are stated at revalued amounts and certain investments, foreign currency balances and commitments in respect of certain foreign exchange contracts have been marked to market and carried at fair value in accordance with the requirements of the SBP. In addition, obligations in respect of lease liabilities are carried at present value and right-of-use assets which are initially measured at an amount equal to the corresponding lease liability and depreciated over the respective lease terms.

Measurement of fair values

The Bank has an established control framework with respect to the measurement of fair values. The management regularly reviews significant observable and unobservable inputs and valuation adjustments. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques. The valuation of financial assets and financial liabilities are categorized and disclosed in note 40.

- 4.2 These financial statements are presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

5 MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policies applied in the preparation of these financial statements are consistent with those of the previous financial year.

5.1 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Bank's accounting policies. Estimates and judgments are continually evaluated and are based on historical experiences, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. Critical accounting estimates and judgements applied in application of IFRS 9 have been disclosed under note 5.2. Other major areas where various assumptions and estimates are significant to the Bank's financial statements or where judgment was exercised in the application of accounting policies are as follows:

a) Taxation

In making the estimates for income taxes currently payable by the Bank, the management considers the current income tax laws. Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

b) Depreciation, amortization and revaluation of fixed assets

In making estimates of the depreciation / amortization method, the management uses the method which reflects the pattern in which economic benefits are expected to be consumed by the Bank. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method is changed to reflect the changed pattern. Such change is accounted for as change in accounting estimates in accordance with International Accounting Standard (IAS) 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Further, the Bank estimates the revalued amount of land and buildings on a regular basis. The estimates are based on valuations carried out by independent professional valuers under the market conditions.

c) Lease term

The Bank applies judgment to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Bank is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year.

5.2 IFRS 9 - 'Financial Instruments'

As per the SBP BPRD Circular Letter No. 07 dated April 13, 2023, IFRS 9 'Financial Instruments' is applicable on banks with effect from January 01, 2024. The standard addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard also introduces a new impairment model for financial assets which requires recognition of impairment charge based on a forward looking 'Expected Credit Losses' (ECL) approach rather than the 'incurred credit losses' approach as previously followed. The ECL approach has an impact on all assets of the Bank which are exposed to credit risk.

The State Bank of Pakistan (SBP), through BPRD Circular Letter No. 16 dated July 19, 2024 and BPRD Circular Letter No. 01 dated January 22, 2025, has introduced amendments and provided clarifications on the implementation timelines of IFRS 9 to address industry concerns and ensure compliance. These circulars offer guidance on the measurement of unquoted equity securities, modification accounting and the maintenance of general provisions beyond Expected Credit Losses (ECL).

In accordance with the directives outlined in the aforementioned circulars, the Bank has incorporated the prescribed treatment in these financial statements. Furthermore, SBP has permitted Islamic Banking Institutions (IBIs) to continue applying Islamic Financial Accounting Standards (IFAS) 1 and 2 for revenue recognition where applicable, while maintaining the existing accounting methodology for other Islamic products until further instructions are issued. Had IFRS 9 been fully adopted, the financial impact on the Bank would have amounted to Rs. 496 million.

Income on performing loans and debt securities is recognized on a time proportion basis or using the effective interest rate (EIR) method, in accordance with contractual terms and as permitted by SBP. However, through letter No. BPRD/RPD/822456/25 dated January 22, 2025, SBP has granted specific approval to the Bank for a deferred implementation of the EIR methodology.

In preparation of these financial statements, the Bank has applied requirements of IFRS 9 and instructions issued by SBP, through various circulars, from the date of initial application of January 01, 2024 with a modified retrospective approach for restatement. As permitted by the transitional provisions of IFRS 9, the Bank has not restated comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognized in the opening retained earnings and other reserves at the beginning of the current year without restating the comparative figures.

5.2.1 Classification

Financial Assets

Under IFRS 9, existing categories of financial assets: Held for trading (HFT), Available for sale (AFS), Held to maturity (HTM) and loans and receivables have been replaced by:

- Financial assets at fair value through profit or loss account (FVTPL)
- Financial assets at fair value through other comprehensive income (FVOCI)
- Financial assets at amortised cost

Financial Liabilities

Under IFRS 9, the accounting for financial liabilities remains largely the same as before adoption of IFRS 9 and thus financial liabilities are being carried at amortised cost except for derivatives which are being measured at FVTPL.

5.2.2 Business model assessment

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

The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- The objectives for the portfolio, in particular, whether the management's strategy focuses on earning contractual revenue, maintaining a particular yield profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Bank's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and
- The expected frequency, value and timing of sale are also important aspects of the Bank's assessment. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

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

Eventually, the financial assets fall under either of the following three business models:

- i) Hold to Collect (HTC) business model: Holding assets in order to collect contractual cash flows
- ii) Hold to Collect and Sell (HTC&S) business model: Collecting contractual cash flows and selling financial assets
- iii) Other business models: Resulting in classification of financial assets as FVTPL

5.2.3 Assessments whether contractual cash flows are solely payments of principal and profit (SPPI)

As a second step of its classification process, the Bank assesses the contractual terms of financial assets to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium / discount). The most significant elements of profit within a financing arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgment and considers relevant factors such as, but not limited to, the currency in which the financial asset is denominated, and the period for which the profit rate is set. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with basic lending arrangement, the related financial asset is classified and measured at FVTPL.

5.2.4 Application to the Bank's financial assets

Debt based financial assets

Debt based financial assets held by the Bank include: advances, lending to financial institutions, investment in federal government securities, corporate bonds and other private sukuk, cash and balances with treasury banks, balances with other banks, and other financial assets.

- a) These are measured at amortised cost if they meet both of the following conditions and are not designated as FVTPL:
 - the asset are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
 - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest / profit on the principal amount outstanding.
- b) Debt based financial assets are measured at FVOCI only if these meet both of the following conditions and are not designated as FVTPL:
 - the asset are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
 - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest / profit on the principal amount outstanding.

c) Debt based financial assets if these are held for trading purposes are classified as measured at FVTPL.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The application of these policies also resulted in classifications and consequent remeasurements of certain investments in Ijarah Sukuk held under available for sale portfolio as of December 31, 2023 to hold to collect based on the business model assessment. The following table reconciles their carrying amounts as reported on December 31, 2023 to the carrying amounts under IFRS 9 on transition to IFRS 9 on January 01, 2024:

Investment type and category	Balances as of December 31, 2023 (Audited)	IFRS 9 Classification	Balances as of December 31, 2023	Remeasrouments	Balances as of January 01, 2024 - before ECL
	Rupees in thousands				
Non Government Securities					
- Ijarah Sukuk - AFS	770,000	FVTPL	770,000	-	770,000
	<u>770,000</u>		<u>770,000</u>	<u>-</u>	<u>770,000</u>

Equity based financial assets

An equity instrument held by the Bank for trading purposes is classified as measured at FVTPL. On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. The Bank has decided to classify Rs. NIL out of its available for sale equity investment (listed shares) portfolio as of December 31, 2023 as FVTPL.

IFRS 9 has eliminated impairment assessment requirements for investments in equity instruments. Accordingly, the Bank has reclassified impairment of Rs. NIL on listed equity investments and Rs. NIL for unlisted equity investment held as at December 31, 2023 to surplus / deficit on revaluation of investments through remeasurements.

The measurement category and carrying amount of financial assets in accordance with the accounting and reporting standards as applicable in Pakistan before and after adoption of IFRS 9 as at January 1, 2024 are compared as follows:

Financial assets	Before adoption of IFRS 9*		After adoption of IFRS 9	
	Measurement category	Carrying amount as at December 31, 2023	Measurement category	Carrying amount as at December 31, 2023
Rupees in thousands				
Cash and balances with treasury banks	Loans and receivables	19,529,055	Amortised cost	19,511,127
Balances with other banks	Loans and receivables	2,803,425	Amortised cost	2,799,400
Due from financial institutions	Loans and receivables	2,500,000	Amortised cost	2,499,999
Investments - net	Held-for-trading	2,000,800	Fair value through profit or loss	2,000,800
	Available-for-sale	94,326,572	Fair value through profit or loss	763,360
			Fair value through other comprehensive income	93,563,182
			Amortised cost	-
	Held-to-maturity	36,216,930	Amortised cost	36,216,930
Other assets		13,959,489	Amortised cost	14,546,030
Islamic finance - net	Loans and receivables	89,347,415	Amortised cost	85,769,791
		<u>260,683,666</u>		<u>257,670,649</u>

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5.2.5 Initial recognition and subsequent measurement

Financial assets and financial liabilities are recognised when the entity becomes party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade date, the date on which the Bank purchases or sells the asset. Other financial assets and liabilities like advances, lending to financial institutions, deposits etc. are recognised when funds are transferred to the customers' account or financial institutions. However, for cases, where funds are transferred on deferred payment basis, recognition is done when underlying asset is purchased.

a) Amortised cost (AC)

Financial assets and financial liabilities under amortised cost category are initially recognised at fair value adjusted for directly attributable transaction cost. These are subsequently measured at amortised cost. An expected credit loss allowance (ECL) is recognised for financial assets in the statement of profit and loss account. Interest income / profit / expense on these assets / liabilities are recognised in the statement of profit and loss account. On derecognition of these financial assets and liabilities, capital gain / loss will be recognised in the statement of profit and loss account.

b) Fair value through other comprehensive income (FVOCI)

Financial assets under FVOCI category are initially recognised at fair value adjusted for directly attributable transaction cost. These assets are subsequently measured at fair value with changes recorded in OCI. An expected credit loss allowance (ECL) is recognised for debt based financial assets in the statement of profit and loss account. Interest / profit / dividend income on these assets are recognised in the statement of profit and loss account. On derecognition of debt based financial assets, capital gain / loss will be recognised in the statement of profit and loss account. For equity based financial assets classified as FVOCI, capital gain / loss is transferred from surplus / deficit to unappropriated profit.

c) Fair value through profit or loss (FVTPL)

Financial assets under FVTPL category are initially recognised at fair value. Transaction cost will be directly recorded in the statement of profit and loss account. These assets are subsequently measured at fair value with changes recorded in the statement of profit and loss account. Interest / dividend income on these assets are recognised in the statement of profit and loss account. On derecognition of these financial assets, capital gain / loss will be recognised in the statement of profit and loss account. An expected credit loss allowance (ECL) is not recognised for these financial assets.

5.2.6 Derecognition

Financial assets

The Bank derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire;
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
 - substantially all of the risks and rewards of ownership of the financial asset are transferred; or
 - the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of financial assets

The Bank enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

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

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in the statement of profit and loss account.

5.2.7 Modification

The Bank sometimes renegotiates or otherwise modifies the contractual cash flows of financing to its customers. When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset in accordance with IFRS 9, the Bank recalculates the gross carrying amount of the financial asset to recognise a modification gain or loss in the statement of profit and loss account. The gross carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective profit rate (or credit-adjusted effective profit rate for purchased or originated credit-impaired financial assets). Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

5.2.8 Expected Credit Loss (ECL)

The Bank assesses on a forward-looking basis the expected credit losses ("ECL") associated with all advances and other debt based financial assets not held at FVTPL, together with letter of credit, guarantees and unutilised financing commitments hereinafter referred to as "Financial Instruments". The Bank recognises a credit loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk (SICR) since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12mECLs are calculated at facility level.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. The Bank uses a number of qualitative and quantitative measures in assessing SICR. Quantitative measures relate to deterioration of Obligor Risk Ratings (ORR) or where principal and / or interest payments are 60 days or more past due. Qualitative factors include unavailability of financial information and pending litigations. Based on the level of increase in credit risk, the Bank shall calculate 12mECL for assets which did not have a SICR i.e., stage 1 or a LTECL for the life of the asset (for assets which demonstrated a SICR) i.e., stage 2.

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

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Stage 1:	When financial instruments are first recognised, the Bank recognises an allowance based on 12mECLs. Stage 1 financial instruments also include facilities where the credit risk has improved and these have been reclassified from Stage 2. The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast Exposure At Default (EAD) and multiplied by the expected LGD and discounted by an approximation to the original Effective Interest Rate (EIR). This calculation is made for all the scenarios.
Stage 2:	When a financial instrument has shown a significant increase in credit risk (SICR) since origination, the Bank records an allowance for the LTECLs. Stage 2 also includes facilities, where the credit risk has improved and the instrument has been reclassified from Stage 3. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs are applied over the lifetime of the instrument. The expected cash flows are discounted by an approximation to the original EIR.
Stage 3:	For financial instruments considered credit-impaired, the Bank recognises the LTECLs for these instruments. The Bank uses a PD of 100% and LGD as computed for each portfolio / segment. When a financial instrument has shown a significant increase in credit risk (SICR) since origination, the Bank records an allowance for the LTECLs.
Guarantee and letter of credit contracts	The Bank estimates ECLs based on the BASEL driven credit conversion factor (CCF) for guarantee and letter of credit contracts respectively. The calculation is made using a probability-weighting of the three scenarios. The ECLs related to guarantee and letter of credit contracts are recognised within other liabilities.

The calculation of ECLs

The Bank calculates ECLs based on a three probability-weighted scenarios to measure the expected cash flows, discounted at an approximation to the EIR. The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

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

The discount rate used to discount the ECLs is based on the effective interest rate that is expected to be charged over the expected period of exposure to the facilities. In the absence of computation of the effective interest rate (at reporting date), the Bank uses an approximation e.g. contractual rate (at reporting date).

As per BPRD Circular No. 03 of 2022 dated July 05, 2022 and BPRD Circular Letter No.16 of 2024 dated July 29, 2024, ECL of Stage 1 and Stage 2 is calculated as per IFRS 9, while ECL of Stage 3 has been calculated based on higher of either the Prudential Regulations or IFRS 9 at borrower / facility level.

Effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liabilities to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.

When estimating the ECLs, the Bank considers three scenarios (a base case, an upside, a downside). Each of these is associated with different PDs.

The Bank's management has only considered cash, liquid securities, and Government of Pakistan guarantees as eligible collaterals, while calculating EADs.

The credit exposure (in local currency) that have been guaranteed by the Government and Government Securities are exempted from the application of ECL calculation.

Definition of default

The concept of 'impairment or default' is critical to the implementation of IFRS 9 as it drives determination of risk parameters, i.e. PD, LGD and EAD. The Bank has defined that an exposure with regards to a particular obligor will be treated as having defaulted when either one or both of the following two events have taken place:

- If a customer fails to service mark-up and / or principal within days past due (dpd) criteria as prescribed by SBP from time to time;
- The Bank considers that the obligor is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realizing security (if held).

Write-offs

The Bank's accounting policy under IFRS 9 remains the same as it was under SBP regulations / existing reporting framework.

5.2.9 Adoption impacts

The Bank has adopted IFRS 9 effective from January 01, 2024 with modified retrospective approach as permitted under IFRS 9. The cumulative impact of initial application of Rs. 910.723 million has been recorded as an adjustment to equity at the beginning of the current accounting period. The details of the impacts of initial application are tabulated below.

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	Impact due to:						Balances as of December 31, 2023 (Audited)	Total impact - gross of tax	Taxation (current + deferred)	Total impact - net of tax	Balances as of January 01, 2024	IFRS 9 Category
	Recognition of expected credit losses (ECL)	Adoption of revised classifications under IFRS 9	Classifications due to business model and SPP assessments	Reassessments	Reversal of provisions held							
ASSETS												
Cash and balances with treasury banks						19,523,036	(17,006)	-	(17,006)	19,511,127	Amortised Cost	
Balances with other banks						2,803,425	(4,025)	-	(4,025)	2,799,400	Amortised Cost	
Due from financial institutions						2,500,000	(1)	-	(1)	2,499,999	Amortised Cost	
Repeas in thousands												
Investments						94,320,572	(94,320,572)	-	(94,320,572)	-		
- Classified as available for sale						-	-	-	-	-		
- Classified as fair value through other comprehensive income						-	(6,611)	-	(6,611)	94,319,962	Fair Value Through Other Comprehensive Income	
- Classified as held to maturity						36,216,930	(36,216,930)	-	(36,216,930)	-		
- Classified as amortised cost						2,000,800	(2,000,800)	-	(2,000,800)	36,216,930	Amortised Cost	
- Classified as held for trading						-	-	-	-	-		
- Classified as fair value through profit or loss						-	6,610	-	6,610	2,007,410	Fair Value Through Profit and Loss	
- Associates						-	-	-	-	-		
- Subsidiaries						-	-	-	-	-		
Advances						132,544,302	-	-	-	132,544,302		
- Gross amount						90,439,516	-	-	-	90,439,516		
- Provisions						(1,206,201)	(1,407,176)	-	(2,170,448)	(2,170,448)		
						89,233,315	(1,407,176)	-	(1,407,176)	(3,696,977)		
						-	(1,407,176)	-	(1,407,176)	85,769,791	Amortised Cost	
Property and equipment						3,755,402	-	-	-	3,755,402	Outside the scope of IFRS 9	
Right-of-use assets						2,027,791	-	-	-	2,027,791	Outside the scope of IFRS 9	
Intangible assets						532,846	-	-	-	532,846	Outside the scope of IFRS 9	
Deferred tax asset						-	-	(881,620)	(881,620)	881,620	Outside the scope of IFRS 9	
Other assets						11,959,499	(87,483)	-	(87,483)	14,546,000	Amortised Cost	
						266,999,706	(1,316,013)	-	(1,316,013)	264,689,308		
LIABILITIES												
Bills payable						2,175,473	-	-	-	2,175,473	Amortised Cost	
Due to financial institutions						25,013,546	-	-	-	24,515,197	Amortised Cost	
Deposits and other accounts						204,460,158	(1,298,349)	-	(1,298,349)	204,460,158	Amortised Cost	
Lease liability against right of use assets						2,836,096	-	-	-	2,636,096	Amortised Cost	
Subordinated debt						-	-	-	-	-	Amortised Cost	
Deferred tax liabilities						445,281	-	-	-	445,281	Amortised Cost	
Other liabilities						9,432,809	77,675	-	77,675	9,510,584	Outside the scope of IFRS 9	
						244,963,453	77,675	-	77,675	243,742,778	Amortised Cost	
						-	(1,270,674)	-	(1,270,674)	-		
						22,036,262	(1,694,288)	(881,620)	(1,752,943)	(910,723)	21,135,529	
						-	(136,050)	-	(136,050)	-		
NET ASSETS												
Share capital						15,550,000	-	-	-	15,550,000		
Reserves						1,428,486	-	-	-	1,428,486		
Surplus on revaluation of assets - net of tax						934,944	6,610	3,229	3,371	938,015		
Unappropriated profit						4,123,132	(1,544,288)	(894,859)	(914,059)	3,209,028		
						22,036,262	(1,564,288)	(881,620)	(1,792,343)	(910,723)	21,135,529	

5.3 Cash and cash equivalents

Cash and cash equivalents include cash and balances with treasury banks and balances with other banks in current (net of overdrawn Nostro balances) and deposit accounts.

5.4 Funds due to / from financial institutions

Bai Mu'ajjal

In Bai Mu'ajjal, the Bank sells sukuk on deferred basis to other financial institutions. The deferred price is agreed at the time of sale and such proceeds are received at the end of the deferral period. Bai Muajjal with the Federal Government is classified as investment.

Musharaka / Mudaraba / Wakala

In Musharaka / Mudaraba / Wakala, the Bank invests in the Shariah compliant business pools of the financial institutions at the agreed profit and loss sharing ratio / fees.

Musharaka from the SBP under Islamic Export Refinance Scheme (IERS)

Under IERS, the Bank accepts funds from the SBP under Shirkat-ul-Aqd to constitute a pool for investment in Export Refinance portfolio of the Bank under the guidelines issued by the SBP. The profit of the pool is shared as per the agreed profit sharing ratio between the partners.

Mudaraba investment from the SBP under various long term Islamic refinance schemes

Under various long term Islamic refinance schemes of the SBP, the Bank accepts funds from the SBP which are received on Mudaraba basis for investment in general pool of the Bank. The profit of the pool is shared as per the announced profit sharing ratio of the pool and the weightages assigned to these investments.

5.5 Investments

Investments include Federal Government securities and non-Government securities. Classification and measurement of investments has been detailed in note 5.2

5.6 Islamic financing and related assets

5.6.1 These are financial products offered by the Bank and are stated net of specific and general provision against non performing Islamic financing and related assets, if any. A brief description of the products are given below:

Murabaha

In Murabaha transactions, the Bank purchases the goods through its agent or client and after taking the possession, sells them to the customer on cost plus profit basis either in a spot or credit transaction.

Under Murabaha financing, funds disbursed for purchase of goods are recorded as 'Advance against Murabaha finance'. On culmination of Murabaha i.e. sale of goods to customers, Murabaha financing are recorded at the deferred sale price. Goods purchased but remained unsold at the statement of financial position date are recorded as inventories. Deferred income on Murabaha financing is adjusted against Murabaha receivable.

The Bank values its inventories at the lower of cost and net realizable value. The net realizable value is the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale. Cost of inventories represents actual purchases made by the Bank / customers as the agent of the Bank for subsequent sale.

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Istisna

In Istisna financing, the Bank places an order to purchase some specific goods / commodities from its customers to be delivered to the Bank within an agreed time. The goods are then sold by the customer on behalf of the Bank and the amount hence financed along with profit is paid back to the Bank.

Salam

In Salam financing, the Bank pays full in advance to its customer for buying specified goods / commodities to be delivered to the Bank within an agreed time. The goods are then sold and the amount financed is received back by the Bank along with profit.

Ijarah

In Ijarah financing, the Bank provides the asset on pre-agreed rentals for specific tenors to the customers. Ijarah assets are stated at cost less depreciation and are disclosed as part of 'Islamic financing and related assets'.

The rental on Ijarah under Islamic Financial Accounting Standard - 2 Ijarah (IFAS 2) are recorded as income / revenue. The Bank charges depreciation from the date of recognition of Ijarah of respective assets to Mustajir. Ijarah assets are depreciated over the period of Ijarah using the straight line method.

Impairment of Ijarah assets is determined in accordance with the Prudential Regulations issued by the SBP. The provision for impairment of Ijarah assets is shown as part of 'Islamic financing and related assets'.

The significant Ijarah contracts entered into by the Bank are with respect to vehicles, plant and machinery and equipment and are for periods ranging from 1 to 7 years.

Diminishing Musharaka

In Diminishing Musharaka based financing, the Bank enters into Musharaka based on Shirkat-ul-Milk for financing and agreed share of fixed assets (example: house, land, plant, machinery or vehicle) with its customers and enters into period profit payment agreement for the utilization of the Bank's Musharaka share by the customer.

Running Musharaka

In Running Musharaka based financing, the Bank enters into financing with the customer based on Shirkat-ul-Aqd or Business Partnership in the customer's operating business where the funds can be withdrawn or refunded during the Musharaka period.

Bai Mu'ajjal

In Bai Mu'ajjal, the Bank sells goods on deferred basis to customers. The deferred price is agreed at the time of sale and such proceeds are received at the end of the deferral period.

5.6.2 Provision

Islamic Financing is stated net of credit loss allowance and general reserves / provisions. Credit loss allowance against Islamic financing have been made in accordance with the requirements of Prudential Regulations, IFRS 9 application instructions and various circulars issued by the SBP from time to time. The Bank also maintains a general reserve against loans and advances, over and above the IFRS 9 based ECL, in accordance with the stipulations of SBP's BPRD Circular Letter No. 01 dated January 22, 2025 and details have been disclosed in note 10.

5.7 Fixed and Intangible assets

5.7.1 Fixed assets

5.7.1.1 Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. These are transferred to specific assets as and when assets become available for use.

5.7.1.2 Property and equipment

Property and equipment, other than land are stated at cost or revalued amount less accumulated depreciation and accumulated impairment losses, if any. Land is carried at revalued amount.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account.

Depreciation on all fixed assets is charged using the straight line method in accordance with the rates specified in note 11.2 to these financial statements and after taking into account residual value, if any. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each balance sheet date.

Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which the assets are disposed off.

Surplus on revaluation of land and buildings is credited to the surplus on revaluation account. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of the incremental depreciation charged on the revalued assets, the related surplus on revaluation of land and buildings (net of deferred taxation) is transferred directly to unappropriated profit.

Gains / losses on sale of property and equipment are credited / charged to the profit and loss account, except the related surplus on revaluation of land and buildings (net of deferred taxation) which is transferred directly to unappropriated profit.

5.7.2 Intangible assets

5.7.2.1 Advance against purchase of software

Advance against purchase of software is stated at cost less accumulated impairment losses, if any. These are transferred to computer software as and when the related asset is received.

5.7.2.2 Computer software

Computer software are stated at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized from the month when these assets are available for use, using the straight line method, whereby the cost of the intangible assets are amortized over its estimated useful lives over which economic benefits are expected to flow to the Bank. The useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

5.8 Impairment

The carrying amount of assets are reviewed at each balance sheet date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amounts. Recoverable amount is the greater of fair value and value in use. The resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

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5.9 IFRS 16 - Lease liability and right-of-use assets

The liability in respect of Ijarah (leases) of Musta'jir (lessee) are initially measured at the present value of the remaining Ijarah payments, discounted using the Bank's incremental borrowing rate. The Bank (being an Islamic bank) may acquire funds, if required, from other financial institution(s) under Shari'ah compliant modes. The Ijarah liability is subsequently measured at amortised cost using the effective borrowing rate and charged to profit and loss account. The carrying amount is remeasured / adjusted if there are changes in the future cash flows or the lease term.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the Ijarah liability, adjusted for, as applicable, any Ujarah (lease) payments made at or before the commencement date. On subsequent measurement, right-of-use assets are stated at cost less any accumulated depreciation / accumulated impairment losses and are adjusted for any remeasurement of the Ijarah liability.

Right-of-use assets are depreciated on a straight line basis over the Ijarah term as this method closely reflects the expected pattern of consumption of future economic benefits and charged to profit and loss account. Carrying amount of the Ijarah liability is derecognised upon termination of the Ijarah contract with corresponding adjustment to right-of-use asset. Gain or loss on termination of Ijarah contract is recognised in the profit and loss account. The right-of-use assets are presented within note 12 and are subject to impairment in line with the Bank's policy as described in note 5.8.

The Bank has elected not to recognize a right-of-use asset and the corresponding Ijarah liability for short-term Ijarahs with terms of 12 months or less and Ijarahs of low-value assets. Payments associated with these Ijarah are recognized as an expense in the profit or loss account on a straight-line basis.

However, accounting for Ijarah of Muj'ir (lessors) remains the same as required under IFAS 02 i.e. Muj'ir continue to present assets subject to Ijarah according to the nature of the asset, distinguished from the assets in own use.

5.10 Deposits

Deposits are generated on the basis of two modes i.e. Qard and Mudaraba. Deposits are recorded at the proceeds received. The cost of deposits is recognized as an expense in the period in which this is incurred.

Deposits taken on Qard basis are classified as 'Current accounts' and Deposits generated on Mudaraba basis are classified as 'Savings deposits' or 'Fixed deposits'. No profit or loss is passed to current account depositors; however the funds of current accounts are treated as equity for the purpose of profit calculation and any profit earned / loss incurred on those funds are allocated to the equity of the Bank. While the product features of each product differ, there is usually no restriction on withdrawals or number of transactions in current and saving accounts. In case of fixed deposits, pre-mature withdrawals can be made as per approved terms only.

Profits realized in investment pools are distributed in pre-agreed profit sharing ratio between Rab-ul-Maal and Mudarib. Rab-ul-Maal share is distributed among depositors according to weightages assigned at the inception of profit calculation period. Mudarib can distribute its share of profit to Rab-ul-Maal upto a maximum of 60% of their profit as Incentive profits (Hiba).

Profits are distributed from the pool such that the depositors (remunerative) only bear the risk of assets in the pool during the profit calculation period. In case of loss in a pool during the profit calculation period, the loss is distributed among the depositors (remunerative) according to their ratio of Investments.

Asset pools may be created at the Bank's discretion and the Bank may add, amend, and transfer an asset to any other pool in the interests of the deposit holders.

5.11 Pool Management

The Bank operates general and specific pools for deposits and inter-bank funds accepted / acquired under Mudaraba, Musharaka and Wakala modes.

Under the general deposits pool, the Bank accepts funds on Mudaraba basis from depositors (Rab-ul-Maal) where the Bank acts as Manager (Mudarib) and invests the funds in the Shar'ah Compliant modes of financings, investments and placements. When utilising investing funds, the Bank prioritizes the funds received from depositors over the funds generated from own sources.

Specific pools may be operated for funds acquired / accepted from the SBP and other banks for Islamic Export Refinance to Bank's customers and liquidity management respectively under the Musharaka / Mudaraba modes. The Bank also maintains an Equity Pool which consists of Bank's equity and funds accepted on Qard (non-remunerative current deposit account) basis.

The profit of each deposit pool is calculated on all the remunerative assets booked by utilising the funds from the pool after deduction of expenses directly incurred in earning the income of such pool, if any. The directly related costs comprise of depreciation on Ijarah assets, takaful premium, documentation charges etc. No general or administrative expense is charged to pool. No provision against any non-performing asset of the pool is passed on to the pool except on the actual loss / write-off of such non-performing asset. The profit of the pool is shared between equity and other members of the pool on the basis of Musharaka at gross level (before charging of Mudarib fee) as per the investment ratio of the equity. The profit of the pool is shared among the members of the pool on pre-defined mechanism based on the weightages announced before the profit calculation period after charging of Mudarib fee. During the year, the Bank has given Hiba to the depositors of General Pool, keeping in view the prescribed guidelines of Pool Management provided by the SBP and with the approval of the Bank's Shariah Board. However, Hiba are given at the sole discretion of the Bank without any contractual commitment and can be withdrawn or reduced by the Bank at its sole discretion.

The deposits and funds accepted under the above mentioned pools are provided to diversified sectors and avenues of the economy / business as mentioned in the notes and are also invested in Government of Pakistan backed Ijarah Sukuks. Staff financings are exclusively financed from the equity pool.

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

5.12 Taxation

Current and prior year

Provision for current taxation is based on taxable income at the current rates of taxation after taking into consideration available tax credits and rebates. The charge for current tax also includes adjustments where considered necessary, relating to prior years which arise from assessments framed / finalized during the year and are disclosed separately.

Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and amounts used for taxation purposes. The Bank records deferred tax assets / liabilities using the tax rates, enacted or substantively enacted by the balance sheet date expected to be applicable at the time of its reversal. Deferred tax assets are reviewed at each reporting date and are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. The Bank also recognises deferred tax asset / liability on deficit / surplus on revaluation of securities and deferred tax liability on surplus on revaluation of fixed assets which is adjusted against the related deficit / surplus in accordance with the requirements of International Accounting Standard (IAS) 12 'Income Taxes'.

In making the estimates for current and deferred taxes, the management considers the income tax law and the decisions of appellate authorities on certain issues in the past.

5.13 Staff retirement benefits

Defined contribution plan

The Bank operates a recognised contributory provident fund scheme for all its permanent employees. Equal monthly contributions are made both by the Bank and its permanent employees, to the Fund at the rate of 8.33% of the basic salaries of employees. However, an employee has an option to increase his/her contribution upto 15% but the Bank will still contribute 8.33% of the employee's basic salary. The Bank has no further payment obligation once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

5.14 Acceptances, guarantees and letters of credit

Acceptances comprise of undertakings by the Bank to pay bills of exchange drawn on customers. Acceptances are recognized as financial liability in the statement of financial position with a contractual right of reimbursement from the customer as a financial asset.

The Bank issues guarantees and letters of credit. These are disclosed in the statement of financial position as part of contingencies and commitments.

5.15 Provisions and contingent assets and liabilities

Provisions are recognized when the Bank has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimates.

Contingent assets are not recognised, and are also not disclosed unless an inflow of economic benefits is probable. Contingent liabilities are disclosed unless the probability of an outflow of resources embodying economic benefit is remote.

5.16 Foreign currencies

5.16.1 Transactions and balance

Transactions in foreign currencies (other than the results of operations of foreign operations) are translated to Rupees at the foreign exchange rates ruling on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in Rupee terms at the rates of exchange prevailing at the balance sheet date. Foreign bills purchased and forward foreign exchange contracts (unilateral wa'ad) other than those relating to foreign currency deposits are valued at the rates applicable to their respective maturities. Translational gains / losses and any change in fair value of forward exchanges contracts are credited / charged to profit and loss account.

5.16.2 Commitments

Commitments for outstanding forward foreign exchange contracts are disclosed in these financial statements at committed amounts. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in Rupee terms at the rates of exchange prevailing at the date of the statement of financial position.

Translation gains and losses are included in the profit and loss account.

5.17 Revenue recognition

- Profit on investments in Sukuks is recognised on accrual basis. Where Sukuks (excluding those classified as held for trading) are purchased at a premium or discount, such premiums / discounts are amortised through the profit or loss account using the effective yield method, as permitted by SBP.
- Profit from Musharaka placements with financial institutions is recognised on accrual basis.
- Profit from Bai-Mu'ajjal is recognised on accrual basis.
- Profit from Murabaha financing is accounted for on culmination of the Murabaha transaction. Profit on Murabaha is recognised on time proportion basis. Profit on Murabaha transactions for the period from the date of disbursement to the date of culmination of Murabaha is recognised immediately on the later date.
- Rental income from Ijarah financing is recognised on an accrual basis. Depreciation on Ijarah asset is charged to income (net of with rental income) over the period of Ijarah using the straight line method.
- Profit on Diminishing Musharaka is recognised on an accrual basis.

- Profit on Running Musharaka financing is booked on an accrual basis and is subject to adjustment (if any) upon declaration of profit by Musharaka partners.
- Profit on Istisna financing is recognised on accrual basis.
- Profit on Salam financing is recognised on accrual basis.
- The Bank earns fee and commission income from certain non-funded banking services. The related fee and commission income is recognised at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services. The Bank recognises fees earned on transaction-based arrangements at a point in time when the Bank has fully provided the service to the customer. Where the contract requires services to be provided over time, the income is recognised on a systematic basis over the life of the related service. Unearned fees and commissions are included under Other liabilities.
- Dividend income is recognised when the Bank's right to receive dividend is established.
- Gain or loss on sale of investments is recognised in the profit and loss account in the year to which it arises.
- Gain or loss on disposal of fixed assets, intangible assets, ijarah assets and musharaka assets is taken to the profit and loss account in the period in which they arise.
- Profit suspended in compliance with the Prudential Regulations issued by the SBP is recognized on receipt basis. Profit on rescheduled / restructured financing and investments is recognised as permitted by the SBP.

5.18 Assets acquired in satisfaction of claims

The Bank occasionally acquires assets in settlement of certain financings. These are stated at lower of the carrying value or current fair value of such assets.

5.19 Financial instruments

5.19.1 Financial assets and financial liabilities

Financial instruments carried on the statement of financial position includes cash and balances with treasury banks, balances with other banks, due from financial institutions, investments, Islamic financing and related assets (excluding inventories), other assets (excluding balances related to tax), bills payables, due to financial institutions, deposits and other liabilities (excluding balances related to tax). The particular recognition methods adopted for significant financial assets and liabilities are disclosed in the individual policy statements associated with these assets and liabilities.

5.19.2 Offsetting

Financial assets and financial liabilities are off set and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the Bank intends either to settle on a net basis, or to realize the assets and settle the liabilities, simultaneously.

5.20 Dividend distribution and appropriation

Dividend declared and other appropriations (other than appropriations required by law) approved subsequent to the balance sheet date are considered as non-adjusting events and are not recorded in the financial statements. However, a separate disclosure of the fact is made in the financial statements.

5.21 Earnings per share

The Bank presents basic and diluted Earnings Per Share (EPS). Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year.

5.22 Segment reporting

A segment is a distinguishable component of the Bank that is subject to risks and rewards that are different from those of other segments. A business segment is one that is engaged either in providing certain products or services, whereas a geographical segment is one engaged in providing certain products or services within a particular economic environment. Segment information is presented as per the Bank's functional and management reporting structure. The Bank's operations have been broken into following different business segments:

5.22.1 Business segments

- Retail

It includes commercial and SME financing, deposits, trade business and other banking services.

- Corporate

It includes financing to large and medium sized public and private sector entities, investment banking, corporate advisory, cash management, trade finance, guarantees and transaction with financial institutions.

- Consumer

It includes financing and other banking services to individual customers other than those classified under Micro Finance.

- Microfinance

It represents financing operations to low income individuals including agriculture sector financing.

- Treasury operations

It includes inter-bank placements / acceptances, capital market operations and foreign exchange transactions and reserves management.

- Head office

It includes functions which cannot be classified in any of the above segments.

5.22.2 Geographical segments

The Bank operates only in Pakistan.

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	Note	2024	2023
		Rupees in thousands	
6 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
- local currency		4,136,600	3,482,849
- foreign currencies		711,238	619,773
		<u>4,847,838</u>	<u>4,102,622</u>
With the State Bank of Pakistan (SBP) in			
- local currency current account	6.2	12,029,270	13,897,890
- foreign currency current accounts			
cash reserve account	6.3	359,608	401,933
special cash reserve account	6.4	428,967	479,163
USD clearing account		63,223	48,095
		<u>851,798</u>	<u>929,191</u>
With National Bank of Pakistan in			
- local currency current accounts		401,311	599,329
Prize bonds	6.5	615	23
Less: Credit loss allowance held against cash and balances with treasury banks	6.1	(16,321)	-
		<u>18,114,511</u>	<u>19,529,055</u>

6.1 CASH AND BALANCES WITH TREASURY BANKS- Particulars of credit loss allowance

December 31, 2024		December 31, 2023	
Cash and Balance with Treasury Banks	Credit loss allowance held	Cash and Balance with Treasury Banks	Provision held

Rupees in thousands

Domestic					
Impact of adoption of IFRS 9		-	(17,928)	-	-
Performing	Stage 1	851,796	1,607	929,191	-
Under performing	Stage 2	-	-	-	-
Non-performing	Stage 3	-	-	-	-
Substandard		-	-	-	-
Doubtful		-	-	-	-
Loss		-	-	-	-
		<u>851,798</u>	<u>(16,321)</u>	<u>929,191</u>	<u>-</u>

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- 6.2 The local currency current account is maintained with SBP under the Cash Reserve Requirement of section 22 of Banking Companies Ordinance, 1962. This section requires banking companies to maintain a local currency cash reserve in the current account opened with the SBP at a sum not less than such percentage of its time and demand liabilities in Pakistan as prescribed by the SBP from time to time.
- 6.3 As per BSD Circular No. 15 dated June 21, 2008, cash reserve of 5% is required to be maintained with the SBP on deposits held under the New Foreign Currency Accounts Scheme (FE-25 deposits). This account is non-remunerative in nature.
- 6.4 Special Cash Reserve of 6% is required to be maintained with the SBP on FE-25 deposits as specified in BSD Circular No. 15 dated June 21, 2008. This account is non-remunerative in nature.
- 6.5 These represent the national prize bonds received from customers for onward surrendering to SBP. The Bank, as a matter of Shari'ah principle, does not deal in prize bonds.

	Note	2024	2023
Rupees in thousands			
7 BALANCES WITH OTHER BANKS			
In Pakistan			
- current account		26,007	55,146
- deposit account	7.2	1,629	1,845
Outside Pakistan			
- current account		937,692	2,746,434
Less: Credit loss allowance held against balances with other banks	7.1	(3,235)	-
Balances with other banks - net of credit loss allowance		<u>962,093</u>	<u>2,803,425</u>

7.1 Balances with other banks- Particulars of credit loss allowance

December 31, 2024		December 31, 2023	
Balances with other banks	Credit loss allowance held	Balances with other banks	Provision held

Rupees in thousands

Domestic

Impact of adoption of IFRS 9

Performing	Stage 1	965,328	790	2,803,425	-
Under performing	Stage 2	-	-	-	-
Non-performing	Stage 3	-	-	-	-
Substandard		-	-	-	-
Doubtful		-	-	-	-
Loss		-	-	-	-
		<u>965,328</u>	<u>(3,235)</u>	<u>2,803,425</u>	<u>-</u>

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- 7.2 This represents saving accounts carrying profit at expected rates ranging from 3.45% to 12.20% per annum (2023: 6.01% to 12.00% per annum).

	Note	2024	2023
Rupees in thousands			
8 DUE FROM FINANCIAL INSTITUTIONS			
Unsecured			
Musharaka arrangements	8.2	2,000,000	2,500,000
Less: Credit loss allowance held against due from financial institution	8.1	-	-
		2,000,000	2,500,000

8.1 Due from Fis- Particulars of credit loss allowance

December 31, 2024		December 31, 2023	
Due from Fis	Credit loss allowance held	Due from Fis	Provision held

Rupees in thousands

Domestic

Impact of adoption of IFRS 9	-	(1)	-	-
Reversal of provision	-	1	-	-
Performing	Stage 1	2,000,000	-	2,500,000
Under performing	Stage 2	-	-	-
Non-performing	Stage 3	-	-	-
Substandard		-	-	-
Doubtful		-	-	-
Loss		-	-	-
		2,000,000	-	2,500,000

- 8.2 This represents Musharaka placements with various financial institutions carrying average profit rate of 13.0% per annum (2023: 22.15% per annum) and having maturity till January 02, 2025.

2024 2023
Rupees in thousands

8.3 Particulars of due from financial institutions

- Local currency	2,000,000	2,500,000
- Foreign currencies	-	-
	2,000,000	2,500,000

9 INVESTMENTS

9.1 Investments by type:

2024

Fair value / Amortised cost	Credit Loss Allowance	Surplus / (Deficit)	Carrying Value
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Rupees in thousands

Debt Instruments
Classified / Measured at FVPL

Federal Government securities
Non Government securities

-	-	-	-
670,000	-	(8,867)	661,133
670,000	-	(8,867)	661,133

Classified / Measured at FVOCI

Federal Government securities
Shares
Non Government securities

115,515,825	-	2,206,516	117,722,341
-	-	-	-
-	-	-	-
115,515,825	-	2,206,516	117,722,341

Classified / Measured at amortised cost

Federal Government securities

28,212,727	-	-	28,212,727
28,212,727	-	-	28,212,727

Total Investments

144,398,552	-	2,197,649	146,596,201
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2023

Fair value / Amortised cost	Credit Loss Allowance	Surplus / (Deficit)	Carrying Value
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Rupees in thousands

Debt Instruments
Classified / Measured at FVPL

Federal Government securities

1,996,619	-	4,181	2,000,800
1,996,619	-	4,181	2,000,800

Classified / Measured at FVOCI

Federal Government securities
Shares
Non Government securities

92,638,747	-	924,435	93,563,182
-	-	-	-
770,000	-	(6,610)	763,390
93,408,747	-	917,825	94,326,572

Classified / Measured at amortised cost

Federal Government securities
Non Government securities

38,216,930	-	-	38,216,930
-	-	-	-
38,216,930	-	-	38,216,930

Total Investments

131,622,296	-	922,006	132,544,302
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		2024			
		Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
9.2 Investments by segments:					
Federal Government securities					
Rupees in thousands					
Government of Pakistan (GOP) Ijarah Sukuks		143,728,552	-	2,206,516	145,935,068
Shares					
Listed companies		-	-	-	-
Non Government securities					
Listed		-	-	-	-
Unlisted		670,000	-	(8,867)	661,133
Total Investments		144,398,552	-	2,197,649	146,596,201
		2023			
		Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
Federal Government securities					
Rupees in thousands					
Government of Pakistan (GOP) Ijarah Sukuks		130,852,296	-	928,616	131,780,912
Shares					
Listed companies		-	-	-	-
Non Government securities					
Unlisted		770,000	-	(6,610)	763,390
Total Investments		131,622,296	-	922,006	132,544,302

9.2.1 The investment amounting to Rs. 6,134.85 million were given as collateral as at December 31, 2024 (2023: Nil).

		2024	2023
		Rupees in thousands	
9.3 Provision for diminution in value of investments			
On Available for sale securities			
Opening balance		-	-
Charge for the year		-	-
Reversal on disposals		-	-
Closing balance		-	-

9.4 Quality of securities

Details regarding quality of securities held under "Held to Collect and Sell" model

		2024	2023
		Cost	
		Rupees in thousands	
Federal Government Securities - Government guaranteed			
Government of Pakistan (GOP) Ijarah Sukuks		115,515,825	92,638,747
Shares			
Listed		-	-
Unlisted		-	-
Non Government Debt Securities			
Unlisted			
NIL (2023: AAA)		-	420,000
NIL (2023: AA+)		-	250,000
NIL (2023: A)		-	100,000
		-	770,000
		115,515,825	93,408,747

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	2024	2023
	Cost	
	Rupees in thousands	
	28,212,727	36,216,930
	<u>28,212,727</u>	<u>36,216,930</u>

9.5 Particulars relating to securities classified Under "Held to Collect" model

Federal Government Securities - Government guaranteed
Government of Pakistan (GOP) Ijarah Sukuks

9.5.1 The market value of securities classified as held-to-collect as at December 31, 2024 amounted to Rs 29,165 million (December 31, 2023: Rs. 36,748 million).

10	ISLAMIC FINANCING AND RELATED ASSETS - NET	Note	Performing		Non performing		Total	
			2024	2023	2024	2023	2024	2023
	Murabaha	10.1	17,966,225	12,202,916	48,456	46,550	18,012,681	12,249,468
	Musawamah	10.2	531,196	-	-	-	531,196	-
	Ijarah	10.3	8,928,030	4,613,657	510,675	177,761	9,438,709	4,791,418
	Ijarah	10.4	-	38,042	-	-	-	38,042
	Running Musharaka	10.5	1,514,883	1,804,112	2,368	873	1,517,271	1,805,985
	Diminishing Musharaka	10.5	44,233,477	45,636,287	200,000	-	44,433,477	45,636,287
	Staff finance	10.6	30,956,613	22,431,209	1,820,033	1,732,524	32,785,646	24,223,733
	Bai Mu'ajjal	10.7	1,529,774	1,901,583	-	-	1,529,774	1,901,583
	Forced Qard		14,350,949	-	-	-	14,350,949	-
	Islamic financing and related assets - gross		120,011,147	88,677,608	2,588,556	1,957,608	122,599,703	90,635,616
	Less: Credit loss allowance against							
	Islamic financing and related assets							
	- Stage 1		(595,926)	-	-	-	(595,926)	-
	- Stage 2		(437,561)	-	-	-	(437,561)	-
	- Stage 3		-	-	(1,930,779)	-	(1,930,779)	-
	- General		(262,294)	(542,951)	-	-	(805,245)	(542,951)
	- Specific		-	-	-	(745,250)	(745,250)	(745,250)
	Islamic financing and related assets	10.10	(1,315,781)	(542,951)	(1,930,779)	(745,250)	(3,246,560)	(1,288,201)
	- net of provisions		118,695,366	88,134,657	657,777	1,212,558	119,353,143	89,347,415
	10.1 Murabaha							
	- Murabaha financing							
	- Murabaha inventory							
	- Advances against Murabaha financing							
	- Murabaha financing under Islamic export refinance scheme (IERS)	10.1.1						
	- Advances against Murabaha financing under ERS							
	- Murabaha inventory under SBP's Islamic Refinance Scheme for Payment of Wages and Salaries (IRSPWS)							
	Murabaha receivable - gross		8,359,749	8,966,275	8,359,749	8,359,749	8,359,749	8,966,275
	Less: Deferred Murabaha income		9,372,948	6,534,969	206,964	76,800	9,579,912	6,611,769
	Murabaha financing		(1,219,573)	(1,568,694)	(1,219,573)	(1,219,573)	(1,219,573)	(1,568,694)
			70,000	70,000	70,000	70,000	70,000	70,000
			18,012,681	18,012,681	18,012,681	18,012,681	18,012,681	18,012,681
			8,966,275	8,966,275	8,966,275	8,966,275	8,966,275	8,966,275
			(636,520)	(636,520)	(636,520)	(636,520)	(636,520)	(636,520)
			8,359,749	8,359,749	8,359,749	8,359,749	8,359,749	8,359,749

	Note	2024	2023
		Rupees in thousands	
10.1.2	Movement in Murabaha receivable during the year:		
	Opening balance	6,217,953	6,311,948
	Sales during the year	42,731,213	30,439,863
	Adjusted during the year	(39,952,891)	(30,533,856)
	Closing balance	<u>8,996,275</u>	<u>6,217,953</u>
10.1.3	Murabaha sale price during the year	42,731,213	30,439,863
	Murabaha purchase price during the year	(38,933,515)	(27,809,106)
		<u>3,797,698</u>	<u>2,630,757</u>
10.1.4	Deferred Murabaha income		
	Opening balance	650,354	464,030
	Arising during the year	3,797,697	2,630,757
	Recognised during the year	(3,811,525)	(2,444,433)
	Closing balance	<u>836,526</u>	<u>650,354</u>
10.2	Musawamah		
	- Musawamah Financing	547,951	-
	- Deferred Musawamah Income	(16,755)	-
	- Musawamah inventory	-	-
		<u>531,196</u>	<u>-</u>
10.3	Istisna		
	- Istisna financing	1,973,927	1,620,373
	- Istisna inventory	622,541	545,663
	- Advances against Istisna financing	6,800,241	2,474,159
	- Istisna financing under IERS	26,370	39,284
	- Advances against Istisna financing under IERS	15,630	111,939
	- Advances against Istisna financing under SBP's IRSPWS	-	-
		<u>9,438,709</u>	<u>4,791,418</u>
10.4	Ijarah financing and related assets		
	- Net book value of assets in Ijarah under IFAS 2	10.4.1	1,459,709
	- Advances against Ijarah		61,050
			<u>1,517,271</u>
10.4.1	Net book value of assets in Ijarah under IFAS 2		<u>1,805,085</u>

	2024						Book value as at December 31, 2024
	Cost			Depreciation			
	As at January 1, 2024	Additions / (disposal)	As at December 31, 2024	As at January 1, 2024	Charge / (disposal)	As at December 31, 2024	
	Rupees in thousands						
Vehicles	2,633,837	384,702 (841,465)	2,177,074	986,002	354,274 (605,173)	735,103	1,441,971
Equipment and Plant and Machinery	542,904	- (479,528)	63,376	446,704	15,773 (416,839)	45,638	17,738
	<u>3,176,741</u>	<u>384,702</u> <u>(1,320,993)</u>	<u>2,240,450</u>	<u>1,432,706</u>	<u>370,047</u> <u>(1,022,012)</u>	<u>780,741</u>	<u>1,459,709</u>

	2023						Book value as at December 31, 2023
	Cost			Depreciation			
	As at January 1, 2023	Additions / (disposal)	As at December 31, 2023	As at January 1, 2023	Charge / (disposal)	As at December 31, 2023	
	Rupees in thousands						
Vehicles	2,384,318	915,507 (665,988)	2,633,837	1,048,443	402,850 (483,291)	985,002	1,647,835
Equipment and Plant and Machinery	768,781	- (225,877)	542,904	488,564	149,303 (191,263)	446,704	95,200
	<u>3,153,099</u>	<u>915,507</u> <u>(891,865)</u>	<u>3,176,741</u>	<u>1,535,107</u>	<u>552,153</u> <u>(654,554)</u>	<u>1,432,706</u>	<u>1,744,035</u>

	2024			
	Not later than 1 year	Later than 1 year and not later than 5 years	Over Five years	Total
	Rupees in thousands			
10.4.2 Future Ijarah payments receivable				
Ijarah rental receivables	583	952,840	8,714	962,137
	2023			
	Not later than 1 year	Later than 1 year and not later than 5 years	Over Five years	Total
	Rupees in thousands			
Ijarah rental receivables	2,609	1,353,323	6,356	1,362,288
	2024			
	Rupees in thousands			
10.5 Running Musharaka				
- Running Musharaka financing			41,463,477	42,210,287
- Running Musharaka financing under IERS			2,970,000	3,416,000
			<u>44,433,477</u>	<u>45,626,287</u>
10.6 Diminishing Musharaka				
- Diminishing Musharaka financing			26,113,514	23,754,790
- Advances against Diminishing Musharaka financing			6,596,859	347,983
- Diminishing Musharaka financing under SBP's IRSPWS			-	-
- Advances against Diminishing Musharaka under SBP's ILTF			-	-
- Advances against Diminishing Musharaka under SBP's IRFCC			-	-
- Advances against Diminishing Musharaka under SBP's ITERF			75,273	120,960
			<u>32,785,846</u>	<u>24,223,733</u>
10.7 Staff finance				
- Staff vehicle finance under Diminishing Musharaka			631,855	474,493
- Staff Solar Finance			18,847	-
- Staff housing finance under Diminishing Musharaka			379,072	1,427,090
			<u>1,529,774</u>	<u>1,901,583</u>
10.8 Particulars of Islamic financing and related assets - gross				
In local currency			122,599,703	90,635,616
In foreign currency			-	-
			<u>122,599,703</u>	<u>90,635,616</u>
10.8.1 Advances to Women, Women-owned and Managed Enterprises				
Women			1,817,753	1,888,445
Women Owned and Managed Enterprises			4,370,195	5,515,795
			<u>6,187,948</u>	<u>7,404,243</u>
10.8.2 Gross loans disbursed to women, women-owned and managed enterprises during the current and previous financial years.				

10.9 Islamic financing and related assets include Rs. 2,588,556 million (2023: Rs. 1,957,808 million) which have been placed under non-performing status as detailed below:

Category of Classification	2024		2023	
	Non-performing Islamic financing and related assets	Credit loss allowance held	Non-performing Islamic financing and related assets	Provision
Domestic				
Other Assets Especially Mentioned	14,366	9,588	-	-
Substandard	36,410	21,516	222,176	5,482
Doubtful	479,181	387,593	157,979	3,193
Loss	2,068,599	1,512,102	1,577,653	736,575
	2,588,556	1,930,779	1,957,808	745,250

10.10 Particulars of provision against Islamic financing and related assets

	2024				2023			
	Stage 1	Stage 2	Stage 3	General	Total	Specific	General	Total
Opening balance	-	-	745,250	542,951	1,288,201	175,184	409,909	585,103
Impact of adoption of IFRS-9	295,965	593,954	1,059,178	(542,951)	1,407,176	-	-	-
Charge for the year	484,743	99,242	709,934	282,294	1,586,213	577,686	149,396	727,082
Reversals	(185,812)	(255,635)	(583,583)	-	(1,035,030)	(6,651)	(16,354)	(23,005)
Amounts written off	298,931	(156,393)	126,351	282,294	551,183	571,035	133,042	704,077
Closing balance	595,926	437,561	1,930,779	282,294	3,246,560	745,250	542,951	1,288,201
						(979)	-	(979)

10.11 Particulars of credit loss allowance

	2024			2023			
	Stage 1	Stage 2	Stage 3	General	Specific	General	Total
Rupees in thousands							
Gross carrying amount- Current year	51,450,262	36,974,056	2,211,296	-	1,957,808	-	1,957,808
Impact of fair value of subsidized loans	(2,170,448)	-	-	-	(2,170,448)	-	-
Balance as at January 01, 2024 after adoption of IFRS 9	49,279,814	36,974,056	2,211,296	-	1,957,808	-	1,957,808
New advances	95,263,341	1,441,141	618,434	-	97,352,916	-	-
Derognised or repaid	(30,618,480)	(32,114,485)	(485,416)	-	(63,218,381)	-	-
Transfer to Stage 1	1,779,018	(1,776,532)	(2,486)	-	-	-	-
Transfer to Stage 2	(1,719,194)	1,720,612	(1,418)	-	-	-	-
Transfer to Stage 3	(43,517)	(204,628)	248,145	-	-	-	-
Amounts written off	64,691,168	(30,933,892)	377,259	-	34,134,535	-	-
Closing balance	113,970,982	6,040,164	2,598,557	-	122,599,703	1,957,808	1,957,808

10.11.2 Islamic financing and related assets- Credit loss allowance

Opening balance	-	-	745,250	542,951	1,288,201	175,194	409,909	585,103
Impact of adoption of IFRS-9	296,995	593,954	1,059,176	(542,951)	1,407,176	-	-	-
New advances	451,632	30,385	467,936	-	949,953	-	-	-
Derognised or repaid / reversal of provision	(174,488)	(212,783)	(293,793)	-	(681,064)	(6,651)	(16,354)	(23,005)
Transfer to Stage 1 / charge for the year	28,863	(26,799)	(2,064)	282,294	282,294	577,686	149,396	727,082
Transfer to Stage 2	(6,779)	60,242	(53,463)	-	-	-	-	-
Transfer to Stage 3	(297)	(7,436)	7,735	-	-	-	-	-
Amounts written off	298,931	(156,393)	126,351	282,294	551,183	571,035	133,042	704,077
Changes in risk parameters	-	-	-	-	-	(979)	-	(979)
Closing balance	595,926	437,561	1,930,779	282,294	3,246,560	745,250	542,951	1,288,201

	2024				2023			
	Stage 1	Stage 2	Stage 3	General	Total	Specific	General	Total
10.11.3 Islamic financing and related assets- Credit loss allowance details								
Internal / External rating / stage classification								
Outstanding gross exposure								
Performing - Stage 1	113,970,982	-	-	-	113,970,982	-	-	-
Under Performing - Stage 2	-	6,040,164	-	-	6,040,164	-	-	-
Non-performing - Stage 3								
QAEM	-	-	14,366	-	14,366	-	-	-
Substandard	-	-	36,410	-	36,410	222,176	-	222,176
Doubtful	-	-	479,181	-	479,181	157,979	-	157,979
Loss	-	-	2,058,599	-	2,058,599	1,577,653	-	1,577,653
Total	113,970,982	6,040,164	2,588,556	-	2,588,556	1,957,808	-	1,957,808
Corresponding ECL								
Stage 1 and stage 2	596,926	437,561	-	-	1,033,487	-	-	-
(to be specified as shown above)	-	-	1,930,779	-	1,930,779	745,250	542,951	1,288,201
Stage 3	595,926	437,561	1,930,779	-	2,964,266	745,250	542,951	1,288,201

10.12 State Bank of Pakistan vide BSD Circular No. 02 dated January 27, 2009, BSD Circular No. 10 dated October 20, 2009, BSD Circular No. 02 of 2010 dated June 03, 2010 and BSD Circular No. 01 of 2011 dated October 21, 2011 has allowed benefit of Forced Sale Value (FSV) of Plant & Machinery under charge, pledged stock and mortgaged residential, commercial & industrial properties (land and building only) held as collateral against NPLs for five years from the date of classification. Had the benefit not been taken by the Bank, the specific provision against non-performing Islamic financing and related assets would have been higher by Rs. 531,299 million (December 31, 2023: Rs. 967,863 million). The additional benefit on the Bank's profit and loss account arising from availing the FSV benefit - net of tax amounts to Rs. 255.02 million (December 31, 2023: Rs. 493,610 million). However, the additional impact on profitability arising from availing the benefit of forced sales value is not available for payment of cash or stock dividends to shareholders.

10.13 In addition, the Bank has also maintained an unencumbered general provision of Rs. 282.3 million (December 31, 2023: Rs. 472.4 million) against financing made in accordance with the prevailing circumstances as mentioned in Note 44.1. This general provision is in addition to the requirements of Prudential Regulations.

11.2 Property and equipment

	2024						Total
	Freehold land	Building on freehold land	Lease hold improvements	Furniture and fixtures	Electrical, office and computer equipment	Vehicles	
Rupees in thousands							
At January 01, 2024							
Cost / revalued amount	868,208	529,485	1,241,102	264,095	2,317,832	211,564	5,432,286
Accumulated depreciation	-	(13,272)	(654,760)	(121,141)	(1,322,548)	(79,795)	(2,191,516)
Net book value	<u>868,208</u>	<u>516,213</u>	<u>586,342</u>	<u>142,954</u>	<u>995,284</u>	<u>131,769</u>	<u>3,240,770</u>
Year ended December 2024							
Opening Net Book Value	868,208	516,213	586,342	142,954	995,284	131,769	3,240,770
Additions	125	12,815	454,683	126,729	1,522,657	9,219	2,126,228
Adjustments							
Cost	-	-	3,787	(3,754)	(33)	-	-
Accumulated depreciation	-	-	(3,179)	3,159	20	-	-
Disposals	-	-	-	(168)	(9,496)	-	(9,664)
Depreciation charge	-	(12,913)	(224,024)	(33,580)	(355,480)	(24,125)	(650,122)
Closing Net book value	<u>868,333</u>	<u>516,115</u>	<u>817,609</u>	<u>235,340</u>	<u>2,152,952</u>	<u>116,863</u>	<u>4,707,212</u>
At December 31, 2024							
Cost / revalued amount	868,333	542,299	1,699,573	380,191	3,772,718	220,763	7,489,897
Accumulated depreciation	-	(25,185)	(881,964)	(150,851)	(1,619,765)	(103,920)	(2,782,685)
Net book value	<u>868,333</u>	<u>516,114</u>	<u>817,609</u>	<u>235,340</u>	<u>2,152,953</u>	<u>116,863</u>	<u>4,707,212</u>
Rate of depreciation (%)		2 to 3	20	10	10 to 25	20	
2023							
	Freehold land	Building on freehold land	Lease hold improvements	Furniture and fixtures	Electrical, office and computer equipment	Vehicles	Total
Rupees in thousands							
At January 01, 2023							
Cost / revalued amount	868,208	528,436	827,736	225,443	1,891,452	125,818	4,467,093
Accumulated depreciation	-	(538)	(491,698)	(95,476)	(1,081,468)	(61,098)	(1,731,278)
Net book value	<u>868,208</u>	<u>527,898</u>	<u>336,038</u>	<u>128,967</u>	<u>809,984</u>	<u>64,720</u>	<u>2,735,815</u>
Year ended December 2023							
Opening Net book value	868,208	527,898	336,038	128,967	809,984	64,720	2,735,815
Additions	-	1,047	413,367	38,940	430,274	88,157	971,785
Movement in surplus on assets revalued during the year							
Cost	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-
Disposals	-	-	-	(23)	(148)	(483)	(654)
Depreciation charge	-	(12,733)	(163,063)	(24,930)	(244,825)	(20,625)	(466,176)
Closing net book value	<u>868,208</u>	<u>516,212</u>	<u>586,342</u>	<u>142,954</u>	<u>995,285</u>	<u>131,769</u>	<u>3,240,770</u>
At December 31, 2023							
Cost / revalued amount	868,208	529,485	1,241,102	264,095	2,317,832	211,564	5,432,286
Accumulated depreciation	-	(13,272)	(654,760)	(121,141)	(1,322,548)	(79,795)	(2,191,516)
Net book value	<u>868,208</u>	<u>516,213</u>	<u>586,342</u>	<u>142,954</u>	<u>995,284</u>	<u>131,769</u>	<u>3,240,770</u>
Rate of depreciation (%)		2 to 3	20	10	10 to 25	20	

11.2.1 The land and buildings of the Bank were revalued in December 31, 2022 by independent valuer (Medallion Services Private Limited) on the basis of market value. Surplus against revaluation of fixed assets net of deferred tax as at December 31, 2024 amounts to Rs. 458,601 million (2023: Rs. 466,553 million).

Had the land and buildings not been revalued, the total carrying amounts of revalued properties as at reporting dates would have been as follows:

	2024	2023
	Rupees in thousands	
Land	501,420	501,293
Building on freehold land	325,103	320,844

11.2.2 The gross carrying amount (cost) of fully depreciated assets that are in use as at reporting dates are as follows:

	2024	2023
	Rupees in thousands	
Lease hold Improvements	478,431	275,439
Electrical, office and computer equipment	707,723	366,141
Furniture and fixtures	21,630	13,483
Vehicles	78,136	61,701

11.2.3 Carrying amount of temporarily idle property of the Bank is Rs. 46.895 million (2023: Rs. 46.895 million).

11.2.4 The information relating to disposal of fixed assets to related parties are as follows:

Description	Cost/ revalued amount	Accumulated depreciation	Book value	Sales proceeds	Mode of disposal	Particulars of buyers
Laptop	132	126	6	20	As per Bank's policy	Syed Salman Qutb
Mobile Phone	45	45	-	4		
	<u>177</u>	<u>171</u>	<u>6</u>	<u>24</u>		

12 RIGHT-OF-USE ASSETS

	2024	2023
	Rupees in thousands	
Cost at the start of period/ year	4,129,982	3,566,869
Accumulated Depreciation	(2,102,191)	(1,618,010)
Net carrying amount at the start of period/ year	<u>2,027,791</u>	<u>1,948,879</u>
Additions / other adjustments during the year	971,449	628,268
Deletion during the year	(11,943)	(22,057)
Depreciation charge for the year	(631,479)	(527,299)
Balance as at December 31	<u>2,355,818</u>	<u>2,027,791</u>
Useful life	<u>5- 10 years</u>	<u>5- 10 years</u>

14 DEFERRED TAX ASSETS / (LIABILITIES) - NET

2024

	At Jan 01, 2024	Recognised in P&L A/C	Recognised in OCI	At Dec 31, 2024
Rupees in thousands				
Deductible temporary differences on:				
Tax losses carried forward	-	-	-	-
Minimum tax	-	-	-	-
Credit loss allowance against Islamic financing and related assets, balances with other banks and off balance sheet	2,686	348,304	878,248	1,229,238
Deficit on revaluation of investments	-	-	-	-
Workers Welfare Fund	154,378	109,042	-	263,420
	157,064	457,346	878,248	1,492,658
Taxable temporary difference				
Surplus on revaluation of property and equipment	(95,730)	2,265	(5,881)	(99,326)
Surplus on revaluation of investments	(449,734)	-	(697,654)	(1,147,388)
Accelerated tax depreciation	(56,891)	(158,256)	-	(215,147)
	(602,355)	(155,991)	(703,515)	(1,461,861)
	(445,291)	301,355	174,733	30,797

2023

	At Jan 01, 2023	Recognised in P&L A/C	Recognised in OCI	At Dec 31, 2023
Rupees in thousands				
Deductible temporary difference on:				
Tax losses carried forward	-	-	-	-
Minimum tax	-	-	-	-
Credit loss allowance against Islamic financing and related assets and off balance sheet	53,466	(60,780)	-	2,686
Deficit on revaluation of investments - net	-	-	-	-
Workers Welfare Fund	41,945	112,433	-	154,378
	105,411	51,653	-	157,064
Taxable temporary difference				
Surplus on revaluation of property and equipment	(85,881)	2,135	(11,984)	(95,730)
Surplus on revaluation of investments	60,297	-	(510,031)	(449,734)
Accelerated tax depreciation	(67,300)	10,409	-	(56,891)
	(92,884)	12,544	(522,015)	(602,355)
	12,527	64,167	(522,015)	(445,291)

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	Note	2024	2023
Rupees in thousands			
15 OTHER ASSETS			
Profit / return accrued in local currency		7,249,755	9,550,867
Advances, deposits, advance rent and other prepayments		1,233,908	492,007
Advance taxation (payments less provisions)		25,135	-
Branch adjustment account		370,000	156,568
Receivable against ATM transactions		603,064	1,499,978
Receivable under home remittances		19,762	12,874
Mark to market gain on forward foreign exchange contracts		-	247,841
Acceptances		1,612,699	1,584,439
Others		658,662	414,895
		<u>11,770,985</u>	<u>13,959,469</u>
Less: Credit loss allowance held against other assets	15.1	(75,125)	-
		<u>11,695,860</u>	<u>13,959,469</u>

15.1 Credit loss allowance held against other assets

Profit / return accrued in local currency	15.1.1	<u>75,125</u>	<u>-</u>
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15.1.1 Movement in credit loss allowance held against other assets

Opening balance		-	-
Impact of adoption of IFRS-9		87,483	-
Charge for the year		-	-
Reversals		(12,358)	-
Amount written off		-	-
Closing balance		<u>75,125</u>	<u>-</u>

16 CONTINGENT ASSETS

There were no contingent assets of the Bank as at December 31, 2024 (2023: Nil).

	Note	2024	2023	
		Rupees in thousands		
17	BILLS PAYABLE			
	In Pakistan	11,594,493	2,175,473	
	Outside Pakistan	-	-	
		<u>11,594,493</u>	<u>2,175,473</u>	
18	DUE TO FINANCIAL INSTITUTIONS			
	In Pakistan	48,422,293	25,813,546	
	Outside Pakistan	-	-	
		<u>48,422,293</u>	<u>25,813,546</u>	
18.1	Particulars of due to financial institutions with respect to currencies			
	In local currency	48,422,293	25,813,546	
	In foreign currencies	-	-	
		<u>48,422,293</u>	<u>25,813,546</u>	
18.2	Details of due to financial institutions - Secured / unsecured			
	Secured			
	With the State Bank of Pakistan			
	Musharaka under Islamic Export Refinance Scheme (IERS)	18.2.1	3,005,721	3,633,293
	Investment under Islamic Long Term Financing Facility (ILTFF)	18.2.2	1,712,675	1,929,943
	Investment under Islamic Temporary Economic Refinance Facility (ITERF) for Plant and Machinery	18.2.3	1,855,531	4,166,204
	Investment under Islamic Refinance Scheme for Payment of Wages and Salaries (IRSPWS)	18.2.4	-	-
	Investment under Islamic Refinance Facility for Combating COVID-19 (IRFCC)		-	-
	Investment under Islamic Financing Facility for Renewable Energy (IFRE)	18.2.4	337,356	319,453
	Investment under Shariah Compliant Open Market Operations		6,072,478	-
	Unsecured			
	Musharaka arrangements with financial institutions	18.2.5	35,237,500	15,562,500
	Musharaka arrangements with other institution	18.2.6	201,034	202,153
	Overdrawn nostro accounts	38	-	-
			<u>48,422,293</u>	<u>25,813,546</u>

- 18.2.1 These Musharaka arrangements are on a profit and loss sharing basis maturing between February 25, 2025 to June 28, 2025 (2023: January 14, 2024 to June 27, 2025) and are secured against demand promissory notes executed in favour of the SBP. A limit of Rs. 3,696 million (2023: Rs. 3,696 million) has been allocated to the Bank by SBP under Islamic Export Refinance Scheme.
- 18.2.2 These arrangements are on a profit and loss sharing basis maturing between June 09, 2030 to September 05, 2032 (2023: June 09, 2030 to September 05, 2032).
- 18.2.3 These arrangements are on a profit and loss sharing basis maturing between April 22, 2025 to September 01, 2033 (2023: August 11 2024 to September 01, 2033).
- 18.2.3.1 The bank has measured borrowing from State Bank of Pakistan on account of ITERF at fair value in line with the BPRD Circular Letter No. 16 of 2024. The financial effect of this results in writing down the ITERF borrowing Rs. 564.395 million.
- 18.2.4 These arrangements are on a profit and loss sharing basis maturing between March 01, 2025 to March 28 2034 (2023: September 30,2025 to March 16, 2029).
- 18.2.5 This represents Musharaka arrangements with banks carrying profit at expected rates ranging from 11.25% to 13.65% per annum (2023: 14% to 22.90% per annum) and having maturity till January 31, 2025.
- 18.2.6 These Musharaka are on profit and loss sharing basis. Under the arrangement, a limit of Rs. 500 million (2023: Rs. 500 million) has been allocated to the Bank by the Karandaaz.

19 DEPOSITS AND OTHER ACCOUNTS

	2024			2023		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
Rupees in thousands						
Customers						
Current deposits	56,768,093	2,895,728	59,664,821	53,016,118	3,273,892	56,290,010
Savings deposits	79,933,904	1,723,078	81,656,982	68,322,860	1,473,784	69,796,644
Term deposits	42,577,032	1,040,741	43,617,773	48,983,635	1,859,723	50,843,358
Others	5,062,483	-	5,062,483	6,893,851	-	6,893,851
	184,341,512	5,660,547	190,002,059	177,216,464	6,607,399	183,823,863
Financial Institutions						
Current deposits	383,026	-	383,026	193,868	203	193,871
Savings deposits	18,718,496	-	18,718,496	18,265,424	-	18,265,424
Term deposits	5,000	-	5,000	2,177,000	-	2,177,000
	19,106,522	-	19,106,522	20,636,092	203	20,636,295
	203,448,034	5,660,547	209,108,581	197,852,556	6,607,602	204,460,158

2024 2023

Rupees in thousands

19.1 Composition of deposits

Individuals	73,077,318	59,950,126
Government (Federal and Provincial)	9,100,655	17,208,367
Public Sector Entities	8,950,850	6,368,121
Banking Companies	24,809	564
Non-Banking Financial Institutions	19,081,713	20,635,731
Private Sector	98,873,235	100,297,249
	<u>209,108,581</u>	<u>204,460,158</u>

19.2 This includes deposits eligible to be covered under takaful arrangements amounting to Rs. 113,266.588 million (2023: Rs. 104,961.642 million).

2024 2023

Rupees in thousands

20 LEASE LIABILITIES

Outstanding amount at the start of the period	2,636,096	2,488,775
Addition during the period	971,449	628,268
Disposed off during the period	(19,747)	(28,375)
Payment of lease liability against right of use asset	(942,581)	(761,903)
Unwinding of lease liability against right of use asset	373,045	309,332
Outstanding amount at the end of the period	<u>3,018,262</u>	<u>2,636,096</u>

20.1 Liabilities Outstanding

Not later than one year	818,861	495,967
Later than one year and upto five years	1,935,201	1,625,009
Over five years	484,400	515,120
Total at the year end	<u>3,018,262</u>	<u>2,636,096</u>

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	Note	2024	2023
		Rupees in thousands	
21 OTHER LIABILITIES			
Profit / return payable in local currency	21.1	3,361,903	3,114,456
Profit / return payable in foreign currencies		12,948	16,600
Accrued expenses		1,283,573	897,263
Current taxation (provision less payments)		-	943,847
Unearned income		170,974	94,572
Acceptances	15	1,612,699	1,584,439
Advance receipt against Islamic financing and related assets		56,669	45,040
Charity fund balance	21.2	26,310	23,238
Security deposits against Ijarah financing		809,538	906,994
Withholding tax, Federal Excise Duty and other payable		45,334	72,423
Mark to market loss on forward foreign exchange contracts		114,359	205,318
Credit loss allowance against off-balance sheet obligations	21.2.3	84,271	-
Workers Welfare Fund	21.2.4	507,835	316,116
Others		1,167,780	1,212,583
		<u>9,253,993</u>	<u>9,432,889</u>

21.1 It includes Rs. 128,049 million (2023: Rs. 167,819 million) in respect of profit / return accrued on Musharaka with SBP under Islamic Export Refinance Scheme and Rs 98.110 million (2023: Rs 42.131 million) in respect of return accrued on acceptances from the SBP under various Islamic Refinance Schemes.

	Note	2024	2023
		Rupees in thousands	
21.2 Reconciliation of charity fund balance			
Opening balance		23,238	12,119
Additions during the year			
- Received from customers against late payment		23,269	25,353
- Dividend purification amount		-	451
- Charity against other Non-Shariah compliant income		-	14
- Profit on charity saving account		1,303	801
		<u>24,572</u>	<u>26,619</u>
Charity paid during the year	21.2.1		
- Welfare		5,000	7,200
- Health		11,000	7,300
- Education		2,500	1,000
		<u>21,500</u>	<u>15,500</u>
Closing balance		<u>26,310</u>	<u>23,238</u>

2024 2023
Rupees in thousands

21.2.1 Charity was paid to the following institutions:

Aziz Jehan Begum Trust for the Blind	1,000	1,000
Family Welfare Society	1,000	1,000
Indus Hospital	1,500	1,500
Infaq Memorial Trust	1,000	1,000
Mind Organization	500	300
Saleem Memorial Trust Hospital	4,000	4,000
Saylani Welfare Trust	4,000	4,500
The Citizens Foundation	1,000	1,000
The Lahore Hospital Welfare Society	500	500
Akhuwat Foundation	-	700
Sindh Institute of Urology & Transplantation	1,500	-
Shifa Tameer e Millat University	500	-
Shaukat Khanam Memorial Cancer Hospital	1,500	-
Pakistan Children Heart Foundation	500	-
Faizan Global Relief Foundation	1,000	-
Edhi Foundation	1,000	-
Progressive Education Network	1,000	-
	21,500	15,500

21.2.2 Charity was not paid to any staff of the Bank or to any individual / organisation in which a Director or his spouse had any interest at any time during the year.

21.2.3 Credit loss allowance against off-balance sheet obligations	Note	2024	2023
		Rupees in thousands	
Opening		-	-
Impact of adoption of IFRS-9		77,875	-
Charge for the year	33	6,596	-
Reversals		-	-
		6,596	-
Amount written		-	-
Closing		84,271	-

21.2.4 The Supreme Court of Pakistan, vide its order dated November 10, 2016, held that the amendments introduced by the Federal Government for the levy of Workers Welfare Fund (WWF) were not lawful. The Federal Board of Revenue has filed review petitions against this order, which are currently pending.

In light of these developments and the pending review petitions, the judgment may not currently be treated as conclusive. Accordingly, the Bank has maintained its provision in respect of WWF.

22 SHARE CAPITAL

22.1 Authorised capital

2024	2023		2024	2023
Number of shares			Rupees in thousands	
2,000,000,000	2,000,000,000	Ordinary shares of Rs. 10/- each	20,000,000	20,000,000

22.2 Issued, subscribed and paid up capital

2024	2023		2024	2023
Number of shares		Ordinary shares	Rupees in thousands	
		Fully paid in cash		
1,555,000,000	1,555,000,000	Balance at beginning of the year	15,550,000	15,550,000
-	-	Issued during the year	-	-
<u>1,555,000,000</u>	<u>1,555,000,000</u>	Balance at end of the year	<u>15,550,000</u>	<u>15,550,000</u>

23.3 The Bank's shares are 100 % (2023: 100%) held by MCB Bank Limited (MCB) - the parent company and its nominee Directors

	2024	2023
	Rupees in thousands	
23 RESERVES		
Statutory reserves	<u>2,276,220</u>	<u>1,428,486</u>

23.1 Statutory reserve represents amount set aside as per the requirements of section 21 of the Banking Companies Ordinance, 1962.

	Note	2024	2023
		Rupees in thousands	
24 SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS - NET OF TAX			
Surplus / (deficit) arising on revaluation of:			
- Property and equipment	24.1	557,927	562,283
- Securities measured at FVOCI-Debt	24.2	2,206,516	917,825
		2,764,443	1,480,108
Deferred tax on surplus / (deficit) on revaluation of:			
- Property and equipment	24.1	(99,326)	(95,730)
- Securities measured at FVOCI-Debt	24.2	(1,147,388)	(449,734)
		<u>(1,246,714)</u>	<u>(545,464)</u>
		<u>1,517,729</u>	<u>934,644</u>
24.1 Surplus on revaluation of property and equipment - net of tax			
Surplus on revaluation of property and equipment as January 01		562,283	566,639
Recognised during the year		-	-
Realised on disposal during the year - net of deferred tax		-	-
Related deferred tax liability on surplus realised on disposals		-	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(2,091)	(2,221)
Related deferred tax liability on incremental depreciation charged during the year		<u>(2,265)</u>	<u>(2,135)</u>
Surplus on revaluation of fixed assets as at December 31		557,927	562,283
Less: Related deferred tax liability on:			
revaluation as at January 01		95,730	85,881
opening liability remeasurement		5,861	11,984
recognised during the year		-	-
surplus realised on disposal during the year		-	-
incremental depreciation charged during the year		<u>(2,265)</u>	<u>(2,135)</u>
		<u>(99,326)</u>	<u>(95,730)</u>
		<u>458,601</u>	<u>466,553</u>

	Note	2024	2023	
		Rupees in thousands		
24.2	Surplus / (deficit) on revaluation of securities measured at FVOCI - net of tax			
	Securities measured at FVOCI- Debt			
	Sukuka	2,206,516	917,825	
	Related deferred tax (liability) / asset	(1,147,388)	(449,734)	
		<u>1,059,128</u>	<u>468,091</u>	
25	CONTINGENCIES AND COMMITMENTS			
	Guarantees	25.1	26,352,135	16,337,475
	Commitments	25.2	32,704,291	34,480,690
	Other contingent liabilities	25.3	1,114,251	1,090,328
			<u>60,170,677</u>	<u>51,908,493</u>
25.1	Guarantees:			
	Performance guarantees		11,647,516	6,930,799
	Other guarantees		14,704,619	9,406,676
			<u>26,352,135</u>	<u>16,337,475</u>
25.2	Commitments:			
	Documentary credits and short-term trade-related transactions			
	Letters of credit		14,443,462	14,614,708
	Commitments in respect of:			
	Forward foreign exchange contracts	25.2.1	14,993,231	17,780,265
	Commitments for acquisition of:			
	Intangible assets		312,828	390,605
	Fixed assets		155,336	366,865
	Other commitments	25.2.2	2,799,434	1,128,247
			<u>32,704,291</u>	<u>34,480,690</u>
25.2.1	Commitments in respect of forward foreign exchange contracts			
	Purchase		9,344,175	10,514,065
	Sale		5,649,056	7,266,200
			<u>14,993,231</u>	<u>17,780,265</u>
25.2.2	Other Commitments			
	Commitments to extend financing	25.2.2.1	2,799,434	1,128,247
25.2.2.1	These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the Bank without the risk of incurring significant penalty or expense.			
25.2.2.2	Other than those stated above, the Bank makes commitment(s) to extend credit in the normal course of business including related parties but these being revocable commitments do not attract any penalty or expense if the facility is unilaterally withdrawn.			

	2024	2023
	Rupees in thousands	
25.3 Other contingent liabilities		
25.3.1 Claims against the Bank not acknowledged as debt	<u>1,114,251</u>	<u>1,090,328</u>

This includes claim by third parties against the Bank, amounting to Rs. 425.820 million (December 31, 2023: Rs. 425.820 million) which is being contested in the Court of law. The suit has been disposed off by the Court vide Order dated May 10, 2019 wherein the status quo has been ordered to be maintained with respect to bank guarantee and the matter has been referred to arbitration with the consent of the parties. However the Bank has not received any official notice to attend the arbitration proceedings till date.

In addition to the above, this includes claim by different parties against the bank amounting to Rs. 688.431 million (December 31, 2023: Rs. 664.508 million) which is pending before the court. Based on legal advice and / or internal assessments, management is confident that the matters will be decided in the Bank's favour and the possibility of any adverse outcome is remote. Accordingly, no provision has been made in these financial statements.

25.3.2 The Punjab Revenue Authority has issued an order under The Punjab Sales Tax on Services Act, 2012, resulting in an arbitrary aggregate demand of Rs. 177.57 million (2023: Rs. 240.54 million). The Bank's appeals before the Commissioner Inland Revenue Appeals are pending adjudication. The management is confident that the aforementioned demand will be nullified by the appellate authorities. As a result, no provision has been recognized against this demand.

	Note	2024	2023
		Rupees in thousands	
26 PROFIT / RETURN EARNED			
Financings		17,677,258	15,786,964
Investments in			
- Financial assets measured at amortised cost		6,650,791	5,221,798
- Financial assets measured at fair value through OCI		20,875,795	14,290,267
- Financial assets measured at fair value through P&L		1,160	3,399
		<u>27,527,746</u>	<u>19,515,464</u>
Musharaka arrangements with financial institutions		445,944	604,304
Deposits with financial institutions		1,670	35,534
IFRS 9 adjustment for staff loan-notional		222,036	-
		<u>45,874,654</u>	<u>35,942,268</u>
26.1 Profit / return earned recorded on financial assets measured at:			
Financial assets measured at amortised cost		24,997,699	21,648,600
Financial assets measured at fair value through OCI		20,875,795	14,290,267
Financial assets measured at fair value through P&L		1,160	3,399
		<u>45,874,654</u>	<u>35,942,268</u>
27 PROFIT / RETURN EXPENSED			
Deposits and other accounts		24,009,882	16,555,193
Musharaka and other arrangements with the State Bank of Pakistan		1,363,198	804,749
Musharaka arrangements with other financial institutions		2,156,200	1,046,327
Musharaka arrangements with other institutions		28,439	40,790
Unwinding of lease liability against right-of-use assets	27.1	373,045	309,332
Deferred bonus		3,371	2,212
		<u>27,934,135</u>	<u>18,758,603</u>
27.1 Profit expensed calculated using effective profit rate method		373,045	309,332
Other financial liabilities		27,561,090	18,449,271
		<u>27,934,135</u>	<u>18,758,603</u>

27.2 Ijarah of Musta'jir meeting the criteria prescribed by IFRS 16 "Leases" are presented as on-balance sheet item.

	Note	2024	2023
		Rupees in thousands	
28 FEE & COMMISSION INCOME			
Branch banking customer fees		23,355	23,511
Consumer finance related fees		17,248	10,153
Card related fees		332,840	220,043
Credit related fees		61,838	18,066
Digital banking fees		92,372	65,346
Commission on trade		194,280	185,731
Commission on guarantees		86,335	82,717
Commission on cash management		32,519	40,549
Commission on remittances including home remittances		47,043	36,538
Commission on banca takaful		42,233	34,755
Locker rent		24,227	23,163
Others		1,499	716
		<u>955,769</u>	<u>741,288</u>
29 GAIN / (LOSS) ON SECURITIES - NET			
Realised gain	29.1	317,630	13,475
Unrealised - Reclassification due to business model and SPPI assessment		(8,867)	-
Unrealised - Measured at FVPL		(4,181)	4,181
		<u>304,582</u>	<u>17,656</u>
29.1 Realised loss gain - net on:			
Federal Government Securities - Sukuk certificates		317,630	113
Shares		-	13,362
		<u>317,630</u>	<u>13,475</u>
30 OTHER INCOME			
Rent on property		-	120
Gain on sale of fixed assets - net		22,863	1,112
Fees and charges recovered		15,042	9,341
Gain on conversion of Ijarah agreements		9,762	21,391
Gain on termination of lease liability against right-of-use assets		7,804	6,319
Commission on arrangement with financial institutions		235,245	191,537
		<u>290,716</u>	<u>229,820</u>

31	OPERATING EXPENSES	Note	2024	2023
			Rupees in thousands	
	Total compensation expense	31.2	4,737,805	3,449,298
	Property expense			
	Rent and taxes		114,174	53,662
	Takaful expenses		48,114	38,041
	Utilities cost		417,608	271,121
	Security (including guards)		511,032	408,558
	Repair and maintenance (including janitorial charges)		290,535	225,518
	Depreciation on right-of-use assets	31.5	631,479	527,299
	Depreciation		427,530	318,597
			2,440,472	1,840,796
	Information technology expenses			
	Software maintenance		430,153	335,513
	Hardware maintenance		55,659	73,763
	Takaful expenses		3,143	2,620
	Depreciation		198,467	128,954
	Amortisation	13.1	178,573	187,463
	Network charges		196,289	154,102
			1,062,284	882,415
	Other operating expenses			
	Directors' fees and allowances	39.2	16,600	8,076
	Remuneration to Shariah Board		15,646	13,312
	Legal and professional charges		74,703	42,385
	Takaful expenses		206,992	147,675
	Fee and subscription		5,017	3,391
	Outsourced services costs	37.1	211,081	176,700
	Travelling and conveyance		248,501	174,584
	Repair and maintenance of vehicles		6,531	8,532
	NIFT clearing charges		43,841	31,814
	Brokerage, commission and bank charges		52,804	53,485
	Depreciation		24,125	20,625
	Training and development		19,541	15,089
	Postage and courier charges		57,445	41,341
	Communication		174,294	89,194
	Stationery and printing		190,854	146,750
	Marketing, advertisement and publicity		156,795	33,535
	Auditors' remuneration	31.4	23,093	13,478
	Entertainment		103,086	76,792
	Others		195,155	121,002
			1,824,104	1,217,760
			10,064,465	7,390,269

31.1 Total cost for the year included in other operating expenses relating to outsourced activities is Rs. 46.097 million (2023: Rs. 31.904 million). Out of this cost, Rs. 42.684 million (2023: Rs. 26.166 million) pertains to companies incorporated in Pakistan and Rs. 3.413 million (2023: Rs. 3.738 million) pertains to companies incorporated outside Pakistan. This includes payments other than outsourced services costs, which are disclosed above. Outsourcing shall have the same meaning as specified in Annexure-I of BPRD Circular No. 06 of 2017.

	Note	2024	2023
		Rupees in thousands	
31.2 Total compensation expense			
Managerial Remuneration			
i) Fixed		1,620,262	1,292,081
ii) Variable			
a) Cash awards		1,038	633
b) Accrual for staff bonus		798,571	498,733
Contribution to defined contribution plan		98,076	76,171
Rent and house maintenance		656,249	507,982
Utilities		143,747	112,200
Medical		44,857	38,020
Conveyance and fuel		564,002	449,950
Special allowances		429,993	351,061
Leave encashment		-	-
Sales commission		40,809	23,099
Staff takaful		116,382	95,309
Sign-on Bonus	31.3	715	3,065
IFRS 9 adjustment for staff loan-notional		222,036	-
Others		868	994
		<u>4,737,605</u>	<u>3,449,298</u>

31.3 Sign-on bonus has been given to 4 employees during the year.

31.4 Auditors' remuneration

Audit fee	5,500	2,867
Fee for interim review	2,000	1,047
Fee for other statutory certifications	3,000	1,917
Tax services	9,000	6,000
Sales tax on services	950	582
Out-of-pocket expenses	2,643	1,265
	<u>23,093</u>	<u>13,478</u>

31.5 Ijarah of Musta'jir meeting the criteria prescribed by IFRS 16 "Leases" are presented as on-balance sheet item.

	Note	2024	2023
Rupees in thousands			
32 OTHER CHARGES			
Penalties imposed by the State Bank of Pakistan		3,291	41,672
		<u>3,291</u>	<u>41,672</u>
33 CREDIT LOSS ALLOWANCE & WRITE OFFS - NET			
Credit loss allowance against cash and balances with treasury banks	6.1	(1,607)	-
Credit loss allowance / Provision against Islamic financing and related assets	10.10	268,890	704,077
Credit loss allowance against due from financial institutions		-	-
Credit loss allowance against balances with other banks		(790)	-
Credit loss allowance against off balance sheet obligations		6,596	-
Credit loss allowance against general provision		262,294	-
Bad debts written off directly		-	-
Recovery of written off / charged off bad debts		(38)	(70)
Credit loss allowance against Other Assets		(12,358)	-
		<u>542,989</u>	<u>704,007</u>
34 TAXATION			
Current		5,171,016	5,328,998
Prior years		-	149,402
Deferred	14	(301,355)	(64,197)
		<u>4,869,661</u>	<u>5,414,203</u>
34.1 Relationship between tax expense and accounting profit			
Profit before taxation		9,108,333	10,567,538
Tax at the applicable rate	34.1.1	44%	39%
Tax on profit		<u>4,007,667</u>	<u>4,121,340</u>
Effect of:			
- permanent differences		1,777	91,910
- rate difference		(63,991)	(5,318)
- super tax @ 10% (2023:10%)		910,833	1,056,754
- others		13,375	149,517
		<u>861,994</u>	<u>1,292,863</u>
Tax charge for the year		<u>4,869,661</u>	<u>5,414,203</u>

34.1.1 The income tax rate has been enhanced from 39% to 44% for the year 2024 vide Income Tax (Amendment) Ordinance, 2024.

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	2024	2023
	Rupees in thousands	
35 BASIC AND DILUTED EARNING PER SHARE		
Profit after taxation	4,238,672	5,153,335
	Number of shares - in thousands	
Weighted average number of ordinary shares	1,555,000	1,555,000
	Rupees	
Basic / diluted earning per share - after tax	2.726	3.314

35.1 Diluted earnings per share has not been presented separately as the Bank does not have any convertible instruments in issue at the reporting dates.

	Note	2024	2023
		Rupees in thousands	
36 CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	6	18,114,511	19,529,055
Balances with other banks	7	962,093	2,603,425
Overdrawn nostro accounts	18.2	-	-
		19,076,604	22,332,480

	2024	2023
	Numbers	
37 STAFF STRENGTH		
Permanent	2,233	1,794
On Bank contract	411	338
Bank's own staff strength at end of the year	2,644	2,132

37.1 In addition to the above, 396 (2023: 300) employees of outsourcing services companies were assigned to the Bank as at the end of the year to perform services other than guarding and janitorial services. All of these employees were working with the Bank domestically in current and prior year.

38 DEFINED CONTRIBUTION PLAN

The Bank operates an approved contributory provident fund for 1,648 (2023: 1,374) employees. Equal monthly contributions are made both by the Bank and its permanent employees to the Fund at the rate of 8.33% of the basic salaries of employees. However, an employee has an option to increase his / her contribution upto 15% but the Bank will still contribute 8.33% of the employee's basic salary.

	2024	2023
	Rupees in thousands	
Contribution made by the Bank	98,334	76,403
Contribution made by the employees	101,183	78,630
	199,517	155,033

Items	Directors			Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers/ Controllers
	Chairman	Executives (other than CEO)	Non-Executives				
Rupees in thousands							
Fees and Allowances etc.	-	-	8,076	-	-	-	-
Managerial Remuneration	-	-	-	7,900	25,092	76,769	61,238
i) Fixed	-	-	-	-	-	-	-
ii) Variable of which:	-	-	-	-	-	-	-
a) Cash bonus / awards	-	-	-	1,262	12,000	34,201	23,638
Contribution to defined contribution plan	-	-	-	232	1,928	5,774	5,056
Rent and house maintenance	-	-	-	1,254	11,291	31,264	27,381
Utilities	-	-	-	279	2,509	6,948	6,085
Medical	-	-	-	-	-	-	124
Conveyance	-	-	-	1,601	-	38,610	29,804
Rental Subsidy (Rent Paid Residence)	-	-	-	-	-	1,104	956
Special Pay	-	-	-	241	-	7,138	5,186
Charge allowance	-	-	-	-	-	403	1,503
Fuel Allowance	-	-	-	523	-	8,264	8,124
Leave Fare Assistance (LFA)	-	-	-	-	4,290	19,839	5,722
Sales Commission	-	-	-	-	-	54	1,019
Dealing Allowance	-	-	-	-	-	-	144
Others	-	-	-	-	-	212	1,678
Total	-	-	8,076	13,312	57,110	228,580	178,658
Number of Persons	1	-	7	3	2	18	27

39.2 Remuneration paid to Directors for participation in Board and Committee Meetings

2024

Sr. No.	Name of Director	Meeting fees and allowances paid							Total Amount Paid
		For Board Meetings	Audit Committee (AC)	HR & RC	RM & PRC	BS & SQRC	BIT	BEC	
Rupees in thousands									
1	Raza Mansha	2,000	-	300	-	-	-	100	2,400
2	Ibrahim Shamsi	2,400	400	-	400	100	400	100	3,800
3	Omair Saifdar	1,200	200	200	200	-	-	100	2,100
4	Ahmed Ebrahim Hasham	1,200	-	-	300	400	-	-	1,900
5	Jawaid Iqbal	2,400	400	400	400	-	400	100	4,100
6	Nabeela Waheed	400	-	-	-	-	-	-	400
7	Hammad Khalid	1,200	200	-	-	200	200	100	1,900
8	Zargham Khan Durrani	-	-	-	-	-	-	-	-
Total Amount Paid		10,800	1,200	900	1,300	900	1,000	500	16,600

2023

Sr. No.	Name of Director	Meeting fees and allowances paid							Total Amount Paid
		For Board Meetings	Audit Committee (AC)	HR & RC	RM & PRC	BS & SQRC	BIT	BEC	
Rupees in thousands									
1	Raza Mansha	-	-	-	-	-	-	-	-
2	Ahmed Ebrahim Hasham	1,200	-	-	200	400	75	-	1,875
3	Omair Saifdar	-	-	-	-	-	-	-	-
4	Jawaid Iqbal	2,000	400	300	400	-	100	100	3,300
5	Seema Aziz	-	-	-	-	-	-	-	-
6	Hammad Khalid	-	-	-	-	-	-	-	-
7	Ibrahim Shamsi	2,000	300	-	400	-	100	100	2,900
Total Amount Paid		5,200	700	300	1,000	400	275	200	8,075

39.3 Remuneration paid to Shariah Board Members

Items	2024		2023	
	Chairman	Resident Member	Chairman	Resident Member
a. Meeting Fees and Allowances	-	-	-	-
b. Other Heads				
Basic salary	3,720	3,094	2,858	2,787
House rent	-	1,382	-	1,254
Utilities	-	309	-	279
Conveyance	-	2,153	-	1,601
Fuel	-	296	-	523
Special pay	-	397	-	241
Bonus	-	1,429	-	1,282
PF Employer	-	258	-	232
Medical	-	40	-	-
Total Amount	3,720	9,368	2,858	8,199
Total number of persons	1	1	1	1

39.4 Deferred cash bonus / remuneration for MRT's and MRC's for the year 2023 is Rs. 11,049 million (2022: Rs. 5,947 million) whereas the total payments made during the year amounting to Rs. 5,450 million out of bonus deferred in 2022, 2021 and 2020. The total outstanding balance as at December 31, 2024 amounts to Rs. 16,047 million which pertains to 2021, 2022 and 2023.

39.5 The Chief Executive and three key management personnel have been provided with the Bank's maintained cars.

40 FAIR VALUE MEASUREMENT

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

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

The repricing profile with effective rates and maturity are stated in notes 42.2.5 and 42.4.1 respectively.

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 re-priced over short term.

40.1 Fair value of financial asset

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

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

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

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

The table below analyses the financial and non-financial assets carried at fair values, by valuation methods. For financial assets, the Bank essentially carries its investments in Sukuk and equity securities at fair values. Valuation of investments is carried out as per guidelines specified by the SBP. In case of non-financial assets, the Bank has adopted revaluation model (as per IAS 16) in respect of land and building.

	2024				
	Fair Value				
	Carrying value	Level 1	Level 2	Level 3	Total
	Rupees in thousands				
On-balance sheet financial instruments					
Financial assets measured at fair value					
Investments					
Federal Government Securities	117,722,341	-	117,722,341	-	117,722,341
Shares	-	-	-	-	-
Non-Government Securities	661,133	-	661,133	-	661,133
	118,383,474	-	118,383,474	-	118,383,474
Financial assets - disclosed but not measured at fair value					
Investments	28,212,727	-	28,212,727	-	28,212,727
Fair value of non-financial assets					
Operating fixed assets (land and building)	1,384,447	-	1,384,447	-	1,384,447
Off-balance sheet financial instruments measured at fair value					
Foreign exchange contracts purchase	8,787,315	-	8,686,214	-	8,686,214
Foreign exchange contracts sale	5,509,671	-	5,522,929	-	5,522,929

	2023				
	Fair Value				
	Carrying value	Level 1	Level 2	Level 3	Total
	Rupees in thousands				
On-balance sheet financial instruments					
Financial assets measured at fair value					
Investments					
Federal Government Securities	95,563,982	-	95,563,982	-	95,563,982
Shares	-	-	-	-	-
Non-Government Securities	763,390	-	763,390	-	763,390
	96,327,372	-	96,327,372	-	96,327,372
Financial assets - disclosed but not measured at fair value					
Investments	36,216,930	-	36,216,930	-	36,216,930
Fair value of non-financial assets					
Operating fixed assets (land and building)	1,384,422	-	1,384,422	-	1,384,422
Off-balance sheet financial instruments					
Foreign exchange contracts purchase	10,514,065	-	10,407,558	-	10,407,558
Foreign exchange contracts sale	7,266,200	-	7,116,787	-	7,116,787

The Bank's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused the transfer occurred. There were no transfers between levels 1, 2 and 3 during the year.

- (a) **Financial instruments in level 1**
Financial instruments included in level 1 comprise of investments in listed ordinary shares.
- (b) **Financial instruments in level 2**
Financial instruments included in level 2 comprise of Sukuks, forward foreign exchange contracts and operating fixed assets.
- (c) **Financial instruments in level 3**
Currently, no financial instrument is classified in level 3.

Valuation techniques and inputs used in determination of fair values

Item	Valuation techniques and input used
Fully paid-up ordinary shares	Fair values of investments in listed equity securities are valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange.
Ijarah Sukuks (GOP Ijarah Sukuks and other Ijarah Sukuks and other Reuters)	Fair values of GOP Ijarah Sukuks and other 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.
Foreign exchange contracts	The valuation has been determined by mark-to-market currency rates announced by the State Bank of Pakistan.
Operating fixed assets (land and building)	Land and buildings are revalued every three years using professional valuers on the panel of Pakistan Banker's Association. The valuation is based on their assessment of market value of the properties.

41 SEGMENT INFORMATION

41.1 Segment Details with respect to Business Activities

	2024							Total	
	Retail	Corporate	Consumer	Micro Finance	Treasury	Head Office	Sub-total		Elimination
Rupees in thousands									
Profit & Loss									
Net Profit / return	(16,517,208)	11,433,855	1,516,225	121,005	21,419,224	(32,582)	17,940,519	-	17,940,519
Inter segment revenue - net	30,287,841	(11,155,810)	(1,221,488)	(107,736)	(19,065,851)	1,283,044	-	-	-
Other income	771,908	304,283	19,235	5,927	836,588	32,137	1,970,078	-	1,970,078
Total Income	14,522,541	582,328	313,972	19,196	3,180,961	1,282,589	19,910,597	-	19,910,597
Segment direct expenses	(5,142,140)	(214,313)	(258,904)	(2,614)	(36,542)	(4,604,762)	(10,259,275)	-	(10,259,275)
Inter segment expense allocation	(1,866,492)	(15,822)	(31,059)	(699)	(2,425)	1,716,467	-	-	-
Total expenses	(6,808,632)	(230,135)	(289,963)	(3,283)	(38,967)	(2,888,295)	(10,259,275)	-	(10,259,275)
Credit loss allowance	(12,517)	(109,423)	5,505	-	2,397	(428,951)	(542,989)	-	(542,989)
Profit / (loss) before tax	7,701,382	242,770	29,514	15,913	3,153,391	(2,034,647)	9,108,333	-	9,108,333

2024

	Retail	Corporate	Consumer	Micro Finance	Treasury	Head Office	Sub-total	Elimination	Total
Rupees in thousands									
Balance Sheet									
Cash and bank balances	4,786,240	-	-	30	13,832,512	457,822	19,076,604	-	19,076,604
Investments	-	-	-	-	146,596,201	-	146,596,201	-	146,596,201
Net inter segment placements	161,775,482	-	-	-	-	6,238,905	168,014,387	(168,014,387)	-
Due from financial institutions	-	-	-	-	2,000,000	-	2,000,000	-	2,000,000
Financing - performing	32,933,675	74,153,189	7,213,715	717,520	-	1,068,484	116,106,583	-	116,106,583
- non-performing	35,016	2,910,625	51,406	10,728	-	238,785	3,246,560	-	3,246,560
Others	1,882,006	2,545,885	487,760	101,441	4,704,477	10,595,231	20,317,680	-	20,317,680
Total Assets	201,413,299	79,609,699	7,752,881	829,719	167,133,190	18,619,227	475,358,015	(168,014,387)	307,343,628
Bills payable	11,594,493	-	-	-	-	-	11,594,493	-	11,594,493
Due to financial institutions	201,034	6,911,283	437,500	-	40,872,476	-	48,422,293	-	48,422,293
Deposits & other accounts	177,935,326	11,897,859	512,744	-	18,761,139	1,513	209,108,581	-	209,108,581
Net inter segment acceptances	-	58,175,825	5,959,420	813,139	102,056,003	-	168,014,387	(168,014,387)	-
Others	3,981,054	1,381,962	813,703	667	82,533	6,012,336	12,272,255	-	12,272,255
Total liabilities	193,711,907	79,366,929	7,723,367	813,806	161,782,151	6,013,849	449,412,009	(168,014,387)	281,397,622
Equity	7,701,392	242,770	29,514	15,913	5,351,039	12,605,378	25,946,006	-	25,946,006
Total Equity & liabilities	201,413,299	79,609,699	7,752,881	829,719	167,133,190	18,619,227	475,358,015	(168,014,387)	307,343,628
Contingencies & Commitments	21,935,876	22,763,788	9,619	-	14,993,231	468,163	60,170,877	-	60,170,877

2023

	Retail	Corporate	Consumer	Micro Finance	Treasury	Head Office	Sub-total	Elimination	Total
Rupees in thousands									
Profit & Loss									
Net Profit / return	(13,975,088)	9,824,796	1,871,160	63,287	18,623,052	(223,534)	17,183,663	-	17,183,663
Inter segment revenue - net	28,908,684	(8,542,474)	(1,518,023)	(60,084)	(19,045,749)	357,645	-	-	-
Other income	624,478	224,759	18,965	2,289	828,273	38,549	1,737,333	-	1,737,333
Total Income	15,556,064	1,407,091	372,102	5,502	1,405,576	172,661	18,920,996	-	18,920,996
Segment direct expenses	(3,721,128)	(195,559)	(257,548)	(1,675)	(33,598)	(3,439,943)	(7,649,451)	-	(7,649,451)
Inter segment expense allocation	(1,341,095)	(11,338)	(33,085)	(760)	(2,096)	1,388,384	-	-	-
Total expenses	(5,062,223)	(206,897)	(290,643)	(2,435)	(35,694)	(2,051,559)	(7,649,451)	-	(7,649,451)
Credit loss allowance	163	(567,105)	9,831	(954)	-	(145,942)	(704,007)	-	(704,007)
Profit / (loss) before tax	10,496,004	633,089	91,290	2,113	1,369,882	(2,024,840)	10,567,538	-	10,567,538

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	Retail	Corporate	Consumer	Micro Finance	Treasury	Head Office	Sub-total	Elimination	Total
Rupees in thousands									
Balance Sheet									
Cash and bank balances	4,701,714	-	-	30	17,530,507	229	22,332,480	-	22,332,480
Investments	-	-	-	-	132,544,302	-	132,544,302	-	132,544,302
Net inter segment placements	179,618,749	-	-	-	-	8,274,321	187,893,070	(187,893,070)	-
Due from financial institutions	-	-	-	-	-	-	2,500,000	-	2,500,000
Financing - performing	11,605,428	66,413,865	7,847,678	366,300	-	1,901,586	88,134,857	-	88,134,857
- non-performing	351,756	805,017	54,280	-	-	1,505	1,212,558	-	1,212,558
Others	3,043,667	3,530,300	536,668	58,105	6,812,096	6,194,672	20,275,508	-	20,275,508
Total Assets	199,321,314	70,849,182	8,438,626	424,435	159,486,905	16,372,313	454,892,775	(187,893,070)	266,999,705
Bills payable	2,175,473	-	-	-	-	-	2,175,473	-	2,175,473
Due to financial institutions	202,165	10,048,880	562,500	-	15,000,000	-	25,813,546	-	25,813,546
Deposits & other accounts	183,135,643	20,816,642	503,837	-	-	2,036	204,460,158	-	204,460,158
Net inter segment acceptances	-	38,036,631	6,560,455	421,655	142,874,329	-	187,893,070	(187,893,070)	-
Others	3,312,028	1,311,940	720,544	667	242,694	6,928,403	12,514,276	-	12,514,276
Total Liabilities	188,825,310	70,216,083	8,347,336	422,322	158,117,023	6,928,439	432,856,523	(187,893,070)	244,963,453
Equity	10,496,004	633,089	91,290	2,113	1,369,862	9,443,674	22,036,252	-	22,036,252
Total Equity & Liabilities	199,321,314	70,849,182	8,438,626	424,435	159,486,905	16,372,313	454,892,775	(187,893,070)	266,999,705
Contingencies & Commitments	15,422,534	17,942,082	6,141	-	17,780,265	757,471	51,908,493	-	51,908,493

41.2 Segment details with respect to geographical locations

The Bank operates in Pakistan only.

42 RELATED PARTY TRANSACTIONS

The Bank has related party relationship with its parent company, employee benefit plans and its directors and key management personnel and their close family members.

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 staff retirement benefits are made in accordance with the terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

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42.1 The details of transactions with related parties and balances with them are given below:

	2024				2023			
	Parent	Directors	Key management personnel	Other related parties	Parent	Directors	Key management personnel	Other related parties
	Rs. in thousands				Rs. in thousands			
Balances with other banks in current accounts	56,477	-	-	-	130,085	-	-	-
	56,477	-	-	-	130,085	-	-	-
	547	-	-	-	-	-	-	-
Credit loss allowance held against balance with other banks	-	15,000	102,049	1,877,558	-	-	97,853	1,829,326
Opening balance	-	-	36,449	2,404,125	-	-	42,950	2,782,798
Addition during the year	-	(8,018)	(43,886)	(2,691,029)	-	15,000	(29,280)	(2,734,566)
Repaid during the year	-	-	-	-	-	-	(9,574)	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-
Closing balance	-	6,982	94,910	1,580,654	-	15,000	102,049	1,877,558
	-	-	168	7,943	-	-	-	-
Credit loss allowance held against Islamic financing	-	-	-	-	-	-	-	-
Fixed assets - Capital work in progress	290,764	-	-	-	131,922	-	-	-
Right-of-use asset	20,000	-	-	-	20,000	-	-	-
Advance paid against purchase of property	310,764	-	-	-	151,922	-	-	-
	-	-	6,603	22,619	-	-	4,666	69,597
Other assets	-	-	1,020	-	-	-	6,554	48,138
Profit receivable	-	-	-	-	-	-	-	-
Prepaid expenses	11,282	-	-	-	11,282	-	-	-
Receivable under scheme of merger	19,818	-	-	-	12,675	-	-	-
Receivable under home remittance	7,352	-	-	-	-	-	-	-
Other receivables	39,452	-	7,623	22,619	24,157	-	1,1240	137,735
	9,000,000	-	-	-	-	-	-	-
Due to financial institutions	76,600,000	-	-	-	78,200,000	-	-	-
Operating balance	(85,600,000)	-	-	-	(69,200,000)	-	-	-
Addition during the year	-	-	-	-	-	-	-	-
Repaid during the year	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	9,000,000	-	-	-
	-	120,633	76,726	4,504,246	-	100,227	66,085	956,552
Deposits	-	6,974,650	543,306	48,108,319	-	10,104,304	417,279	43,412,703
Operating balance	-	(6,042,963)	(513,704)	(48,978,403)	-	(10,053,901)	(406,627)	(39,963,801)
Addition during the year	-	-	803	-	-	83	(11)	(208)
Withdrawn during the year	-	-	-	-	-	-	-	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-
Closing balance	-	52,720	107,131	3,633,162	-	120,633	76,726	4,504,246
	-	708	815	16,060	14,155	1,482	30	28,716
Other liabilities	-	-	-	47,978	-	-	-	32,316
Profit payable	-	-	-	-	-	-	-	-
Accrued expenses	-	-	-	-	-	-	-	-
Accruals	-	-	-	2,107	18,214	-	-	-
Unearned income	-	-	-	-	-	-	-	-
Lease liability against right-of-use-asset	313,048	-	-	-	149,137	-	-	1,304
Meeting fee payable to Directors	-	194	-	-	-	-	-	-
	313,048	902	815	66,145	181,509	1,676	30	63,336

(47)

2024

2023

	2024				2023			
	Parent	Directors	Key management personnel	Other related parties	Parent	Directors	Key management personnel	Other related parties
	Rs. in thousands							
Contingencies and Commitments								
Letter of Credit	56,178	-	-	464,120	-	-	-	594,170
Letter of Guarantee	178,575	-	-	1,759,995	174,198	-	-	1,059,660
Forward exchange contract	-	-	-	-	-	-	-	-
Purchase	-	-	-	-	-	-	-	-
Sale	-	-	-	-	-	-	-	-
Transactions during the year								
Income								
Profit return earned	-	534	5,264	305,416	-	259	5,203	285,504
Commission income	-	-	-	38,524	-	-	-	34,313
Rental income	-	-	-	-	-	-	-	-
Other income	-	-	19	-	-	-	17	-
	-	534	5,283	343,940	-	259	5,220	319,817
Expense								
Profit return expensed	415,075	39,969	15,041	363,466	292,120	28,823	7,506	156,833
Rental expense	-	-	-	-	-	-	-	-
Takaful expense	-	-	-	270,289	-	-	-	140,324
Security expense	-	-	-	-	-	-	-	2,680
Depreciation on right-of-use asset	68,147	-	-	-	49,017	-	-	-
Unwinding of lease liability against right-of-use asset	33,922	-	-	-	14,586	-	-	-
Rent and Taxes	-	-	-	-	-	-	-	-
Meeting fee to Directors	-	16,600	-	-	-	8,076	-	-
Utility and other operating expense of shared branch	-	-	-	-	-	-	-	-
Other expenses	2,387	-	-	2,385	8,875	-	-	178
	519,531	56,569	15,041	636,140	364,600	36,899	7,506	299,995
Other transactions during the year								
Meeting fee paid to Directors	-	16,600	-	-	-	11,516	-	-
Managerial remuneration including bonus paid	-	83,903	253,217	-	-	57,110	241,891	-
Contribution paid to provident fund	-	-	-	199,517	-	-	-	154,946
Re-embatement under home remittance payments	-	-	-	-	5,709,744	-	-	-
Proceeds under scheme of merger	4,441,954	-	-	-	-	-	-	-
Proceeds from sale of fixed assets	5,000,788	-	-	-	-	-	17	-
Purchase of fixed assets	-	-	24	-	-	-	-	-
Disbursement made against advance salary	-	-	-	-	23,000	-	-	-
Repayment made against advance salary	-	-	-	-	-	-	-	-
Payment made against expenses	93,129	-	-	99,001	72,718	-	-	140,920
Foreign currency purchase	4,002,614	-	-	-	29,463,840	-	-	-
Foreign currency sale	4,280,039	-	-	-	33,534,409	-	-	-
Letter of Credit issued	56,178	-	-	2,436,414	-	-	-	2,627,512
Letter of Guarantee issued	58,353	-	-	679,288	106,439	-	-	3,568

43 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

Minimum Capital Requirement (MCR):

Paid-up capital (net of losses)	22,152,057	19,673,122
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Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital	23,384,189	20,568,762
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	23,384,189	20,568,762
Eligible Tier 2 Capital	2,665,338	1,477,595
Total Eligible Capital (Tier 1 + Tier 2)	26,049,525	22,046,357

Risk Weighted Assets (RWAs):

Credit Risk	91,808,522	67,578,085
Market Risk	5,243,153	4,124,665
Operational Risk	30,094,034	20,957,292
Total	127,145,709	92,660,042

Common Equity Tier 1 Capital Adequacy Ratio	18.39%	22.20%
Tier 1 Capital Adequacy Ratio	18.39%	22.20%
Total Capital Adequacy Ratio	20.49%	23.79%

Statutory minimum capital requirement and Capital Adequacy Ratio (CAR)

The capital adequacy ratio of the Bank was subject to the Basel III capital adequacy guidelines stipulated by the State Bank of Pakistan through its BPRD Circular No. 06 of 2013 dated August 15, 2013. These instructions were effective from December 31, 2013 in a phased manner with full implementation intended by December 31, 2019.

Phase-in arrangement and full implementation of the minimum capital requirements:

Ratio	Year End December 31						
	2013	2014	2015	2016	2017	2018	2019
CET1	5.00%	5.50%	6.00%	6.00%	8.00%	6.00%	6.00%
ADT-1	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Tier 1	6.50%	7.00%	7.50%	7.50%	7.50%	7.50%	7.50%
Total Capital	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
*CCB	0%	0%	0.25%	0.65%	1.275%	1.90%	2.50%
Total Capital plus CCB	10.00%	10.00%	10.25%	10.65%	11.275%	11.90%	12.50%

* Capital Conservation Buffer (CCB) Consisting of CET1 only

SBP vide its BPRD Circular Letter No. 12 of 2020 dated March 26, 2020 has reduced the Capital Conservation Buffer (CCB) from 2.50% to 1.50%. The Minimum Capital Requirement of the Bank stands at Rs.10 Billion at the respective reporting dates and is in compliance with the required capital adequacy ratio including CCB (11.50% of the risk-weighted assets). Banking operations are categorized as either trading book or banking book and risk-weighted assets are determined according to specified requirements of the State Bank of Pakistan that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures. The total risk-weighted exposures comprise of the credit risk, market risk and operational risk.

The Bank has adopted Standardized Approach to measure Credit risk regulatory capital charge in compliance with Basel-III requirements. The Bank measures and manages Market Risk by using conventional methods i.e. notional amounts, sensitivity and combinations of various limits. Beside conventional methods, the Bank also uses VaR (Value at Risk) technique for market risk assessment of positions assumed by its Treasury and FX Group. In-house based solutions are used for calculating mark to market value of positions and generating VaR (value at risk) and sensitivity numbers. Thresholds for different positions are established to compare the expected losses at a given confidence level and over a specified time horizon. Currently, the Bank is reporting operational risk capital charge under Basic Indicator Approach (BIA).

Leverage Ratio (LR):

In order to avoid building-up excessive on and off-balance sheet leverage in the banking system, monitoring of Leverage Ratio is in place as per SBP directives with the following objectives:

- constrain the build-up of leverage in the banking sector which can damage the broader financial system and the economy; and
- reinforce the risk based requirements with an easy to understand and a non-risk based measure.

A minimum Tier 1 leverage ratio of 3% has been prescribed both at solo and consolidated level.

	2024	2023
	Rupees in thousands	
Leverage Ratio (LR):		
Eligible Tier-1 Capital	23,384,189	20,568,762
Total Exposures	340,543,011	283,260,917
Leverage Ratio	6.87%	7.26%

Liquidity Coverage Ratio (LCR)

The objective of Liquidity Coverage Ratio (LCR) is to ensure short-term resilience of the liquidity risk profile of the bank by ensuring availability of adequate High Quality Liquid Assets to survive a significant stress scenario lasting for 30 calendar days. LCR should be kept above 100% as per SBP guidelines.

	2024	2023
	Rupees in thousands	
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	115,376,414	84,205,536
Total Net Cash Outflow	84,363,737	50,600,287
Liquidity Coverage Ratio	138.76%	166.41%

Net Stable Funding Ratio (NSFR)

The objective of Net Stable Funding Ratio (NSFR) is to reduce funding risk over a longer time horizon by requiring banks to fund their activities with sufficiently stable sources of funding on ongoing basis. Banks are required to maintain NSFR of at least 100% as per SBP guidelines.

	2024	2023
	Rupees in thousands	
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	196,834,500	175,630,548
Total Required Stable Funding	138,524,310	121,097,477
Net Stable Funding Ratio	141.99%	145.03%

- 43.1 The full disclosures on the "CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS" as per SBP instructions issued from time to time are available at <https://www.mcbislamicbank.com/investor-relations/financial-reports/financial-reports-2024/>

44 RISK MANAGEMENT

Risk is an inherent part of banking business activities. The risk management framework and governance structure at the MCB Islamic Bank Limited helps to mitigate and counter any foreseeable risk in its various lines of business. Risk awareness forms an integral part of strategic and operational activities of risk management. Through its risk management policy the Bank sets the best course of action to counter uncertainty by identifying, prioritizing, mitigating and monitoring risk issues, with the goal of enhancing shareholders' value. Bank's risk management structure is based on the following five guiding principles while conforming to the prescribed Shariah guidelines:

- Optimizing risk/return in a controlled manner
- Establishing clear responsibility and accountability
- Establishing independent and properly resourced risk management function.
- Promoting open risk culture
- Adopting international best practices in risk management

Keeping in view dynamics of internal and external environment, the bank regularly reviews and updates policy manuals / frameworks and procedures in accordance with domestic regulatory environment and international standards.

The Bank executes its risk strategy and undertakes controlled risk-taking activities within its risk management framework and Annual Risk Appetite and Strategy document. The Board of Directors and its relevant committee, i.e. the Risk Management & Portfolio Review Committee (RM & PRC), the senior management and its relevant committees, i.e. the Management Finance Committee (MFC), Asset Liability Committee (ALCO), etc., are responsible to ensure formulation and implementation of a comprehensive Risk Management Framework. The framework combines core policies, procedures and process designs with broad oversight and is supported by an efficient monitoring mechanism across the Bank to ensure that risks are kept within an acceptable level.

The Bank ensures that not only the relevant risks are identified but their implications are also considered and the basis provided for managing and measuring the risks. Through Internal Control units, the Bank ensures that effective controls are in place to mitigate each of the identified risks.

Independent from business groups, Chief Risk Officer reports functionally to the Risk Management & Portfolio Review Committee (RM & PRC) and administratively to the President; the RM & PRC convenes regular meetings to evaluate the Bank's risk and portfolio concentrations. The Risk Management Group performs the following critical functions:

- Credit Risk Management (including Credit Risk Review & Control)
- Market Risk Management
- Liquidity Risk Management
- Operational Risk Management
- Cyber Security Risk Management
- Fraud Risk Management

44.1 Credit Risk

Credit risk arises from our dealings with individuals, corporate clients, financial institutions, sovereigns etc. The Bank is exposed to credit risk through its financing and investment activities. It stems from the Bank's both, on and off-balance sheet activities. Credit risk makes up the largest part of the Bank's exposure. Purpose of Credit Risk Management function is to identify, measure, manage, monitor and mitigate credit risk. Organizational structure of this function ensures pre and post-facto management of credit risk. While, Credit Review function provides pre-fact evaluation of counterparties, the Credit Risk Control (CRC) performs post-fact evaluation of financing facilities and reviews clients' performance on an ongoing basis.

The Bank has adopted Standardized Approach to measure Credit risk regulatory capital charge in compliance with Basel-III requirements. The approach mainly takes into account the assessment of external credit rating agencies. In line with SBP guidelines on Internal Credit Risk Rating Systems, the Bank has developed rating systems and all its corporate and commercial financing customers are internally rated. The Bank is in the process of continuously improving the system and bringing it in line with the Basel framework requirements.

In order to manage the Bank's credit risk, following policies and procedures are in place:

- Individuals who take or manage risks clearly understand them in order to protect the Bank from avoidable risks;
- Credit facility or material change to the credit facility is allowed subject to credit review;
- Approval and review process is reviewed by RM&PRC and internal audit;

As a part of credit assessment the Bank uses an internal rating framework as well as the ratings assigned by the external credit rating agencies, wherever available.

In compliance to State Bank of Pakistan instructions, the bank has developed an indigenous model to calculate score of an obligor based on trade based money laundering risk during the year. The model covers various risk parameters to assess risk. The bank also has in place a scoring model to capture environmental risk.

Ongoing administration of the credit portfolio is an essential part of the credit process that supports and controls extension and maintenance of credit. The Bank's Credit Risk Control, being an independent function from the business and operations group, is responsible for performing the following activities:

- Credit disbursement authorization;
- Collateral coverage and monitoring;
- Compliance of loan covenants/ terms of approval;
- Maintenance/ custody of collateral and security documentation.

Credit Risk Monitoring is based on a comprehensive reporting framework. Continuous monitoring of the credit portfolio and the risks attached thereto are carried out at different levels including businesses, Audit & Risk Assets Review, Credit Risk Control, Credit Risk Management Division, etc.

To ensure a prudent distribution of asset portfolio, the Bank manages its financing and investment activities within an appropriate limits framework. Per party exposure limit is maintained in accordance with SBP Prudential Regulation R-1.

The Bank creates specific provision against Non- Performing Financings (NPFs) in accordance with the Prudential Regulations and other directives issued by the SBP and charged to the profit and loss account. Provisions are held against identified as well as unidentified losses. Provisions against unidentified losses include general provision against consumer, small entities and micro financings made in accordance with the requirements of the Prudential Regulations issued by SBP on financings.

Stress Testing

Credit Risk stress testing is a regular exercise. Bank's all credit exposures including funded and non-funded facilities are subject to stress test. This exercise is conducted on a quarterly basis through assigning shocks to all assets of the Bank and assessing its resulting affect on capital adequacy inline with SBP requirements.

The Bank is regularly conducting assessments of the financing portfolio, with robust post disbursement review mechanism to identify borrowers most likely to be affected in the challenging business and economic environment. Bank is confident that it has more than sufficient risk bearing capacity to with-stand these difficult times.

Particulars of Bank's significant on-balance sheet and off-balance sheet credit risk in various sectors are analysed as follows:

44.1.1 Due from financial institutions

Credit risk by public / private sector

	Gross Placements		Non-performing		Credit Loss Allowance Held	
	2024	2023	2024	2023	2024	2023
	Rupees in thousands					
Private	2,000,000	2,500,000	-	-	-	-
	2,000,000	2,500,000	-	-	-	-

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44.1.2 Investment in debt securities

Credit risk by industry sector

	Gross Investments		Non-performing		Credit Loss Allowance Held	
	2024	2023	2024	2023	2024	2023
	Rupees in thousands					
Power (electricity), Gas, Water, Sanitary Financial including government securities	-	-	-	-	-	-
	146,596,201	132,544,302	-	-	-	-
	146,596,201	132,544,302	-	-	-	-

Credit risk by public / private sector

Public / Government	145,935,068	131,760,912	-	-	-	-
Private	661,133	783,390	-	-	-	-
	146,596,201	132,544,302	-	-	-	-

44.1.3 Islamic financing and related assets

Credit risk by industry sector

	Gross Financing		Non-performing		Credit Loss Allowance Held	
	2024	2023	2024	2023	2024	2023
	Rupees in thousands					
Agriculture, Forestry, Hunting and Fishing	745,113	1,225,481	290,300	307,100	290,300	-
Textile	10,509,212	9,258,838	-	-	-	-
Chemical and Pharmaceuticals	6,864,826	1,604,892	-	-	-	-
Cement	4,120,539	3,416,601	-	-	-	-
Sugar	12,032,494	4,630,534	-	-	-	-
Footwear and Leather garments	2,749	-	-	-	-	-
Automobile and transportation equipment	11,296	424,411	-	-	-	-
Electronics and electrical appliances	921,014	680,546	-	-	-	-
Construction	1,524,512	2,271,548	23,024	37,024	12,611	-
Power (electricity), Gas, Water, Sanitation	8,807,849	1,471,093	-	-	-	-
Wholesale and Retail Trade	4,632,372	1,529,607	164,251	46,550	1,706	94
Transport, Storage and Communication	222,557	35,152,510	-	-	-	-
Financial	16,050,949	23,746	-	-	-	-
Insurance	-	-	-	-	-	-
Services	16,284,169	3,175,251	-	-	-	-
Food, Beverages, Tobacco and personal products	11,118,864	8,207,927	373,073	190,752	11,611	-
Paper	3,005,697	410	-	-	-	-
Steel	3,787,374	3,259,655	581,521	217,202	581,521	127,708
Shipbreaking	991,242	991,242	991,242	991,242	991,242	582,819
Oil Refinery	2,000,000	-	-	-	-	-
Plastic	6,257,265	1,522,733	-	-	-	-
Individuals	8,278,205	9,907,524	104,970	90,415	41,788	34,629
Manufacturing	728,409	1,093,580	-	-	-	-
Others	1,702,996	787,487	59,275	77,523	-	-
	122,599,703	90,635,616	2,588,556	1,957,808	1,930,779	745,250

Credit risk by public / private sector

Public / Government	209,084	35,418,168	-	-	-	-
Private	122,390,619	55,217,448	2,588,556	1,957,808	1,930,779	745,250
	122,599,703	90,635,616	2,588,556	1,957,808	1,930,779	745,250

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44.1.4 Contingencies and Commitments

Credit risk by industry sector

	2024	2023
	Rupees in thousands	
Agriculture, Forestry, Hunting and Fishing	51,524	211,059
Textile	3,972,083	2,861,168
Chemical and Pharmaceuticals	3,317,927	3,301,965
Cement	250,174	415,738
Sugar	1,849,302	486,874
Footwear and Leather garments	6,852	-
Automobile and transportation equipment	1,913,558	1,497,973
Electronics and electrical appliances	1,437,252	368,730
Construction	7,520,134	6,559,875
Power (electricity), Gas, Water, Sanitation	1,006,274	481,045
Wholesale and Retail Trade	5,257,777	7,190,844
Transport, Storage and Communication	62,517	78,750
Financial	232,557	492,434
Glassware	146,991	119,127
Insurance	-	-
Services	6,990,080	2,441,565
Food, Beverages and Tobacco	2,652,052	795,428
Paper	53,111	67,164
Steel	3,044,163	1,989,754
Shipbreaking	32,469	19,429
Oil Refinery	2,200	-
Plastic	1,770,852	1,571,022
Individuals	8,384	5,886
Shipyards	438,301	617,627
Manufacturing	1,099,995	313,875
Others	904,302	838,918
	<u>44,020,851</u>	<u>32,706,250</u>

Credit risk by public / private sector

Public / Government	449,277	1,302,798
Private	<u>43,571,574</u>	<u>31,403,452</u>
	<u>44,020,851</u>	<u>32,706,250</u>

44.1.5 Concentration of Islamic financing and related assets

The bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 51,581.001 million (2023: Rs. 46,592.736 million) are as following:

	2024	2023
	Rupees in thousands	
Funded	40,810,869	39,097,850
Non Funded	10,770,132	7,494,886
Total Exposure	<u>51,581,001</u>	<u>46,592,736</u>

The sanctioned limits against these top 10 exposures aggregated to Rs. 53,560 million (2023: Rs. 55,632 million).

Total funded classified therein

	2024		2023	
	Amount	Provision held	Amount	Provision held
	Rupees in thousands			
OAEM	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

44.1.6 Islamic financing and related assets - Province / Region - wise Disbursement & Utilization

Province / Region	2024						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	Rupees in thousands						
Punjab	417,367,050	416,225,898	935,889	44,737	-	154,430	6,096
Sindh	180,671,258	3,027,170	177,632,389	-	44	8,656	2,999
KPK including FATA	484,076	23,651	-	439,304	1,523	16,590	3,008
Balochistan	45,571	2,879	3,651	-	39,041	-	-
Islamabad	28,395,504	1,595,712	-	2,521	1,685	26,795,586	-
AJK including Gilgit-Baltistan	-	-	-	-	-	-	-
Gilgit-Baltistan	31,348	4,839	-	-	-	2,694	23,815
Total	626,994,807	420,880,149	178,571,929	486,562	42,293	26,977,956	35,918

Province / Region	2023						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	Rupees in thousands						
Punjab	384,156,928	382,472,277	1,433,494	61,026	5,076	177,821	7,234
Sindh	125,356,627	3,095,089	122,237,557	-	18,065	5,916	-
KPK including FATA	510,171	51,490	1,755	421,528	-	27,626	7,772
Balochistan	71,473	7,084	5,246	-	57,344	1,799	-
Islamabad	25,741,905	4,279,149	-	4,668	2,240	21,455,648	-
AJK including Gilgit-Baltistan	-	-	-	-	-	-	-
Gilgit-Baltistan	43,282	8,310	-	-	-	9,910	25,062
Total	535,880,386	389,913,399	123,678,052	487,222	82,725	21,678,920	40,068

44.2 Market Risk

Market Risk arises from changes in market rates such as Profit / Yield Rates, Foreign Exchange Rates, Equity Prices, and / or commodity prices as well as their correlations and volatilities resulting in a loss to earnings and capital. The Bank is exposed to market risk primarily through its trading activities, which are centered in Treasury and FX Group.

The Bank's Market Risk Management structure consists of Risk Management & Portfolio Review Committee (RM&PRC) of the Board, Management Finance Committee of management and ALCO. There is an independent Market Risk Management Division reporting directly to Group Head Risk Management. Market Risk is an independent risk management function that works in close partnership with the business segments to identify and monitor market risks throughout the Bank and to define market risk policies and procedures. Market Risk seeks to facilitate efficient risk/return decisions, reduce volatility in operating performance and provide transparency into the Bank's market risk profile for senior management, the Board of Directors and regulators. Market risk authority, including both approval of market risk limits and approval of market risks is vested in the ALCO.

In line with regulatory requirements, the Bank has clearly defined, in its Risk Management policy, the positions which shall be subject to market risk. The definition covers the accounting classifications as well as positions booked by different business groups under "Available for Sale" category. The assets subject to trading book treatment are frequently, mostly on daily basis, valued and actively managed. The positions which do not fulfil the criteria of Trading book falls under the Banking Book and are treated as per SBP requirements.

The Bank measures and manages Market Risk by using conventional methods i.e. notional amounts, sensitivity and combinations of various limits. Bank has established a specific Market Risk Limit Policy providing guideline for assuming controlled market risk, its monitoring and management.

Beside conventional methods, the Bank also uses VaR (Value at Risk) technique for market risk assessment of positions assumed by its treasury and capital market groups. In-house based solutions are used for calculating mark to market value of positions and generating VaR (value at risk) and sensitivity numbers. Thresholds for different positions are established to compare the expected losses at a given confidence level and over a specified time horizon.

A framework of stress testing, scenario analysis and reverse stress tests of both banking and trading books as per SBP guidelines is also in place. The results of the stress tests are reviewed by senior management and also reported to the SBP.

44.2.1 Balance sheet split by trading and banking books

	2024			2023		
	Banking book	Trading book	Total	Banking book	Trading book	Total
Rupees in thousands						
Cash and balances with treasury banks	18,114,511	-	18,114,511	19,529,055	-	19,529,055
Balances with other banks	962,093	-	962,093	2,748,279	-	2,748,279
Due from financial institutions	2,000,000	-	2,000,000	2,500,000	-	2,500,000
Investments	28,212,727	118,383,474	146,596,201	36,216,930	96,327,372	132,544,302
Islamic financing and related assets	119,353,143	-	119,353,143	89,347,415	-	89,347,415
Property and equipment	5,191,117	-	5,191,117	3,755,402	-	3,755,402
Right-of-use of assets	2,355,818	-	2,355,818	2,027,791	-	2,027,791
Intangible assets	1,044,088	-	1,044,088	532,846	-	532,846
Deferred tax assets	30,797	-	30,797	-	-	-
Other assets	11,695,860	-	11,695,860	14,014,615	-	14,014,615
	188,960,154	118,383,474	307,343,628	170,672,333	96,327,372	266,999,705

44.2.2 Foreign Exchange Risk

Foreign exchange risk exposes the bank to changes in the values of current holdings and future cash flows denominated in currencies other than home currency due to the exchange rate fluctuation and volatility. The types of instruments exposed to this risk include foreign currency-denominated financing, foreign currency-denominated deposits, future cash flows in foreign currencies arising from foreign exchange transactions, etc.

The core objective of foreign exchange risk management is to ensure the foreign exchange exposure of the Bank remains within defined risk appetite and insulate the Bank against undue losses that may arise due to volatile movements in foreign exchange rates or profit rates.

	2024			
	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure
Rupees in thousands				
United States Dollar	2,138,915	4,782,611	2,560,196	(83,500)
Great Britain Pound Sterling	344,911	819,694	489,588	14,805
Euro	451,532	449,102	87,025	89,455
Japanese Yen	1,331	18	-	1,313
Other currencies	80,175	16	-	80,159
	3,016,864	6,051,441	3,136,809	102,232

	2023			
	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure
Rupees in thousands				
United States Dollar	2,725,356	6,164,761	3,328,297	(111,108)
Great Britain Pound Sterling	943,654	936,224	-	7,430
Euro	485,123	481,996	-	3,127
Japanese Yen	18,729	179	-	18,550
Other currencies	133,031	-	-	133,031
	4,305,893	7,583,160	3,328,297	51,030

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	2024		2023	
	Banking book	Trading book	Banking book	Trading book
Rupees in thousands				
Impact of 1% change in foreign exchange rates on				
- Profit and loss account	1,022	-	510	-

44.2.3 Equity position risk

Bank's proprietary positions in the equity instruments expose it to the equity price risk in its trading and banking books. Equity price risk is managed by applying trading limit, scrip-wise and portfolio wise nominal limits. VaR analysis and stress testing of the equity portfolio are also performed and reported to senior management. The stress test for equity price risk assesses the impact of the fall in the stock market index using internal based assumptions.

	2024		2023	
	Banking book	Trading book	Banking book	Trading book
Rupees in thousands				
Impact of 5% change in equity prices on				
- Profit and loss account	-	-	-	-
- Other comprehensive income	-	-	-	-

44.2.4 Yield / Profit Rate Risk in the Banking Book - Basel II Specific

Yield rate sensitivity position for on-balance sheet instruments is based on the earlier of contractual re-pricing or maturity date and for off-balance sheet instruments is based on settlement date. Yield risk occurs when there is a mismatch between positions, which are subject to profit rate alterations within a particular time period. The Bank's financing, placement and investment activities give rise to profit rate risk. The effect of changes in profit rate is on the Bank's income, and resultant impact is on the Bank's net worth.

Profit rate risk is primarily managed by monitoring the rate sensitive gaps and by having the pre-approved limits for repricing buckets. ALCO is the supervising body for adherence with these, complemented by the monitoring of sensitivity of the Bank's financial assets and liabilities to various scenarios.

	2024		2023	
	Banking book	Trading book	Banking book	Trading book
Rupees in thousands				
Impact of 1% change in profit rates on				
- Profit and loss account	121,976	361,476	94,935	280,530

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4.4.2.5 Mismatch of Profit Rate Sensitive Assets and Liabilities

2024

Effective Yield / Profit rate %	Exposed to Yield / Interest risk										Non-profit bearing financial instruments	
	Total	Over 1 to 3 Months		Over 3 to 6 Months		Over 6 to 12 Months		Over 12 to 24 Months		Over 24 to 36 Months		
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 to 12 Months	Over 12 to 24 Months	Over 24 to 36 Months	Over 36 to 48 Months	Over 48 to 60 Months	Over 60 to 72 Months		Over 72 to 84 Months

Rupees in thousands

On-balance sheet financial instruments

Assets	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 to 12 Months	Over 12 to 24 Months	Over 24 to 36 Months	Over 36 to 48 Months	Over 48 to 60 Months	Over 60 to 72 Months	Over 72 to 84 Months	Non-profit bearing financial instruments
Cash and balances with treasury banks	-	-	-	-	-	-	-	-	-	-	16,114,511
Balances with other banks	27,637	-	-	-	-	-	-	-	-	-	931,456
Due from financial institutions	2,000,000	-	-	-	-	-	-	-	-	-	-
Investments	17,711,421	19,241,500	109,843,285	-	-	-	-	-	-	-	-
Islamic financing and related assets	175,837	39,302,877	5,265,839	5,002,848	-	-	-	-	-	-	45,581,840
Other assets	-	-	-	-	-	-	-	-	-	-	9,485,280
Total	19,914,885	58,544,377	114,909,111	5,002,848	-	-	-	-	-	-	74,125,087

Liabilities

Bills payable	-	-	-	-	-	-	-	-	-	-	-	11,594,493
Due to financial institutions	37,639,696	3,980,882	4,538,438	472,074	876,035	297,434	512,087	105,847	-	-	-	-
Deposits and other accounts	149,050,734	-	-	-	-	-	-	-	-	-	-	69,047,847
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated IRCS	-	-	-	-	-	-	-	-	-	-	-	-
Lease Liabilities	62,800	162,006	125,523	326,851	653,129	579,710	702,364	464,399	-	-	-	8,208,059
Other liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Total	186,763,331	4,082,968	4,665,262	798,925	1,529,163	877,164	1,214,451	570,046	-	-	-	89,850,999
On-balance sheet gap	(166,848,435)	54,451,409	110,243,849	4,203,924	(1,529,163)	(877,164)	(1,214,451)	(570,046)	-	-	-	(6,724,812)

Off-balance sheet financial instruments

Commitments in respect of:												
- forward foreign exchange contracts	(431,542)	2,314,876	1,253,475	-	-	-	-	-	-	-	-	-
Off-balance sheet gap	(431,542)	2,314,876	1,253,475	-	-	-	-	-	-	-	-	-

Total Yield / Profit Risk Sensitivity Gap

	(167,278,977)	55,776,285	111,497,325	4,203,924	(1,529,163)	(877,164)	(1,214,451)	(570,046)	-	-	-
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Cumulative Yield / Profit Risk Sensitivity Gap

	(167,278,977)	(110,503,692)	993,633	5,197,557	3,668,394	2,791,230	1,576,738	1,008,752	1,008,752		
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2023

	Effective Yield / Profit rate %	Exposed to Yield interest risk								Non-profit bearing financial instruments	
		Total	Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years		Over 5 to 10 Years
On-balance sheet financial instruments											
Assets											
Cash and balances with treasury banks	6.01 to 12.00	19,529,055	-	-	-	-	-	-	-	-	19,529,055
Balances with other banks	22.15	2,800,425	1,645	-	-	-	-	-	-	-	2,801,560
Due from financial institutions	22.89	2,500,000	2,500,000	-	-	-	-	-	-	-	-
Investments	1.40 to 32.50	132,644,302	13,392,405	25,305,500	93,846,397	-	-	-	-	-	-
Islamic financing and related assets		77,259,757	252,220	45,706,750	3,887,165	4,476,146	-	-	-	-	18,927,478
Other assets		12,593,042	-	-	-	-	-	-	-	-	12,593,042
		247,229,551	16,146,470	75,012,250	97,743,562	4,476,146	-	-	-	-	53,851,123
Liabilities											
Bills payable	14 to 22.9	2,175,473	-	-	-	-	-	-	-	-	2,175,473
Due to financial institutions	0.90 to 19.95	25,813,546	7,622,644	8,920,029	2,257,544	1,169,073	1,395,453	868,104	1,541,844	2,047,905	-
Deposits and other accounts		204,460,156	141,082,426	-	-	-	-	-	-	-	63,377,732
Liabilities against assets subject to finance lease		-	-	-	-	-	-	-	-	-	-
Subordinated debt		2,536,096	52,574	80,420	89,089	253,895	480,563	452,529	661,517	343,362	171,738
Lease liabilities		9,360,466	184,550	20,505	263	-	-	0	0	0	(0)
Other liabilities		344,445,739	146,942,154	9,050,554	2,386,865	1,422,900	1,877,416	1,310,633	2,233,361	2,391,287	9,155,148
		2,783,812	(132,756,724)	85,981,296	85,390,067	3,053,236	(1,877,416)	(1,310,633)	(2,233,361)	(2,391,287)	(171,738)
On-balance sheet gap											
		3,247,865	3,094,855	773,750	(610,750)	-	-	-	-	-	-
		3,247,865	3,094,855	773,750	(610,750)	-	-	-	-	-	-
Off-balance sheet financial instruments											
Commitments in respect of forward foreign exchange contracts		-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap											
		-	-	-	-	-	-	-	-	-	-
Total Yield / Profit Risk Sensitivity Gap											
		(129,710,869)	66,755,056	84,775,918	3,053,238	(1,877,416)	(1,310,633)	(2,233,361)	(2,391,287)	(171,738)	-
Cumulative Yield / Profit Risk Sensitivity Gap											
		(129,710,869)	(62,955,813)	31,823,104	34,873,342	30,965,926	31,685,293	29,451,933	27,060,645	25,888,907	-

	2024	2023
	Rupees in thousands	
Reconciliation of assets and liabilities exposed to yield / profit rate risk with total assets and liabilities		
Total financial assets as per note 44.2.5	272,497,319	247,229,551
Add: Non financial assets		
- Islamic financing and related assets	24,013,908	12,037,658
- Property and equipment	5,191,117	3,756,402
- Right of use assets	2,555,818	2,027,791
- Intangible assets	1,044,068	532,846
- Deferred tax assets	39,797	-
- Other assets	2,219,581	1,366,457
Total assets as per Statement of Financial Position	307,543,638	266,959,705
Total financial liabilities as per note 44.2.5	281,352,268	244,445,738
Add: Non financial liabilities		
- Deferred tax liability	45,334	72,423
- Other liability	-	445,291
Total liabilities as per Statement of Financial Position	281,397,602	244,963,453

	2024	2023
	Rupees in thousands	
Total financial assets as per note 44.2.5	272,497,319	247,229,551
Add: Non financial assets		
- Islamic financing and related assets	24,013,908	12,037,658
- Property and equipment	5,191,117	3,756,402
- Right of use assets	2,555,818	2,027,791
- Intangible assets	1,044,068	532,846
- Deferred tax assets	39,797	-
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Total assets as per Statement of Financial Position	307,543,638	266,959,705
Total financial liabilities as per note 44.2.5	281,352,268	244,445,738
Add: Non financial liabilities		
- Deferred tax liability	45,334	72,423
- Other liability	-	445,291
Total liabilities as per Statement of Financial Position	281,397,602	244,963,453

Reconciliation of assets and liabilities exposed to yield / profit rate risk with total assets and liabilities

	2024	2023
	Rupees in thousands	
Total financial assets as per note 44.2.5	272,497,319	247,229,551
Add: Non financial assets		
- Islamic financing and related assets	24,013,908	12,037,658
- Property and equipment	5,191,117	3,756,402
- Right of use assets	2,555,818	2,027,791
- Intangible assets	1,044,068	532,846
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- Other liability	-	445,291
Total liabilities as per Statement of Financial Position	281,397,602	244,963,453

Total financial assets as per note 44.2.5

	2024	2023
	Rupees in thousands	
Total financial assets as per note 44.2.5	272,497,319	247,229,551
Add: Non financial assets		
- Islamic financing and related assets	24,013,908	12,037,658
- Property and equipment	5,191,117	3,756,402
- Right of use assets	2,555,818	2,027,791
- Intangible assets	1,044,068	532,846
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- Other assets	2,219,581	1,366,457
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Add: Non financial liabilities		
- Deferred tax liability	45,334	72,423
- Other liability	-	445,291
Total liabilities as per Statement of Financial Position	281,397,602	244,963,453

Total assets as per Statement of Financial Position

Total financial liabilities as per note 44.2.5

Add: Non financial liabilities

- Deferred tax liability

- Other liability

Total liabilities as per Statement of Financial Position

Total financial assets as per note 44.2.5

Add: Non financial assets

- Islamic financing and related assets

- Property and equipment

- Right of use assets

- Intangible assets

- Deferred tax assets

- Other assets

Total assets as per Statement of Financial Position

Total financial liabilities as per note 44.2.5

Add: Non financial liabilities

- Deferred tax liability

- Other liability

Total liabilities as per Statement of Financial Position

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44.3 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. This definition includes legal risks but excludes strategic and reputational risks.

The Bank's operational risk management framework, as laid down in the operational risk policy, duly approved by the Board of Directors (BDD), is flexible enough to implement in stages and permits the overall risk management approach to evolve in the light of organizational learning and the future needs of the Bank. Operational loss events are reviewed and appropriate corrective actions are taken on an ongoing basis, including measures to improve control procedures with respect to design and operative effectiveness.

An independent Operational Risk Management Function has also been established within the Risk Management Group, as per the requirements of SBP Basel Framework and in line with the international best practice. This function is responsible to ensure that management of operational risk in the Bank is carried out in accordance with the bank's approved policies and frameworks.

Operational Risk Management helps the Bank understand risks and improve mitigating controls so as to minimize operational risks that are inherent in almost all areas of the Bank. Going forward, the Bank will further strengthen its risk function, policies and procedures to facilitate its operations and improve quality of assets to safeguard interest of depositors.

The key elements in the operational risk management process are:

- Risk Identification & Assessment
- Risk Monitoring & Reporting
- Risk Control & Mitigation

Operational Risk identification at the Bank is based on utilization of diversified tools including but not limited to internal and external loss / control breach / near miss incidents data collection, process reviews, internal / external audit / regulatory inspection observations, expert judgment and self-assessment etc. Since scope of operational risk spreads across different functions of the bank, roles and responsibilities regarding operational risk management also spread across all the groups in the bank. Governance structure involved in management of operational risk is as follows:

- Board of Directors
- Risk Management and Portfolio Review Committee (RM&PRC)
- President
- Risk Management Group (RMG)
- All Business and Support Groups

Based on the analysis of operational risks through maintenance of operational risk database, a periodic reporting of operational losses and significant risk events is being done for review of RM&PRC on quarterly basis. The strong control environment encompasses documented policies / procedures and systems in all key areas as effective risk mitigation tools.

The Bank is focusing on the following risk mitigation tools:

- Business Continuity Management / Disaster Recovery Planning
- Takaful
- Outsourcing

Continuous monitoring of the effectiveness of mitigants has been ensured through regular compliance reviews and independent validation by Internal / External Audit inspections.

Operational risk covers a broad range of risks and is useful to sub-divide operational risk into two main categories i.e. Internal Risks and External Risks.

Operational risk event types are further divided into seven types which are as under:

- Internal Fraud
- External Fraud
- Damage to Physical Assets
- Execution, delivery and process management
- Business disruption and system failure
- Employment practices and workplace safety
- Clients, products and business practices

Operational Risk-Disclosures Basel II Specific

Since the Bank currently being at infancy stage, is using Basic Indicator Approach (BIA) for allocation of capital charge for operational risk as the corner stone of capital allocation under advanced approaches of Basel II is the historical time series of operational loss data.

Operational loss data pertaining to key risk events is also collected on bank-wide basis. Periodic review and analysis will be prepared for senior management and Risk Management and Portfolio Review Committee (RM&PRC) of the Board. Such reports will cover the significant risk events with root cause analysis and recommendations for further improvements.

Business Continuity Planning & Health, Safety & Environment:

A comprehensive Business Continuity Plan is in place whereby all Branches & Head Office functions have developed their Alternate Sites which will be operational in case of emergency.

We have established minimum safety standards that all businesses, offices and branches of the Bank must adhere to and encourages all employees to promote the safety of their fellow employees and customers.

Fraud Risk Management:

Fraud Risk Management Division has been formed under Risk management group to ensure appropriate protection of financial and reputational interest of the bank and core responsibilities are:

- Compliance on SBP directives for policies, procedures and internal / external reporting.
- 24/7 Monitoring of Digital Banking & Alternate Delivery Channel (ADC) transactions.
- Fraud training awareness.
- Handling frauds related complaints and their resolution as per SBP directives including FDTH affairs.

Information Technology Security:

An independent IT Security division is in place to counter cyber security threats. However, this is a dynamic area and the bank is in the process of acquiring more solutions & implementing more controls. Broadly speaking, IT Security covers the following main areas in accordance with Board approved policy:

- Implement information security policy and associated process and controls
- Implement Access and Authentication controls
- Periodically conduct access review of privilege users.
- Periodically conduct Risk Assessment of critical information assets
- Periodically conduct internal / external vulnerability assessment and penetration testing of critical information assets.
- Information / cyber security awareness to be created amongst staff members
- Incident response and lesson learned.
- Continuous communication to stakeholders
- Continuous improvement

Shari'ah Non Compliance Risk (SNCR):

The Bank is fully acquainted with SNCR and its potential implications on the reputation and business of the Bank. Therefore the Bank shall take adequate measures to address SNCR and ensure conformity of its operations with Shari'ah principles

In addition to the Shari'ah Compliance Department, exclusively overseeing SNCR risk, the RM&PRC and senior management shall also play their role in monitoring the same.

All Shari'ah non-compliance events and transactions are reported to Shari'ah Non Compliance Risk Management Committee (SNCRMC), RM&PRC and BOD on quarterly basis by Shari'ah Compliance Department (SCD).

44.4 Liquidity Risk

Liquidity risk is the potential for loss to the Bank arising from either its inability to meet its obligations or to fund increases in assets as they fall due without incurring an unacceptable cost. The Bank's Board of Directors sets Bank's policy for managing liquidity risk and entrusts accountability for supervision of the implementation of this strategy to senior management. Senior management exercises its responsibilities for managing market & liquidity risk through various committees including the Asset & Liability Management Committee (ALCO). Treasury department manages the Bank's liquidity position on a daily basis. The Bank's main approach of managing the liquidity risk is to make certain that it will always have adequate liquidity to meet its liabilities when they are due in normal and stressed scenarios without incurring any untoward expenditure or risking reputational harm. ALCO monitors the maintenance of liquidity ratios, depositor's concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual deposits. Regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. There is an Asset Liability Management Framework in place for focused handling of Liquidity. This framework also incorporates early warning indicators.

44.4.1 Maturities of assets and liabilities

44.4.1.1 Maturities of Assets and Liabilities - based on contractual maturity

2024														
Rupees in thousands														
Total	Up to 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Above 5 years	
Assets														
Cash and balances with treasury banks	18,114,511	4,528,628	4,528,628	4,528,628	-	-	-	-	-	-	-	-	-	
Balances with other banks	982,093	240,524	240,523	240,523	-	-	-	-	-	-	-	-	-	
Due from financial institutions	2,000,000	-	2,000,000	-	-	-	-	-	-	-	-	-	-	
Investments - net	146,596,201	1,309,681	2,389,120	1,824,454	7,013,541	8,313,623	12,531,768	3,928,201	10,323,431	11,916,228	11,467,469	13,015,973	13,425,491	
Islamic financing and related assets - net	5,191,117	-	-	80,488	68,440	203,799	262,258	199,631	757,311	670,604	925,476	2,015,739	-	
Property and equipment	2,350,818	1,919	13,432	32,620	59,308	57,483	169,028	162,586	156,414	455,751	461,247	201,511	-	
Right-of-use of assets	1,044,088	-	-	8,388	8,008	-	-	-	41,732	177,842	159,362	286,155	-	
Intangible assets	1,492,658	-	-	-	-	-	-	-	101,453	1,381,205	-	-	-	
Deferred tax assets	11,695,963	1,283,112	1,380,859	1,450,272	1,790,316	1,014,328	1,217,002	1,000,319	1,006,319	-	-	-	-	
Other assets	308,903,490	7,363,864	10,550,683	6,051,310	13,441,489	24,622,760	9,483,171	20,182,977	8,489,011	12,433,920	36,060,584	81,103,182	23,981,026	
Liabilities														
Bills payable	11,504,403	2,008,623	2,898,623	2,898,623	2,898,623	-	-	-	-	-	-	-	-	
Due to financial institutions	48,422,293	174,221	27,307,273	4,027,938	8,130,272	333,516	4,338,438	223,934	240,320	870,035	297,434	512,067	106,647	
Deposits and other accounts	209,108,501	3,730,425	9,313,968	5,379,531	11,158,291	978,499	5,833,733	5,269,992	7,490,590	38,194,378	38,135,495	38,081,385	38,078,285	
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	
Subordinated debts	1,461,861	61	355	365	760	1,673	19,627	15,987	9,060	62,154	389,431	688,802	272,028	
Deferred tax liabilities	3,016,362	3,020	12,174	14,203	34,494	44,652	126,823	133,819	153,032	653,129	679,710	702,364	464,396	
Lease liabilities	6,253,993	1,933,040	2,630,827	2,100,201	2,187,228	6,012	208,686	-	-	-	-	-	-	
Other liabilities *	282,855,484	8,738,385	41,463,218	14,620,843	22,406,658	11,448,243	10,327,306	8,643,653	7,930,931	36,785,725	39,402,160	39,984,638	36,920,355	
Net assets	26,946,006	(1,374,526)	(1,012,335)	(6,363,533)	(8,966,179)	12,573,917	8,178,819	9,555,671	1,845,358	4,502,997	(3,700,141)	14,533,039	41,118,554	(15,239,335)
Share capital	16,550,000	-	-	-	-	-	-	-	-	-	-	-	-	
Reserves	2,276,220	-	-	-	-	-	-	-	-	-	-	-	-	
Surplus on revaluation of assets - net of tax	1,517,729	-	-	-	-	-	-	-	-	-	-	-	-	
Accumulated profit	6,602,057	-	-	-	-	-	-	-	-	-	-	-	-	
26,946,006	-	-	-	-	-	-	-	-	-	-	-	-	-	

* These contain maturity analysis of lease liabilities based on contractual maturities which is shown below:

Rupees in thousands													
Total	Up to 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Above 5 years
3,018,262	2,029	12,174	14,203	34,494	67,434	44,652	126,823	133,819	193,032	653,129	579,710	702,364	464,399

Lease liability against right of use assets

47

2023

Total	Up to 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Above 5 years
19,529,065	4,882,264	4,882,264	4,882,264	4,882,263	-	-	-	-	-	-	-	-	-
2,803,425	687,070	687,070	687,070	742,216	-	-	-	-	-	-	-	-	-
2,500,000	-	2,500,000	-	-	-	-	-	-	-	-	-	-	-
132,544,302	-	-	-	-	17,029,500	20,343,000	4,041,200	-	-	-	-	-	-
80,347,415	2,324,791	2,302,642	2,103,048	2,087,878	10,126,884	2,038,225	9,618,907	4,058,691	3,968,635	13,632,268	12,036,713	11,904,270	13,663,390
3,765,402	0	-	-	58,820	46,346	48,822	144,911	142,720	129,715	472,024	418,148	577,051	1,718,845
2,027,791	1,632	9,164	10,729	28,048	46,892	45,892	130,529	128,730	126,823	445,166	355,183	462,285	234,688
532,846	-	-	-	10,238	16,521	16,522	50,201	49,629	31,438	95,360	79,611	115,916	60,411
157,094	-	-	-	-	-	-	-	-	2,566	154,378	-	-	-
13,559,469	1,612,641	1,529,168	1,611,101	1,952,293	1,863,144	1,518,306	1,423,196	1,222,486	1,222,485	-	-	-	-
297,156,769	9,508,296	11,909,677	9,294,209	9,763,956	12,098,787	4,368,767	24,408,054	23,945,556	9,540,963	26,335,941	82,800,122	13,099,621	28,006,297

Assets

Cash and balances with treasury banks
Balances with other banks
Due from financial institutions
Investments - net
Islamic financing and related assets - net
Property and equipment
Right-of-use of assets
Intangible assets
Declared tax assets
Other assets

Liabilities

Bills payable
Due to financial institutions
Deposits and other accounts
Liabilities against assets subject to finance lease
Subordinated debts
Deferred tax liabilities
Lease liabilities
Other liabilities *

2,175,473	543,868	543,869	543,868	543,868	5,266,241	3,823,788	2,257,544	877,364	291,456	1,386,453	868,104	1,541,644	2,047,905
23,613,346	130,498	7,269,105	111,181	111,871	5,266,241	3,823,788	2,257,544	877,364	291,456	1,386,453	868,104	1,541,644	2,047,905
204,460,158	152,727,842	4,593,800	3,608,349	15,052,974	5,190,072	2,940,945	2,847,530	4,485,725	6,646,875	3,134,091	111,546	500	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
602,365	41	287	287	615	1,210	1,210	18,146	129,761	23,881	29,268	299,492	29,629	75,568
2,626,099	1,666	10,176	11,871	26,031	32,827	27,592	99,089	112,258	140,626	460,963	452,626	691,617	616,120
9,432,889	1,995,317	1,910,783	1,993,777	2,360,214	640,618	296,520	206,620	(0)	-	-	-	-	-
245,120,317	155,399,251	14,328,020	9,469,333	18,126,373	11,161,026	6,919,076	9,429,928	5,519,399	10,102,840	5,040,715	1,721,666	2,261,960	2,638,583
22,036,262	(145,890,663)	(2,519,342)	2,824,876	(8,364,816)	937,759	(2,350,309)	18,977,126	20,426,247	(583,857)	21,315,229	81,078,453	13,796,132	25,367,714

Share capital
Reserves
Surplus on revaluation of assets - net of tax
Accumulated profit

* These contain maturity analysis of lease liabilities based on contractual maturities which is shown below

Total	Up to 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Above 5 years
2,636,066	1,696	10,176	11,871	26,831	32,827	27,592	99,089	113,259	140,626	480,963	452,629	691,617	616,120

Lease liability against right of use assets

47

44.4.1.2 Maturities of assets and liabilities based on expected maturities

2024

	Rupees in thousands									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Assets										
Cash and balances with treasury banks	18,114,511	18,114,511	-	-	-	-	-	-	-	-
Balances with other banks	962,093	962,093	-	-	-	-	-	-	-	-
Due from financial institutions	2,000,000	2,000,000	-	-	-	-	-	-	-	-
Investments - net	146,596,201	-	-	6,030,488	3,952,365	21,264,970	66,410,332	7,505,133	250,000	-
Islamic financing and related assets - net	119,353,143	12,536,797	30,403,785	12,531,768	14,051,632	11,916,228	11,467,469	13,019,973	7,195,995	6,229,497
Property and equipment	5,191,117	80,488	135,811	203,799	401,889	757,311	670,804	925,476	2,015,739	-
Right-of-use of assets	2,355,818	59,483	116,771	169,028	319,000	573,028	455,751	461,247	201,511	-
Intangible assets	1,044,088	8,388	18,320	30,892	79,967	177,842	159,362	286,165	283,152	-
Deferred tax assets*	1,492,658	-	-	-	101,453	1,391,205	-	-	-	-
Other assets	11,695,860	5,651,582	2,810,643	1,217,002	2,016,632	-	-	-	-	-
	308,805,460	36,413,343	33,485,331	20,182,977	20,922,938	36,080,584	53,936,099	81,103,192	17,201,529	6,479,497
Liabilities										
Bills payable	11,594,493	11,594,493	-	-	-	-	-	-	-	-
Due to financial institutions	48,422,293	37,639,696	3,980,882	4,538,438	472,074	876,035	297,434	512,087	105,647	-
Deposits and other accounts	209,108,581	28,582,212	7,852,423	5,433,733	13,750,582	38,194,378	38,135,585	36,061,385	19,039,142	19,039,142
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Deferred tax liability*	1,461,861	1,520	3,193	19,627	26,077	62,184	369,431	668,802	272,028	-
Lease liabilities	3,018,262	62,900	102,085	126,823	326,851	653,129	579,710	702,364	464,399	-
Other liabilities**	9,253,093	8,251,206	794,012	208,686	-	-	-	-	-	-
	282,859,484	87,132,117	12,732,596	10,327,307	14,574,584	39,785,724	39,402,160	39,964,638	19,881,216	19,039,142
Net assets	25,946,006	(47,718,774)	20,752,736	9,855,670	6,348,353	(3,705,140)	14,533,939	41,118,554	(2,679,687)	(12,559,645)
Share capital	15,550,000									
Reserves	2,276,220									
Surplus on revaluation of assets - net of tax	1,517,728									
Accumulated profit	5,602,057									
	25,946,006									

Share capital
Reserves
Surplus on revaluation of assets - net of tax
Accumulated profit

* These have been presented collectively on the statement of financial position

** These contain maturity analysis of lease liabilities based on contractual maturities which is shown below:

	Rupees in thousands									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Lease liability against right of use assets	3,018,262	62,900	102,085	126,823	326,851	653,129	579,710	702,364	464,399	-

Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
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Rupees in thousands

Cash and balances with treasury banks	19,529,055	-	-	-	-	-	-	-	-
Balances with other banks	2,803,425	-	-	-	-	-	-	-	-
Due from financial institutions	2,500,000	-	-	-	-	-	-	-	-
Investments - net	132,544,302	-	-	24,384,200	11,556,745	69,910,467	-	13,413,390	250,000
Islamic financing and related assets - net	89,347,415	13,064,108	9,618,007	8,045,626	13,632,268	12,006,713	11,904,270	7,972,980	4,355,984
Property and equipment	3,793,343	56,820	95,168	272,435	472,024	418,148	577,051	1,756,787	-
Right-of-use of assets	1,989,849	47,501	93,785	255,553	445,166	355,183	462,285	196,746	-
Intangible assets	532,846	16,238	33,343	81,067	95,360	79,611	115,915	60,411	-
Deferred tax assets*	157,064	-	-	2,696	154,378	-	-	-	-
Other assets	13,959,469	6,519,692	3,565,700	2,444,971	-	-	-	-	-
	267,156,769	40,190,190	16,852,103	35,486,538	26,355,941	82,800,122	13,059,521	23,400,313	4,605,984

Liabilities

Bills payable	2,175,473	-	-	-	-	-	-	-	-
Due to financial institutions	25,813,546	8,920,029	2,257,544	1,169,023	1,396,453	858,104	1,541,844	2,047,905	-
Deposits and other accounts	204,460,158	34,950,208	11,341,541	14,052,600	37,639,669	34,617,102	34,506,058	17,252,779	17,252,779
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-
Deferred tax liability*	602,355	1,230	2,461	146,640	26,268	299,492	29,529	75,558	-
Lease liabilities	2,636,096	52,574	90,420	253,885	480,963	452,529	691,517	257,560	257,560
Other liabilities	9,432,889	8,105,541	1,120,728	206,620	-	-	-	-	-
	245,120,517	52,507,670	21,475,179	15,672,148	39,546,273	36,227,227	36,768,948	19,633,802	17,510,339
	22,036,252	(12,717,480)	(4,623,077)	19,864,390	(13,190,332)	46,572,895	(23,709,427)	3,765,511	(12,904,355)

Net assets

Share capital	15,550,000
Reserves	1,428,486
Surplus on revaluation of assets - net of tax	934,644
Accumulated profit	4,123,122
	<u>22,036,252</u>

* These have been presented collectively on the statement of financial position.

** These contain maturity analysis of lease liabilities based on contractual maturities which is shown below:

Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
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Rupees in thousands

Lease liability against right of use assets	2,636,096	52,574	90,420	99,089	253,885	452,529	691,517	515,120	-
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Liquidity Gap Reporting

Regarding behavior of non-maturity deposits (non-contractual deposits), the Bank conducted a behavioral study using value at risk methodology. On the basis of its findings 8.86% of current accounts and saving accounts are bucketed into Upto 1 - year maturity while 91.14% of current accounts saving accounts are bucketed in over 1 year maturity.

45 PROFIT / (LOSS) DISTRIBUTION TO DEPOSITORS' AND SPECIFIC POOLS

45.1 The Bank is maintaining the following types of pools for profit declaration and distribution:

- 1 General Pool
- 2 IERS Musharaka Pool
- 3 Treasury Musharaka / Mudaraba Pools
- 4 Special Musharaka Pool
- 5 Equity Pool

Features, risks and rewards of each pool are given below:

1 General Pool

The Bank manages one general pool for its depositors' (Rabbul Mal) maintaining deposits under Mudaraba in both local and foreign currencies and also commingled its equity in this pool. The income (gross income less direct expenses) generated from the pool is distributed between Bank's equity and depositors' fund in proportion to their respective share in the pool. Under the Mudaraba mechanism, the income so distributed to depositors' fund is shared between the Bank (Mudarib) and depositors' (Rabbul Mal) according to the pre-agreed profit sharing ratios and assigned weightages.

The deposits and funds accepted under the General Pool are deployed to diversified sectors and avenues of the economy / business mainly to 'Agriculture, Forestry & Fishing', 'Textile & Allied', 'Food & Allied', 'Distribution & Trade', 'Investment in Government of Pakistan (jarah Sukuk)', etc.

Parameters associated with risk and rewards

Following are the consideration attached with risk and reward of general pool:

- Period, return, safety, security and liquidity of investment.
- Financing proposals under process at various stages and likely to be extended in the near future.
- Expected amount of procurement of deposit during coming days as a result of concerted marketing efforts of the Bank.
- Element of risk attached to various types of investments.
- SBP rules and Shari'ah clearance.

2 Islamic Export Refinance Scheme (IERS) Musharaka Pool

The Bank manages IERS Musharaka Pool for funds accepted from SBP under IERS. Under the PLS mechanism, the Bank generates revenues from the pool funds which are shared with the SBP according to the pre-agreed profit sharing ratios. Musharaka investments from the SBP under IERS are channeled towards the export sector of the economy and other financings as per SBP guidelines.

3 Treasury Musharaka / Mudaraba Pools

The Bank accepts funds from other banks to manage its liquidity under Musharaka / Mudaraba mode. The funds accepted are tagged to remunerative assets having maturity on or after the period for which funds are accepted. The revenue generated from the pool asset is shared between the bank and other member of the pool according to pre-agreed profit sharing ratios or assigned weightages accordingly.

4 Special Musharaka Pool

The Bank also accepts funds / deposits (other than Banks) under Musharaka mode. The commingled funds under this arrangement are deployed in remunerative assets as per the terms of agreement. The revenue generated from these assets are then shared as per pre-agreed profit sharing ratio.

5 Equity Pool

The Equity Pool consists of Bank's equity and funds accepted on Qard (non-remunerative current deposit account) basis. The funds of this pool are invested in various assets or ventures which are higher in risk or having longer funding period. In addition to that all staff financings are financed by this pool. The risk of assets in the pool is borne by the Bank.

Charging of expenses

Direct expenses are being charged to respective pools, while indirect expenses such as general and administrative expenses are being borne by the Bank as Mudarib. No provision expense is charged to the pool unless it is written off. The direct expenses charged to the pool may include depreciation of Ijarah assets, premium amortization on Sukuk, impairment losses due to physical damages to specific assets in pools etc. However, this is not an exhaustive list; the Bank's pool management framework and the respective pool creation memo may identify and specify these and any other similar expenses to be charged to the pool.

45.2 Following are the detail of profit distribution among different pool maintained by the Bank.

2024							
Pool Description	Profit Rate & weightage announcement period	Profit Rate Earned	Profit Sharing Ratio of Mudarib	Mudarib Fee	Profit Rate distributed	General Hiba	Amount of General Hiba
		%	%	Rupees in thousands	%	%	Rupees in thousands
General pool	Monthly	19.83	50.00	9,501,883	13.34	19.13	2,247,688
Islamic Export Refinance (IERS) Pool	Monthly	18.51	-	-	16.93	-	-
Treasury Musharaka/ Mudaraba Pool	As required	19.03	-	-	17.59	-	-
Special Musharaka Pool	Monthly / As required	20.03	-	-	18.15	-	-
Equity Pool	Monthly	13.76	-	-	-	-	-
2023							
Pool Description	Profit Rate & weightage announcement period	Profit Rate Earned	Profit Sharing Ratio of Mudarib	Mudarib Fee	Profit Rate distributed	General Hiba	Amount of General Hiba
		%	%	Rupees in thousands	%	%	Rupees in thousands
General pool	Monthly	20.38	50.00	7,540,704	11.66	14.53	1,281,698
Islamic Export Refinance (IERS) Pool	Monthly	16.95	-	-	14.56	-	-
Treasury Musharaka/ Mudaraba Pool	As required	17.04	-	-	14.98	-	-
Special Musharaka Pool	Monthly/ As required	16.81	-	-	14.54	-	-
Equity Pool	Monthly	15.06	-	-	-	-	-

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46 GENERAL

46.1 TRUST ACTIVITIES

The Bank undertakes trustee and other fiduciary activities that result in the holding or placing of assets on behalf of individuals and other organisations. These are not assets of the Bank and, therefore, are not included as such in these financial statements. Assets held under trust in Investor Portfolio Securities Accounts (IPS) accounts are shown in the table below:

Category	Government of Pakistan Ijarah Sukuk (Face Value)			
	2024		2023	
	Rupees in thousands			
	Number of IPS Accounts	Amount	Number of IPS Accounts	Amount
Insurance Companies	2	810,000	14	1,010,000
Pension & Employee Funds	2	193,000	4	176,100
Total	4	1,003,000	18	1,186,100

46.2 Figures have been rounded off to the nearest thousand of Pakistani Rupees unless otherwise stated.

46.3 Comparative information has been re-classified and re-arranged in these financial statements wherever necessary to facilitate comparison and better presentation.

The effect of reclassification, rearrangement, restatement in the comparative information presented in these financial statements due to adoption of new forms for the preparation of annual financial statements as explained in note 2.3 is as follows:

Description of item	Nature	From	To	Rs in '000'
Right-of-use assets	Asset	Property and equipment	Right-of-use assets	2,027,791
Lease liabilities against right-of-use-assets	Liability	Other liabilities	Lease liabilities	2,636,096

46.4 The following corresponding figure has been re-arranged for the purpose of comparison, with other relevant changes in the financial statements incorporated therein:

Description	Dec 31, 2023 Rupees in thousands	From	To
Balance with MCB for OTC Transactions	55,146	Other Assets	Balance with other banks

47 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on _____ by the Board of Directors of the Bank.


 Chief Financial Officer
 
 President / Chief Executive
 
 Director
 
 Director
 
 Director