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INDEPENDENT AUDITORS' REPORT

To the Directors of Bank of China Limited - Pakistan Operations

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Bank of China Limited - Pakistan Operations ("the Bank") which comprise the statement of financial position as at 31 December 2024, the statement of profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flows statement for the year then ended, along with notes to the financial statements including a summary of material accounting policy information and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 and the Companies Act, 2017(XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at 31 December 2024 and of the income, other comprehensive income, changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan, the requirements of Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The management is responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on The Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Branch to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

1. Based on our audit, we further report that in our opinion:

   a) proper books of account have been kept by the Branch as required by the Companies Act, 2017 (XIX of 2017);

   b) the statement of financial position, the profit and loss account, the statement of comprehensive income, statement of changes in equity and statement of cash flow (together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 and the Companies Act, 2017(XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were in accordance with the objects and powers of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank; and

d) No zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

2. We confirm that for the purpose of our audit we have covered more than sixty per cent of the total loans and advances of the Bank.

Other Matters

The financial statements of the Bank for the year ended 31 December 2023 were audited by another firm of chartered accountants who expressed an unmodified opinion thereon in the audit report dated 28 March 2024.

The engagement partner on the audit resulting in this independent auditors' report is Omer Chughtai.

EY for Mr

Chartered Accountants

Place: Karachi

Date: 28 March 2025

UDIN Number: AR2024101200MI7PXpUk

BANK OF CHINA LIMITED - PAKISTAN OPERATIONS
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2024

	Note	2024	2023
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks	5	17,521,830	53,617,168
Balances with other banks	6	1,582,172	1,882,705
Lendings to financial institutions	7	4,418,761	422,791
Investments	8	53,966,557	41,147,870
Advances		-	-
Property and equipment	9	162,436	81,815
Right-of-use assets	10	107,729	146,382
Intangible assets	11	827	501
Deferred tax assets	12		-
Other assets	13	1,114,572	230,149
Total Assets		78,874,884	97,529,381
LIABILITIES			
Bills payable	14	296	81
Borrowings	15	1,372,423	-
Deposits and other accounts	16	59,193,217	82,195,317
Lease liabilities	17	110,985	166,080
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities	18	2,587,066	3,372,314
Total Liabilities		63,263,987	85,733,792
NET ASSETS		15,610,897	11,795,589
REPRESENTED BY			
Head office capital account	19	13,927,500	14,093,035
Reserves		-	-
Deficit on revaluation of assets	20	(32,082)	(48,018)
Accumulated profit / (loss)		1,715,479	(2,249,428)
		15,610,897	11,795,589
CONTINGENCIES AND COMMITMENTS	21		

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

Country Head & Chief Executive Officer

Chief Financial Officer

BANK OF CHINA LIMITED - PAKISTAN OPERATIONS
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2024

	Note	2024	2023
		------------ Rupees in '000 ------------	
Mark-up / return / interest earned	22	14,330,297	8,667,698
Mark-up / return / interest expensed	23	7,794,658	7,108,956
Net mark-up / interest income		6,535,639	1,558,742
NON MARK-UP / INTEREST INCOME			
Fee and commission income	24	675,514	842,201
Dividend income		-	-
Foreign exchange income/(loss)		1,141,608	(9,144)
Income / (loss) from derivatives		-	-
Gain / (loss) on securities		-	-
Other income		-	1,259
Total non mark-up / interest income		1,817,122	834,316
Total Income		8,352,761	2,393,058
NON MARK-UP / INTEREST EXPENSES			
Operating expenses	25	1,518,619	1,544,105
Workers' Welfare Fund		133,442	17,497
Other charges		-	-
Total non mark-up / interest expenses		1,652,061	1,561,602
Profit before credit loss allowance		6,700,700	831,456
Credit loss allowance and write offs - net	26	(31,611)	-
PROFIT BEFORE TAXATION		6,669,089	831,456
Taxation	27	2,704,135	87,486
PROFIT AFTER TAXATION		3,964,954	743,970
Earnings (loss) per share - basic and diluted	28	-	-

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

Country Head & Chief Executive Officer

Chief Financial Officer

BANK OF CHINA LIMITED - PAKISTAN OPERATIONS
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2024

	2024	2023
	---------- Rupees in '000 ----------	
Profit after taxation for the year	3,964,954	743,970
Other comprehensive loss		
Items that may be reclassified to the profit and loss account in subsequent periods:		
- Movement in deficit on revaluation of investments - net of tax	15,936	(42,265)
Items that will not be reclassified to the profit and loss account in subsequent periods:		
- Remeasurement loss on defined benefit obligations - net of tax	(1,602)	(980)
Total comprehensive income	3,979,288	700,725

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

Country Head & Chief Executive Officer

Chief Financial Officer

BANK OF CHINA LIMITED - PAKISTAN OPERATIONS
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2024

	Head Office Capital account	Deficit on revaluation of Investments	Accumulated (loss) / Profit	Total
	(Rupees in '000)			
Balance as at January 1, 2023	11,321,545	(5,753)	(2,993,398)	8,322,394
Profit after taxation for the year ended December 31, 2023	-	-	743,970	743,970
Other comprehensive loss - net of tax	-	(42,265)	-	(42,265)
Total comprehensive (loss) / income for the year ended December 31, 2023	-	(42,265)	743,970	701,705
Transactions with owners, recorded directly in equity				
Exchange adjustment on revaluation of capital	2,771,490	-	-	2,771,490
Balance as at December 31, 2023	14,093,035	(48,018)	(2,249,428)	11,795,589
Impact of adoption of IFRS 9 (note 2.3.1.3)	-	-	(47)	(47)
Balance as at January 1, 2024 after adoption of IFRS 9	14,093,035	(48,018)	(2,249,475)	11,795,542
Profit after taxation for the year ended December 31, 2024	-	-	3,964,954	3,964,954
Other comprehensive income - net of tax	-	15,936	-	15,936
Total comprehensive income for the year ended December 31, 2024	-	15,936	3,964,954	3,980,890
Transactions with owners, recorded directly in equity				
Exchange adjustment on revaluation of capital	(165,535)	-	-	(165,535)
Balance as at December 31, 2024	13,927,500	(32,082)	1,715,479	15,610,897

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

Country Head & Chief Executive Officer

Chief Financial Officer

BANK OF CHINA LIMITED - PAKISTAN OPERATIONS
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2024

	Note	2024	2023
		---------- Rupees In '000 ----------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year before taxation		6,669,089	831,456
Adjustments:			
Depreciation on owned fixed assets	9.1	39,303	48,575
Amortisation of intangible assets	11.1	450	1,249
Depreciation on right-of-use assets	9.1	178,030	142,418
Provision for retirement benefits	25.1	2,406	(6,440)
Interest expense on lease liability	23	22,522	30,160
Workers' Welfare Fund		133,442	17,497
Credit loss allowance		31,611	-
Income from termination of lease		-	(1,259)
Income from liability written back		-	-
		407,764	232,200
		7,076,853	1,063,656
Decrease / (Increase) in operating assets			
Lendings to financial institutions		(3,995,970)	916,855
Advances		-	5,400,000
Others assets (excluding advance taxation)		28,077	(100,239)
		(3,967,893)	6,216,616
(Decrease) / Increase in operating liabilities			
Bills Payable		215	(7,301)
Deposits		(23,002,100)	62,490,353
Borrowings		1,372,423	-
Other liabilities (excluding current taxation)		(817,589)	1,564,138
		(22,447,051)	64,047,190
Income tax paid		(3,702,255)	-
Net cash (used in) / generated from operating activities		(23,040,346)	71,327,462
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investment in available-for-sale securities		(12,850,769)	(32,033,920)
Investment in fixed assets and intangible assets		(120,699)	(22,532)
Net cash used in investing activities		(12,971,468)	(32,056,452)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liability against right-of-use assets		(218,522)	(158,436)
Net cash used in financing activities		(218,522)	(158,436)
Effects of exchange rate changes on cash and cash equivalents		(165,535)	2,771,490
(Decrease) / Increase in cash and cash equivalents during the year		(36,395,871)	41,884,064
Cash and cash equivalents at the beginning of the year	29	55,499,873	13,615,809
Cash and cash equivalents at the end of the year	29	19,104,002	55,499,873

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

Country Head & Chief Executive Officer

Chief Financial Officer

BANK OF CHINA LIMITED - PAKISTAN OPERATIONS
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024

1 STATUS AND NATURE OF BUSINESS

Bank of China Limited - Pakistan operations (the Bank) was established and registered in Pakistan by the Securities and Exchange Commission of Pakistan on April 18, 2017. The Bank operates as a branch of Bank of China which is incorporated as a State-owned joint stock commercial bank in the People's Republic of China. The State Bank of Pakistan issued banking license to the Bank on May 11, 2017 to engage in banking services as described in the Banking Companies Ordinance, 1962. The registered office of the Bank is located at 5th Floor COB Dolmen City, Clifton, Karachi. The Bank operates two branches (one in Karachi and one in Islamabad) as at December 31, 2024 (December 31, 2023 : 2 branches).

The parent company of Bank of China Limited (BOC) is Central Huijin Investment Limited which owned 64.02% of the ordinary shares of BOC as at December 31, 2024. Central Huijin Investment Limited is a wholly owned subsidiary of China Investment Corporation. BOC has been assigned long-term and short-term rating by S&P Global Ratings of "A" and "A-1" respectively.

2 BASIS OF PRESENTATION

2.1 These financial statements have been prepared in conformity with the format of financial statements prescribed by the State Bank of Pakistan (SBP) vide its BPRD Circular No. 13 dated July 01, 2024.

2.2 Statement of Compliance

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

- 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 (ICAP) as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of 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 in Pakistan through BSD Circular Letter 10 dated 26 August 2002 till further instructions. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7 'Financial Instruments: Disclosures' through its notification S.R.O 411(I)/2008 dated 28 April 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements.

2.3 Standards, interpretations of and amendments to the published accounting and reporting standards that are effective in the current year:

'The Branch has adopted the following amendments to the approved accounting and reporting standards which became effective for the current year:

- IFRS 9 Financial instruments - Accounting and reporting standard
- Lease Liability in a Sale and Leaseback - Amendments to IFRS 16
- Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7
- Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1

The adoption of the above standards, amendments and improvements to accounting standards did not have any material effect on the Branch's financial statements except for IFRS 9. The impact of adoption of IFRS 9 is described below:

2.3.1 IFRS 9 - Financial Instruments

As per SBP BPRD Circular no 7 of 2023, IFRS 9 Financial Instruments is effective for periods beginning on or after 01 January 2024 along with IFRS 9 Application Instructions for ensuring smooth and consistent implementation of the standard in the banks. The Branch has adopted IFRS 9 (read with IFRS 9 application instructions issued by SBP) with date of initial application as January 01, 2024, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. Further, the State Bank of Pakistan has clarified through its BPRD Circular letter no 16 of 2024 and BPRD Circular letter no 01 of 2025, the accounting practices relating to such areas which are applied for the purposes of preparation of these financial statements In terms of the transitional provisions of IFRS 9, adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening unappropriated profit and other reserves at the beginning of the current year without restating the comparative figures (modified retrospective approach as per IFRS 9). The impact on carrying amounts of the financial assets and liabilities is disclosed in Note 2.3.1.3.

2.3.1.1 Classification and measurement

The classification and measurement of financial assets depends on how these are managed (the entity's business model) and their contractual cash flow characteristics. Financial assets that do not meet the Solely Payment of Principal & Interest (SPPI) criteria are measured at Fair Value through Profit & Loss (FVTPL) regardless of the business model. The Bank's business model in which financial assets are held will determine whether the financial assets are measured at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

2.3.1.2 Impairment of debt investments and loans and advances

The new IFRS 9 impairment requirements eliminate the previous threshold for the recognition of credit losses, i.e., it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for Expected Credit loss (ECL), and updates the loss allowance for changes in these ECLs at each reporting date to reflect changes in credit risk since initial recognition. Consequently, the holder of the financial asset needs to take into account more timely and forward-looking information in order to provide users of financial statements with useful information about the ECLs on financial instruments that are in the scope of these impairment requirements. The previous impairment requirements were based solely on Prudential regulations of SBP as disclosed in Note 4.6 to the financial statements.

2.3.1.3 Impact of adoption of IFRS 9

The Bank has adopted IFRS 9 effective from January 1, 2024 with modified retrospective approach as permitted under IFRS 9. The cumulative impact of initial application of Rs. 0.047 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:

	Balances as of December 31, 2023 (Audited)	Impact due to: Recognition of expected credit losses (ECL)	Adoption of revised classifications under IFRS 9	Classifications due to business model and SPPI assessments	Remeasurements	Reversal of provisions held	Total impact - gross of tax	Taxation (current and deferred)	Total impact - net of tax	Balances as of January 01, 2024	IFRS 9 Category
	-----	-----	-----	-----	(Rupees in '000)	-----	-----	-----	-----	-----	
ASSETS											
Cash and balances with treasury banks	53,617,168	-	-	-	-	-	-	-	-	53,617,168	Amortised cost
Balances with other banks	1,882,705	(32)	-	-	-	-	(32)	-	(32)	1,882,673	Amortised cost
Lending to financial institutions	422,791	(15)	-	-	-	-	(15)	-	(15)	422,776	Amortised cost
Investments											
- Classified as available for sale	41,147,870	-	(41,147,870)	-	-	-	(41,147,870)	-	(41,147,870)	-	
- Classified as fair value through other comprehensive income	-	-	41,147,870	-	-	-	41,147,870	-	41,147,870	41,147,870	FVOCI
	41,147,870	-	-	-	-	-	-	-	-	41,147,870	
Advances											
- Gross amount	-	-	-	-	-	-	-	-	-	-	
- Provisions	-	-	-	-	-	-	-	-	-	-	
	-	-	-	-	-	-	-	-	-	-	Amortised cost
Property and equipment	81,815	-	-	-	-	-	-	-	-	81,815	Outside the scope of IFRS 9
Right-of-use assets	146,382	-	-	-	-	-	-	-	-	146,382	Outside the scope of IFRS 9
Intangible assets	501	-	-	-	-	-	-	-	-	501	Outside the scope of IFRS 9
Deferred tax asset	-	-	-	-	-	-	-			-	Outside the scope of IFRS 9
Other assets - financial assets	192,837	-	-	-	-	-	-	-	-	192,837	FVTPL / amortised cost
Other assets - non financial assets	37,312	-	-	-	-	-	-	-	-	37,312	Outside the scope of IFRS 9
	97,529,381	(47)	-	-	-	-	(47)	-	(47)	97,529,334	
LIABILITIES											
Bills payable	81	-	-	-	-	-	-	-	-	81	Amortised cost
Borrowings	-	-	-	-	-	-	-	-	-	-	Amortised cost
Deposits and other accounts	82,195,317	-	-	-	-	-	-	-	-	82,195,317	Amortised cost
Lease liability against right-of-use assets	166,080	-	-	-	-	-	-	-	-	166,080	Amortised cost
Subordinated debt	-	-	-	-	-	-	-	-	-	-	Amortised cost
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	Outside the scope of IFRS 9
Other liabilities - non financial liabilities	342,748	-	-	-	-	-	-	-	-	342,748	Outside the scope of IFRS 9
Other liabilities - financial liabilities	3,029,566	-	-	-	-	-	-	-	-	3,029,566	FVTPL / amortised cost
	85,733,792	-	-	-	-	-	-	-	-	85,733,792	
NET ASSETS	11,795,589	(47)	-	-	-	-	(47)	-	(47)	11,795,542	
REPRESENTED BY											
Share capital	14,093,035	-	-	-	-	-	-	-	-	14,093,035	
Reserves	-	-	-	-	-	-	-	-	-	-	
Surplus on revaluation of assets - net of tax	(48,018)	-	-	-	-	-	-	-	-	(48,018)	
Unappropriated profit	(2,249,428)	(47)	-	-	-	-	(47)	-	(47)	(2,249,475)	
	11,795,589	(47)	-	-	-	-	(47)	-	(47)	11,795,542	

2.4 Standards, interpretations and amendments to published accounting and reporting standards as applicable in Pakistan that are not yet effective in the current year

The following standards, amendments and interpretations as notified under the Companies Act, 2017 will be effective for accounting periods beginning on or after January 01, 2025:

Amendments	Effective date (annual periods beginning on or after)
Lack of exchangeability – Amendments to IAS 21	01 January 2025
Amendments to the Classification and Measurement of Financial Instruments—Amendments to IFRS 9 and IFRS 7	01 January 2026
Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7	01 January 2026
IFRS 17 - Insurance Contracts	01 January 2026
Annual improvements to IFRS Accounting Standards -Volume 11	01 January 2026
IFRS 18 - Presentation and Disclosures in the financial statements	01 January 2026
IFRS 19 - Subsidiares without Public Accountability: Disclosures	01 January 2026

The above standards and amendments are not expected to have any material impact on the Bank's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan:

Standard	IASB Effective date (annual periods beginning on or after)
IFRS 1 - First-time Adoption of International Financial Reporting Standards	01 July 2009

3 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except for investments which have been marked to market and are carried at fair value.

3.1 Critical accounting estimates and judgments

The preparation of the financial statements in conformity with the accounting and reporting standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgments in application of its accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

Significant accounting estimates and areas where judgments were made by the management in the application of the accounting policies are as follows:

i) Classification, valuation and provisioning against investments (notes 4.2.2);
ii) Income taxes (notes 4.12.);
iii) Depreciation / amortisation of fixed assets and intangibles (notes 4.7);
iv) Impairment of assets (note 4.9);
v) Provisions and contingent assets and liabilities (notes 4.13); and
vi) Lease liability and right-of-use assets (notes 4.8).
vii) Expected Credit Loss against loans and advances (note 4.2.8)

3.2 Functional and presentation currency

Items included in these financial statements are presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

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

4 MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all years presented except for note 4.2 on financial instruments below:

4.1 Change in reporting format

The SBP vide BPRD Circular No. 13 dated July 01, 2024 specified the new format for preparation of financial statements of banking companies. The new format has revised the disclosure requirements of the Branch for the year ended December 31, 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.

4.2 IFRS 9 - 'Financial Instruments - Policy applicable 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.

4.2.1 Financial assets and liabilities

Financial instruments carried on the balance sheet include cash and balances with treasury banks, balances with other banks, lendings to financial and other institutions, investments, advances, certain receivables, bills payable, borrowings from financial institutions, deposit accounts and other payables.

4.2.2 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.

4.2.3 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

4.2.4 Assessments whether contractual cash flows are solely payments of principal and interest / 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 interest / 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 interest / 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.

4.2.5 Application to the Bank's financial assets

Debt based financial assets

Debt based financial assets held by the Bank include: lending to financial institutions, investment in federal government securities, 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 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:

	Before adoption of IFRS 9		After adoption of IFRS 9	
Financial assets	Measurement category	Carrying amount as at December 31, 2023	Measurement category	Gross carrying amount as at January 01, 2024 (before ECL)
		Rupees in '000		Rupees in '000
Cash and balances with treasury banks	Loans and receivables	53,617,168	Amortised cost	53,617,168
Balances with other banks		1,882,705		1,882,705
Lending to financial institutions		422,791		422,791
Investments	Available-for-sale	41,147,870	Fair value through other comprehensive income	41,147,870
Other assets	Loans and receivables	230,149	Amortised cost	230,149

4.2.6 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.

4.2.7 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 a.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.

4.2.8 Expected Credit Loss (ECL)

The Bank assesses on a forward-looking basis the expected credit losses ('ECL') associated with all 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 groups its financial instruments into Stage 1, Stage 2 and Stage 3 as described below:

a) 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.

b) 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.

c) 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.

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.

Guarantee and Letters of credits contracts

The Bank estimates ECLs based on the BASEL driven credit conversion factor (CCF) for guarantee and letter of credit contracts respectively. The calculation is made using a probability-weighting of the three scenarios. The ECLs related to guarantee and letter of credit contracts are recognised within other liabilities.

The calculation of ECLs

The Bank calculates ECLs based on 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. PDs for non advances portfolio is based on S&Ps global transition default matrices, PDs are then adjusted to incorporate forward looking information.

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. 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 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

Definition of default

The concept of "impairment or "default" is critical to the implementation of IFRS 9 as it drives determination of risk parameters, i.e. PD, LGD and EAD.

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.

4.3 Cash and cash equivalents

For the purpose of cash flow statement cash and cash equivalents comprise of cash in hand, balances with treasury banks, balances with other banks in current and deposit accounts, national prize bonds and any overdrawn nostro accounts.

4.4 Lendings to / borrowings from financial institutions

The Bank enters into short term unsecured lending / borrowing arrangements with its Head office and other foreign branches.

The arrangements are mostly in foreign currency at mutually agreed rates. The income earned on lendings is classified as markup income and the expense on borrowing is classified as markup expense.

4.5 Investments - Policy applicable for the period ended on or before December 31, 2023

4.5.1 Classification

The Bank classifies its investments as follows:

(a) Held for trading

These are securities, which are either acquired for the purpose of generating profit from short-term fluctuations in market prices, interest rate movements, or dealer's margin or are securities included in the portfolio in which a pattern of short-term profit making exists.

(b) Held to maturity

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

(c) Available for sale

These are investments, other than those, in associates and subsidiaries, that do not fall under either held for trading or held to maturity categories.

4.5.2 Initial recognition and measurement

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

Investments other than those classified as held for trading are initially recognised at fair value which includes transaction costs associated with the investments. Investments classified as 'held for trading' are initially recognised at fair value and transaction costs associated with the transactions are expensed in the profit and loss account.

4.5.3 Subsequent measurement:

Held for trading

These are measured at subsequent reporting dates at fair value. Gains and losses on re-measurement are included in the profit and loss account.

Held to maturity

These are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

Available for sale

Quoted securities classified as available for sale investments are measured at subsequent reporting dates at fair value. Any surplus or deficit arising thereon is kept in a separate account shown in the statement of financial position within equity and is taken to the profit and loss account when realised upon disposal or when the investments are considered to be impaired.

Unquoted equity securities are valued at the lower of cost and break-up value. The break-up value of these securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. A decline in the carrying value is charged to the profit and loss account. A subsequent increase in the carrying value, upto the cost of the investment, is credited to the profit and loss account. Investments in other unquoted securities are valued at cost less impairment, if any.

4.5.4 Impairment

Impairment loss in respect of equity securities 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. Provision for diminution in the value of debt securities is made as per the Prudential Regulations issued by the State Bank of Pakistan. In case of impairment of available for sale securities, the cumulative loss that has been recognised directly in surplus / (deficit) on revaluation of securities is transferred from equity and recognised in the profit and loss account.

Gain or loss on sale of investments is included in the profit and loss account.

Premium or discount on acquisition of investments is amortised through the profit and loss account over the remaining period till maturity using the effective interest method.

4.6 Advances

4.6.1 Advances are stated net of credit loss allowance, for policy applicable to credit loss allowance is outlined in note 4.2.11 to these financial statements.

4.6.2 Provision against Advances - Policy applicable for the period ended on or before December 31, 2023

Specific and general provisions against loans and advances are made in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan from time to time. The net provision made / reversed (if any) during the year is charged to profit and loss account and accumulated provision is netted-off against advances. Advances are written off when there are no realistic prospects of recovery.

4.7 Fixed assets and depreciation

(a) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The assets purchased or constructed are initially measured at acquisition cost or deemed cost, as appropriate. Such initial cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in an asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated on the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains / losses on disposal of fixed assets, if any, are taken to the profit and loss account in the period in which they arise.

(b) Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under this head. These are transferred to specific assets as and when assets become available for use.

(c) Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Such intangible assets are amortised using the straight-line method over their estimated useful lives. The useful lives and amortisation method are reviewed and adjusted, if appropriate at each reporting date.

Subsequent costs are included in the asset's carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured

Intangible assets having an indefinite useful life are stated at acquisition cost less accumulated impairment losses, if any.

Gains and losses on disposals, if any, are taken to the profit and loss account in the period in which they arise.

4.8 Lease liability and right-of-use assets

The Bank leases branch premises and apartments/ houses for the employees. Rental contracts are typically for a fixed period of 11 months to 05 years and may have extension options as described below. At inception of a contract, the Bank assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease liability is initially measured at the present value of the lease payments over the period of lease term and that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Bank's incremental borrowing rate.

Lease payments include fixed payments less any lease incentive receivable, variable lease payment that are based on an index or a rate which are initially measured using the index or rate as at the commencement date, amounts expected to be payable by the Bank under residual value guarantees, the exercise price of a purchase option if the Bank is reasonably certain to exercise that option and payments of penalties for terminating the lease if the lease term reflects that the lessee will exercise that option. The extension and termination options are incorporated in determination of lease term only when the Bank is reasonably certain to exercise these options.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. The lease liability is also remeasured to reflect any reassessment or lease modification, or to reflect revised in-substance fixed lease payment.

The lease liability is remeasured when the Bank reassesses the reasonable certainty to exercise extension or termination option upon occurrence of either a significant event or a significant change in circumstances, or when there is a change in assessment of an option to purchase underlying asset, or when there is a change in amount expected to be payable under a residual value guarantee, or when there is a change in future lease payments resulting from a change in an index or rate used to determine those payments. The corresponding adjustment is made to the carrying amount of the right-of-use assets, or is recorded in profit and loss account if the carrying amount of right-of-use assets has been reduced to zero.

When there is a change in scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions, the same is accounted for as a lease modification. The lease modification is accounted for as a separate lease if modification increases the scope of lease by adding the right to use one or more underlying assets and the consideration for lease increases by an amount that is commensurate with the standalone price for the increase in scope adjusted to reflect the circumstances of the particular contract, if any. When the lease modification is not accounted for as a separate lease, the lease liability is remeasured and corresponding adjustment is made to right-of-use assets.

The right-of-use assets is initially measured at an amount equal to the initial measurement of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of the costs to be incurred to dismantle and remove the underlying asset or to restore the underlying asset or the site on which the asset is located.

The right-of-use assets is subsequently measured at cost less accumulated depreciation and accumulated impairment losses, if any. The right-of-use assets is depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use assets is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

4.9 Impairment

At each statement of financial position date, the Bank reviews the carrying amount of its assets to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the relevant asset is estimated. Recoverable amount is the higher of fair value less costs to sell and value in use. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit and loss account for the year.

An impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount. Such reversals are only made to the extent that the asset's carrying amount does not exceed the amount that would have been determined if no impairment loss had been recognised.

4.10 Staff retirement / employee benefits

a) Defined benefit plan

The Bank operates an approved funded gratuity scheme, administered by the trustees, covering eligible employees whose period of employment with Bank is five years or more. Contributions to the fund are made on the basis of actuarial recommendations. Projected Unit Credit Method is used for the actuarial valuation. The actuarial valuations involve assumption and estimates of discount rates, expected rates of return on assets, future salary increases and future inflation rates as disclosed in note 30.3. Actuarial gains and losses are recognised immediately in other comprehensive income.

b) Defined contribution plan

The Bank operates an approved provident fund scheme for all its regular permanent employees, administered by the Trustees. The Bank contribute 10% of basic salary in equal monthly contributions. The employees have their provident fund contribution deducted at 10% of their monthly basic salary.

4.11 Transactions and balances in foreign currencies

Foreign currency transactions are translated into rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into rupees at the exchange rates prevailing at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using exchange rates at the date when the fair value was determined. Exchange gains or losses are included in income currently. However, exchange difference on revaluation of balance earmarked as capital in Head office account at each reporting date is credited to Head office account.

4.12 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit and loss account except to the extent that it relates to the items recognised directly in equity or surplus on revaluation of assets, in which case it is recognised in equity or surplus on revaluation of assets.

Current

Provision for current tax is based on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date and any adjustments to the tax payable in respect of previous years. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities.

Deferred

Deferred tax is provided on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilised.

Deferred tax liabilities are recognised for all taxable temporary differences.

The carrying amount of deferred tax assets are reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit or taxable temporary differences will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

4.13 Provisions and contingent assets and liabilities

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

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

4.14 Revenue recognition and other items

- Mark-up income / interest / profits on advances and returns on investments are recognised on a time proportion basis.

- Fee, commission on letters of credit / guarantee and other commission income is recognised on an accrual basis.

4.15 Commitments

Commitments for outstanding forward foreign exchange contracts are disclosed at contracted rates. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the exchange rates ruling on the reporting date.

4.16 Offestting of financial instruments

Financial assets and financial liabilities are only off-set and the net amount is reported in the financial statements when there is a legally enforceable right to set-off the recognised amount and the Bank intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also off-set and the net amount is reported in the financial statements.

4.17 Earnings per share

The Bank operates as a branch of a foreign entity and does not have share capital. Hence, basic and diluted earnings / loss per share have not been reported in these financial statements.

4.18 Segment reporting

An operating segment is a component of an entity that engages in business activities, from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decision about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. The Bank, for its internal performance management purposes, assesses its performance as a single business unit only and thus no results based on segmental information are disclosed in these financial statements.

5 CASH AND BALANCES WITH TREASURY BANKS

	Note	2024	2023
		Rupees in '000	
In hand			
Local currency		34,183	5,259
Foreign currency		5,571	5,638
		39,754	10,897
With State Bank of Pakistan in			
Local currency current accounts		3,522,976	39,507,007
Foreign currency current accounts			
Cash reserve account	5.1	8,496	141
Special cash reserve account	5.2	17,533	451
Local US Dollar collection account		5,571	5,637
Foreign currency deposit account	5.3	13,927,500	14,093,035
		17,482,076	53,606,271
Cash and balances with treasury banks		17,521,830	53,617,168
Less: Credit loss allowance held against cash and balances with treasury banks		-	-
Cash and balances with treasury banks - net of credit loss allowance		17,521,830	53,617,168

5.1 This represents foreign currency current accounts maintained under the Cash Reserve Requirement. These accounts are non-remunerative in nature.

5.2 This represents accounts maintained with the SBP to comply with the Special Cash Reserve Requirement. The return on conventional account is declared by the SBP on a monthly basis and as at December 31, 2024, it carries mark-up rate at 3.53% (December 31, 2023: 4.34%) per annum.

5.3 This represents capital maintained with SBP in accordance with the requirements of Section 13(2) of the Banking Companies Ordinance, 1962.

6 BALANCES WITH OTHER BANKS

	Note	2024	2023
		Rupees in '000	
Outside Pakistan			
In deposit accounts	6.1	1,582,590	1,882,705
Less: Credit loss allowance held against balances with other banks		(419)	-
Balances with other banks - net of credit loss allowance		1,582,172	1,882,705

6.1 These represent deposits with BOC overseas branches and head office denominated in foreign currencies and carry interest rates ranging from 0.05% to 0.72% per annum (December 31, 2023: 0.05% to 0.72%).

This represents ECL allowance in line with IFRS 9 and SBP Application Instructions.

7 LENDINGS TO FINANCIAL INSTITUTIONS

	Note	2024	2023
		Rupees in '000	
Call / clean money lending with local bank	7.1	4,450,000	-
Call / clean money lending with overseas branches and head office		-	422,791
Less: provision against lendings to financial institutions		-	-
		4,450,000	422,791
Less: Credit loss allowance held against lending to financial institutions		(31,239)	-
Lending to financial institutions - net of credit loss allowance		4,418,761	422,791

7.1 This represents lending to local banks carrying mark-up rates ranging from 12.20% to 12.50% per annum (December 31, 2023: Nil) per annum and having maturity upto January 9, 2024.

7.2 Particulars of lendings

	2024	2023
	Rupees in '000	
- local currency	4,450,000	-
- foreign currency	-	422,791
	4,450,000	422,791

7.3 Lending to Fis - Particulars of credit loss allowance

	2024		2023	
	Lending	Credit loss allowance held	Lending	Provision
Domestic				
Stage 1/ Performing	4,450,000	(31,239)	422,791	-
Total	4,450,000	(31,239)	422,791	-

	2024			
	Stage 1	Stage 2	Stage 3	Total
Balance at the start of the year	-	-	-	-
Impact of adoption of IFRS 9	15	-	-	15
Net remeasurement of credit loss allowance	15	-	-	15
New financial assets originated or purchased	31,239	-	-	31,239
Financial assets that have been derecognised	(15)	-	-	(15)
Balance at the end of the year	31,239	-	-	31,239

8 INVESTMENTS

8.1 Investments by type:

	Note	2024				2023			
		Cost / amortised cost	Credit loss allowance	Deficit	Carrying value	Cost / amortised cost	Provision for diminution	Deficit	Carrying value
		Rupees '000							
Debt Instruments									
Fair value through other comprehensive income									
Federal Government securities		53,998,639	-	(32,082)	53,966,557	-	-	-	-
		53,998,639	-	(32,082)	53,966,557	-	-	-	-
Available-for-sale securities									
Federal Government securities		-	-	-	-	41,195,888	-	(48,018)	41,147,870
		-	-	-	-	41,195,888	-	(48,018)	41,147,870
Total Investments		53,998,639	-	(32,082)	53,966,557	41,195,888	-	(48,018)	41,147,870

		2024				2023			
		Cost / amortised cost	Credit loss allowance	Deficit	Carrying value	Cost / amortised cost	Provision for diminutio	Deficit	Carrying value
		Rupees '000							
Federal Government securities									
Market Treasury Bills	8.1.3	53,998,639	-	(32,082)	53,966,557	41,195,888	-	(48,018)	41,147,870
Total Investments		53,998,639	-	(32,082)	53,966,557	41,195,888	-	(48,018)	41,147,870

8.1.1 Market Treasury Bills have tenure of 3 months to 1 year. The Bank's return on these instruments ranges from 11.90% to 12.86% per annum (December 31, 2023: 20.9% to 21.3% per annum) with maturities up to June 2025 (December 31, 2023: November 2024).

8.1.2 There is no credit loss allowance in value of investments as at December 31, 2024.

8.1.3 Quality of securities

	2024	2023
	Cost	
Details regarding quality of securities held under "Held to Collect and Sell" model	Rupees in '000	
Federal Government securities - Government guaranteed		
Market Treasury Bills	53,998,639	41,195,888
	53,998,639	41,195,888

9 PROPERTY AND EQUIPMENT

	Note	2024	2023
		---------- Rupees in '000 ----------	
Capital work-in-progress		-	-
Property and equipment	9.1	**162,436**	81,815
		162,436	81,815

9.1 Property and equipment

	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Leasehold property and improvement	Total
	2024				
	(Rupees in '000)				
At January 1, 2024					
Cost	39,616	158,633	55,950	230,460	484,659
Accumulated depreciation	30,357	124,638	51,886	195,963	402,844
Net book value	69,973	283,271	107,836	426,423	887,503
Year ended December 31, 2024					
Opening net book value	9,259	33,995	4,064	34,497	81,815
Additions	3,702	30,119	86,103	-	119,924
Lease modification (note 11.2.5)	-	-	-		-
Disposals					-
Depreciation charge	(3,165)	(14,116)	(4,702)	(17,320)	(39,303)
Closing net book value	9,796	49,998	85,465	17,177	162,436
At December 31, 2024					
Cost	43,318	188,752	142,053	230,460	604,583
Accumulated depreciation	(33,522)	(138,754)	(56,588)	(213,283)	(442,147)
Net book value	9,796	49,998	85,465	17,177	162,436
Rate of depreciation (%)	20%	20%-33.33%	16.67%	20%	

	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Leasehold property and improvement	Total
	2023				
	(Rupees in '000)				
At January 1, 2023					
Cost	35,389	144,772	55,950	226,241	462,352
Accumulated depreciation	26,994	105,341	42,841	179,093	354,269
Net book value	8,395	39,431	13,109	47,148	108,083
Year ended December 31, 2023					
Opening net book value	8,395	39,431	13,109	47,148	108,083
Additions	4,227	13,861	-	4,219	22,307
Lease modification (note 11.2.5)	-	-	-		-
Depreciation charge	(3,363)	(19,297)	(9,045)	(16,870)	(48,575)
Closing net book value	9,259	33,995	4,064	34,497	81,815
At December 31, 2023					
Cost	39,616	158,633	55,950	230,460	484,659
Accumulated depreciation	30,357	124,638	51,886	195,963	402,844
Net book value	9,259	33,995	4,064	34,497	81,815
Rate of depreciation (%)	20%	20%-33.33%	16.67%	20%	

9.1.1 Allocation of depreciation expense for the year is as follows:

	2024	2023
	------- Rupees in '000 -------	
Property expense - owned assets	17,320	16,870
- right-of-use assets	178,030	142,418
	195,350	159,288
Information technology expense	14,116	19,297
Other operating expenses	7,867	12,408
	39,303	48,575

9.2 As at December 31, 2024, the cost of fully depreciated property and equipements still in the Branch's use amounted to Rs. 306.07 million.

10 RIGHT-OF-USE ASSETS

	Note	2024	2023
		------- Rupees in '000 -------	
Premises			
At 1 January			
Cost		631,331	408,860
Accumulated depreciation		486,477	342,531
Net carrying amount		144,854	66,329
Additions during the year		140,905	231,112
Deletions - cost		-	(8,641)
Deletions - accumulated depreciation		-	-
Depreciation charge for the year		(178,030)	(142,418)
Other adjustment / transfers - cost		-	-
Net carrying amount at closing balance		107,729	146,382

11 INTANGIBLE ASSETS

	Note	2024	2023
Softwares	11.1	827	501
		827	501

11.1 Intangibles

	2024	2023
At January 1, 2023		
Cost	7,964	7,739
Accumulated amortisation	7,463	6,214
Net book value	501	1,525
Year ended December 31, 2023		
Opening net book value	501	1,525
Additions - directly purchased	775	225
Amortisation charge	(450)	(1,249)
Closing net book value	826	501
At December 31, 2024		
Cost	8,739	7,964
Accumulated amortisation	7,913	7,463
Net book value	826	501
Rate of amortisation (percentage)	33%	33%
Useful life	3 years	3 years

11.1.1 As at December 31, 2024, the cost of fully amortised intangible assets that are still in the Branch's use amounted to Rs. 7.74 million.

12 DEFERRED TAX ASSETS

	At January 1, 2023	2024 Transition impact of IFRS 9	Recognised in P&L	Recognised in OCI	At December 31, 2024
	---- Rupees in '000 ----				
Deductible temporary differences on					
- Tax losses carried forward				-	
- Accelerated tax depreciation	71,727	-	(13,553)	-	58,174
-Credit loss allowance / provision held against financial assets					
-(Surplus) / deficit on revaluation of investments					
- Lease liabilities				-	
		-	(13,553)	-	58,174
Taxable temporary differences on					
- Right of use asset	(71,727)	-	13,553	-	(58,174)
		-	13,553	-	(58,174)
	-	-	-	-	-

	2023 At January 1, 2023	Recognised in P&L	Recognised in OCI	At December 31, 2024
	---- Rupees in '000 ----			
Deductible temporary differences on				
- Tax losses carried forward	-	-	-	-
- Accelerated tax depreciation	25,868	45,859	-	71,727
- Lease liabilities	-	-	-	-
	25,868	45,859	-	71,727
Taxable temporary differences on				
- Right of use asset	(25,868)	(45,859)	-	(71,727)
	(25,868)	(45,859)	-	(71,727)
	-	-	-	-

12.1 As at December 31, 2023, the Bank has aggregated deferred tax debits amounting to Rs 105.743 million (December 31, 2023: Rs 838.147 million) out of which deferred tax asset amounting to Rs. 58.174 million (December 31, 2023: Rs. 71.727 million) has been recognised and remaining balance of Rs. 47.569 million remains unrecognised. The Bank's carry forward tax losses amounted to Rs. Nil as at December 31, 2024 (December 31, 2023 : Rs.1,796.322 million) [including unabsorbed tax depreciation and amortisation amounting to Rs. Nil as at December 31, 2024 (December 31, 2023: Rs 292.344 million)].

13 OTHER ASSETS

	2024	2023
	---- Rupees in '000 ----	
Income / mark-up accrued in local currency	8,189	-
Income / mark-up accrued in foreign currency	-	8,370
Advances, deposits, advance rent and other prepayments	33,106	35,729
Commission receivable against letter of guarantee	160,596	184,467
Receivable from head office relating to settlement of transactions	181	1,583
Advance Tax	912,500	-
	1,114,572	230,149

14 BILLS PAYABLE

	2024	2023
In Pakistan	296	81

15 BORROWINGS

		2024	2023
		---- Rupees in '000 ----	
Unsecured			
Call borrowings	15.1	**1,372,423**	-

15.1 These carry mark-up at rates ranging from 2.5% to 13.9% (2023: Nil) per annum and are due to mature latest by January, 2025. These include FCY call borrwoings with other branches and subsidiaries of Bank of China Group outside Pakistan amounting to Rs.572.4 million (2023: Nil).

15.2 Particulars of borrowings with respect to currencies

	2024	2023
	------- Rupees in '000 -------	
In local currency	**800,000**	-
In foreign currencies	**572,423**	-
	1,372,423	-

16 DEPOSITS AND OTHER ACCOUNTS

	2024			2023		
	In local currency	**In foreign currencies**	**Total**	In local currency	In foreign currencies	Total
	---------- Rupees in '000 ----------					
Customers						
Term deposits	28,433,386	-	28,433,386	30,274,350	-	30,274,350
Savings deposits	5,750,530	-	5,750,530	9,791,551	-	9,791,551
Current accounts - non-remunerative	24,709,878	-	24,709,878	40,695,662	-	40,695,662
	58,893,794	-	58,893,794	80,761,563	-	80,761,563
Financial institutions						
	-	299,422	299,422	-	1,433,754	1,433,754
Current deposits	-	299,422	299,422	-	1,433,754	1,433,754
	58,893,794	299,422	59,193,217	80,761,563	1,433,754	82,195,317

	2024	2023
	-------- Rupees in '000 --------	
16.1 Composition of deposits		
- individuals	334,578	47,657
- government (Federal and Provincial)		
- public sector entities		
- banking companies	299,422	1,433,754
- non-banking financial institutions		
- private sector	58,559,216	80,713,906
	59,193,217	82,195,317

16.2 Total deposits includes eligible deposits under deposit protection mechanism amounting to Rs. 359.3 million (December 31, 2023: Rs. 71.4 million).

17 LEASE LIABILITIES

	2024	2023
	-------- Rupees in '000 --------	
Outstanding amount at the start of the year	166,080	73,144
Additions during the year	140,905	231,223
Lease payments	(218,522)	(149,298)
Interest expense	22,522	12,270
Termination / modification	-	(1,259)
Outstanding amount at the end of the year	110,985	166,080

17.1 Contactual maturity of lease laibilities

	2024	2023
Short-term lease liabilities - within one year	40,783	102,903
Long-term lease liabilities		
- 1 to 5 years	70,202	63,177
- 5 to 10 years	-	
- More than 10 years	-	
	70,202	63,177
Total lease liabilities	110,985	166,080

17.2 The Bank has entered into lease agreements in respect of its various rented branches. These were initially measured at the present value of remaining lease payments discounted using the Bank's incremental borrowing rate that ranges from 13.03% per annum to 22.45% per annum. The lease liabilities are subsequently being measured at amortized cost using the effective interest rate method

18 OTHER LIABILITIES

	Note	2024	2023
		-------- Rupees in '000 --------	
Mark-up / return / interest payable in local currency		483,215	1,293,149
Accrued expenses	18.1	166,639	207,156
Provision for performance bonus		11,387	9,939
Payable to head office	18.2	1,619,908	1,639,161
Withholding tax payable		37,486	11,640
Unearned guarantee commission		111,812	97,256
Payable to defined benefit plan / provision for gratuity	31	3,420	1,014
Ex-gratia payable to employees			-
Tax payable		-	87,486
Workers' Welfare Fund		150,080	17,497
Inward Remittance		-	1,598
Others		3,119	6,418
		2,587,066	3,372,314

18.1 This includes USD 592,704 (Equivalent to Rs 165.098 million) [December 31, 2023: USD 575,796 (Equivalent to Rs 162.294 million)] payable to head office relating to allocation of expenses by head office to its overseas branches on account of "Administration of Head Office Expenses". Furthermore, Nil amount is payable to Bank of China (Hong Kong) Limited on account of fee for communication services [December 31, 2023: USD 142,029 (Equivalent to Rs. 40.032 million)]. These amount are not subject to interest and would be repaid after relevant approval from State Bank of Pakistan has been obtained.

18.2 This represents USD 5,815,500 (December 31, 2023: USD 5,815,500) advance from the head office for the purposes of initial set up of the Bank's operations in Pakistan. This amount is not subject to interest and would be repaid after relevant approval from State Bank of Pakistan has been obtained.

19 HEAD OFFICE CAPITAL ACCOUNT

	Note	2024	2023
		----------- Rupees in '000 -----------	
Capital held as:			
Interest free deposit in Approved foreign exchange			
I) Remitted from Head Office (USD 50 million)	5.3	14,093,035	11,321,545
II) Revaluation surplus allowed by the State Bank of Pakistan		(165,535)	2,771,490
		13,927,500	14,093,035

19.1 The rate of conversion to PKR for December 31, 2024 is Rs. 278.5500 (December 31, 2023: Rs. 281.8607).

20 DEFICIT ON REVALUATION OF ASSETS

	Note	2024	2023
		----------- Rupees in '000 -----------	
Deficit on revaluation of			
- Securities measured at FVOCI / AFS - Debt	8.1	(32,082)	(48,018)
Deferred tax on deficit on revaluation of:			
- Securities measured at FVOCI / AFS - Debt			
		(32,082)	(42,265)

21 CONTINGENCIES AND COMMITMENTS

	Note	2024	2023
Guarantees	21.1	74,724,844	102,850,579
Commitments	21.2	719,386	14,668,174
Forward Purchase		1,682,274	-
		75,444,230	117,518,753

21.1 Guarantees:

	Note	2024	2023
Performance guarantees	21.1.1	74,724,844	102,850,579

21.1.1 This amount includes Rs. 65,189.3 million (December 31, 2023: Rs. 102,764.8 million) covered through counter guarantees issued by the Bank's Head Office and its related branches.

21.2 Commitments:

	Note	2024	2023
		---------- Rupees in '000 ----------	
Documentary credits and short-term trade-related transactions			
- letters of credit		77,299	12,985,900
Commitment in respect of			
- forward foreign exchange contract	21.2.1	642,086	1,682,274
		719,385	14,668,174

21.2.1 Commitments in respect of forward foreign exchange contracts

	2024	2023
Purchase	43,857	1,682,274
Sale	598,229	-
	642,086	1,682,274

22 MARK-UP / RETURN / INTEREST EARNED

	2024	2023
On:		
Loans and advances	-	1,078,558
Investments	**13,811,829**	7,123,493
Lendings to financial institutions	**513,357**	463,041
Balances with banks	**5,111**	2,606
	14,330,297	8,667,698

22.1 Interest income (calculated using effective interest rate method) recognised on:

	2024	2023
Financial assets measured at amortised cost;	**518,468**	1,544,205
Financial assets measured at FVOCI.	**13,811,829**	7,123,493
	14,330,297	8,667,698

23 MARK-UP / RETURN / INTEREST EXPENSED

	2024	2023
On:		
Deposits	**7,652,042**	7,025,968
Borrowings	**120,094**	52,828
Finance cost against leases	**22,522**	30,160
	7,794,658	7,108,956

	2024	2023
23.1 Interest expense calculated using effective interest rate method	**7,794,658**	7,108,956

24 FEE AND COMMISSION INCOME

	2024	2023
Branch banking customer fee	**6,313**	6,201
Commission on trade	**393,843**	179,496
Credit related fee	**76**	374,096
Commission on guarantees	**272,626**	280,055
Commission on remittances including home remittances	**2,656**	2,353
	675,514	842,201

		Note	2024	2023
			Rupees in '000	
25	**OPERATING EXPENSES**			
	Total compensation expense	25.1	870,045	897,195
	Property expense			
	Insurance		2,673	707
	Utilities cost		21,829	17,542
	Security (including guards)		25,471	24,470
	Repair & maintenance (including janitorial charges)		59,485	49,504
	Depreciation	9.1.1	17,320	16,870
	Depreciation on right-of-use assets	10	178,030	142,418
			304,808	251,511
	Information technology expenses			
	Software maintenance		695	947
	Hardware maintenance		6,889	5,264
	Depreciation	9.1.1	14,116	19,297
	Amortisation		449	1,249
	Network charges		47,837	34,825
	IT related expenditure to overseas branches		45,691	71,525
	Others		17,883	16,741
			133,560	149,848
	Other operating expenses			
	Legal and professional charges		5,306	7,087
	Outsourced service costs		62	102
	Travelling and conveyance		86,537	59,595
	Depreciation	9.1.1	7,867	12,408
	Training and development		5,044	3,345
	Postage and courier charges		3,029	14,043
	Communication		649	1,135
	Stationery and printing		957	1,821
	Marketing, advertisement and publicity		19,437	64,015
	Deposit protection premium		114	144
	Donations		-	600
	Auditors' remuneration	25.2	4,986	4,020
	Head office expenses		-	21,362
	Consultation		8,528	6,421
	Membership fee		6,951	-
	Other taxes		2,959	9,487
	Miscellaneous expenses		57,780	39,966
			210,206	245,550
			1,518,619	1,544,105

		2024	2023
25.1	**Total compensation expense**		
	Managerial Remuneration		
	i) Fixed	574,782	581,101
	ii) Variable		
	of which;		
	a) Cash bonus / awards, etc.	11,857	5,674
	Utilities	182,365	203,177
	Medical	20	104
	Provision for retirement benefits	3,041	3,993
	Food and accommodation	26,632	25,595
	Welfare expense	71,348	77,551
	Grand Total	870,045	897,195

		2024	2023
25.2	**Auditors' remuneration**		
	Audit fee	1,840	1,562
	Fee for the review of half yearly financial statements	2,013	978
	Special certifications and sundry advisory services	408	378
	Tax services	-	820
	Out-of-pocket expenses	725	282
		4,986	4,020

		Note	2024	2023
			---------- Rupees in '000 ----------	
26	**CREDIT LOSS ALLOWANCE AND WRITE OFFS - NET**			
	Credit loss allowance against balance with other banks		**404**	-
	Credit loss allowance against Lendings to financial institutions		**31,207**	-
			31,611	-
27	**TAXATION**			
	Current		2,991,635	87,486
	Deferred	12	-	
			2,991,635	87,486

27.1 The Bank is a permanent establishment of a non resident company i.e. Bank of China Limited. As per the Pakistan China Tax Treaty, permanent establishment of a person resident in China is subject to tax on the basis of their profits and not on the basis of turnover.

		2024	2023
27.2	**Relationship between tax expense and accounting profit**	------------ (Rupees in '000) ------------	
	Accounting profit / (loss) before taxation	6,669,089	831,456
	Tax at the applicable rate of 54% (2023: 49%)	3,601,308	407,413
	Effect of:		
	- permanent differences	-	-
	- tax charge pertaining to overseas branches	-	-
	- Impact of change in tax rates	-	-
	- prior year windfall tax	-	-
	- Brought forward losses and current year losses	(609,673)	(319,927)
	- others	-	-
	Tax expense for the year	2,991,635	87,486

28 **EARNINGS / LOSS PER SHARE**

The Bank operates as a branch of a foreign entity and does not have share capital. Hence, no figures of basic and diluted earning loss per share have been reported in these financial statements.

		Note	2024	2023
29	**CASH AND CASH EQUIVALENTS**		---------- Rupees in '000 ----------	
	Cash and balance with treasury banks	5	17,521,830	53,617,168
	Balance with other banks	6	1,582,172	1,882,705
			19,104,002	55,499,873

		2024	2023
30	**STAFF STRENGTH**	-------- Number of employees --------	
	Permanent	40	41
	On bank contract	15	14
	Bank's own staff strength at the end of the year	55	55

31 DEFINED BENEFIT PLAN

31.1 General description

The Bank operates an approved funded gratuity scheme, incorporated in December 2022, which cover all regular permanent employees. The liability of the Bank in respect of the plan is determined based on actuarial valuation carried out using the Projected Unit Credit Method. Actuarial valuation of the defined benefit plan is carried out every year and the latest valuation was carried out as at December 31, 2024. The significant assumptions are detailed below:

31.2 Number of Employees under the scheme

	2024	2023
The number of employees covered under the following defined benefit plan are:	----------- **Number** -----------	
- Gratuity fund	22	21

31.3 Principal actuarial assumptions

The disclosures made below are based on the information included in the actuarial valuation report of the Bank as of December 31, 2024:

	2024	2023
	----------- **Per annum** -----------	
Withdrawal rates	High	Moderate
Mortality rates	SLIC 2001-2005	SLIC 2001-2005
Valuation discount rate (p.a)	12.25%	15.50%
Salary increase rate (p.a) - Short term (5 years)	17.25%	19.50%
Salary increase rate (p.a) - Long term	14.25%	16.50%.
Expected rate of return on plan assets (p.a)	12.25%	15.50%
Normal retirement age	60 / 65 years	60 / 65 years
Duration	5.86 years	7.61 years

	Note	**2024**	2023
31.4 Reconciliation of net defined benefit obligation		----------- **Rupees in '000** -----------	
Present value of obligation receivable	31.5	**15,772**	10,623
Fair value of plan assets		-	-
Receivable		-	-
Fair value of plan assets	31.6	**(12,352)**	(9,610)
		3,420	1,014
31.5 Movement in defined benefit obligation			
Obligations at the beginning of the year		10,623	7,454
Current service cost		2,859	1,864
Interest cost		1,524	1,018
Benefits paid by the Bank		(331)	(190)
Re-measurement loss / (gain)		1,097	477
Obligation at the end of the year		15,772	10,623
31.6 Movement in fair value of plan assets			
Fair value at the beginning of the year		9,610	-
Interest income on plan assets		1,342	684
Contribution by the Bank - net		2,237	9,620
Benefits paid		(331)	(190)
Re-measurements: Net return on plan assets over interest income gain / (loss)		(506)	(504)
Fair value at the end of the year		12,352	9,610

31.8 Charge for defined benefit obligation

31.8.1 Net cost recognised in profit and loss

Current service cost	3,116	1,864
Past service cost	-	-
Net interest on defined benefit asset / liability	74	1,018
Interest income on plan assets	(3,041)	(684)
	149	2,198

31.8.2 Re-measurement loss recognised in OCI during the year

	2024	2023
	----------- Rupees in '000 -----------	
Loss on defined benefit obligation		
- Demographic assumptions	(711)	-
- Financial assumptions	1,375	304
- Experience adjustment	432	172
Total re-measurements on obligation	1,096	477
Loss on plan asset		
- Due to actual return earned on plan assets	506	504
Total re-measurements on plan asset	506	504
Total re-measurement loss recognised in OCI	1,602	980

31.9 Sensitivity analysis

	2024	
Particulars	**Present value of defined benefit obligation**	**Change**
1% increase in discount rate	14,972	-5.07%
1% decrease in discount rate	16,675	5.73%
1 % increase in expected rate of salary increase	16,714	5.97%
1 % decrease in expected rate of salary increase	14,922	-5.39%
10% increase in withdrawal rate	15,619	-0.97%
10% decrease in withdrawal rate	15,941	1.08%
1 year Mortality age set back	15,776	0.03%
1 year Mortality age set forward	15,768	-0.03%

		Note	2024	2023
			----------- Rupees in '000 -----------	
32.10	**Components of plan assets**			
	Bank balance - saving account	32.10.1	12,352	9,620
			12,352	9,620

32.10.1 Bank balance includes balance maintained with the Bank which is subject to credit risk. This risk is regularly monitored by Trustees of the employee fund.

32.11 Expected contributions to be paid to the fund in the next financial year 3,190

32.13 Maturity profile

The undiscounted expected payments maturity is tabulated below:

Particulars	Undiscounted Payments (Rupees in '000)
Year 1	2,817
Year 2	1,626
Year 3	5,610
Year 4	1,107
Year 5	1,086
Year 6 to Year 10	5,594
Year 11 and above	27,602

32.14 Funding policy

The Bank's policy for funding the staff retirement benefit scheme is given in note 6.8 (a).

32.15 Risks associated with defined benefit obligation

Life expectancy / withdrawal risk:

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

Longevity risks:

The risk arises when the actual lifetime of retirees is longer than expected. This risk is measured at the plan level over the entire retiree population.

Salary increase risk:

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expected and impacts the liability accordingly.

32 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

32.1 Total Compensation Expense

2024		
Particulars	Country head & CEO	Key executives
	----------- Rupees in '000 -----------	
Fees and Allowances etc.		
Managerial Remuneration		
i) Fixed	27,431,631	146,610,235
ii) Total Variable		
of which		
a) Cash Bonus / Awards	-	10,572,436
b) Bonus & Awards in Shares	-	-
Rent & house maintenance		
Utilities	10,641,419	82,146,946
Conveyance		-
Welfare	3,095,855	24,504,919
Tax Borne by the Employer	26,734,100	143,931,537
Total	67,903,005	397,193,637
Number of Persons	1	14

2023		
Particulars	Country head & CEO	Key executives
	----------- Rupees in '000 -----------	
Fees and Allowances etc.	-	-
Managerial Remuneration		
i) Fixed	27,943	140,701
ii) Total Variable		
of which		
Cash Bonus / Awards	-	6,645
b) Bonus & Awards in Shares		
Rent & house maintenance		
Utilities	10,840	83,971
Conveyance	-	-
Welfare	3,548	21,352
Tax Borne by the Employer	26,949	135,566
Total	69,280	388,235
Number of Persons	1	11

The Chief Executive Officer and certain executives have been provided with free use of Bank's rented and maintained cars in accordance with the terms of their employment and are also entitled to Bank's rented and maintained accommodation and medical benefits. In addition, the Chief Executive Officer and certain executives are also provided with drivers, security arrangements and payment of travel bills in accordance with their terms of employment.

33 FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In the opinion of the management, fair value of the financial assets and liabilities are not significantly different from their carrying values.

33 BANK OF CHINA LIMITED - PAKISTAN OPERATIONS

33.1 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 asset 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 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 categorised:

On-balance sheet financial instruments	2024			
	Level 1	Level 2	Level 3	Total
Financial assets - measured at fair value	---- Rupees in '000 ----			
Investments				
Federal Government securities	-	**53,966,557**	-	**53,966,557**
Off-balance sheet financial instruments - measured at fair value				
- Forward purchase of foreign exchange	-	**43,857**	-	**43,857**
- Forward sale of foreign exchange	-	**598,229**	-	-

On-balance sheet financial instruments	2023			
	Level 1	Level 2	Level 3	Total
Financial assets - measured at fair value	---- Rupees in '000 ----			
Investments				
Federal Government securities	-	41,147,870	-	41,147,870
Off-balance sheet financial instruments - measured at fair value				
- Forward purchase of foreign exchange	-	1,682,274	-	-

There were no transfers from and into level 2 during the year.

Valuation technique used in determination of fair values within level 2

Item	Valuation approach and input used
Market Treasury Bills	Fair values of Treasury Bills are derived using the PKRV rates.

34 RELATED PARTY TRANSACTIONS

The Bank has related party transactions with its head office, other foreign branches and key management personnel.

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. 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 financial statements, are as follows:

	2024		2023	
	Head office and branches	Key management	Head office and branches	Key management personnel
	Rupees in '000			
Balances with overseas branches				
In current accounts	-	-	-	-
In deposit accounts	1,582,172	-	1,882,705	-
Closing balance	1,582,172	-	1,882,705	-

	2024		2023	
	Head office and branches	Key management	Head office and branches	Key management personnel
	Rupees in '000			
Lendings to financial institutions				
Opening balance	**422,791**	-	339,646	-
Addition during the year	**20,055,600**	-	7,225,912	-
Repaid during the year	**(20,478,391)**	-	(7,142,767)	-
Closing balance	-	-	422,791	-
Other assets				
Interest / mark-up accrued	-	-	8,370	
Advances, deposits and prepayments	-	**800**	-	19
Receivable from head office relating to settlement of transactions	-	-	1,583	-
	-	**800**	8,370	19
Borrowings				
Opening balance	-	-	-	-
Borrowings during the year	56,898,797	-	19,948,262	-
Settled during the year	56,326,374	-	(19,948,262)	-
Closing balance	572,423	-	-	-
Deposits and other accounts				
Opening balance	-	8,519	-	1,891
Received during the year	-	318,467	-	287,631
Withdrawn during the year	-	(318,973)	-	(281,003)
Closing balance	-	8,013	-	8,519
Other liabilities				
Payable to head office	1,619,908	-	1,316,809	-
Accrued expenses	151,936	-	113,701	-
Mark-up/ Return/ Interest payable in local currency	2,231	-		
Salaries payable	-	1,438	-	5,192
Closing Balance	1,774,075	1,438	1,430,510	5,192

34.1 Balances pertaining to parties that were related at the beginning of the year but ceased to be so related during any part of the current year are not reflected as part of the closing balance. The same are accounted for through the movement presented above.

RELATED PARTY TRANSACTIONS

	2024		2023	
	Head office and branches	Key manageme nt	Head office and branches	Key management personnel
	Rupees in '000			
Income				
Mark-up / return / interest earned	18,360	-	27,844	-
Expense				
Mark-up / return / interest paid	5,385	1,405	2,385	1,091
Remuneration expense	-	502,449	-	331,159
Employers contribution towards retirement benefits	-	1,747	-	1,416

35 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	2024	2023
	Rupees in '000	
Minimum capital requirement (MCR):		
Paid-up capital (net of losses)	13,927,500	11,843,757
Capital adequacy ratio (CAR):		
Eligible common equity tier 1 (CET 1) capital	15,674,234	11,795,088
Eligible additional tier 1 (ADT 1) capital	-	-
Total eligible tier 1 capital	15,674,234	11,795,088
Eligible tier 2 capital	31,658	-
Total eligible capital (tier 1 + tier 2)	15,705,892	11,795,088
Risk weighted assets (RWAs):		
Credit risk	2,591,255	11,782,184
Market risk	1,439,750	81,987
Operational risk	6,906,983	1,764,925
Total	10,937,988	13,629,096
Common equity tier 1 capital adequacy ratio (in %)	143.30%	86.54%
Tier 1 Capital adequacy ratio (in %)	143.30%	86.54%
Total Capital adequacy ratio (in %)	143.59%	86.54%

As at December 31, 2024 the SBP requires to maintain a ratio of total regulatory capital to the risk - weighted assets at or above the required minimum level of 11.5% and maintain Common Equity Tier 1 (CET 1) ratio and Tier 1 ratio of 6.0% and 7.5% respectively.

As at December 31, 2024 the Bank is fully compliant with prescribed ratios as the Bank's CAR is 153.85%. The Bank has complied with all capital requirements throughout the year.

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.

	2024	2023
	---------- Rupees in '000 ----------	
Leverage ratio (LR):		
Eligible tier-1 capital	15,674,234	11,795,088
Total exposures	163,415,463	215,047,633
Leverage ratio (%)	9.59%	5.48%
Liquidity coverage ratio (LCR):		
Total high quality liquid assets	92,352,750	46,201,238
Total net cash outflow	29,700,604	22,387,128
Liquidity coverage ratio (Ratio)	310.95%	206.37%
Net stable funding ratio (NSFR):		
Total available stable funding	46,059,000	54,659,635
Total required stable funding	4,531,000	7,255,442
Net stable funding ratio (%)	1016.53%	753.36%

35.1 The full disclosure on capital adequacy, leverage ratio and liquidity requirements as per the State Bank of Pakistan's instructions issued from time to time have been placed on the Bank's website. The link to the full disclosure is available at "https://www.bankofchina.com/pk/en/aboutus/ab4/".

36 RISK MANAGEMENT

The Bank follows the efficient quality control and risk monitoring principles of Bank of China Head Office, which ensures the excellent quality of the customer portfolio. The Bank comprehensively followed local regulatory and Bank of China Head Office requirements, carried out risk inspection and pushed forward its compliance work of effective risk data aggregation and risk reporting, so as to ensure compliant operations. In addition, the Bank improved its comprehensive risk management mechanism, strengthened the consolidated risk management of the Bank and sped up the construction of its risk management information system, improved its risk reporting capability and promoted the technologies in risk management.

36.1 Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and available for sale financial investments. the Bank as per State Bank of Pakistan Guidelines, calculated its Capital Adequacy Ratio (CAR) based on the SBP guidelines on Basel III.

The Bank's funded and non-funded exposure is mostly secured against collateral in the form of guarantees from Head office or other overseas branches of Bank of China. The Bank, in addition, regularly monitors its credit exposure to identify customers most likely to be affected in the challenging business and economic environment. Bank is confident that it has more than sufficient risk bearing capacity to with-stand these difficult times.

36.1.1 Credit risk management framework

The Bank has established a set of credit risk management policies and procedures, and appropriate credit risk limits to manage and control credit risk that arises through the Bank's normal business activities. These policies, procedures and limits are regularly reviewed in light of changes in markets and business strategies.

The Bank's organisation structure establishes clear authority and responsibilities for monitoring compliance with policies, procedures and limits, based on the principle of 'Three Lines of Defence'.

The business units are responsible for the day-to-day management of credit risk with the Risk Management Department being responsible for risk oversight and ensuring procedural compliance as well as the drafting, reviewing and updating of credit risk management policies and procedures. The Internal Audit function represents the third line of defence.

The Risk Management function of the Bank is regularly conducting assessments of the credit portfolio to identify borrowers most likely to get affected due to changes in the business and economic environment.

Provisions for the credit portfolio are determined in accordance with IFRS 9 and SBP Prudential Regulations. Details of the credit loss allowance against advances are provided in Note 4.6.

Details of the methodologies and models used for measuring Probability of Default (PD), Exposure at Default (EAD), Loss Given Default (LGD), ECL principles, and staging criteria are provided in Note 4.2.8

36.1.2 Credit risk measurement and control

Advances

The approval of an individual credit risk proposition requires assessment of the customer, any existing credit exposure to the customer and the credit risks associated with the transaction, at the same time taking into account the reward being offered for the risk and the extent of risk mitigation available to offset the potential loss in the event of default. The Risk Management Department is responsible for making an independent assessment of all credit facilities.

There are three main areas of concentration risk that are monitored, reported and managed by the Bank; single customer (group), industrial sector and country risk. the Bank monitors changes to counterparties' credit risk, quality of the credit portfolio and risk concentrations, and reports regularly to the Bank's Executive Management Committee. Consideration must be taken and compliance must be adhered to these three concentration risk management areas either during initiating a transaction or maintaining and managing the portfolio quality.

The Bank's internal loan grading system divides loans into five categories as follows:

Category 1: "Performing" represents loans where the borrower is currently meeting their repayment obligations and full repayment of interest and principal is not in doubt.

Category 2: "Special Mention" represents loans where the borrower is experiencing difficulties which may threaten the Bank's position. Ultimate loss is not expected at this stage but could occur if adverse conditions persist.

Category 3: "Sub-standard" represents loans where the borrower displays a definable weakness that is likely to jeopardise repayment.

Category 4: "Doubtful" represents loans where collection in full is improbable and the Bank expects to sustain a loss of principal and/or interest, taking into account the net realisable value of any collateral held.

Category 5: "Loss" represents loans which are considered un-collectible after all collection options (such as the realisation of collateral or the initiation of legal proceedings) have been exhausted.

Where loans are classified as impaired and impairment allowances are raised, they are separately analysed and excluded from the categories listed above. Impairment usually occurs when loans have been classified in categories 3, 4 or 5.

Debt securities and derivatives

For investment in debt securities and securitisation-backed assets, an external credit rating and assessment on the credit quality of the underlying asset are used for managing the credit risk involved. Credit limits are established on a counterparty and security issuer basis. For derivatives, the Bank sets customer limits to manage the credit risk involved and follows the same approval process as loans and advances.

Collateral held as security

the Bank has established a mechanism to update the value of its main type of collateral, residential properties, with the use of a publicly available index on a portfolio basis. For loans guaranteed by a third party guarantor, the Bank assesses the guarantor's financial condition, credit history and ability to meet their obligations if called to do so. Collateral held as security cannot be sold or repledged in the absence of a default.

External Ratings

SBP Basel II guidelines require banks to use ratings assigned by specified External Credit Assessment Agencies (ECAIs) namely PACRA, JCR-VIS, Moodys, Fitch and S&P Global Ratings.

The branch use external ratings for the purposes of computing the risk weights as per the Basel II framework. For exposures with a contractual maturity of less than or equal to one year, short-term rating given by approved Rating Agencies is used, whereas for long-term exposure with maturity of greater than one year, long-term rating is used.

36.1.3 Lendings to financial institutions	Gross lendings		Non-performing lendings		Credit loss allowance				provision held
	2024	2023	2024	2023	2024				2023
					Stage 1	Stage 2	Stage 3	Total	
	Rupees In '000								
Credit risk by public / private sector									
Public/Government	1,300,000	-	-	-	-				-
Private	3,150,000	422,791	-	-	-				-
	4,450,000	422,791	-	-	-				-

36.1.4 Investment in debt institutions securities

	Gross investments		Non-performing investments		Credit loss allowance				provision held
	2024	2023	2024	2023	2024				2023
					Stage 1	Stage 2	Stage 3	Total	
	Rupees in '000								
Credit risk by industry sector									
Financial	**53,966,557**	41,147,870	-	-	-				-
	53,966,557	41,147,870	-	-	-				-
Credit risk by public / private sector									
Public / Government	**53,966,557**	41,147,870	-	-	-				-
	53,966,557	41,147,870	-	-	-				-

36.1.5 Contingencies and Commitments

	2024	2023
	Rupees in '000	
Credit risk by industry sector		
Agriculture and Chemical Manufacturing	309,921	-
Defence & Industrial Manufacturing	44,371,474	-
Oil and Gas Explorations	405,512	4,231,579
others	1,941,985	56,428,160
Power and Energy Sector	26,967,166	20,842,203
Telecommunication Sector	336,945	20,554,882
construction	1,111,227	15,461,929
	75,444,230	117,518,753
Credit risk by public / private sector		
Public / Government	73,496,968	102,096,786
Private	1,947,262	15,421,967
	75,444,230	117,518,753

36.2 Market Risk

Market risk arises from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements.

All businesses in the Bank operate within market risk management policies that are set by the Head Office. Limits have been set to control the Bank's exposure to movements in prices and volatilities arising from trading, lending, deposit taking and invest decisions.

36.2.1 Statement of financial position split by trading and banking books

	2024			2023		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	Rupees in '000					
Cash and balances with treasury banks	17,521,830	-	17,521,830	53,617,168	-	53,617,168
Balances with other banks	1,582,172	-	1,582,172	1,882,705	-	1,882,705
Lendings to financial instit	4,418,761	-	4,418,761	422,791	-	422,791
Investments	53,966,557	-	53,966,557	41,147,870	-	41,147,870
Advances	-	-	-	-	-	-
Property and equipment	162,436	-	162,436	81,815	-	81,815
Right-of-use assets	107,729	-	107,729	-	-	-
Intangible assets	827	-	827	501	-	501
Deferred tax assets	-	-	-	-	-	-
Other assets	1,114,572	-	1,114,572	230,149	-	230,149
	78,874,884	-	78,874,884	97,382,999	-	97,382,999

36.2.2 Foreign Exchange Risk

The Bank conducts a substantial portion of its business with certain transactions denominated in USD, Yen and, to a much lesser extent, other currencies. The Bank endeavours to manage its sources and uses of foreign currencies to minimise potential mismatches in accordance with management directives.

	2024				2023			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	Rupees '000							
United States Dollar	1,298,229	797,706	(553,019)	(52,496)	6,681	7,180	(3,519)	(4,018)
Chinese Yuan	479,082	626,536	554,373	406,920	15,805	41,171	24,991	(375)
Japanese Yen				-	-	-	-	-
	1,777,312	1,424,242	1,354	354,424	22,486	48,351	21,472	(4,393)

	2024		2023	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
Impact of 1% change in foreign exchange rates on				
- profit and loss account	-	3,544	-	(44)
- other comprehensive income	-	-	-	-

36.2.3 Equity position Risk

The risk arising from taking long or short positions, in the trading book, in the equities and all instruments that exhibit market behavior similar to equities.

As at December 31, 2023, the Bank is not exposed to such aforementioned risk.

36.2.4 Yield / interest rate risk in the banking book (IRRBB)-Basel II specific

The interest rate risk arises from the fluctuation in the value of financial instruments consequent to changes in market interest rates. The Bank is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-balance sheet instruments that mature or are re-priced in a given period. In order to ensure that this risk is managed within acceptable limits, Banks' Asset and Liability Management Committee (ALCO) monitors various gap limits and re-pricing of the assets and liabilities on a regular basis.

	2024		2023	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
Impact of 1% change in interest rates on				
- profit and loss account	65,356	-	15,587	-
- other comprehensive income	-	-	-	-

36.2.5 Mismatch of interest rate sensitive assets and liabilities

		2024										
	Effective yield / interest rate	Exposed to yield / interest risk										Non-interest bearing financial instruments
		Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
	(%)	Rupees in '000										
On-balance sheet financial instruments												
Assets												
Cash & Balances with treasury banks		17,521,830	71,354	-	-	-	-	-	-	-	-	17,450,476
Balances with other banks	0.05-0.72	1,582,172	1,582,172	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	2.5-13.9	4,418,761	4,418,761	-	-	-	-	-	-	-	-	-
Investments - net	11.5-21.7	53,966,557	10,000,000	34,260,915	9,705,642	-	-	-	-	-	-	-
Advances - net		-	-	-	-	-	-	-	-	-	-	-
Property and equipment		162,436	7,005	-	375	5,384	6,818	17,058	13,863	111,932	-	-
Right-of-use asset		107,729	8,977	17,955	26,932	53,865						-
Intangible assets		827	-	-	-	-	-	-	-	-	-	-
Other assets		1,114,572	752,923	15,990	22,251	29,235	1,069	5,604	-	-	-	1,114,572
		78,874,884	16,841,192	34,294,860	9,755,200	88,484	7,887	22,662	13,863	111,932	-	18,565,048
Liabilities												
Bills payable		296	-	-	-	-	-	-	-	-	-	296
Borrowings	0.8-22.15	1,372,423	1,372,423	-	-	-	-	-	-	-	-	-
Deposits and other accounts	10-20.5	59,193,217	30,759,830	28,433,386	-	-	-	-	-	-	-	-
Lease Liability		110,985	-	-	-	1,675	-	1,333	23,903	28,037	56,036	-
Subordinated debt		-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities		-	-	-	-	-	-	-	-	-	-	-
Other liabilities		2,587,066	-	-	-	-	-	-	-	-	-	2,587,066
		63,263,987	32,132,253	28,433,386	-	1,675	-	1,333	23,903	28,037	56,036	2,587,362
On-balance sheet gap		15,610,897	(15,291,061)	5,861,474	9,755,200	86,809	7,887	21,329	(10,040)	83,895	(56,036)	15,977,686
Net non-financial assets		270,992										
Total net assets		15,610,897										
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap			(15,291,061)	5,861,474	9,755,200	86,809	7,887	21,329	(10,040)	83,895	(56,036)	
Cumulative yield / interest risk sensitivity gap			(15,291,061)	(9,429,587)	325,614	412,422	420,310	441,638	431,599	515,494	459,458	

		2023										
	Effective yield / interest rate	Exposed to yield / interest risk										Non-interest bearing financial instruments
		Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
	(%)	Rupees in '000										
On-balance sheet financial instruments												
Assets												
Cash & Balances with treasury banks		53,617,168	-	-	-	-	-	-	-	-	-	53,617,168
Balances with other banks	0.05 - 0.72	1,882,705	1,882,705	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	5.88 - 6.09	422,791	-	281,861	140,930	-	-	-	-	-	-	-
Investments - net	20.9 - 21.3	41,147,870	-	38,449,320	-	2,698,550	-	-	-	-	-	-
Advances - net		-	-	-	-	-	-	-	-	-	-	-
Operating fixed assets		-	-	-	-	-	-	-	-	-	-	-
Deferred tax assets - net		-	-	-	-	-	-	-	-	-	-	-
Other assets		230,149	-	-	-	-	-	-	-	-	-	230,149
		97,300,683	1,882,705	38,731,181	140,930	2,698,550	-	-	-	-	-	53,847,317
Liabilities												
Bills payable		81	-	-	-	-	-	-	-	-	-	81
Borrowings		-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	15 - 20.5	82,195,317	34,980,655	6,519,000	-	-	-	-	-	-	-	40,695,662
Liabilities against assets subject to finance leas		-	-	-	-	-	-	-	-	-	-	-
Subordinated debt		-	-	-	-	-	-	-	-	-	-	-
Other liabilities		3,538,394	-	-	-	-	-	-	-	-	-	3,538,394
On-balance sheet gap		11,566,891	(33,097,950)	32,212,181	140,930	2,698,550	-	-	-	-	-	9,613,180
Net non-financial assets		228,698										
Total net assets		11,795,589										
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap			(33,097,950)	32,212,181	140,930	2,698,550	-	-	-	-	-	
Cumulative yield / interest risk sensitivity gap			(33,097,950)	(885,769)	(744,839)	1,953,711	1,953,711	1,953,711	1,953,711	1,953,711	1,953,711	

36.3 Operational risk

The Bank's operational risk is related to possible losses which may be incurred as a result of failures occurring in the Bank's day to day operations. The Bank continuously improved its operational risk management system. It promoted the application of operational risk management tools, using various management tools including Risk and Control Assessment (RACA), Key Risk Indicators(KRI) and Loss Data Collection (LDC), etc., to continually identify, assess and monitor operational risks. The Bank enhanced its system support capability by optimising its operational risk management information system.

36.4 Liquidity risk

Liquidity risk is the potential inability of the Bank to meet its payment obligations. The Bank is exposed to daily calls on its available cash resources from deposits, current accounts, maturing deposits and guarantees. The objective of the liquidity policy of the Bank are to ensure that the Bank are able to meet its financial obligations, whether such obligations are scheduled or unforeseen. The Bank has set liquidity risk appetites and established necessary management action triggers to manage its liquidity risk for regulatory compliance and to meet holding companies expectations. Necessary policies and procedures, including the escalation processes have been developed.

36.4.1 Maturities of assets and liabilities - based on contractual maturities

	2024													
	Total	Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
	Rupees '000													
Assets														
Cash and balances with treasury banks	17,521,830	3,594,330	-	-	-	-	-	-	-	-	-	-	-	13,927,500
Balances with other banks	1,582,172	1,582,172	-	-	-	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	4,418,761	-	3,773,324	645,437	-	-	-	-	-	-	-	-	-	-
Investments	53,966,557	-	-	7,000,000	3,000,000	9,996,811	24,264,104	9,705,642	-	-	-	-	-	-
Advances	-	-	-	-	-	-	-	-	-	-	-	-		
Fixed assets	162,436	5,968			1,037			375	3,859	1,524	6,818	17,058	13,863	111,932
Right-of-use assets	107,729		-	-	1,626	-	1,294	23,202	27,214	54,392	-	-	-	-
Intangible assets	827	-	-	-	-	-	-	-	-	-	106		-	721
Other assets	1,114,572	160,991	11,399	-	842,257	-	21,549	29,986	1,618	37,780	1,441	7,552	-	-
	78,874,884	5,301,934	3,781,783	7,645,437	3,627,663	9,996,811	24,281,389	9,751,470	32,274	83,952	7,993	22,662	13,863	14,040,153
Liabilities														
Bills payable	296	-	296	-	-	-	-	-	-	-	-	-	-	-
Borrowings	1,372,423	-	1,372,423	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	59,193,217	30,759,831	6,434,000	-	20,336,964	1,662,422	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	110,985	-	-	-	1,675	-	1,333	23,903	28,037	56,036	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities *	2,587,066	1,619,908	52,177	-	364,849	13,623	1,325	269,407	9,975	190,491	23,607	1,028	36,667	4,012
	63,263,987	32,379,739	7,858,896	-	20,703,488	1,676,044	2,658	293,310	38,012	246,527	23,607	1,028	36,667	4,012
Net assets	15,610,897	(27,077,805)	(4,077,113)	7,645,437	(17,075,825)	8,320,767	24,278,731	9,458,160	(5,738)	(162,575)	(15,614)	21,634	(22,804)	14,036,142
Share capital	13,927,500													
Reserves	-													
Surplus on revaluation of assets - net	(32,082)													
Accumulated loss	1,715,479													
	15,610,897													

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

	Total	Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
Liabilities														
Lease liabilities	110,985	-	-	-	1,675	-	1,333	23,903	28,037	56,036	-	-	-	-

	2023													
	Total	Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
	Rupees '000													
Assets														
Cash and balances with treasury banks	13,072,317	1,750,772	-	-	-	-	-	-	-	-	-	-	-	11,321,545
Balances with other banks	543,492	543,492	-	-	-	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	1,339,646	-	1,000,000	-	-	-	339,646	-	-	-	-	-	-	-
Investments	9,156,215	-	-	-	-	1,464,773	7,691,442	-	-	-	-	-	-	-
Advances	5,400,000	-	-	-	-	-	-	-	-	5,400,000	-	-		
Fixed assets	174,412	-	-	-	-	-	-	-	-	-	-	-	161,303	13,109
Intangible assets	1,525	-	-	-	-	-	-	-	-	-	-	-	1,525	
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	129,910	-	1,743	-	-	-	3,439	1,181	93,061	7,993	-	22,493	-	-
	29,817,517	2,294,264	1,001,743	-	-	1,464,773	8,034,527	1,181	93,061	5,407,993	-	22,493	162,828	11,334,654
Liabilities														
Bills payable	7,382	7,382	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	19,704,964	-	800,000	-	8,228,160	7,076,804	3,600,000	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities *	1,782,777	933	1,436,495	-	2,022	-	213,435	13,245	30,209	-	9,247	63,897	-	7,454
	21,495,123	8,315	2,236,495	-	8,230,182	7,076,804	3,813,435	13,245	30,209	-	9,247	63,897	-	7,454
Net assets	8,322,394	2,285,949	(1,234,752)	-	(8,230,182)	(5,612,031)	4,221,092	(12,064)	62,852	5,407,993	(9,247)	(41,404)	162,828	11,327,200
Share capital	11,321,545													
Reserves	-													
Surplus on revaluation of assets - net	(5,753)													
Accumulated loss	(2,993,398)													
	8,322,394													

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

	Total	Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
Liabilities														
Lease liabilities	73,144	-	-	-	-	-		-	-	-	9,247	63,897	-	-

36.4.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Bank

	2024									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	Rupees '000									
Assets										
Cash and balances with treasury banks	17,521,830	3,594,330	-	-	-	-	-	-	-	13,927,500
Balances with other banks	1,582,172	1,582,172	-	-	-	-	-	-	-	-
Lendings to financial institutions	4,418,761	4,418,761	-	-	-	-	-	-	-	-
Investments	53,966,557	10,000,000	34,260,915	9,705,642	-	-	-	-	-	-
Advances	-	-	-	-	-	-	-	-	-	-
Property and equipment	162,436	7,005	-	375	5,384	6,818	17,058	13,863	111,932	-
Right-of-use asset	107,729	8,977	17,955	26,932	53,865					
Intangible assets	827	-	-	-	-	106	-	-	721	-
Other assets	1,114,572	752,923	15,990	22,251	29,235	1,069	5,604	-	-	-
	78,874,884	20,364,168	34,294,860	9,755,200	88,484	7,993	22,662	13,863	112,653	13,927,500
Liabilities										
Bills payable	296	296	-	-	-	-	-	-	-	-
Borrowings	1,372,423	1,372,423	-	-	-	-	-	-	-	-
Deposits and other accounts	59,193,217	57,530,795	1,662,422	-	-	-	-	-	-	-
Liabilities against assets subject	110,985									
to finance lease	-	1,675	1,333	23,903	84,073	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities *	2,587,066	2,036,933	18,367	265,987	200,465	23,607	1,028	36,667	4,012	-
	63,263,987	60,942,122	1,682,122	289,890	284,538	23,607	1,028	36,667	4,012	-
Net assets	15,610,897	(40,577,954)	32,612,738	9,465,310	(196,055)	(15,614)	21,634	(22,804)	108,642	13,927,500
Share capital	13,927,500									
Reserves	-									
Surplus on revaluation of assets - net	(32,082)									
Accumulated loss	1,715,479									
	15,610,897									

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

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

	2024									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	Rupees '000									
Liabilities										
Lease liabilities	110,985	1,675	1,333	23,903	84,073	-	-	-	-	-

	2023									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Assets	Rupees '000									
Cash and balances with treasury banks	53,617,168	39,524,133	-	-	-	-	-	-	-	14,093,035
Balances with other banks	1,882,705	1,882,705	-	-	-	-	-	-	-	-
Lendings to financial institutions	422,791	-	281,861	140,930	-	-	-	-	-	-
Investments	41,147,870	-	38,449,320	-	2,698,550	-	-	-	-	-
Advances	-	-	-	-	-	-	-	-	-	-
Fixed assets	228,197	1,596	1,486	4,183	10,843	159,309	10,786	35,030	4,964	-
Intangible assets	501	-	321	-	-	-	180	-	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	230,149	152,847	50,696	3,813	9,511	13,262		20		
	97,529,381	41,561,281	38,783,684	148,926	2,718,904	172,571	10,966	35,050	4,964	14,093,035
Liabilities										
Bills payable	81	81	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	82,195,317	75,676,317	6,519,000	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities *	3,538,394	2,220,722	112,567	27,328	1,113,586	63,177			1,014	-
	85,733,792	77,897,120	6,631,567	27,328	1,113,586	63,177	-	-	1,014	-
Net assets	11,795,589	(36,335,839)	32,152,117	121,598	1,605,318	109,394	10,966	35,050	3,950	14,093,035
Share capital	14,093,035									
Reserves	-									
Surplus on revaluation of assets - net	(48,018)									
Accumulated loss	(2,249,428)									
	11,795,589									

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

	2023									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Liabilities	Rupees '000									
Lease liabilities	166,080	45,232	17,389	-	40,282	63,177	-	-	-	-

37 GENERAL

Comparative information has been re-classified, re-arranged or additionally incorporated in these financial statements, wherever necessary, to facilitate comparison and to conform with changes in presentation in the current year. There have been no significant reclassifications during the year.

38 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on March 28, 2025 by the Country Head & Chief Executive Officer and Chief Financial Officer of the Bank.

Country Head & Chief Executive Officer

Chief Financial Officer