THE BANK OF AZAD JAMMU AND KASHMIR
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2024

	Note	(Un-audited) September 30, 2024	(Audited) December 31, 2023
		----------Rupees in '000----------	
ASSETS			
Cash and balances with treasury banks	9	**8,670,643**	8,779,266
Balances with other banks	10	**21,334,706**	19,217,180
Lendings to financial institutions		**-**	-
Investments	11	**15,054,391**	56,771
Advances	12	**4,481,418**	3,874,147
Property and equipment	13	**366,200**	282,139
Right-of-use assets	14	**140,595**	140,609
Intangible assets		**-**	-
Deferred tax assets	15	**175,407**	31,984
Other assets	16	**710,621**	177,800
Total Assets		**50,933,981**	32,559,896
LIABILITIES			
Bills payable	17	**33,084**	93,259
Borrowings		**-**	-
Deposits and other accounts	18	**39,552,770**	24,144,665
Lease Liabilities	19	**167,028**	167,028
Subordinated debt		**-**	-
Deferred tax liabilities		**-**	-
Other liabilities	20	**4,168,828**	1,723,814
Total Liabilities		**43,921,710**	26,128,766
NET ASSETS		**7,012,271**	6,431,130
REPRESENTED BY			
Share capital / head office capital account - net		**5,957,089**	5,528,621
Reserves		**616,370**	468,146
Surplus/ (Deficit) on revaluation of financial assets at FVOCI	21	**(311)**	903
Unappropriated profit		**439,123**	433,460
		7,012,271	6,431,130
CONTINGENCIES AND COMMITMENTS	22		

The annexed notes 1 to 38 form an integral part of these condensed interim financial statements.

President/CEO Chief Financial Officer Director Director Director

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THE BANK OF AZAD JAMMU AND KASHMIR
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE NINE MONTH ENDED SEPTEMBER 30, 2024

	Note	For the quarter ended Sep. 30, 2024	For the quarter ended Sep. 30, 2023	For theNine month ended Sep. 30, 2024	For the Nine month ended Sep. 30, 2023
		----------Rupees in '000 ----------			
Mark-up / return / interest earned	23	**2,064,120**	1,285,392	**5,415,957**	3,377,747
Mark-up / return / interest expensed	24	**1,273,323**	677,473	**3,120,783**	1,846,188
Net mark-up/interest income		**790,797**	607,919	**2,295,174**	1,531,559
NON MARK-UP / INTEREST INCOME					
Fee and commission income	25	**11,377**	8,070	**31,119**	23,671
Dividend income		**1,260**	(1,057)	**9,767**	11,312
Other income	26	**17,180**	(2,391)	**59,151**	5,029
Total non-markup/interest Income		**29,817**	4,622	**100,037**	40,012
Total Income		**820,614**	612,541	**2,395,211**	1,571,571
NON MARK-UP / INTEREST EXPENSES					
Operating expenses	27	**291,458**	237,571	**959,875**	744,937
Workers welfare fund		**-**	-	**-**	-
Other charges		**-**	-	**-**	-
Total non-markup/interest expenses		**291,458**	237,571	**959,875**	744,937
Profit before credit loss allowance		**529,156**	374,970	**1,435,336**	**826,634**
Credit loss allowance and write offs - net	28	**51,704**	14,182	**64,935**	22,557
Extra ordinary / unusual items		**-**	-	**-**	-
PROFIT BEFORE TAXATION		**477,452**	360,788	**1,370,401**	804,077
Taxation	29	**168,140**	164,684	**629,280**	393,951
PROFIT AFTER TAXATION		**309,312**	196,104	**741,121**	410,126
		----------Rupees----------			
		Restated			**Restated**
BASIC AND DILUTED EARNINGS PER SHARE	31	0.52	0.33	**1.24**	0.69

The annexed notes 1 to 38 form an integral part of these condensed interim financial statements.

President/CEO Chief Financial Officer Director Director Director

THE BANK OF AZAD JAMMU AND KASHMIR
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE NINE MONTH ENDED SEPTEMBER 30, 2024

	For the quarter ended Sep. 30, 2024	For the quarter ended Sep. 30, 2023	For theNine month ended Sep. 30, 2024	For the Nine month ended Sep. 30, 2023
	----------Rupees in '000----------			
Profit after taxation for the period	**309,312**	196,104	**741,121**	410,126
Other comprehensive income				
Items that may be reclassified to profit and loss account in subsequent periods:				
Movement in surplus / (deficit) on revaluation of investments	**(4,712)**	(7,285)	**(2,380)**	(14,727)
Related deferred tax	**2,034**	6,525	**1,166**	9,725
	(2,678)	(760)	**(1,214)**	(5,002)
Total comprehensive income	**306,634**	195,344	**739,907**	405,124

The annexed notes 1 to 38 form an integral part of these condensed interim financial statements.

President/CEO	Chief Financial Officer	Director	Director	Director

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THE BANK OF AZAD JAMMU AND KASHMIR
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTH ENDED SEPTEMBER 30, 2024

	Share capital	Surplus / (deficit) on revaluation of assets	Surplus/(Deficit) on revaluation of financial asset at FVOCI	Unappropriated profit	Statutory Reserve	Total
	----------	----------	Rupees in '000	----------	----------	
Balance as at January 01, 2023	5,142,903	(23,828)		389,194	360,650	5,868,919
Profit after taxation for the half year ended June 30, 2023	-	-	-	410,126	-	410,126
Other comprehensive income - net of tax		(5,002)		-	-	(5,002)
Transfer to statutory reserve	-	-	-	(82,025)	82,025	-
Transactions with owners, recorded directly in equity						
Balance as at July 01, 2023	5,142,903	(28,830)	-	717,295	442,675	6,274,043
Profit after taxation for the half year ended December 31, 2023	-	-	-	127,354	-	127,354
Other comprehensive income - net of tax	-	29,733	-	-		29,733
Issue of Bonus Shares	385,718			(385,718)		
Transfer to statutory reserve				(25,471)	25,471	-
Balance as at December 31, 2023	**5,528,621**	**903**	**-**	**433,460**	**468,146**	**6,431,130**
Impact of adopting IFRS 9 - net of deferred tax	-	(903)	903	(158,766)	-	(158,766)
Restated Balance at January 01, 2024 under IFRS 9	**5,528,621**	**-**	**903**	**274,694**	**468,146**	**6,272,364**
Profit after taxation for the current period	-	-	-	741,121	-	741,121
Other comprehensive income - net of tax	-	-	(1,214)	-	-	(1,214)
Issue of Bonus Shares	428,468	-	-	(428,468)	-	-
Transfer to statutory reserve	-	-	-	(148,224)	148,224	-
Balance as at September 30, 2024	**5,957,089**	**-**	**(311)**	**439,123**	**616,370**	**7,012,271**

The annexed notes 1 to 38 form an integral part of these condensed interim financial statements.

President/CEO | Chief Financial Officer | Director | Director | Director

THE BANK OF AZAD JAMMU AND KASHMIR
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTH ENDED SEPTEMBER 30, 2024

	Note	For the Nine month September 30, 2024	For the Nine month September 30, 2023
		----------Rupees in '000----------	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		**1,370,401**	804,077
Less: Dividend Income		**(9,767)**	11,312
		1,360,634	792,765
Adjustments:			
Depreciation		**41,893**	28,780
Depreciation on right-of-use assets		**-**	25,354
Interest expense on lease liability		**186**	18,056
Credit loss allowance and write offs	23	**64,935**	505
Provision for gratuity		**15,904**	22,557
other provision		**206,877**	12,631
		329,796	94,747
		1,690,430	887,512
(Increase)/ decrease in operating assets			
Advances		**(586,178)**	(379,353)
Others assets (excluding advance taxation)		**(898,821)**	(1,021,078)
		(1,484,999)	(1,400,431)
Increase/ (decrease) in operating liabilities			
Bills payable		**(60,175)**	(62,469)
Deposits		**15,050,083**	2,208,583
Other liabilities (excluding current taxation)		**2,446,880**	225,884
		17,436,788	2,371,998
Payments against off-balance sheet obligations			
Payment against Interest expense on lease liability		**(186)**	-
Income tax paid		**(582,162)**	(463,748)
Net cash flow from / (used in) operating activities		**17,406,213**	1,395,331
Dividends received		**9,767**	11,312
Net (investments in) / proceeds from placement with banks		**(1,378,202)**	(65,187)
Net (investments in) / proceeds from investments		**(18,246,966)**	-
Investments in property and equipment		**(125,940)**	-
Disposal of property and equipment		**-**	148,051
Net cash flow generating from / (used in) investing activities		**(19,741,341)**	(53,875)
CASH FLOW FROM FINANCING ACTIVITIES			
Payment of lease liability against right-of-use assets		**(1)**	(29,763)
Net cash flow from / (used in) financing activities		**(1)**	(19,083)
(Decrease)/Increase in cash and cash equivalents		**(2,413,304)**	1,322,373
Cash and cash equivalents at beginning of the period		**7,703,554**	22,360,084
Cash and cash equivalents at end of the period	30	**5,290,250**	23,682,457

The annexed notes 1 to 38 form an integral part of these condensed interim financial statements.

President/CEO Chief Financial Officer Director Director Director

THE BANK OF AZAD JAMMU AND KASHMIR
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTH ENDED SEPTEMBER 30, 2024

1. STATUS AND NATURE OF BUSINESS

The Bank of Azad Jammu and Kashmir (the Bank) was established under The Bank of Azad Jammu and Kashmir Act, 2005 (the Act) and is principally engaged in commercial banking and related services as a non-scheduled bank in Azad Jammu and Kashmir State. The registered office of the Bank is situated at Bank Square, Chatter, Muzaffarabad, Azad Jammu and Kashmir. The Government of Azad Jammu and Kashmir and Behbood Fund & Group Insurance - Government autonomous body own 100 percent of ordinary shares of the Bank as on June 30, 2024 in proportion of 97.59% and 2.41% (2023: 97.59% and 2,41%) respectively.

The Bank has 87 branches (December 2023: 85 branches; September 2023: 84 branches) in Azad Jammu and Kashmir.

2 BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

Bye-Laws of the Bank require that the statement of financial position and profit and loss account of the Bank shall be drawn up in conformity with the rules and regulations of the State Bank of Pakistan (SBP) and Section 34 of the Banking Companies Ordinance, 1962. Accordingly, these financial statements have been prepared in accordance with the requirements of the Act, its Bye-Laws and approved accounting and reporting standards as applicable in Pakistan. Approved accounting and reporting standards comprise of:

The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB); and
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and directives issued by the State Bank of Pakistan (SBP).

Whenever the requirements of the directives issued by the SBP differ with the requirements of IFRS, the requirements of the said directives, shall prevail.

2.2 The disclosures made in this condensed interim financial statements have been limited based on the format prescribed by the State Bank of Pakistan (SBP) through BPRD Circular Letter No. 02 of 2023 dated 09 February 2023, and International Accounting Standard 34, "Interim Financial Reporting". These condensed interim financial statements do not include all of the disclosures required for annual financial statements and should be read in conjunction with the financial statements of the Bank for the year ended December 31, 2023.
The revised format for preparation of annual financial statements are applicable on bank effective from the accounting year ending 31st December, 2024 and revised format for preparation of interim financial statements are applicable effective from the first quarter of year 2024 and information in note have been rearranged and classified, where required as per the requriements of the said circular.

2.3 SBP Through Circular letter No. 16 dated July 29, 2024 has deferred the requirement of calculating amortized cost of financial assets and liabilities using effective interest rates and allowed financial institutions to use previous practices for calculating amortised cost till October 01, 2024, However the bank has calculated amortized cost of financial assets and liabilities using effective interest rates. Further more, SBP through same circular letter also deferred the requirement to recognise loss on initial recognition of subsidized staff loans till October 01, 2024 and allowed to use previous practice till effective date, Currently bank measure the subsidized staff loans as per Human resource policy.

2.4 New accounting standard adopted during the year - IFRS 9 'Financial Instrument'

2.5 State Bank of Pakistan (SBP) via circular no. 2 of 2023 dated Feburary 9, 2023,specified the new format for interm financial statements of banking companies. The new format has revised the disclosure requirements of the Bank for the half year ended June 30, 2024 which has resulted in additional disclosures relating to IFRS 9 and reclassification of Lease liabilities and Right of use assets on the face of Statement of Financial Position out of Property and equipment and Other Liabilities, respectively in these financial statements.

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2.6 The Bank has not restated comparative information for 2023 for financial instruments in the scope of IFRS 9. Therefore, the comparative information for 2023 is reported under previous local regulatory requirements and is not comparable with the information presented for 2024. Differences arising from the adoption of IFRS 9 have been recognized directly in retained earnings as of January 01, 2024 and are disclosed in Note 8.

2.7 Changes to classification and measurement

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.
New categories of financial assets under IFRS 9 are as follow:

-Debt instruments at amortized cost
-Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition
-Equity instruments at FVOCI, with no recycling of gains or losses in profit or loss on derecognition
-Financial assets at FVPL

The accounting for financial liabilities remains largely the same as it was under prior accounting policy.

2.8 Changes to the impairment calculation

The adoption of IFRS 9 has fundamentally changed the Bank's accounting for impairments loss by replacing prior incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Bank to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset.

3 AMENDMENTS TO THE PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE EFFECTIVE IN THE CURRENT PERIOD

The material accounting policies and methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the audited annual financial statements for the year ended December 31, 2023. Other than initial and subsequent recognition of financial assets and financial liabilities as per IFRS 9 as stated below.

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

There are certain amendments to existing accounting and reporting standards that have become applicable to the Bank for accounting periods beginning on or after January 01, 2024. These are either considered to be not relevant or do not have any significant impact on these condensed interim financial statements except for IFRS 9 (Financial instruments), the impact of which is disclosed under note 8.

b) Standards, interpretations of and amendments to accounting and reporting standards that are not yet effective

There are certain new and amended standards, ammendments and interpretations that are only effective for accounting periods, beginning on or after January 01, 2025. These standards, interpretations and the amendments are either not relevant to the Bank's operations or are not expected to have significant impact on the Bank's condensed interim financial statements other than certain additional disclosures.

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4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for accounting estimates adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the financial statements of the Bank for the year ended December 31, 2023 unless otherwise specified in below mentioned adoption of new accounting policies.

5 MATERIAL ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements for the year ended December 31, 2023 other than initial and subsequent recognition of financial assets and financial liabilities as per IFRS 9 as stated below.

5.1 Financial instruments – initial recognition (accounting policy applicable from January 01, 2024)

a) Date of recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognized on the trade date, i.e., the date on which the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades, i.e., purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognized when funds are transferred to the customers' accounts. The Bank recognizes balances due to customers when funds are transferred to the Bank.

b) Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value , except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, and loan processing fee (LPF) is subtracted from, or added to, this amount. However, requirement of adding/subtracting transaction cost and LPF from financial asset/liability is deferred by SBP BPRD through circular letter no 17 of 2024 till October 01, 2024. Therefore, no impact of transaction cost or LPF is taken in the financial instruments.

c) Measurement categories of financial assets and liabilities

From January 01, 2024, the Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortized cost
- Fair value though Other comprehensive income (FVOCI), and
- Fair value through profit and loss (FVTPL)

The Bank classifies and measures its derivative and trading portfolio at FVPL. The Bank may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortized cost or at FVPL when they are held for trading and derivative instruments or the fair value designation is applied.

d) Financial assets and liabilities

Due from banks, Loans and advances to customers and investments

From January 01, 2024, the Bank measures Due from banks, Loans and advances to customers and Investments at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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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 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.

- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)

The expected frequency, value and timing of sales are also important aspects of the Bank's assessment. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'best case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

As a second step of its classification process the Bank assesses the contractual terms of the financial asset 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 amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de Minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

e) Debt instruments at FVOCI

The Bank applies the new category under IFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset meet the SPPI test .

These instruments largely comprise assets that had previously been classified as financial investments available-for-sale. FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in OCI. Interest income and foreign exchange gains and losses are recognized in profit or loss in the same manner as for financial assets measured at amortized cost. Where the Bank holds more than one investment in the same security, they are deemed to be disposed of on a first–in first–out basis. On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to profit or loss.

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f) Equity instruments at FVOCI

Upon initial recognition, the Bank occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognized in profit or loss as other operating income when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

g) Debt issued and other borrowed funds

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium on issued funds, and costs that are an integral part of the EIR.

5.2 Derecognition of financial assets and liabilities

a) Derecognition for substantial modification of Financial assets

The Bank derecognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be Purchase originated credit impaired (POCI).
For financial liabilities, the Bank considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent. For financial assets, this assessment is based on qualitative factors.

b) Derecognition other than for substantial modification Financial assets

A financial asset (or, where applicable, a part of a financial asset) is derecognized when the rights to receive cash flows from the financial asset have expired. The Bank also derecognizes the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

c) Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

d) Reclassification of financial assets and liabilities

From January 01, 2024, the Bank does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Bank acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified. The Bank did not reclassify any of its financial assets or liabilities in 2024.

5.3 Impairment of financial assets (Policy applicable from January 01, 2024)

a) Overview of the ECL principles

IFRS 9 has fundamentally changed the Bank's loan loss impairment method by replacing incurred loss approach with a forward-looking ECL approach. From January 01, 2024, the Bank has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. Equity instruments are not subject to impairment under IFRS 9.

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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 on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

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.

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

Stage 1	When loans are first recognized, the Bank recognizes an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
Stage 2	When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
Stage 3	Loans considered credit-impaired . The bank records an allowance for the LTECLs
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 interest income is subsequently recognized based on a credit-adjusted EIR. ECLs are only recognized or released to the extent that there is a subsequent change in the expected credit losses.

b) The calculation of ECLs

The Bank calculates ECLs based on a three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements

PD	PD The Probability of Default 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 derecognized and is still in the portfolio. The concept of PDs is further explained in credit risk management.
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 realization of any collateral or credit enhancements that are integral to the loan. It is usually expressed as a percentage of the EAD. The LGD is further explained in credit risk management.

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EAD	The Exposure at Default 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 interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

When estimating the ECLs, the Bank considers three scenarios (a base case, an upside and a downside). The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier. Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The mechanics of the ECL method are summarized below:

Stage 1	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 EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios, as explained above.
Stage 2	When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR
Stage 3	For loans considered credit-impaired , the Bank recognizes the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.
POCI	POCI assets are financial assets that are credit impaired on initial recognition. The Bank only recognizes the cumulative changes in lifetime ECLs since initial recognition, based on a probability-weighting of the three scenarios, discounted by the credit-adjusted EIR.

c) Debt instruments measured at fair value through OCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognized in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognized in OCI is recycled to the profit and loss upon derecognition of the assets.

d) Purchased or originated credit impaired financial assets (POCI)

For POCI financial assets, the Bank only recognizes the cumulative changes in LTECL since initial recognition in the loss allowance.

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e) **Forward looking information**

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

- GDP growth
- Consumer price indices
- Un-employment rate

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

f) **Credit enhancements: collateral**

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as gold, vehicle, house etc. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. However, the fair value of eligible collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a requirement basis.

Eligible collateral are those which has i) legal certainly and enforceability, and ii) history of forcibility and recovery. The bank has not consider any collateral as eligible for adjustment of EAD.

g) **Write-offs**

Financial assets are written off either partially or in their entirety only when the Bank has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to Profit and loss account.

h) **Two track approach for stage 3 loans**

As per instructions issued by SBP, the bank used two track approach for ECL assessment on stage 3 loans. As per this approach the bank calculated provision /ECL both under Prudential Regulations (PRs) issued by SBP for banks and IFRS 9 and higher amount has been taken and final ECL.

5.4 Credit risk management

Credit risk arises from the potential that an obligor is either unwilling to perform on an obligation or its ability is impaired resulting in economic loss to the Bank. The Bank takes necessary measures to control such risk by monitoring credit exposures, limiting transactions with specific counter parties with increased likelihood of default and continually assessing the creditworthiness of counter parties.

a) **PD estimation process**

Consumer lending

The banks entire loans and advances portfolio consist of consumer lending. Consumer lending comprises commercial, consumer secured, consumer unsecured, auto, house, agriculture and small medium enterperirse loans. The Bank does not have credit score card model for consumer lendings, therefore, the Bank used delinquency (day past due) based model for estimation of PDs. Average monthly transitions to default of relevant delinquency states were converted into current 12 months point in time PDs using statistical models. The lifetime PD is developed by applying a maturity profile to the current 12 months PD. Data from January 31, 2019 till December 31, 2023 has been used for PD estimations.

b) **LGD estimation process**

The Bank segments its consumer lending products into smaller homogeneous segments, based on key characteristics that are relevant to the estimation of future cash flows. The bank calculate LGD of each segment based historical experiences of cash recoveries from defaults (including settlements), cost and time of recoveries. one year set back is maintained for calculation of LGD for defaults, which means parties which are classified as default till end of last year are taken in to the calculation of LGD. Effective interest rate or approximate there of has been used to discount recoveries to date of default. Data from January 31, 2019 till date has been used for LGD estimations for the parties classified as default till December 31, 2022.

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c) Forward looking information:

IFRS 9 requires incorporating future economic conditions into the measurement of ECL. Future economic conditions are incorporated by adjusting estimates of PD to reflect expectations about the stage of economic cycle expected to be prevalent in the economy as-and-when default is expected to arise in the future. The macroeconomic factors were selected based on management judgement and analysis of historical default rates. GDP growth rate, CPI and un-employment rate were considered to be the most suitable for the Bank's customers. The GDP, CPI and un-employment rate forecast were sourced from International Monetary Fund (IMF) which were used to determine forward looking Point in time PDs (Pit PDs)

6 Policies prior to adoption of IFRS 9 'Financial Instrument'

6.1 Investments

6.1.1 Classification

Held for trading

These are securities included in a portfolio in which a pattern of short-term trading exists or which are acquired for generating a profit from short-term fluctuations in market prices or interest rate movements.

Held to maturity

These are securities with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold till maturity.

Available for sale

These are investments, other than investments in subsidiaries, associates and joint ventures, that do not fall under the held for trading or held-to-maturity categories.

6.1.2 Regular way contracts

All purchases and sales of investments that require delivery within the time frame established by Prudential Regulations of the State Bank of Pakistan or market convention are recognised at the trade date. The trade date is the date on which the Bank commits to purchase or sell the investment.

6.1.3 Initial measurement

In the case of investments classified as held-for-trading, transaction costs are expensed through the profit and loss account. Transaction costs associated with investments other than those classified as held-for-trading are included in the cost of the investments.

6.1.4 Subsequent measurement

Held-for-trading

Investments classified as held-for-trading are subsequently measured at fair value. Any unrealised gain / loss arising on revaluation is taken to the profit and loss account.

Held-to-maturity

Investments classified as held-to-maturity are subsequently measured at amortised cost using the effective interest rate method, less any impairment.

Available-for-sale

Listed securities if any, are classified as available-for-sale are subsequently measured at fair value. Any unrealised surplus / deficit arising on revaluation is recorded in the surplus / deficit on revaluation of securities account (shown as part of equity in statement of financial position) and is taken to the profit and loss account either when realised upon disposal or when the investment is considered to be impaired.

Unlisted equity securities, if any are carried at the lower of cost and break-up value. The break-up value is calculated with reference to the net assets of the investee Bank as per its latest available audited financial statements. Other unlisted securities are valued at cost less impairment, if any.

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6.1.5 Impairment

Impairment loss if any in respect of investments classified as available for sale and held to maturity is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged decline in fair value of an equity investment below its cost is also considered an objective evidence of impairment. In case of impairment of available for sale securities, the cumulative loss that previously reported in other comprehensive income is transferred to profit and loss account for the year. For investments classified as held to maturity, the impairment loss is recognised in the profit and loss account.

6.2 Advances

Advances are stated net of provisions for non-performing advances. The Bank reviews its loan portfolio to assess the amount of non-performing loans and advances and provision required there-against. While assessing this requirement various factors including the delinquency in the account, financial position of the borrower, the forced sale value of securities and requirements of the Prudential Regulations are considered. For portfolio impairment provision on consumer advances, the Bank follows the general provision requirement set out in Prudential Regulations.

The provisions against non-performing advances are charged to the profit and loss account. Advances are written off when there is no realistic prospect of recovery.

7 FINANCIAL RISK MANAGEMENT

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

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8 Transition disclosure

8.1 The following paras set out he impact of adopting IFRS9 on the statement of financial position, and retained earnings including the effect of placing prior accounting policy of incurred credit loss calculations with IFRS9's Expected Credit Loss(ECLs). A reconciliation between the carrying amounts under prior accounting policy to the balances reported under IFRS9 as of December 31, 2023 is, as follows:

Description	Note	Previous financial reporting framework		Reclassification	Remeasurement	Current IFRS-9 reporting framework	
		Category	Amount			Amount	Category
			Rupees in '000				
Financial Assets							
CASH AND BALANCES WITH TREASURY BANKS	9	With National Bank of Pakistan (amortized cost)	8,779,266	560,926	-	9,340,192	Amortized cost
BALANCES WITH OTHER BANKS	10	Balances with other banks (amortized cost)	19,217,180	3,050,640	(319,054)	21,948,766	Amortized cost
INVESTMENTS	11	Available-for-sale securities	56,771	-	-	56,771	Fair value through OCI
		Held-to-maturity securities	49,940	-	-	49,940	Amortized cost
ADVANCES	12	Advances (amortized cost)	3,874,147	78,277	7,750	3,960,174	Amortized cost
OTHER ASSETS	16	Income / markup accrued (amortized cost)	3,423,336	(3,689,843)	-	(266,507)	Amortized cost
Financial Liabilities							
DEPOSITS AND OTHER ACCOUNTS	18	Deposits and other accounts (Amortized cost)	-24,144,665	(358,022)		(24,502,687)	Amortized cost
OTHER LIABILITIES	20	Other liabilities (amortized cost)	-1,723,814	358,022	-	(1,365,792)	Amortized cost
Non-financial assets							
Deferred tax asset	15	Deferred tax assets	31,984	-	152,538	184,522	Deferred tax assets
Net Assets							
SURPLUS / (DEFICIT) ON REVALUATION OF FINANCIAL	21	Available for sale	903	(903)	-	-	-
Surplus on revaluation on investments measured at fair value through OCI - Net of deferred tax		-	-	903	-	903	Fair value through OCI
Total Impact of adopting IFRS 9			**9,565,048**	**-**	**(158,766)**	**9,406,282**	

8.2 The Impact of transition to IFRS 9 on unappropriated profit and revaluation of investment as at 1 January 2024 is as follows:

	Rupees in '000
Unappropriated profit	
Balance at December 31, 2023	433,460
Impact of adopting IFRS 9 - net of related deferred tax	(158,766)
Restated balance at September 30, 2024	274,694
Fair value reserve of financial assets at FVOCI	
Balance at December 31, 2023	-
Impact of adopting IFRS 9 - net of related deferred tax	903
Restated balance at December 31, 2023	903
(Deficit) / surplus on revaluation of assets - net	
Balance at December 31, 2023	903
Impact of adopting IFRS 9 - net of related deferred tax	(903)
Restated balance at December 31, 2023	-

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9 CASH AND BALANCES WITH TREASURY BANKS

	Note	(Un-audited) September 30, 2024	(Audited) December 31, 2023
		--------Rupees in '000------	
In hand			
Local currency		476,679	308,314
With National Bank of Pakistan in			
Local currency current accounts		356,124	374,440
Local currency deposit accounts	9.1 & 9.2	7,837,840	7,535,586
Total		8,193,964	7,910,026
Accrued Mark-up			560,926
Prize bonds		-	-
Less: Credit loss allowance held against cash and balances with treasury banks		-	-
Cash and balances with treasury banks - net of credit loss allowance		8,670,643	8,779,266

9.1 This represents deposit accounts carrying markup rate 19.50% (2023:15.50% to 20.50%) per annum.

9.2 This represents term deposits carrying markup rates ranging from 17.90% to 22.60% (2023: 20.00% to 22.60%) per annum having maturities ranging from 2 months to 11 months.

10 BALANCES WITH OTHER BANKS

	Note	(Un-audited) September 30, 2024	(Audited) December 31, 2023
		-------Rupees in '000------	
In Pakistan (Azad Jammu and Kashmir)			
In current accounts		41,064	670,320
In deposit accounts	10.1 & 10.2	18,243,000	15,862,220
Total		18,284,064	16,532,540
Accrued Mark-up		3,050,642	3,050,640
Less: Credit loss allowance held against balances with other banks		-	-
Balances with other banks - net of credit loss allowance		21,334,706	19,583,180
10.1 Financial asset measured using effective interest rate method :-			
Opening balance		-	-
Financial asset measured using effective interest rate method		2,000,000	-
Fair value adjustment as per IFRS 9		(319,054)	-
Addition during the year / period		-	-
Matured during the year / period		(300,000)	-
Acretion of interest		36,954	-
Closing balance		1,417,900	-

10.2 This includes saving deposit accounts amounting Rs. 2,401,546 thousands (2023: Rs. 1,304,937 thousands) carrying markup rates ranging from 5.5% to 20.5% (2023: 15.5% to 20.5%) per annum and term deposits carrying markup rates ranging from 18.25% to 24% (2023: 16.5% to 24%) per annum having maturities ranging from 1 months to 2 years except for two term deposits amounting to Rs. 500,000 thousand and Rs. 1,200,000 thousand placed with a bank maturing in 2029 and 2032 respectively, which are measured using effective interest rate method.

11 INVESTMENTS

	(Un-audited) September 30, 2024				(Audited) December 31, 2023			
	Cost / Amortised cost	Credit loss allowance	Surplus / (Deficit) FVOCI	Carrying Value	Cost / Amortised cost	Credit loss allowance	Surplus / (Deficit) FVOCI	Carrying Value
	----------Rupees in '000----------							
11.1 Investments by type:								
Fair value through Other Comprehensive Income								
Units of open ended mutual funds	**55,000**	-	**(609)**	**54,391**	55,000	-	1,771	56,771
Amortised Cost								
Term finance certificates - note 9.2	**49,940**	**(49,940)**	-	-	49,940	(49,940)	-	-
Treasury Bills	**15,000,000**	-	-	**15,000,000**	-	-	-	-
Total Investments	**15,104,940**	**(49,940)**	**(609)**	**15,054,391**	104,940	(49,940)	1,771	56,771

	(Un-audited) Sep. 30, 2024	(Audited) December 31, 2023
11.2 Credit loss allowance for diminution in value of investments		
11.2.1 Opening balance	**49,940**	49,940
Charge / reversals		
Charge for the period / year	-	-
Reversals for the period / year	-	
Reversal on disposals	-	-
Transfers - net	-	-
Amounts written off	-	-
Closing Balance	**49,940**	49,940

11.3 Investments - Particulars of credit loss allowance

Investments - Exposure	(Un-audited) September. 30, 2024				(Audited) December 31, 2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
	---------- Rupees in '000 ----------							
Gross carrying amount	**55,000**	**-**	**49,940**	**104,940**	-	-	-	254,940
New Investments	-	-	-	-	-	-	-	-
Investments derecognised or repaid	-	-	(49,940)	(49,940)	-	-	-	(199,940)
Transfer to stage 1	-	-	-	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-	-	-
	-	-	(49,940)	(49,940)	-	-	-	(199,940)
Change in exposure	-	-	-	-	-	-	-	-
Closing balance	**55,000**	**-**	**-**	**55,000**	-	-	-	55,000

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12 ADVANCES

	Performing		Non Performing		Total	
	(Un-audited)	(Audited)	(Un-audited)	(Audited)	(Un-audited)	(Audited)
	September 30, 2024	December 31, 2023	September 30, 2024	December 31, 2023	September 30, 2024	December 31, 2023
	---Rupees in '000---					
Loans, cash credits, running finances, etc.	4,277,068	3,951,359	369,425	136,514	4,646,493	4,087,873
Income/Markup Accrued	105,835	-	-	-	105,835	-
Advances - gross	4,382,903	3,951,359	369,425	136,514	4,752,328	4,087,873
Provision against advances						
- Specific	-	-	-	(126,784)	-	(126,784)
- General	-	(86,942)	-	-	-	(86,942)
Credit loss allowance against advances						
-Stage 1	(87,022)	-	-	-	(87,022)	-
-Stage 2	(6,665)	-	-	-	(6,665)	-
-Stage 3	-	-	(177,223)	-	(177,223)	-
	(93,687)	-	(177,223)	-	(270,910)	-
Advances - net of credit loss allowance	4,289,216	3,864,417	192,202	9,730	4,481,418	3,874,147

	(Un-audited) September 30, 2024	(Audited) December 31, 2023
	---Rupees in '000---	
	4,646,493	4,087,873

12.1 Particulars of advances (Gross)

In local currency

Advances include Rs. 234,396 thousand which have been placed under non-performing / stage 3

Category of classification in stage 3	(Un-audited) September 30, 2024		(Audited) December 31, 2023	
	Non performing loans	Credit loss allowance	Non Performing Loans	Provision
	------Rupees in '000------			
Domestic				
Other Assets Especially Mentioned (OAEM)	560	-	1,382	103
Substandard	18,652	42,959	7,929	1,922
Doubtful	27,931	21,476	1,344	672
Loss	188,262	110,176	125,859	124,087
Total	235,405	174,611	136,514	126,784

12.2 Particulars of credit loss allowance against advances

	(Un-audited) Sep. 30, 2024				(Audited) December 31, 2023			
	Stage 3	Stage 2	Stage 1	Total	Stage 3	Stage 2	Stage 1	Total
Opening balance	-	-	-	-	-	-	-	213,809
IFRS 9 impact	173,749	7,634	24,593	205,976	-	-	-	-
Charge for the period / year	3,474	-	-	3,474	-	-	-	505
Reversals	-	(971)	62,431	61,460	-	-	-	-
Amounts written off	-	-	-	-	-	-	-	(588)
Closing balance	177,223	6,663	87,024	270,910	-	-	-	213,726

12.2.1 The credit loss allowance assessed on stage 1 and stage 2 amounts to Rs. 23,269 thousand and Rs. 7,394 thousand respectively.

12.3 Advances - Particlurs of credit loss allowance

	(Un-audited) Sep. 30, 2024				(Audited) December 31, 2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	Rupees in '000				Rupees in '000			
12.3.1 Opening Balance	-	-	-	-	-	-	-	3,504,039
IFRS 9 impact	3,716,965	88,537	598,884	4,404,386	-	-	-	-
Gross carrying amount	3,716,965	88,537	598,884	4,404,386	-	-	-	3,504,039
New advances	752,945	-	-	752,945	-	-	-	-
Advances derecognised or repaid	(674,327)	(19,275)	(46,618)	(740,220)	-	-	-	-
Transfer to stage 1	416,775	(44,380)	(372,395)	-	-	-	-	-
Transfer to stage 2	(26,523)	35,855	(9,331)	-	-	-	-	-
Transfer to stage 3	(189,284)	(7,945)	197,229	-	-	-	-	-
	279,586	(35,746)	(231,115)	12,725	-	-	-	-
Change in Exposure	341,278	(7,717)	1,656	335,218	-	-	-	584,422
Total movement in advances - exposure	620,864	(43,463)	(229,459)	347,943	-	-	-	-
Amounts written off / charged off	-	-	-	-	-	-	-	(588)
Closing balance	4,337,829	45,074	369,425	4,752,329	-	-	-	4,087,873

Advances - Credit loss allowance	(Un-audited) Stage 1	Stage 2	Stage 3	Total	(Audited) Stage 1	Stage 2	Stage 3	Total
	Rupees in '000				Rupees in '000			
12.3.2 Opening Balance	-	-	-	-	-	-	-	213,809
IFRS 9 impact	24,593	7,634	173,749	205,976	-	-	-	-
Gross carrying amount	24,593	7,634	173,749	205,976	-	-	-	213,809
New advances	11,652	-	-	11,652	-	-	-	-
Advances derecognized or repaid	(2,400)	(625)	(105,831)	(108,856)	-	-	-	-
Transfer to stage 1	21,570	(3,300)	(18,270)	-	-	-	-	-
Transfer to stage 2	(2,431)	4,281	(1,850)	-	-	-	-	-
Transfer to stage 3	(2,471)	(1,015)	3,485	-	-	-	-	-
	25,920	(658)	(122,466)	(97,204)	-	-	-	-
Change in Exposure	36,511	(313)	125,940	162,139	-	-	-	505
Total movement in advances - exposure	62,431	(971)	3,474	64,935	-	-	-	-
Amounts written off / charged off	-	-	-	-	-	-	-	(588)
Closing balance	87,024	6,663	177,223	270,910	-	-	-	213,726

12.3.3 Advances - Credit loss allowance details	(Un-audited) Sep. 30, 2024				(Audited) December 31, 2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Internal / Extrernal rating / stage clasification	---------- Rupees in '000 ----------				---------- Rupees in '000 ----------			
Domestic								
Outstanding gross	4,337,829	45,074	369,425	4,752,329	-	-	-	-
Performing - Stage 1	4,337,829			4,337,829	-			-
Under Performing - Stage 2		45,074		45,074		-		-
Non-perfroming - Stage 3								
Other Assets Especially Mentioned (OAEM)	-	-	560	560	-	-	-	-
Substandard	-	-	18,652	18,652	-	-	-	-
Doubtful	-	-	27,931	27,931	-	-	-	-
Loss	-	-	188,262	188,262	-	-	-	-
	-	-	235,405	235,405	-	-	-	-
Total	4,337,829	45,074	235,405	4,618,308	-	-	-	-
Corresponding ECL								
Stage 1 and stage 2	87,024	6,663	-	93,687	-	-	-	-
Stage 3	-	-	177,223	177,223	-	-	-	-
	4,250,805	38,411	192,202	4,347,398	-	-	-	-

12.4 Particulars of write offs:	2024	2023
Against credit loss allowance	-	(588)
Directly charged to profit and loss account	-	-
	-	(588)

12.5 The FSV benefit availed under IFRS 9 Expected credit loss method as at September 30, 2024 is Nil (Under Prudential regulation, 2023: Rs. 2,015 thousand). The Financial institutions are advised to consider only those collaterals as eligible collateral in the Exposure at default (EAD(calculation, which have the characteristic of Legal enforceability and history of enforceability and recovery. As the bank has no history of enforceability and history therefore no collateral has been adjusted whilst calculating EAD.

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	Note	(Un-audited) September 30, 2024	(Audited) December 31, 2023
		-------Rupees in '000-------	
13 PROPERTY AND EQUIPMENT			
Capital work-in-progress	13.1	**9,089**	867
Property and equipment	13.2	**357,111**	281,272
		366,200	282,139

13.1 Capital work-in-progress

Advances to suppliers	**9,089**	867

13.1.1 This represents advances to suppliers in respect of purchase of furniture and fixture.

13.2 Additions to fixed assets

	(Un-audited) September 30, 2024	(Audited) December 31, 2023
The following additions have been made to fixed assets during the period:	-------Rupees in '000-------	
Capital work-in-progress	**8,222**	(13,795)
Property and equipment		
Freehold land	**-**	-
Leasehold Improvements	**20,497**	9,914
Furniture and fixture	**21,115**	15,286
Computer equipment	**20,069**	8,604
Vehicles	**298**	11,674
Electrical office and computer equipment	**14,417**	1,021
	76,396	46,499
Total	**84,618**	32,704

	Note	(Un-audited) September 30, 2024	(Audited) December 31, 2023
		--------Rupees in '000--------	
14 RIGHT-OF-USE ASSETS			
Buildings			
At January 1st		**140,609**	145,892
Cost		**288,979**	253,081
Accumulated Depreciation		**(148,370)**	(107,189)
Net Carrying amount at January 1st		**140,609**	145,892
Additions during the year		**78,277**	35,548
Deletions during the year		**-**	-
Depreciation Charge for the year		**23,099**	40,831
Net Carrying amount at June 30th		**140,595**	140,609

	Note	(Un-audited) September 30, 2024	(Audited) December 31, 2023
		--------Rupees in '000--------	
15 DEFERRED TAX ASSETS			
Taxable temporary differences on :			
- Accelerated tax depreciation		**(81,979)**	(61,429)
Deductible temporary differences on :			
-Provision against receivable from Kashmir Council		**2,359**	2,359
-Provision against customer claims		**8,169**	8,169
-Deficit on revaluation of investments		**298**	(868)
-Lease liability against right of used assets		**81,844**	81,844
-Impact of IFRS 09		**152,538**	-
- Provision against non-performing advances		**12,178**	1,909
		257,386	93,413
Net deferred tax asset		**175,407**	31,984

16 OTHER ASSETS

	Note	(Un-audited) September 30, 2024	(Audited) December 31, 2023
		--------Rupees in '000-------	
Income/ mark-up accrued in local currency - net of provision	16.1	560,218	(219,898)
Advances, deposits, advance rent and other prepayments		75,762	18,101
Stationery and stamps in hand		16,053	11,396
Others		63,403	7,016
		715,436	(183,385)
Less: Credit loss allowance held against other assets	16.2	(4,815)	(4,815)
Other assets - net of provision		710,621	(188,200)

16.1 This balance has been arrived at after adjusting interest in suspense account of Rs. 148,092 thousand (2023: Rs. 151,281 thousand).

16.2 Credit loss allowance held against other assets

	(Un-audited) September 30, 2024	(Audited) December 31, 2023
Receivable from Kashmir Council	4,815	4,815

17 BILLS PAYABLE

	Note	(Un-audited) September 30, 2024	(Audited) December 31, 2023
		--------Rupees in '000-------	
In Pakistan		33,084	93,259

18 DEPOSITS AND OTHER ACCOUNTS

	(Un-audited) September 30, 2024			(Audited) December 31, 2023		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	----------Rupees in '000----------					
Customers						
Current deposits	6,160,249	-	6,160,249	5,311,831	-	5,311,831
Savings deposits	15,555,478	-	15,555,478	13,132,002	-	13,132,002
Term deposits	17,728,171	-	17,728,171	5,599,705	-	5,599,705
Others	108,872	-	108,872	101,127	-	101,127
	39,552,770	-	39,552,770	24,144,665	-	24,144,665

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	Note	(Un-audited) September 30, 2024	(Audited) December 31, 2023
		---------Rupees in '000--------	
19 LEASE LIABILITIES			
Outstanding amount at the start of the year		**167,028**	162,026
Additions during the year		**78,290**	33,038
Lease payments including interest		**(58,993)**	(61,686)
Interest expense		**15,974**	33,650
Outstanding amount at the end of the year		**167,028**	167,028
Liabilities Outstanding			
Less than one year		**63,041**	53,535
One to five years		**189,192**	145,599
More than five years		**95,049**	33,471
Total undiscounted lease liabilities		**347,282**	232,605
20 OTHER LIABILITIES			
Mark-up/ return/ interest payable in local currency	20.1	**93,328**	921,737
Accrued expenses		**974**	8,120
Income tax payable		**408,702**	275,328
Branch adjustment account		**74,208**	152,868
Provision for bonus to employees		**48,000**	62,927
Provision against customer claims		**16,672**	16,672
Leave encashment		**108,358**	109,434
Education cess		**93,805**	60,394
Others		**3,324,781**	116,334
		4,168,828	1,723,814

20.1 It includes an amount of Rs. 808,840 thousand (2023: Rs. 184,847 thousand) on account of interest payable to related parties .

21 SURPLUS / (DEFICIT) ON REVALUATION OF FINANCIAL ASSETS AT FVOCI			
Deficit on revaluation of			
- Surplus / (deficit) on revaluation at FVOCI - Equity	11.1	**(2,570)**	1,771
Deferred tax on deficit on revaluation of:			
- Surplus / (deficit) on revaluation of FVOCI - Equity		**298**	(868)
		(2,272)	903
22 CONTINGENCIES AND COMMITMENTS			
-Guarantees	22.1	**124,537**	87,674
-Commitments	22.2	**191,775**	182,307
-Bills for collection	22.3	**8,518**	5,580
		324,830	275,561
22.1 Guarantees:			
Financial guarantees		**124,537**	87,674
22.2 Commitments:			
Loan sanctioned but not disbursed		**32,283**	5,814
Unavailed running finance		**159,492**	176,493
		191,775	182,307

22.3 Bills for collection

Bills for collection represent bills drawn in favor of various financial institutions on behalf of the Bank's customers. These are accepted by the Bank as an agent and the Bank does not carry any credit risk in respect of these bills.

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		----------Unaudited----------	
		For theNine month ended Sep. 30, 2024	For the Nine month ended Sep. 30, 2023
		----------Rupees in '000----------	
23	**MARK-UP / RETURN / INTEREST EARNED**		
	Loans and advances	**527,578**	428,922
	Balances with banks	**4,888,379**	2,948,826
		5,415,957	3,377,748
23.1	**Interest income (calculated using effective interest rate method) recognised on:**		
	Financial assets measured at amortised cost;	**2,375,665**	-
24	**MARK-UP/RETURN/INTEREST EXPENSED**		
	Deposits	**3,120,597**	1,828,132
	Liabilities against assets subject to finance lease	**186**	18,056
		3,120,783	1,846,188
25	**FEE & COMMISSION INCOME**		
	Branch banking customer fees	**2,836**	2,340
	Commission on cheque books	**9,671**	6,935
	Credit related fees	**9,872**	5,642
	Commission on guarantees	**1,893**	1,088
	Commission on remittances	**2,171**	2,101
	Commission on insurance	**-**	21
	Commission on utility bills	**3,403**	4,519
	Postages charges	**735**	712
	Others	**538**	313
		31,119	23,671
26	**OTHER INCOME**		
	Gain on sale of fixed assets	**-**	-
	Site visits and fee collection charges	**8,157**	
	Write offs recovered	**-**	
	Other income	**50,994**	5,029
		59,151	5,029
27	**OPERATING EXPENSES**		
	Total compensation expense	**561,934**	442,979
	Property expense		
	Rent & taxes	**54,235**	654
	Insurance	**-**	(1,328)
	Utilities cost	**29,931**	28,748
	Security (including guards)	**60,288**	42,842
	Repair & maintenance (including janitorial charges)	**16,763**	19,523
	Depreciation on right-of-use assets	**-**	25,364
	Depreciation on owned fixed assets	**10,272**	7,864
		171,489	123,667
	Information technology expenses		
	Software maintenance	**19,261**	15,645
	Hardware maintenance	**6,527**	2,967
	Depreciation	**14,099**	7,136
	Network charges	**14,550**	9,446
		54,437	35,194

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	Note	Unaudited	
		For theNine month ended Sep. 30, 2024	For the Nine month ended Sep. 30, 2023
		Rupees in '000	
Other operating expenses			
Directors' fees and allowances		8,490	4,874
Legal & professional charges		6,689	16,490
Travelling & conveyance		26,507	27,687
Depreciation		17,522	13,780
Entertainment		20,416	17,682
Training and development		2,460	721
Postage & courier charges		4,646	2,602
Communication		3,919	3,396
Stationery & printing		23,696	17,837
Marketing, advertisement & publicity		9,344	2,820
Auditors' remuneration		2,228	2,561
Education cess		-	-
Others		46,098	32,647
		172,015	143,097
		959,875	744,937
28 CREDIT LOSS ALLOWANCE & WRITE OFFS - NET			
Credit loss allowance against loans & advances	12.2	-	-
Provision against non-performing loans and advances - net		-	22,557
Total		-	22,557
29 TAXATION			
Current		715,536	395,596
Deferred		(86,256)	(1,645)
		629,280	393,951

	Note	(Un-audited) September 30, 2024	(Audited) December 31, 2023
		Rupees in '000	
30 CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks		800,000	918,340
Balances with other banks		4,490,250	6,785,214
	30.1	5,290,250	7,703,554

30.1 Cash and cash equivalents include the cash in hand, balances in current and saving deposits and term deposits with maturity of less than 3 months.

31 EARNINGS PER SHARE			
Profit for the period		741,121	410,126
			Restated
		Number	
Weighted average number of ordinary shares		595,708,900	595,708,900
			Restated
		Rupees	
Basic and diluted earnings per share		1.24	0.69

32 FAIR VALUE MEASUREMENTS

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

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

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32.1 Fair value of financial assets

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

Level 1	Fair value measurements using quoted prices (*unadjusted*) in active markets for identical assets or liabilities.
Level 2:	Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e.
Level 3:	Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

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

	September 30, 2024 (Un-Audited)				
	Carrying Value	Level 1	Level 2	Level 3	Total
	----------	----------	Rupees in '000	----------	----------
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Mutual Fund	-	52,430	-	-	52,430
	-	52,430	-	-	52,430
Financial assets - disclosed but not measured at fair value					
Cash and balances with treasury banks	8,670,643	-	-	-	8,670,643
Balances with other banks	21,334,706	-	-	-	21,334,706
Advances	4,481,418	-	-	-	4,481,418
Other assets	618,806	-	-	-	618,806
	35,105,573	-	-	-	35,105,573
	35,105,573	52,430	-	-	35,158,003
Off-balance sheet financial instruments - measured at fair value					
Forward purchase of foreign exchange	-	-	-	-	-
Forward sale of foreign exchange	-	-	-	-	-
Forward agreements for lending	-	-	-	-	-
Forward agreements for borrowing	-	-	-	-	-
Derivatives purchases	-	-	-	-	-
Derivatives sales	-	-	-	-	-
	-	-	-	-	-

	December 31, 2023 (Audited)				
	Carrying Value	Level 1	Level 2	Level 3	Total
	----------	----------	Rupees in '000	----------	----------
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Mutual Fund	-	56,771	-	-	56,771
	-	56,771	-	-	56,771
Financial assets - disclosed but not measured at fair value					
Cash and balances with treasury banks	8,218,340	-	-	-	8,218,340
Balances with other banks	16,532,540	-	-	-	16,532,540
Advances	3,874,147	-	-	-	3,874,147
Other assets	(217,697)	-	-	-	(217,697)
	28,407,330	-	-	-	28,407,330
	28,407,330	56,771	-	-	28,464,101

	December 31, 2023 (Audited)				
	Carrying Value	Level 1	Level 2	Level 3	Total
	Rupees in '000				
Off-balance sheet financial instruments - measured at fair value					
Forward purchase of foreign exchange	-	-	-	-	-
Forward sale of foreign exchange	-	-	-	-	-
Forward agreements for lending	-	-	-	-	-
Forward agreements for borrowing	-	-	-	-	-
Derivatives purchases	-	-	-	-	-
Derivatives sales	-	-	-	-	-
	-	-	-	-	-

33 Segment details with respect to business activities

	For the Nine month ended September 30, 2024 (Un-audited)				
	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Total
	Rupees in '000				
Profit and loss account					
Net mark-up/return/profit	464,459	1,857,836	-	-	2,322,295
Non mark-up/return/interest income	155	16,818	53,860	2,083	72,916
Total Income	464,614	1,874,654	53,860	2,083	2,395,211
Segment direct expenses	76,614	867,582	15,096	583	959,875
Total expenses	76,614	867,582	15,096	583	959,875
Credit loss allowance	3,474	(68,409)	-	-	(64,935)
Profit before tax	384,526	1,075,481	38,764	1,500	1,370,401

	As at September 30, 2024 (Un-audited)				
	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Total
	Rupees in '000				
Statement of financial position					
Cash & bank balances	-	30,005,349	-	-	30,005,349
Investments	-	15,054,391	-	-	15,054,391
Advances - performing	3,639,775	596,549	-	-	4,236,324
- non-performing	72,665	296,760	-	-	369,425
- provision	(95,081)	(175,829)	-	-	(270,910)
	3,617,359	717,480	-	-	4,334,839
Operating fixed assets	40,451	458,066	7,970	308	506,795
Deferred tax asset	14,000	158,541	2,759	107	175,407
Others	443,715	338,033	75,406	46	857,200
Total assets	4,115,525	46,731,860	86,135	461	50,933,981
Bills payable	-	33,084	-	-	33,084
Deposits & other accounts	-	39,552,770	-	-	39,552,770
Lease liability	16,161	182,832	3,184	122	202,299
Others	930,295	3,189,602	13,654	6	4,133,557
Total liabilities	946,456	42,958,288	16,838	128	43,921,710
Equity	3,859,921	2,271,308	548,170	117	7,012,271
Total equity & liabilities	4,806,377	45,229,596	565,008	245	50,933,981
Contingencies & Commitments	32,283	159,492	8,518	124,537	324,830

	For the Nine month ended Sep. 30, 2023 (Un-audited)				
	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Total
	Rupees in '000				
Profit and loss account					
Net mark-up/return/profit	345,154	1,186,407	-	-	1,531,561
Non mark-up/return/interest income	133	16,341	18,844	4,693	40,011
Total Income	345,287	1,202,748	18,844	4,693	1,571,572
Segment direct expenses	75,259	664,548	4,107	1,023	744,937
Total expenses	75,259	664,548	4,107	1,023	744,937
Provisions (reversal)	13,833	8,724	-	-	22,557
Profit before tax	256,195	529,476	14,737	3,670	804,078

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Statement of financial Position	As at December 31, 2023 (Audited)				
	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Total
	---------- Rupees in '000 ----------				
Cash & Bank balances	-	24,750,880	-	-	24,750,880
Investments	-	56,771	-	-	56,771
Advances - performing	3,224,400	726,959	-	-	3,951,359
- non-performing	48,390	88,124	-	-	136,514
- provision	(127,657)	(86,069)	-	-	(213,726)
Operating fixed assets	41,511	378,409	2,306	522	422,748
Deferred tax asset	3,141	28,629	174	40	31,984
Others	2,718,515	704,639	173	39	3,423,366
Total assets	5,908,300	26,648,342	2,653	601	32,559,896
Bills payable	-	93,259	-	-	93,259
Deposits & other accounts	-	24,144,665	-	-	24,144,665
Lease Liabilities	16,401	149,510	911	206	167,028
Others	117,805	1,453,076	152,921	12	1,723,814
Total liabilities	134,206	25,840,510	153,832	218	26,128,766
Equity	5,774,094	807,832	(151,179)	383	6,431,130
Total equity & liabilities	5,908,300	26,648,342	2,653	601	32,559,896
Contingencies & commitments	23,153	29,331	5,580	87,674	145,738

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34 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions. The Government of Azad Jammu and Kashmir holds directly and indirectly Bank's entire share capital at the period end, therefore all of its departments are related parties of the Bank. Also the Bank has related party relationships with its directors, key management personnel, entities over which the directors are able to exercise significant influence.

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

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

	(Un-audited) September 30, 2024			(Audited) December 31, 2023		
	Directors	Government of AJK and its related department	Key management personnel	Directors	Government of AJK and its related department	Key management personnel
	Rupees in '000					
Advances						
Opening balance	-	-	163,138	-	-	105,283
Additions / (decrease) during the period / year	-	-	59,365	-	-	57,855
Closing balance	-	-	222,503	-	-	163,138
Provision held against advances		-	-		-	-
Other assets	-	-	-	-	-	-
Deposits and other accounts						
Opening balance	-	10,725,976	9,803	9,578,386		3,239
(Paid) / Received during the period / year - Net	-	12,478,904	(4,340)	1,147,590		6,564
Closing balance	-	23,204,880	5,463	10,725,976	-	9,803
Other Liabilities						
Interest / mark-up payable	-	808,840	-	184,847	-	-

RELATED PARTY TRANSACTIONS

	(Un-audited) For the Nine month ended September 30, 2024			(Un-audited) For the Nine month ended September 30, 2023		
	Directors	Government of AJK and its related department	Key management personnel	Directors	Government of AJK and its related department	Key management personnel
	(Rupees in '000)					
Income						
Mark-up / return / interest earned	-	-	3,961	-	-	3,155
Expense						
Mark-up / return / interest paid	-	634,708	98	-	318,796	76
Directors' fees and allowances	-	8,490	-	3,184	-	-
	-	643,198	98	3,184	318,796	76

35 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	(Un-audited) September 30, 2024	(Audited) December 31, 2023
	----------Rupees in '000----------	
Minimum Capital Requirement (MCR):	**10,000,000**	10,000,000
Paid-up capital (net of losses)	***5,957,089***	5,528,621
Capital Adequacy Ratio (CAR):		
Eligible common equity tier 1 (CET 1) capital	**7,012,582**	6,401,441
Eligible additional tier 1 (ADT 1) capital	**-**	-
Total regulatory adjustment applied to CET1	**-**	-
Total Eligible Tier 1 Capital	**7,012,582**	6,401,441
Eligible Tier 2 Capital	**93,376**	87,845
Total Eligible Capital (Tier 1 + Tier 2)	**7,105,958**	6,489,286
Risk Weighted Assets (RWAs):		
Credit Risk	**14,747,493**	12,038,043
Market Risk	**131,075**	141,928
Operational Risk	**2,971,946**	3,195,893
Total	**17,850,514**	15,375,864
Common Equity Tier 1 Capital Adequacy Ratio	**39.29%**	41.63%
Tier 1 Capital Adequacy Ratio	**39.29%**	41.63%
Total Capital Adequacy Ratio	**39.81%**	42,20%
Leverage Ratio (LR):		
Eligible Tier-1 Capital	**7,012,582**	6,401,441
Total Exposure	**51,258,811**	32,853,457
Leverage Ratio	**14%**	19%

The SBP through its BSD Circular No. 07 dated April 15, 2009 has prescribed the minimum paid-up capital (net of accumulated losses) for Banks to be raised to Rs.10,000 million by the year ending December 31, 2015. The paid-up capital of the Bank for the period ended June 30, 2024 stood at Rs.5,957 million (2023: Rs.5,529 million). Banks are also required to maintain a minimum CAR of 10.00% plus capital conservation buffer of 2.50% and High Loss Absorbency Requirement of 1.00% of the risk weighted exposures of the Bank.

Further, under Basel III instructions, Banks are also required to maintain a Common Equity Tier 1 (CET 1) ratio and Tier 1 ratio of 6.00% and 7.50%, respectively, as at June 30, 2024.

Under the current capital adequacy regulations, credit risk and market risk exposures are measured using the Standardized Approach and operational risk is measured using the Basic Indicator Approach. Credit risk mitigates are applied against the Bank's exposures based on eligible collateral under comprehensive approach.

	(Un-audited) September 30, 2024	(Audited) December 31, 2023
	----------Rupees in '000----------	
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	**30,005,349**	24,750,880
Total Net Cash Outflow	**25,155,981**	12,098,286
Liquidity Coverage Ratio	**119%**	205%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	**7,012,582**	18,478,261
Total Required Stable Funding	**14,764,335**	15,767,680
Net Stable Funding Ratio	**47%**	117%

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36 GENERAL

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

37 CORRESPONDING FIGURES

Adoption of new format for preparation of financial statements

Banking Policy & Regulations Department of State Bank of Pakistan (SBP) via circular no. 3 of 2023 dated February 09, 2023, introduced the new format for preparation of annual and interim financial statements for banks due to significant regulatory developments including implementation of IFRS 9 as well as many other additions / amendments in the International Financial Reporting Standards. The revised format for preparation of annual financial statements are applicable effective from the accounting year ending December 31st, 2024 and revised format for preparation of interim financial statements are applicable effective from the first quarter of year 2024.

Consequent to adoption and applicability of abovementioned new format, the following figures have been rearranged / reclassified in current year to enhance the understanding of disclosure.

From		To	
Statement of Financial Position			
ASSETS		**ASSETS**	
Other Assets (accrued markup)		Cash and balances with treasury banks	560,926
		Balances with other Banks	3,050,640
Operating Fixed Assets		Property Plant and Equipment	282,139
		Right-of-use assets	140,609
LIABILITIES		**LIABILITIES**	
Other Liabilities		Deposits and other accounts	579,127
Profit and loss account			
Other Income			
Provision against non-performing loans and advances - net		Credit Loss Allowance & Write Offs - net	64,935
Cash flow statement			
As at January 01, 2024			
(Increase) / Decrease in operating assets		Cash and cash equivalents at beginning of the period	3,611,566
Other assets			

38 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorized for issue by the Board of Directors of the Bank on _____.

President/CEO | Chief Financial Officer | Director | Director | Director