

MCB ISLAMIC BANK LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2024

		(Unaudited) September 30,	(Audited) December 31,
	Note	2024	2023
		Rupees in thousands	
ASSETS			
Cash and balances with treasury banks	8	18,928,131	19,529,055
Balances with other banks	9	1,410,985	2,803,425
Due from financial institutions	10	-	2,500,000
Investments	11	154,186,223	132,544,302
Islamic financing and related assets	12	90,902,139	89,347,415
Property and equipment	13	4,779,952	3,755,402
Right-of-use assets	14	2,049,553	2,027,791
Intangible assets	15	1,080,804	532,846
Deferred tax assets	16	181,544	-
Other assets	17	23,342,008	13,959,469
		296,861,339	266,999,705
LIABILITIES			
Bills payable	19	1,496,519	2,175,473
Due to financial institutions	20	17,873,812	25,813,546
Deposits and other accounts	21	239,875,681	204,460,158
Lease liabilities	22	2,707,900	2,636,096
Subordinated debts		-	-
Deferred tax liabilities	16	-	445,291
Other liabilities	23	10,013,583	9,432,889
		271,967,495	244,963,453
NET ASSETS		<u>24,893,844</u>	<u>22,036,252</u>
REPRESENTED BY			
Share capital	24	15,550,000	15,550,000
Reserves	25	2,108,345	1,428,486
Surplus on revaluation of assets - net of tax	26	973,251	934,644
Unappropriated profit		6,262,248	4,123,122
		<u>24,893,844</u>	<u>22,036,252</u>
CONTINGENCIES AND COMMITMENTS	27		

The annexed notes 1 to 44 form an integral part of these condensed interim financial statements.


Chief Financial Officer


President / Chief Executive


Director


Director


Director

MCB ISLAMIC BANK LIMITED

CONDENSED INTERIM STATEMENT OF PROFIT AND LOSS ACCOUNT (UNAUDITED)

FOR THE QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2024

Note	Quarter Ended		Nine Months Ended		
	July 1, 2024 to September 30, 2024	July 1, 2023 to September 30, 2023	January 1, 2024 to September 30, 2024	January 1, 2023 to September 30, 2023	
Rupees in thousands					
Profit / return earned	28	12,015,652	10,335,064	35,646,651	25,222,622
Profit / return expensed	29	7,618,607	4,933,142	22,912,764	12,840,053
Net profit / return		4,397,045	5,401,922	12,733,887	12,382,569
OTHER INCOME					
Fee and commission income	30	233,300	177,156	695,313	545,350
Dividend income		-	2,329	-	8,918
Foreign exchange income		275,609	190,706	331,774	504,565
Gain / (loss) on securities	31	58,069	-	52,585	(46)
Other income	32	131,346	65,792	234,341	179,448
Total other income		698,324	435,983	1,314,013	1,238,235
Total income		5,095,369	5,837,905	14,047,900	13,620,804
OTHER EXPENSES					
Operating expenses	33	2,549,370	2,033,710	7,105,365	5,394,395
Workers welfare fund		48,243	67,469	137,741	157,528
Other charges	34	2,149	755	2,371	2,081
Total other expenses		2,599,762	2,101,934	7,245,477	5,554,004
Profit before credit loss allowance		2,495,607	3,735,971	6,802,423	8,066,800
Credit loss allowance and write offs - net	35	89,167	242,822	134,862	560,957
Extra ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		2,406,440	3,493,149	6,667,561	7,505,843
Taxation	36	1,180,208	1,624,879	3,268,267	3,671,975
PROFIT AFTER TAXATION		1,226,232	1,868,270	3,399,294	3,833,868
-----Rupees-----					
Basic and diluted earnings per share	37	0.789	1.201	2.186	2.466

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MCB ISLAMIC BANK LIMITED

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2024

	Quarter Ended		Nine Months Ended	
	July 1, 2024 to September 30, 2024	July 1, 2023 to September 30, 2023	January 1, 2024 to September 30, 2024	January 1, 2023 to September 30, 2023
	Rupees in thousands			
Profit after taxation for the period	1,226,232	1,868,270	3,399,294	3,833,868
Other comprehensive (loss) / 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	268,273	76,490	36,901	52,678
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	-	-	-	(11,984)
Total comprehensive income for the period	1,494,505	1,944,760	3,436,195	3,874,562

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MCB ISLAMIC BANK LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2024

	Share Capital	Statutory Reserve	Surplus / (deficit) on revaluation of		Unappropriated profit / (loss)	Total
			Investments	Property & Equipment		
Rupees in thousands						
Balance as at January 1, 2023	15,550,000	397,819	(79,928)	480,758	(1,767)	16,346,882
Total comprehensive income / (loss) for the nine months period ended September 30, 2023						
Profit after taxation for the nine months period ended September 30, 2023	-	-	-	-	3,833,868	3,833,868
Other comprehensive income / (loss)	-	-	52,678	(11,984)	-	40,694
	-	-	52,678	(11,984)	3,833,868	3,874,562
Transfer to statutory reserve	-	766,774	-	-	(766,774)	-
Transfer from surplus on revaluation of property and equipment to unappropriated profit in respect of incremental depreciation - net of tax	-	-	-	(1,665)	1,666	-
Balance as at September 30, 2023 (Unaudited)	15,550,000	1,164,593	(27,250)	467,108	3,066,993	20,221,444
Total comprehensive income / (loss) for the three month period ended December 31, 2023 - net of tax						
Profit after taxation for the three months period ended December 31, 2023	-	-	-	-	1,319,467	1,319,467
Other comprehensive income	-	-	495,341	-	-	495,341
	-	-	495,341	-	1,319,467	1,814,808
Transfer to statutory reserve	-	263,893	-	-	(263,893)	-
Transfer from surplus on revaluation of property and equipment to unappropriated profit in respect of incremental depreciation - net of tax	-	-	-	(555)	555	-
Balance as at December 31, 2023 (Audited)	15,550,000	1,428,486	468,091	466,553	4,123,122	22,036,252
Impact of adopting IFRS-9						
Expected Credit Loss - net of tax	-	-	3,371	-	(581,974)	(578,603)
Restated Balance under IFRS 9 as at December 31, 2023	15,550,000	1,428,486	471,462	466,553	3,541,148	21,457,649
Total comprehensive income for the nine months period ended September 30, 2024 - net of tax						
Profit after taxation for the nine months period ended September 30, 2024	-	-	-	-	3,399,294	3,399,294
Other comprehensive income	-	-	36,901	-	-	36,901
	-	-	36,901	-	3,399,294	3,436,195
Transfer to statutory reserve	-	679,859	-	-	(679,859)	-
Transfer from surplus on revaluation of property and equipment to unappropriated profit in respect of incremental depreciation - net of tax	-	-	-	(1,665)	1,665	-
Balance as at September 30, 2024 (Unaudited)	15,550,000	2,108,345	508,363	464,888	6,262,248	24,893,844

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MCB ISLAMIC BANK LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2024

	Note	September 30, 2024	September 30, 2023
Rupees in thousands			
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		6,667,561	7,505,843
Less: Dividend income		-	(8,918)
		<u>6,667,561</u>	<u>7,496,925</u>
Adjustments			
Depreciation on property & equipments	33	445,211	339,122
Depreciation on right-of-use asset	33	451,413	382,080
Depreciation on Ijarah assets under IFAS 2		283,061	425,214
Amortization	33	151,154	139,996
Unwinding of liability against right of use assets	29	269,182	222,519
Credit loss allowance and write offs - net	35	134,862	560,957
Unrealized loss on forward foreign exchange contracts - net		96,510	211,563
Gain on sale of property and equipment - net	32	(22,069)	(428)
Gain on termination of lease liability against right-of-use asset	32	(5,569)	(6,319)
Unrealised loss on revaluation of FVTPL securities	31	4,181	-
(Gain) / loss on sale of securities - net	31	(56,766)	46
		<u>1,751,170</u>	<u>2,274,750</u>
		8,418,731	9,771,675
(Increase) / decrease in operating assets			
Due from financial institutions		2,500,117	(5,030,000)
Islamic financing and related assets		(1,922,328)	17,820,015
Other assets (excluding advance taxation)		(10,116,077)	(7,058,367)
		(9,538,288)	5,731,648
Increase / (decrease) in operating liabilities			
Bills payable		(678,954)	(2,001,964)
Due to financial institutions		(7,939,734)	2,620,606
Deposits		35,415,523	29,424,754
Other liabilities (excluding current taxation)		1,675,709	22,472
		<u>28,472,544</u>	<u>30,065,868</u>
		27,352,987	45,569,191
Income tax paid		(5,023,364)	(3,441,344)
Net cash flow generated from operating activities		<u>22,329,623</u>	<u>42,127,847</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net divestments in securities classified as FVTPL		1,996,619	-
Net investments in securities classified as FVTOCI		(31,522,388)	(25,008,124)
Net divestments / (investments) in amortised cost securities		8,014,570	(12,996,015)
Dividends received		-	8,918
Investments in property and equipment	13.2	(1,479,167)	(512,806)
Disposal of property and equipment		31,475	1,079
Investments in intangible assets	15.1	(699,113)	(76,589)
Net cash flow used in investing activities		<u>(23,658,004)</u>	<u>(38,583,537)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Payment of lease liability against right-of-use asset		(664,983)	(528,358)
Net cash flow used in financing activities		<u>(664,983)</u>	<u>(528,358)</u>
(Decrease)/ increase in cash and cash equivalents during the period		<u>(1,993,364)</u>	<u>3,015,952</u>
Cash and cash equivalents at the beginning of the period		22,332,480	15,144,558
Cash and cash equivalents at the end of the period	38	<u>20,339,116</u>	<u>18,160,510</u>


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MCB ISLAMIC BANK LIMITED

NOTES TO AND FORMING PART OF THESE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2024

1 STATUS AND NATURE OF BUSINESS

- 1.1 MCB Islamic Bank Limited (the Bank) was incorporated in Pakistan on May 15, 2014 as an unlisted public limited company under the Companies Act, 2017 (previously Companies Ordinance, 1984) to carry out the business of an Islamic Commercial Bank in accordance and in conformity with the principles of Islamic Shari'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 249 branches including two sub branches in Pakistan (December 31, 2023: 226 branches including two sub branches). 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 **Demerger of 39 Branches from MCB Bank Limited**

The Board of Directors of MCB Bank Limited ("MCB") in its meeting held on April 24, 2024 had approved the Scheme of Compromises, Arrangements and Reconstruction (the "Scheme"), under Section 279 to 283 and 285 of the Companies Act, 2017, between the Bank and its wholly owned subsidiary MCB Islamic Bank Limited ("MIB").

The Scheme envisages transfer of banking business of thirty nine (39) branches of the Bank subject to approval by the shareholders of the banks and sanction by the Honourable Lahore High Court; whereby the existing business, assets, liabilities and operations of the 39 branches of MCB along with all rights and obligations pertaining thereto will be transferred to and vested in MIB. The banking business of these branches will also stand converted into Islamic banking business on the effective date, against payment of cash consideration, pursuant to the compliance of applicable regulatory permissions.

No Objection Certificate of the State Bank of Pakistan ("SBP") on the Scheme was received on April 29, 2024 and petition was filed with the Honorable Lahore High Court for sanctioning the scheme of demerger which is finally approved on October 03, 2024. The shareholders of MCB Bank Limited approved the Scheme in the Extra Ordinary General Meeting (EOGM) held on July 06, 2024.

2 BASIS OF PRESENTATION

- 2.1 These condensed interim financial statements have been prepared in conformity with the format of interim financial statements prescribed by the State Bank of Pakistan (SBP) vide BPRD Circular No. 2 dated February 09, 2023.
- 2.2 The Bank provides financing 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.
- 2.3 The purchases and sales arising under these arrangements are not reflected in these condensed interim 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.

3 STATEMENT OF COMPLIANCE

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

- International Accounting Standard (IAS) 34 "Interim Financial Reporting" and International Financial Reporting Standards (IFRS) 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, the Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of IAS 34, IFRS or IFAS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

The SBP has deferred the applicability of International Accounting Standard (IAS) 40, 'Investment Property' for banking companies through BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' on banks through its notification S.R.O 411(I)/2008 dated April 28, 2008. The State Bank of Pakistan through BPRD Circular No. 04 of 2015 dated February 25, 2015 has deferred the applicability of Islamic Financial Accounting Standard-3 for Profit and Loss Sharing on Deposits (IFAS-3) issued by the Institute of Chartered Accountants of Pakistan (ICAP) and notified by the SECP, vide their SRO No. 571 of 2013 dated June 12, 2013 for Institutions offering Islamic Financial Services (IIFS). Accordingly, the requirements of these standards have not been considered in the preparation of these condensed interim financial statements.

The disclosures made in these condensed interim financial statements have been limited based on a format prescribed by the SBP vide BPRD Circular Letter No. 2 dated February 09, 2023 and the requirements of IAS 34 "Interim Financial Reporting". They do not include all the information and disclosures required in preparation of annual financial statements, and should be read in conjunction with the annual audited financial statements for the year ended December 31, 2023.

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

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

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 01, 2024 but are considered not to be relevant or do not have any material effect on the Bank's operations and are therefore not detailed in these condensed interim financial statements except for IFRS 9 (Financial Instruments), the impact of which is disclosed under note 6.2.

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

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 01, 2025 but are considered not to be relevant or will not have any material effect on the Bank's financial statements except for:

- the new standard - IFRS 18 'Presentation and Disclosure in Financial Statements' (IFRS 18) (published in April 2024) with applicability date of January 1, 2027 by IASB. IFRS 18 is yet to be adopted in Pakistan. IFRS 18 when adopted and applicable shall impact the presentation of 'Statement of Profit and Loss Account' with certain additional disclosures in the financial statements.

- amendments to IFRS 9 'Financial Instruments' which clarify the date of recognition and derecognition of a financial asset or financial liability including settlement of liabilities through banking instruments and channels including electronic transfers. The amendment when applied may impact the timing of recognition and derecognition of financial liabilities.

4 BASIS OF MEASUREMENT

4.1 Accounting convention

These condensed interim financial statements have been prepared under the historical cost convention except for certain property and equipment and non banking assets acquired in satisfaction of claims which are stated at revalued amounts; fair value through profit or loss, fair value through other comprehensive income, investments which are measured at fair value; and right of use of assets and related lease liability measured at present value.

4.2 Functional and presentation currency

These condensed interim financial statements are presented in Pakistani Rupees, which is the Bank's functional and presentation currency. The amounts are rounded off to the nearest thousand rupees except as stated otherwise.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

6 MATERIAL ACCOUNTING POLICIES INFORMATION

The accounting policies adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the financial statements of the Bank for the year ended December 31, 2023 except for the adoption of IFRS 9 "Financial Instruments" w.e.f January 01, 2024.

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

The SBP, vide its BPRD Circular No. 02 dated February 09, 2023, issued the revised forms for the preparation of the condensed interim 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 condensed interim 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 condensed interim financial statements in terms of recognition and measurement of assets and liabilities.

6.2 IFRS 9 - 'Financial Instruments'

As per SBP BPRD Circular Letter No. 07 of 2023 dated April 13, 2023, IFRS 9 is applicable on banks with effect from January 01, 2024. IFRS 9 brings fundamental changes to the accounting for financial assets and to certain aspects of accounting for financial liabilities. To determine appropriate classification and measurement category, IFRS 9 requires all financial assets, except equity instruments, to be assessed based on combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The adoption of IFRS 9 has also fundamentally changed the impairment method of financial assets with a forward-looking Expected Credit Losses (ECL) approach.

The SBP through its BPRD Circular Letter No. 16 dated July 29, 2024 has made certain amendments and extended the timelines of SBP's IFRS 9 Application Instructions to address most of the matters raised by the banks with a direction to ensure compliance by the extended timeline.

There are a few matters which include income recognition on Islamic financings and fair valuation of subsidized loans, the treatments of which are still under deliberation with the SBP. The Bank has continued to follow the treatment adopted in respect of these matters in the prior periods till the time SBP issues the relevant guidance / clarification.

6.2.1 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.

6.2.2 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

6.2.3 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.

6.2.4 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 sukuks, 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 assets are held within a business model whose objective is to hold assets to collect contractual cash flows; and
 - the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest / profit on the principal amount outstanding.

The Bank's business model for these financial assets can still be HTC even when sales of these financial assets occur. However, if more than an infrequent number of sales of significant value are made, the Bank assesses whether and how the sales are consistent with the HTC objective.

- 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	Remeasreuments	Balances as of January 01, 2024 - before ECL
(Rupees in '000)					
Non Government Securities					
- Ijarah Sukuk - AFS	770,000	FVTPL	770,000	-	770,000
	770,000		770,000	-	770,000

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 '000				
Cash and balances with treasury banks	Loans and receivables	19,529,055	Amortised cost	19,496,960
Balances with other banks	Loans and receivables	2,803,425	Amortised cost	2,798,585
Due from financial institutions	Loans and receivables	2,500,000	Amortised cost	2,499,883
Investments - net	Held-for-trading	2,000,800	Fair value through profit or loss	2,000,800
			Fair value through profit or loss	763,390
	Available-for-sale	94,326,572	Fair value through other comprehensive income	93,563,182
			Amortised cost	
	Held-to-maturity	36,216,930	Amortised cost	36,216,930
Advances - net	Loans and receivables	89,347,415	Amortised cost	88,327,916
Other liabilities	Loans and receivables	9,432,889	FVTPL / amortised cost	9,517,463
		256,157,086		255,185,109

* The reconciliation between carrying amounts of financial assets before and after adoption of IFRS 9 has been disclosed in note 6.2.9

6.2.5 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 condensed interim statement of profit and loss account. Interest income / profit / expense on these assets / liabilities are recognised in the condensed interim statement of profit and loss account. On derecognition of these financial assets and liabilities, capital gain / loss will be recognised in the condensed interim 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 condensed interim statement of profit and loss account. Interest / profit / dividend income on these assets are recognised in the condensed interim statement of profit and loss account. On derecognition of debt based financial assets, capital gain / loss will be recognised in the condensed interim 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 condensed interim statement of profit and loss account. These assets are subsequently measured at fair value with changes recorded in the condensed interim statement of profit and loss account. Interest / dividend income on these assets are recognised in the condensed interim statement of profit and loss account. On derecognition of these financial assets, capital gain / loss will be recognised in the condensed interim statement of profit and loss account. An expected credit loss allowance (ECL) is not recognised for these financial assets.

6.2.6 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 the financial asset.

The Bank enters into transactions whereby it transfers assets recognised in its condensed interim 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 condensed interim statement of profit and loss account.

6.2.7 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 condensed interim 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.

6.2.8 Expected Credit Loss (ECL)

The Bank assesses on a forward-looking basis the expected credit losses ('ECL') associated with all advances and other debt 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 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 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 considers an exposure to have significantly increased in credit risk when there is considerable deterioration in the internal rating grade for subject customer. The Bank also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer / facility to the watch list, or the account becoming forborne. Regardless of the change in credit grades, generally, the Bank considers that there has been a significant increase in credit risk when contractual payments are more than 60 days past due. However, for certain portfolios, the Bank rebuts 60 DPD presumption based on behavioural analysis of its borrowers. When estimating ECLs on a collective basis for a group of similar assets, the Bank applies the similar principles for assessing whether there has been a significant increase in credit risk since initial recognition.

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

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 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 or as prescribed by the SBP.
POCI:	Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and profit / rental is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.
Undrawn financing commitments	When estimating LTECLs for undrawn financings commitments, the Bank estimates the expected portion of the financings commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected cash flows if the financings is drawn down, based on a probability-weighting of the three scenarios. For revolving facilities that include both a financings and an undrawn commitment, ECLs are calculated on undrawn portion of the facility and presented within other liabilities.
Guarantee and letters of credit contracts	The Bank estimates ECLs based on the BASEL driven and internally developed 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:

- PD The Probability of Default (PD) is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. PD for corporate exposure is estimated based on Markov Chain Process. PDs for non corporate exposure are measured on the base of Roll Rate Estimation and are based on Days Past Due buckets.
- EAD The Exposure at Default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and profit, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest / profit from missed payments. The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has a legal right to call it earlier. The Bank's product offering includes a variety of corporate and retail facilities, in which the Bank has the right to cancel and / or reduce the facilities with one day notice. However, in case of revolving facilities, the Bank does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Bank's expectations of the customer behaviour, its likelihood of default and the Bank's future risk mitigation procedures, which could include reducing or cancelling the facilities.
- LGD The Loss Given Default (LGD) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

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).

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.

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The Bank considers only those collaterals as eligible collaterals in the EAD calculation which have the following characteristics:

- History of legal certainty and enforceability
- History of enforceability and recovery.

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.

Forward looking information

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

- GDP growth
- Consumer price index
- Unemployment rate

Definition of default

The Bank defines a financial instrument as in default, which is fully aligned with the definition of credit impaired, when it meets one or more of the following criteria:

Further the following criteria has been determined for assessment of default:

- The Bank makes a charge-off or account-specific provision resulting from a perceived decline in credit quality subsequent to the Bank taking on the exposure,
- The Bank sells the credit obligation at a material credit-related economic loss,
- The Bank consents to a distressed restructuring of the credit obligation where this is likely to result in a diminished financial obligation caused by the material forgiveness, or postponement, of principal, interest or (where relevant) fees,
- The Bank has filed for the obligor's bankruptcy or a similar order in respect of the obligor's credit obligation to the industry group, and
- The obligor has sought or has been placed in Bankruptcy or similar protection where this would avoid or delay repayment of the credit obligation to the industry group.

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.

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 for corporate / commercial / SME loan portfolios and at segment / product basis for retail portfolio.

This implies that if one facility of a counterparty becomes 90+ DPD in repaying its contractual dues or as defined in PRs; all other facilities would deem to be classified as stage 3.

Write-offs

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

6.2.9 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. 581.974 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:

6.2.9.1 Reconciliation of statement of financial position balances from existing local regulations to IFRS 9

	Prudential Regulations December 31, 2023	Classification & Measurement	Expected Credit Losses	IFRS 9 January 01, 2024
-----Rupees in '000-----				
Cash and balances with treasury banks	19,529,055	-	(32,095)	19,496,960
Balances with other banks	2,803,425	-	(4,840)	2,798,585
Due from financial institutions	2,500,000	-	(117)	2,499,883
Investments	132,544,302	-	-	132,544,302
Islamic financing and related assets	89,347,415	-	(1,019,499)	88,327,916
Property and equipment	3,755,402	-	-	3,755,402
Right-of-use assets	2,027,791	-	-	2,027,791
Intangible assets	532,846	-	-	532,846
Deferred tax assets	-	-	562,522	562,522
Other assets	14,014,615	-	-	14,014,615
Total Assets	267,054,851	-	(494,029)	266,560,822
Bills payable	2,175,473	-	-	2,175,473
Due to financial institutions	25,813,546	-	-	25,813,546
Deposits and other accounts	204,460,158	-	-	204,460,158
Lease liabilities	2,636,096	-	-	2,636,096
Subordinated debt	-	-	-	-
Deferred tax liabilities	445,291	-	-	445,291
Other liabilities	9,432,889	-	84,574	9,517,463
Total Liabilities	244,963,453	-	84,574	245,048,027
Share capital	15,550,000	-	-	15,550,000
Reserves	1,428,486	-	-	1,428,486
Surplus on revaluation of assets - net of tax	934,644	-	3,371	938,015
Unappropriated profit	4,123,122	-	(581,974)	3,541,148
Total Equity	22,036,252	-	(578,603)	21,457,649
Total Equity and Liabilities	266,999,705	-	(494,029)	266,505,676

7 FINANCIAL RISK MANAGEMENT

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

		(Unaudited) September 30, 2024	(Audited) December 31, 2023
8 CASH AND BALANCES WITH TREASURY BANKS		Rupees in thousands	
In hand			
- local currency		3,782,556	3,482,849
- foreign currencies		877,164	619,773
		4,659,720	4,102,622
With the State Bank of Pakistan in			
- local currency current account		12,525,629	13,897,890
- foreign currency current accounts			
cash reserve account	8.2	386,299	401,933
special cash reserve account	8.3	461,004	479,163
USD clearing account		69,915	48,095
		917,218	929,191
With National Bank of Pakistan in			
- local currency current account		857,245	599,329
Prize bonds	8.4	-	23
Less: Credit loss allowance held against cash and balances with treasury banks		(31,681)	-
Cash and balances with treasury banks - net of credit loss allowance		18,928,131	19,529,055

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

		(Unaudited)		(Audited)	
		September 30, 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		-	(32,095)	-	-
Performing	Stage 1	-	-	-	-
Under performing	Stage 2	917,218	414	929,191	-
Non-performing	Stage 3				
Substandard		-	-	-	-
Doubtful		-	-	-	-
Loss		-	-	-	-
		<u>917,218</u>	<u>(31,681)</u>	<u>929,191</u>	<u>-</u>

- 8.2 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.
- 8.3 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.
- 8.4 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.

		(Unaudited)	(Audited)
		September 30, 2024	December 31, 2023
Rupees in thousands			
9	BALANCES WITH OTHER BANKS		
	In Pakistan		
	- deposit account	44,995	1,845
	Outside Pakistan		
	- current account	1,367,364	2,801,580
	Less: Credit loss allowance held against balances with other banks	(1,374)	-
	Balances with other banks - net of credit loss allowance	<u>1,410,985</u>	<u>2,803,425</u>

9.1 Balances with other banks- Particulars of credit loss allowance

		(Unaudited)		(Audited)	
		September 30, 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		-	(4,840)	-	-
Performing	Stage 1	1,412,359	3,466	2,803,425	-
Under performing	Stage 2	-	-	-	-
Non-performing	Stage 3				
Substandard		-	-	-	-
Doubtful		-	-	-	-
Loss		-	-	-	-
		<u>1,412,359</u>	<u>(1,374)</u>	<u>2,803,425</u>	<u>-</u>

	(Unaudited) September 30, 2024	(Audited) December 31, 2023
	Rupees in thousands	
10 DUE FROM FINANCIAL INSTITUTIONS		
Musharaka arrangements	-	2,500,000
Less: Credit loss allowance held against due from financial institution	-	-
	-	2,500,000

10.1 Due from FIs- Particulars of credit loss allowance

		(Unaudited) September 30, 2024		(Audited) 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					
		-	(117)	-	-
Performing	Stage 1	-	117	2,500,000	-
Under performing	Stage 2	-	-	-	-
Non-performing	Stage 3				
	Substandard	-	-	-	-
	Doubtful	-	-	-	-
	Loss	-	-	-	-
		-	-	2,500,000	-

11 INVESTMENTS

		September 30, 2024 (Unaudited)			
11.1 Investments by type:		Cost / Amortised cost	Credit loss allowance	Surplus / (Deficit)	Carrying Value
Rupees in thousands					
FVTPL					
	Federal Government securities	-	-	-	-
	Non Government securities	670,000	-	(828)	669,172
		670,000	-	(828)	669,172
FVTOCI					
	Federal Government securities	124,317,901	-	996,790	125,314,691
		124,317,901	-	996,790	125,314,691
Amortised cost					
	Federal Government securities	28,202,360	-	-	28,202,360
		28,202,360	-	-	28,202,360
	Total Investments	153,190,261	-	995,962	154,186,223

		December 31, 2023 (Audited)			
		Cost / Amortised cost	Credit loss allowance	Surplus / (Deficit)	Carrying Value
Rupees in thousands					
FVTPL					
	Federal Government securities	1,996,619	-	4,181	2,000,800
		1,996,619	-	4,181	2,000,800
FVTOCI					
	Federal Government securities	92,638,747	-	924,435	93,563,182
	Non Government securities	770,000	-	(6,610)	763,390
		93,408,747	-	917,825	94,326,572
Amortised cost					
	Federal Government securities	36,216,930	-	-	36,216,930
		36,216,930	-	-	36,216,930
	Total Investments	131,622,296	-	922,006	132,544,302

- 11.1.1 The market value of investments given as collateral as at September 30, 2024 amounted to NIL (December 31, 2023: Nil).
- 11.1.2 The market value of securities measured at amortized cost as at September 30, 2024 amounted to Rs. 29,036 million (December 31, 2023: Rs. 36,748 million).

12 ISLAMIC FINANCING AND RELATED ASSETS - NET

Note	Performing		Non performing		Total	
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	September 30, 2024	December 31, 2023	September 30, 2024	December 31, 2023	September 30, 2024	December 31, 2023
	Rupees in thousands					
Murabaha	15,531,560	12,202,918	46,456	46,550	15,578,016	12,249,468
Musawamah	11,883	-	-	-	11,883	-
Istisna	5,261,327	4,613,657	357,362	177,761	5,618,689	4,791,418
Salam	-	38,042	-	-	-	38,042
Ijarah	1,552,833	1,804,112	1,262	973	1,554,095	1,805,085
Running Musharaka	42,830,114	45,626,287	200,000	-	42,830,114	45,626,287
Diminishing Musharaka	23,418,170	22,491,209	2,003,769	1,732,524	25,421,939	24,223,733
Staff finance	2,279,681	1,901,583	-	-	2,279,681	1,901,583
Islamic financing and related assets - gross	90,685,568	88,677,808	2,608,849	1,957,808	93,294,417	90,635,616
Less: Credit loss allowance / provision against islamic financing and related assets						
- Stage 1	(692,977)	-	-	-	(692,977)	-
- Stage 2	(57,154)	-	-	-	(57,154)	-
- Stage 3	-	-	(1,642,147)	-	(1,642,147)	-
- General	-	(542,951)	-	-	-	(542,951)
- Specific	-	-	-	(745,250)	-	(745,250)
12.9	(750,131)	(542,951)	(1,642,147)	(745,250)	(2,392,278)	(1,288,201)
Islamic financing and related assets - net of credit loss allowance / provisions	89,935,437	88,134,857	966,702	1,212,558	90,902,139	89,347,415

	(Unaudited)	(Audited)
	September 30, 2024	December 31, 2023
	Rupees in thousands	
12.1 Murabaha		
- Murabaha financing	7,567,549	5,567,599
- Murabaha inventory	7,544,845	6,534,969
- Advances against Murabaha financing	395,622	76,900
- Advances against Murabaha financing - Islamic Export Refinance Scheme (IERS)	70,000	70,000
- Murabaha financing - Islamic Export Refinance Scheme (IERS)	-	-
- Murabaha inventory - Islamic Refinancing Scheme for Payment of Wages and Salaries (IRSPWS)	-	-
	<u>15,578,016</u>	<u>12,249,468</u>
12.2 Istisna		
- Istisna financing	1,033,505	1,620,373
- Istisna inventory	834,016	545,663
- Advances against Istisna financing	3,684,968	2,474,159
- Istisna financing - Islamic Export Refinance Scheme (IERS)	21,700	39,284
- Advances against Istisna financing - Islamic Export Refinance Scheme (IERS)	44,500	111,939
	<u>5,618,689</u>	<u>4,791,418</u>
12.3 Ijarah financing and related assets		
- Net book value of assets in Ijarah under IFAS 2	1,520,285	1,744,035
- Advances against Ijarah	33,810	61,050
	<u>1,554,095</u>	<u>1,805,085</u>
12.4 Running Musharaka		
- Running Musharaka financing	39,744,114	42,210,287
- Running Musharaka financing - Islamic Export Refinance Scheme (IERS)	3,086,000	3,416,000
	<u>42,830,114</u>	<u>45,626,287</u>
12.5 Diminishing Musharaka		
- Diminishing Musharaka financing	22,521,625	23,754,790
- Diminishing Musharaka financing - Islamic Refinancing Scheme for Payment of Wages and Salaries (IRSPWS)	-	-
- Advances against Diminishing Musharaka financing	2,825,041	347,983
- Advances against Diminishing Musharaka - Islamic Long Term Financing Facility (ILTF)	-	-
- Advances against Diminishing Musharaka under Islamic Temporary Economic Refinancing Facility (ITERF) for Plant and Machinery	75,273	120,960
	<u>25,421,939</u>	<u>24,223,733</u>
12.6 Staff finance		
- Staff vehicle finance under Diminishing Musharaka	572,352	474,493
- Staff housing finance under Diminishing Musharaka	1,891,607	1,427,090
- Staff solar finance under Diminishing Musharaka	15,722	-
	<u>2,279,681</u>	<u>1,901,583</u>
12.7 Particulars of Islamic financing and related assets - gross		
In local currency	93,294,417	90,635,616
In foreign currency	-	-
	<u>93,294,417</u>	<u>90,635,616</u>

- 12.8 Islamic financing and related assets include Rs. 2,608.849 million (December 31, 2023: Rs. 1,957.808 million) which have been placed under non-performing / stage 3 status as detailed below:

Category of Classification - Stage 3 under IFRS 9	(Unaudited)		(Audited)	
	September 30, 2024		December 31, 2023	
	Non-performing Islamic financing and related assets	Credit loss allowance held	Non-performing Islamic financing and related assets	Provision held
Rupees in thousands				
Domestic				
Other Assets Especially Mentioned (OAEM)	11,709	3,915	-	-
Substandard	426,791	103,189	222,176	5,482
Doubtful	376,053	21,116	157,979	3,193
Loss	1,794,296	1,513,927	1,577,653	736,575
	<u>2,608,849</u>	<u>1,642,147</u>	<u>1,957,808</u>	<u>745,250</u>

- 12.9 Particulars of credit loss allowance against Islamic financing and related assets

	September 30, 2024 (Unaudited)				December 31, 2023 (Audited)		
	Stage 3	Stage 2	Stage 1	Total	Specific	General	Total
Rupees in thousands							
Opening balance	745,250	542,951	-	1,288,201	175,194	409,909	585,103
Impact of adoption of IFRS-9	804,972	(461,044)	675,571	1,019,499	-	-	-
Charge for the period / year	122,627	25,741	92,072	240,440	577,686	149,396	727,082
Reversals	(30,702)	(50,494)	(74,666)	(155,862)	(6,651)	(16,354)	(23,005)
	91,925	(24,753)	17,406	84,578	571,035	133,042	704,077
Amounts written off	-	-	-	-	(979)	-	(979)
Closing balance	<u>1,642,147</u>	<u>57,154</u>	<u>692,977</u>	<u>2,392,278</u>	<u>745,250</u>	<u>542,951</u>	<u>1,288,201</u>

- 12.10 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. 579.145 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. 295.364 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.

- 12.11 Islamic financing and related assets - Particlurs of credit loss allowance

	September 30, 2024 (Unaudited)				December 31, 2023 (Audited)		
	Stage 3	Stage 2	Stage 1	Total	Specific	General	Total
Rupees in thousands							
Opening balance	745,250	542,951	-	1,288,201	175,194	409,909	585,103
Impact of adoption of IFRS-9	804,972	(481,044)	675,571	1,019,499	-	-	-
New advances	1,366	18,470	419,864	439,700	-	-	-
Derognised or repaid / reversal of provision	3,596	2,444	169,293	175,333	(6,651)	(16,354)	(23,005)
Transfer to Stage 1 / charge for the year	-	(49,950)	49,950	-	577,686	149,396	727,082
Transfer to Stage 2	(67)	30,364	(30,297)	-	-	-	-
Transfer to Stage 3	103,611	(8,696)	(94,915)	-	-	-	-
	108,506	(7,368)	513,895	615,033	571,035	133,042	704,077
Amounts written off	-	-	-	-	(979)	-	(979)
Changes in risk parameters	(16,581)	(17,385)	(496,489)	(530,455)	-	-	-
Closing balance	<u>1,642,147</u>	<u>57,154</u>	<u>692,977</u>	<u>2,392,278</u>	<u>745,250</u>	<u>542,951</u>	<u>1,288,201</u>

- 12.12 Islamic financing and related assets - Category of classification

	(Unaudited)		(Audited)	
	September 30, 2024		December 31, 2023	
	Gross amount	Credit loss allowance held	Non-performing amount	Provision held
Rupees in thousands				
Domestic				
Performing				
Underperforming				
Non-Performing				
OAEM	11,709	3,915	-	-
Substandard	426,791	103,189	222,176	5,482
Doubtful	376,053	21,116	157,979	3,193
Loss	1,794,296	1,513,927	1,577,653	736,575
	<u>2,608,849</u>	<u>1,638,232</u>	<u>1,957,808</u>	<u>745,250</u>
	<u>93,294,415</u>	<u>2,392,278</u>	<u>1,957,808</u>	<u>745,250</u>

	(Unaudited) September 30, 2024	(Audited) December 31, 2023
	Rupees in thousands	
13 PROPERTY AND EQUIPMENT		
Capital work-in-progress	643,448	514,632
Property and equipment	4,136,504	3,240,770
	<u>4,779,952</u>	<u>3,755,402</u>
13.1 Capital work-in-progress		
Civil works	127,013	13,028
Advance to suppliers and contractors	206,633	425,650
Electrical and computer equipment	309,802	75,954
	<u>643,448</u>	<u>514,632</u>
	(Unaudited) September 30, 2024	(Unaudited) September 30, 2023
	Rupees in thousands	
13.2 Additions to property and equipment		
The following additions have been made to property & equipments during the period:		
Capital work-in-progress	937,065	251,765
Property and equipment		
Freehold land	125	-
Building on freehold land	10,573	862
Leasehold improvements	75,675	30,570
Furniture and fixtures	55,958	20,198
Electrical, office and computer equipment	398,001	186,161
Vehicles	1,770	23,250
	542,102	261,041
	<u>1,479,167</u>	<u>512,806</u>
13.3 Disposal of property and equipment		
The net book value of property & equipments disposed off during the period is as follows:		
Furniture and fixtures	6	23
Electrical, office and computer equipment	9,399	146
Vehicles	-	482
	<u>9,405</u>	<u>651</u>
	(Unaudited) September 30, 2024	(Audited) December 31, 2023
	Rupees in thousands	
14 RIGHT-OF-USE ASSETS		
Cost at the start of period/ year	4,129,982	3,566,889
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>
Addition during the period	482,329	628,268
Deletion during the period	(9,154)	(22,057)
Depreciation charge for the period	(451,413)	(527,299)
Net carrying amount at the end of the period / year	<u>2,049,553</u>	<u>2,027,791</u>

	(Unaudited) September 30, 2024	(Audited) December 31, 2023
	Rupees in thousands	
15 INTANGIBLE ASSETS		
Advance against purchase of software	724,245	95,510
Computer software	356,559	437,336
	<u>1,080,804</u>	<u>532,846</u>

	(Unaudited) September 30, 2024	(Unaudited) September 30, 2023
	Rupees in thousands	
15.1 Additions to intangible assets		

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

Capital work-in-progress	628,735	52,371
Directly purchased	70,378	22,211
	<u>699,113</u>	<u>74,582</u>

16 DEFERRED TAX ASSETS / (LIABILITY) - NET

	September 30, 2024 (Unaudited)			
	At Jan 01, 2024	Recognised in P&L A/C	Recognised in OCI	At September 30, 2024
	Rupees in thousands			
Deductible temporary difference				
Credit loss allowance against Islamic financing and related assets, balances with other banks, due from financial institutions and off balance sheet obligations	2,686	78,006	559,151	639,843
Workers Welfare Fund	154,378	67,493	-	221,871
	<u>157,064</u>	<u>145,499</u>	<u>559,151</u>	<u>861,714</u>
Taxable temporary difference				
Surplus on revaluation of property & equipments	(95,730)	1,600	-	(94,130)
Surplus on revaluation of investments	(449,734)	-	(38,693)	(488,427)
Accelerated tax depreciation	(56,891)	(40,722)	-	(97,613)
	<u>(602,355)</u>	<u>(39,122)</u>	<u>(38,693)</u>	<u>(680,170)</u>
	<u>(445,291)</u>	<u>106,377</u>	<u>520,458</u>	<u>181,544</u>

	December 31, 2023 (Audited)			
	At Jan 01, 2023	Recognised in P&L A/C	Recognised in OCI	At Dec 31, 2023
	Rupees in thousands			
Deductible temporary difference				
Credit loss allowance against Islamic financing and related assets	63,466	(60,780)	-	2,686
Workers Welfare Fund	41,945	112,433	-	154,378
	<u>105,411</u>	<u>51,653</u>	<u>-</u>	<u>157,064</u>
Taxable temporary difference				
Surplus on revaluation of property & equipments	(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)
	<u>(92,884)</u>	<u>12,544</u>	<u>(522,015)</u>	<u>(602,355)</u>
	<u>12,527</u>	<u>64,197</u>	<u>(522,015)</u>	<u>(445,291)</u>

17	OTHER ASSETS	Note	(Unaudited)	(Audited)
			September 30, 2024	December 31, 2023
			Rupees in thousands	
	Profit / return accrued in local currency		15,056,104	9,550,867
	Advances, deposits, advance rent and other prepayments		402,869	492,007
	Advance taxation (payments less provisions)		704,873	-
	Branch adjustment account		-	156,568
	Receivable against ATM transactions		5,721,749	1,499,978
	Receivable under home remittances		22,057	12,874
	Un-realized mark to market gain on forward foreign exchange contracts		-	247,841
	Acceptances	23	545,252	1,584,439
	Others		889,104	414,895
			<u>23,342,008</u>	<u>13,959,469</u>

18 CONTINGENT ASSETS

There were no contingent assets of the Bank as at September 30, 2024 (December 31, 2023: Nil).

19	BILLS PAYABLE	(Unaudited)	(Audited)
		September 30, 2024	December 31, 2023
		Rupees in thousands	
	In Pakistan	1,496,519	2,175,473
	Outside Pakistan	-	-
		<u>1,496,519</u>	<u>2,175,473</u>

20 DUE TO FINANCIAL INSTITUTIONS

Details of due to financial institutions - Secured / Unsecured

Secured

Musharaka with the State Bank of Pakistan -		
Islamic Export Refinance Scheme (IERS)	3,219,485	3,633,293
Investment under - Islamic Long Term Financing Facility (ILTFF)	1,788,352	1,929,943
Investment under - Islamic		
Temporary Economic Refinancing Facility (ITERF) for Plant and Machinery	3,696,511	4,166,204
Investment under - Islamic		
Financing Facility for Renewable Energy (IFRE)	304,086	319,453

Unsecured

Musharaka arrangements with financial institutions	8,668,750	15,562,500
Musharaka arrangements with other institution	196,628	202,153
Overdrawn nostro accounts	-	-
	<u>17,873,812</u>	<u>25,813,546</u>

21 DEPOSITS AND OTHER ACCOUNTS

	September 30, 2024 (Unaudited)			December 31, 2023 (Audited)		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
Rupees in thousands						
Customers						
Current deposits - non-remunerative	57,488,262	3,235,304	60,723,566	53,016,118	3,273,892	56,290,010
Savings deposits	78,571,852	1,331,718	79,903,570	68,322,860	1,473,784	69,796,644
Term deposits	56,819,101	1,845,422	58,664,523	48,983,635	1,859,723	50,843,358
Others	6,759,513	-	6,759,513	6,893,851	-	6,893,851
	199,638,728	6,412,444	206,051,172	177,216,464	6,607,399	183,823,863
Financial Institutions						
Current deposits - non-remunerative	2,384,138	-	2,384,138	193,668	203	193,871
Savings deposits	29,464,371	-	29,464,371	18,265,424	-	18,265,424
Term deposits	1,976,000	-	1,976,000	2,177,000	-	2,177,000
	33,824,509	-	33,824,509	20,636,092	203	20,636,295
	233,463,237	6,412,444	239,875,681	197,852,556	6,607,602	204,460,158

(Unaudited) (Audited)
September 30, December 31
2024 2023
Rupees in thousands

22 LEASE LIABILITIES

Outstanding amount at the start of the period	2,636,096	2,488,775
Addition during the period	482,329	628,268
Disposed off during the period	(14,723)	(28,376)
Payment of lease liability against right of use asset	(664,983)	(761,903)
Unwinding of lease liability against right of use asset	269,182	309,332
Outstanding amount at the end of the period	<u>2,707,900</u>	<u>2,636,096</u>

22.1 Liabilities Outstanding

Not later than one year	526,036	495,967
Later than one year and upto five years	1,740,679	1,625,009
Over five years	441,185	515,120
Total at the year end	<u>2,707,900</u>	<u>2,636,096</u>

	Note	(Unaudited) September 30, 2024	(Audited) December 31, 2023
Rupees in thousands			
23 OTHER LIABILITIES			
Profit / return payable in local currency	23.1	4,773,515	3,114,456
Profit / return payable in foreign currencies		22,018	16,600
Accrued expenses		1,513,901	1,213,379
Current taxation (provision less payments)		-	943,847
Unearned income		103,039	94,572
Acceptances	17	545,252	1,584,439
Branch adjustment account		1,068,434	-
Advance receipt against Islamic financing and related assets		51,062	45,040
Charity fund balance		21,896	23,238
Credit loss allowance against off-balance sheet obligations	23.2	138,891	-
Security deposits against Ijarah financing		816,407	906,994
Withholding tax, Federal Excise Duty and other payable		68,404	72,423
Un-realized mark to market loss on forward foreign exchange contracts		53,987	205,318
Others		836,777	1,212,583
		<u>10,013,583</u>	<u>9,432,889</u>

23.1 It includes Rs. 142.058 million (December 31,2023: Rs. 167.819 million) in respect of profit / return accrued on Musharaka with SBP under Islamic Export Refinance Scheme and Rs 74.356 million (December 31,2023: Rs 42.131 million) in respect of return accrued on acceptances from the SBP under various Islamic Refinance Schemes.

23.2 Credit loss allowance against off-balance sheet obligations

	(Unaudited) September 30, 2024	(Audited) December 31, 2023
Rupees in thousands		
Opening balance	-	-
Charge for the period / year	54,317	-
Impact of adoption of IFRS 9	84,574	-
Reversals	-	-
	138,891	-
Amount written off	-	-
Closing balance	<u>138,891</u>	<u>-</u>

24 SHARE CAPITAL

Authorised capital

(Unaudited) September 30, 2024	(Audited) December 31, 2023		(Unaudited) September 30, 2024	(Audited) December 31, 2023
Number of shares			Rupees in thousands	
<u>2,000,000,000</u>	<u>2,000,000,000</u>	Ordinary shares of Rs. 10/- each	<u>20,000,000</u>	<u>20,000,000</u>

24.1 Issued, subscribed and paid up capital

(Unaudited) September 30, 2024	(Audited) December 31, 2023		(Unaudited) September 30, 2024	(Audited) December 31, 2023
Number of shares			Rupees in thousands	
		Fully paid in cash		
1,555,000,000	1,555,000,000	Balance at beginning of the period / year	15,550,000	15,550,000
-	-	Issued during the period / year	-	-
<u>1,555,000,000</u>	<u>1,555,000,000</u>	Balance at end of the period / year	<u>15,550,000</u>	<u>15,550,000</u>

24.2 The Bank's shares are 100 % (December 31,2023: 100%) held by MCB Bank Limited (MCB) - the parent company and its nominee Directors.

		(Unaudited) September 30, 2024	(Audited) December 31, 2023
		Rupees in thousands	
25	RESERVES		
	Statutory reserves	2,108,345	1,428,486
25.1	Statutory reserve represents amount set aside as per the requirements of section 21 of the Banking Companies Ordinance, 1962.		
		(Unaudited) September 30, 2024	(Audited) December 31, 2023
		Rupees in thousands	
26	SURPLUS ON REVALUATION OF ASSETS - NET OF TAX		
	Surplus arising on revaluation of:		
	- Property and equipment	559,018	562,283
	- Securities measured at FVOCI-Debt	996,790	917,825
		1,555,808	1,480,108
	Deferred tax on surplus on revaluation of:		
	- Property and equipment	(94,130)	(95,730)
	- Securities measured at FVOCI-Debt	(488,427)	(449,734)
		(582,557)	(545,464)
		973,251	934,644
27	CONTINGENCIES AND COMMITMENTS		
	Guarantees	25,876,075	16,337,475
	Commitments	21,323,416	34,480,690
	Other contingent liabilities	1,118,638	1,090,328
		48,318,129	51,908,493
27.1	Guarantees		
	Performance guarantees	11,308,363	6,930,799
	Other guarantees	14,567,712	9,406,676
		25,876,075	16,337,475
27.2	Commitments		
	Documentary credits and short-term trade-related transactions		
	Letters of credit	10,881,043	14,814,708
	Commitments in respect of:		
	Forward foreign exchange contracts	8,676,960	17,780,265
	Commitments for acquisition of:		
	Intangible assets	269,133	390,605
	property & equipments	211,069	366,865
	Other commitments	1,285,211	1,128,247
		21,323,416	34,480,690
27.2.1	Commitments in respect of forward foreign exchange contracts		
	Purchase	6,664,060	10,514,065
	Sale	2,012,900	7,266,200
		8,676,960	17,780,265

		(Unaudited) September 30, 2024	(Audited) December 31, 2023
27.2.2	Other commitments	Note	Rupees in thousands
	Commitments to extend financing	27.2.2.1	1,285,211
27.2.2.1	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.		
27.2.2.2	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.		
		(Unaudited) September 30, 2024	(Audited) December 31, 2023
27.3	Other contingent liabilities	Rupees in thousands	
	Claims against the Bank not acknowledged as debt	1,118,638	1,090,328
		(Unaudited) September 30, 2024	(Unaudited) September 30, 2023
28	PROFIT / RETURN EARNED	Rupees in thousands	
	Financing	14,473,732	12,141,556
	Investments in securities	20,835,715	12,559,735
	Musharaka arrangements	336,129	485,877
	Deposits with financial institutions	1,075	35,454
		<u>35,646,651</u>	<u>25,222,622</u>
28.1	Profit / return earned recorded on financial assets measured at:		
	Financial assets measured at amortised cost	20,183,861	15,854,468
	Financial assets measured at fair value through OCI.	15,461,630	9,368,154
	Financial assets measured at fair value through P&L	1,160	-
		<u>35,646,651</u>	<u>25,222,622</u>
29	PROFIT / RETURN EXPENSED		
	Deposits and other accounts	19,449,548	11,231,821
	Musharaka and other arrangements with the State Bank of Pakistan	1,451,038	550,809
	Musharaka arrangements with other financial institutions	1,740,486	834,904
	Unwinding of lease liability against right-of-use asset	269,182	222,519
	Deferred Bonus	2,510	-
		<u>22,912,764</u>	<u>12,840,053</u>
30	FEE AND COMMISSION INCOME		
	Branch banking customer fees	18,109	16,950
	Consumer finance related fees	12,460	8,706
	Card related fees	249,248	169,745
	Credit related fees	43,637	15,487
	Digital banking fees	64,351	42,665
	Commission on trade	139,051	132,839
	Commission on guarantees	62,410	59,662
	Commission on cash management	20,723	32,266
	Commission on remittances including home remittances	34,201	23,864
	Commission on banca takaful	31,621	25,078
	Locker rent	18,593	17,596
	Others	909	492
		<u>695,313</u>	<u>545,350</u>

		(Unaudited) September 30, 2024	(Unaudited) September 30, 2023
	Note	Rupees in thousands	
31	GAIN / (LOSS) ON SECURITIES		
	Realised	56,766	(46)
	Unrealised - Reclassification due to business model and SPPI assessment	-	-
	Unrealised - Measured at FVPL	(4,181)	-
		<u>52,585</u>	<u>(46)</u>
31.1	Realised Gains - net on:		
	Federal Government Securities - Sukuk certificates	56,766	(46)
	Shares	-	-
		<u>56,766</u>	<u>(46)</u>
32	OTHER INCOME		
	Rental income	-	80
	Gain on sale of property & equipments	22,069	428
	Fees and charges recovered	11,149	7,405
	Commission on arrangement with financial institutions	187,564	150,101
	Gain on termination of lease liability against right of use assets	5,569	6,319
	Gain on conversion of Ijarah agreements	7,990	15,115
		<u>234,341</u>	<u>179,448</u>
33	OPERATING EXPENSES		
	Total compensation expense	3,348,797	2,555,461
	Property expense		
	Rent and taxes	72,253	35,334
	Takaful expenses	33,950	28,695
	Utilities cost	302,842	201,067
	Security (including guards)	360,991	275,742
	Repairs and maintenance (including janitorial charges)	192,840	167,952
	Depreciation on right-of-use assets	451,413	382,080
	Depreciation	301,344	232,587
		1,715,633	1,323,457
	Information technology expenses		
	Software maintenance	325,673	251,112
	Hardware maintenance	36,814	53,865
	Takaful expenses	2,015	1,869
	Depreciation	125,448	91,594
	Amortization	151,154	139,996
	Network charges	151,523	104,943
		792,627	643,379
	Other operating expenses		
	Directors' fees and allowances	13,700	4,976
	Fees and allowances to Shari'ah Board	12,166	10,186
	Legal and professional charges	57,076	32,536
	Takaful expenses	150,939	107,799
	Fee and subscription	3,779	1,721
	Outsourced services costs	144,100	124,735
	Travelling and conveyance	171,915	122,417
	Repairs and maintenance of vehicles	4,810	6,875
	NIFT clearing charges	31,594	23,501
	Brokerage, commission and bank charges	37,115	42,931
	Depreciation	18,419	14,941
	Training and development	16,644	10,248
	Postage and courier charges	39,573	31,002
	Communication	119,097	58,619
	Stationery and printing	141,772	106,756
	Marketing, advertisement and publicity	74,174	35,243
	Auditors' remuneration	16,448	10,109
	Entertainment	72,395	53,069
	Others	122,592	74,434
		1,248,308	872,098
		<u>7,105,365</u>	<u>5,394,395</u>

		(Unaudited) September 30, 2024	(Unaudited) September 30, 2023
	Note	Rupees in thousands	
34	OTHER CHARGES		
	Penalties imposed by the State Bank of Pakistan	2,371	2,081
		<u>2,371</u>	<u>2,081</u>
35	CREDIT LOSS ALLOWANCE & WRITE OFFS - NET		
	Credit loss allowance against cash and balances with treasury banks	(414)	
	Credit loss allowance against balances with other banks	(3,467)	
	Credit loss allowance against due from financial institutions	10.1 (117)	-
	Credit loss allowance for diminution in value of investments	-	-
	Credit loss allowance / Provision against Islamic financing and related assets	12.9 84,578	560,957
	Other credit loss allowance / (write offs)	54,317	-
	Bad debts written off directly	-	-
	Recovery of write offs / bad debts	(35)	-
		<u>134,862</u>	<u>560,957</u>
36	TAXATION		
	Current	3,374,644	3,859,441
	Deferred	(106,377)	(187,466)
		<u>3,268,267</u>	<u>3,671,975</u>
37	BASIC AND DILUTED EARNINGS PER SHARE		
	Profit after taxation	<u>3,399,294</u>	<u>3,833,868</u>
		Number of shares - in thousands	
	Weighted average number of ordinary shares	<u>1,555,000</u>	<u>1,555,000</u>
		Rupees	
	Basic and diluted earnings per share	<u>2.186</u>	<u>2.466</u>
		(Unaudited)	(Unaudited)
		September 30,	September 30,
		2024	2023
		Rupees in thousands	
38	CASH AND CASH EQUIVALENTS		
	Cash and balances with treasury banks	8 18,928,131	15,384,258
	Balances with other banks	9 1,410,985	2,776,252
	Overdrawn nostro accounts	-	-
		<u>20,339,116</u>	<u>18,160,510</u>

39 FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than those classified as held to collect model, is based on quoted market price. Quoted securities classified under held to collect model are carried at amortised cost.

In the opinion of the management, the fair value of the remaining financial assets and financial liabilities are not significantly different from their carrying values since these assets and liabilities are either short-term in nature or re-priced over short term.

39.1 Fair value of financial / non-financial assets

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

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

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

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

The table below analyses 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.

	September 30, 2024 (Unaudited)				
	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	125,314,691	-	125,314,691	-	125,314,691
Shares	-	-	-	-	-
Non-Government Securities	669,172	-	669,172	-	669,172
	125,983,863	-	125,983,863	-	125,983,863
Financial assets - disclosed but not measured at fair value					
Investments	28,202,360		28,202,360		28,202,360
Fair value of non-financial assets					
Operating property & equipments (land and building)	1,385,463	-	1,385,463	-	1,385,463
Off-balance sheet financial instruments					
Foreign exchange contracts purchase	6,664,060	-	6,541,597	-	6,541,597
Foreign exchange contracts sale	2,012,900	-	1,986,947	-	1,986,947
	December 31, 2023 (Audited)				
	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					
Pakistan Energy Sukkuks	-	-	-	-	-
GOP Ijarah Sukuk	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 property & equipments (land and building)	1,384,421	-	1,384,421	-	1,384,421
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 to occur. There were no transfers between levels 1 and 2 during the period.

(a) Financial instruments in level 1

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

(b) Financial instruments in level 2

Financial instruments included in level 2 comprise of Sukuks and Forward Exchange Contracts.

(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)	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 interpolating the mid rates announced by the State Bank of Pakistan.
Operating property & equipments (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.

40 SEGMENT INFORMATION

40.1 Segment details with respect to business activities

September 30, 2024 (Unaudited)

	Retail	Corporate	Consumer	Micro Finance	Treasury	Head Office	Sub-total	Elimination	Total
Rupees in thousands									
Profit and Loss									
Net Profit / return	(13,945,669)	9,528,782	1,188,133	78,606	16,072,681	(188,646)	12,733,887	-	12,733,887
Inter segment revenue - net	23,552,181	(9,503,514)	(1,027,260)	(73,193)	(14,126,757)	1,178,543	-	-	-
Other income	563,067	230,381	12,875	5,927	473,851	27,912	1,314,013	-	1,314,013
Total Income	10,169,579	255,649	173,748	11,340	2,419,775	1,017,809	14,047,900	-	14,047,900
Segment direct expenses	(3,684,723)	(163,343)	(193,536)	(2,429)	(27,112)	(3,174,335)	(7,245,477)	-	(7,245,477)
Inter segment expense allocation	(1,189,906)	(10,978)	(23,072)	(565)	(1,506)	1,226,028	-	-	-
Total expenses	(4,874,629)	(174,321)	(216,608)	(2,994)	(28,618)	(1,948,307)	(7,245,477)	-	(7,245,477)
Credit loss allowance / reversals	150,338	(279,477)	(18,017)	3,224	3,998	5,072	(134,862)	-	(134,862)
Profit / (loss) before tax	5,445,288	(198,149)	(60,877)	11,570	2,395,155	(925,426)	6,667,561	-	6,667,561
Balance Sheet									
Cash and bank balances	5,516,935	-	-	30	14,811,460	10,691	20,339,116	-	20,339,116
Investments	-	-	-	-	154,186,223	-	154,186,223	-	154,186,223
Net inter segment lending	195,517,561	-	-	-	-	5,140,027	200,657,588	(200,657,588)	-
Due from financial institutions	-	-	-	-	-	-	-	-	-
Islamic Financing - performing	12,253,025	67,683,269	6,974,543	735,570	-	2,289,030	89,935,437	-	89,935,437
- non-performing	54,137	845,132	47,388	-	-	20,045	966,702	-	966,702
Others	3,043,133	2,606,636	482,137	59,041	10,012,433	15,230,481	31,433,861	-	31,433,861
Total Assets	216,384,791	71,135,037	7,504,068	794,641	179,010,116	22,690,274	497,518,927	(200,657,588)	296,861,339
Bills payable	1,496,519	-	-	-	-	-	1,496,519	-	1,496,519
Due to financial institutions	196,642	9,008,434	468,750	-	8,199,986	-	17,873,812	-	17,873,812
Deposits & other accounts	204,057,809	8,888,699	366,955	-	26,560,802	1,416	239,875,681	-	239,875,681
Net inter segment borrowing	-	53,051,601	5,973,618	782,404	140,849,965	-	200,657,588	(200,657,588)	-
Others	5,188,533	384,452	755,622	667	8,246	6,383,964	12,721,484	-	12,721,484
Total liabilities	210,939,503	71,333,186	7,564,945	783,071	175,618,999	6,385,380	472,625,084	(200,657,588)	271,967,496
Equity	5,445,288	(198,149)	(60,877)	11,570	3,391,117	16,304,894	24,893,843	-	24,893,843
Total Equity & liabilities	216,384,791	71,135,037	7,504,068	794,641	179,010,116	22,690,274	497,518,927	-	296,861,339
Contingencies & Commitments	19,812,298	19,342,048	6,621	-	8,676,960	480,202	48,318,129	-	48,318,129

September 30, 2023 (Unaudited)

	Retail	Corporate	Consumer	Micro Finance	Treasury	Head Office	Sub-total	Elimination	Total
Rupees in thousands									
Profit & Loss									
Net Profit / return	(9,556,951)	7,966,807	1,426,056	40,128	12,657,770	(151,241)	12,382,569	-	12,382,569
Inter segment revenue - net	20,465,136	(6,763,042)	(1,102,591)	(36,240)	(12,263,020)	(300,243)	-	-	-
Other income	455,831	159,361	15,168	2,299	589,950	15,626	1,238,235	-	1,238,235
Total Income	11,364,016	1,363,126	338,633	6,187	984,700	(435,858)	13,620,804	-	13,620,804
Segment direct expenses	(2,726,163)	(145,605)	(190,323)	(1,528)	(20,014)	(2,470,371)	(5,554,004)	-	(5,554,004)
Inter segment expense allocation	(920,448)	(7,896)	(24,389)	(567)	(1,543)	954,843	-	-	-
Total expenses	(3,646,611)	(153,501)	(214,712)	(2,095)	(21,557)	(1,515,528)	(5,554,004)	-	(5,554,004)
Provisions / (reversal) write off	100	(567,023)	7,005	(931)	-	(108)	(560,957)	-	(560,957)
Profit / (loss) before tax	7,717,505	642,602	130,926	3,161	963,143	(1,951,494)	7,505,843	-	7,505,843

December 31, 2023 (Audited)

	Rupees in thousands								
Balance Sheet									
Cash & Bank balances	4,701,714	-	-	30	17,630,507	229	22,332,480	-	22,332,480
Investments	-	-	-	-	132,544,302	-	132,544,302	-	132,544,302
Net inter segment lending	179,618,749	-	-	-	-	8,274,321	187,893,070	(187,893,070)	-
Due from financial institutions	-	-	-	-	2,500,000	-	2,500,000	-	2,500,000
Islamic 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	3,630,300	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	202,166	10,048,880	562,500	-	15,000,000	-	25,813,546	-	25,813,546
Deposits & other accounts	183,135,643	20,818,642	503,837	-	-	2,036	204,460,158	-	204,460,158
Net inter segment borrowing	-	38,036,831	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	6,926,403	12,514,276	-	12,514,276
Total Liabilities	188,825,310	70,216,093	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	1,369,882	9,443,874	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	-	266,999,705
Contingencies & Commitments	15,422,534	17,942,082	6,141	-	17,780,265	757,471	51,908,493	-	51,908,493

40.2 Segment details with respect to geographical locations

The Bank operates in Pakistan only.

41 RELATED PARTY TRANSACTIONS

The Bank has related party relationship with its parent company, associates, 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 benefit plan are made in accordance with the terms of the contribution plan. Remuneration to the executives / officers including financing provided to them is determined in accordance with the terms of their appointment.

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

(Unaudited) (Audited)
September 30, December 31,
2024 2023
Rupees in thousands

42 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

Minimum Capital Requirement (MCR):

Paid - up capital (net of losses)	21,812,248	19,673,122
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Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital	22,839,789	20,568,762
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	22,839,789	20,568,762
Eligible Tier 2 Capital	1,895,327	1,477,595
Total Eligible Capital (Tier 1 + Tier 2)	24,735,116	22,046,357

Risk Weighted Assets (RWAs):

Credit Risk	79,830,717	67,578,085
Market Risk	4,334,753	4,124,665
Operational Risk	20,957,292	20,957,292
Total	105,122,762	92,660,042

Common Equity Tier 1 Capital Adequacy ratio	21.73%	22.20%
Tier 1 Capital Adequacy Ratio	21.73%	22.20%
Total Capital Adequacy Ratio	23.53%	23.79%

Leverage Ratio (LR):

Eligible Tier-1 Capital	22,839,789	20,568,762
Total Exposures	331,917,796	283,260,917
Leverage Ratio	6.88%	7.26%

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets	109,781,050	84,205,536
Total Net Cash Outflow	83,347,813	50,600,287
Liquidity Coverage Ratio	131.71%	166.41%

Net Stable Funding Ratio (NSFR):

Total Available Stable Funding	187,878,767	175,630,548
Total Required Stable Funding	125,285,003	121,097,477
Net Stable Funding Ratio	149.96%	145.03%

43 GENERAL

43.1 Comparative information has been reclassified, rearranged or additionally incorporated in these condensed interim financial statements for the purposes of 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 condensed interim financial statements as explained in note 6.1 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	Liability	Other liabilities	Lease liabilities	2,636,096

43.2 The following corresponding figure has been re-arranged for the purpose of comparison.

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

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

44 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on October 21, 2024 by the Board of Directors of the Bank.







Chief Financial Officer President / Chief Executive Director Director Director