LOLC MICROFINANCE BANK LIMITED

ANNUAL AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2024

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INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF LOLC MICROFINANCE BANK LIMITED (FORMERLY PAK OMAN MICROFINANCE BANK LIMITED)

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **LOLC MICROFINANCE BANK LIMITED (FORMERLY PAK OMAN MICROFINANCE BANK LIMITED)**, (the Bank) , which comprise the statement of financial position as at December 31, 2024, the statement of profit and loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policies 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, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by Microfinance Institutions Ordinance, 2001 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 December 31, 2024 and of the loss and other comprehensive loss, its cash flows and the changes in equity 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 Auditors 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.

Information Other than the Financial Statements and Auditors Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Director's report for the year ended December 31, 2024 but does not include the financial statements and our auditors report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017), Microfinance Institutions Ordinance, 2001 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.

Board of directors are responsible for overseeing the Bank's financial reporting process.

Auditors 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 auditors 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 auditors 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 auditors report. However, future events or conditions may cause the Bank 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 board of directors 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.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

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

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

b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017), Microfinance Institutions Ordinance, 2001 and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Bank's business; and

a) 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.

The engagement partner on the audit resulting in this independent auditors' report is Atif Riaz.

ISLAMABAD

DATED: April 30, 2025
UDIN: AR202410060HK3851Rai

BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS

LOLC MICROFINANCE BANK LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2024

	Note	2024	2023
		-------- Rupees --------	
ASSETS			
Cash and balances with treasury banks	5	460,010,780	111,791,460
Balances with other banks	6	1,673,311,932	1,215,416,065
Lendings to financial institutions		-	-
Investments	7	567,398,711	412,266,887
Advances	8	4,138,259,964	3,825,025,311
Property and equipment	9	185,176,015	150,021,898
Right-of-use assets	10	212,020,792	223,046,081
Intangible assets	11	42,709,137	14,664,791
Other assets	12	268,250,698	402,275,152
Deferred tax assets	13	409,026,861	316,556,555
		7,956,164,890	6,671,064,200
LIABILITIES			
Bills payable		-	-
Borrowings	14	-	1,982,284,483
Deposits and other accounts	15	5,434,711,765	928,919,543
Lease liabilities	16	255,934,517	251,940,707
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities	17	651,754,709	620,847,813
		6,342,400,991	3,783,992,546
NET ASSETS		1,613,763,899	2,887,071,654
REPRESENTED BY			
Share capital	18	3,220,000,000	3,220,000,000
Reserves		183,178,511	182,705,584
Surplus on revaluation of assets - net of tax	19	897,663	201,558
Unappropriated loss		(1,790,312,275)	(515,835,488)
		1,613,763,899	2,887,071,654
CONTINGENCIES AND COMMITMENTS	20		

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

President | Chief Financial Officer | Director | Director | Director

LOLC MICROFINANCE BANK LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2024

	Note	2024	2023
		--------- Rupees	------------
Mark-up / Return / Interest earned	21	2,067,827,963	2,183,159,318
Mark-up / Return / Interest expensed	22	(842,464,686)	(683,446,250)
Net mark-up / Return / Interest income		1,225,363,277	1,499,713,068
NON MARK-UP / INTEREST INCOME			
Fee and commission income	23	158,425,655	187,868,840
Dividend income		-	-
Foreign exchange income		-	-
Income from derivatives		-	-
Gain on securities		-	-
Net gains on derecognition of financial assets measured at amortised cost		-	-
Other income	24	28,257,639	43,698,569
Total non-markup / interest income		186,683,294	231,567,409
Total income		1,412,046,571	1,731,280,477
NON MARK-UP / INTEREST EXPENSES			
Operating expenses	25	1,781,566,680	1,554,919,426
Workers welfare fund		-	-
Other charges	26	3,187,788	-
Total non-markup / interest expenses		1,784,754,468	1,554,919,426
(Loss) / Profit before credit loss allowance		(372,707,897)	176,361,051
Credit loss allowance and write offs - net	27	(623,811,236)	(926,176,630)
LOSS BEFORE LEVIES AND TAXATION		(996,519,133)	(749,815,579)
Levies	28	(28,181,391)	(31,347,682)
LOSS BEFORE TAXATION		(1,024,700,524)	(781,163,261)
Taxation	29	91,168,853	219,782,931
LOSS AFTER TAXATION		(933,531,671)	(561,380,330)
Basic and diluted loss per share	30	(4.04)	(2.43)

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

President | Chief Financial Officer | Director | Director | Director

LOLC MICROFINANCE BANK LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2024

	2024	2023
	------- --- Rupees ---------	
Loss after taxation for the period	(933,531,671)	(561,380,330)
Other comprehensive income		
Items that may be reclassified to profit and loss account in subsequent periods:		
Movement in surplus on revaluation of investments	696,105	89,441
Related tax impact	(201,870)	(25,938)
Movement in surplus on revaluation of investments - net of tax	494,235	63,503
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement of defined benefit obligation	(5,183,871)	13,092,836
Related tax impact	1,503,323	(3,796,922)
Remeasurement of defined benefit obligation - net of tax	(3,680,548)	9,295,914
Total comprehensive loss for the year	(936,717,984)	(552,020,913)

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

President	Chief Financial Officer	Director	Director	Director

LOLC MICROFINANCE BANK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2024

	Share Capital		Statutory Reserves		Revenue Reserve	Capital Reserve	
	Share capital	Share premium	Statutory reserve	Depositors' Protection Fund	Accumulated losses	Surplus on revaluation of investments	Total
				Rupees			
Balance as at January 01, 2023	2,308,300,000	52,041,600	98,175,982	30,353,389	36,248,928	89,441	2,525,209,340
Profit after taxation for the year ended December 31, 2023	-	-	-	-	(561,380,330)	-	(561,380,330)
Other comprehensive income for the year ended December 31, 2023	-	-	-	-	9,295,914	112,117	9,408,031
Total comprehensive loss for the year ended December 31, 2023	-	-	-	-	(552,084,416)	112,117	(551,972,299)
Transfer to Depositors' Protection Fund							
- 5% of the profit after tax	-	-	-	-	-	-	-
- return on investment - net of tax	-	-	-	2,134,613	-	-	2,134,613
	-	-	-	2,134,613	-		2,134,613
Increase in share capital	911,700,000	-	-	-	-	-	911,700,000
Balance as at December 31, 2023	3,220,000,000	52,041,600	98,175,982	32,488,002	(515,835,488)	201,558	2,887,071,654
Impact of adoption of IFRS-9 (Note 4.2.4)	-	-	-	-	(337,264,568)	-	(337,264,568)
Balance as at January 01, 2024 - Restated	3,220,000,000	52,041,600	98,175,982	32,488,002	(853,100,056)	201,558	2,549,807,086
Profit after taxation for the year ended December 31, 2024	-	-	-	-	(933,531,671)	-	(933,531,671)
Other comprehensive loss for the year ended December 31, 2024	-	-	-	-	(3,680,548)	696,105	(2,984,443)
Total comprehensive loss for the year ended December 31, 2024	-	-	-	-	(937,212,219)	696,105	(936,516,114)
Transfer to Depositors' Protection Fund							
- 5% of the profit after tax	-	-	-	-	-	-	-
- return on investment - net of tax	-	-	-	472,927	-	-	472,927
			-	472,927	-	-	472,927
Balance as at December 31, 2024	3,220,000,000	52,041,600	98,175,982	32,960,929	(1,790,312,275)	897,663	1,613,763,899

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

President | Chief Financial Officer | Director | Director | Director

LOLC MICROFINANCE BANK LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2024

	Note	2024	2023
		-------- Rupees --------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before levies and taxation		(996,519,133)	(749,815,579)
Adjustments:			
Depreciation on property and equipment	9	58,986,543	59,198,971
Depreciation on right-of-use assets	10	48,099,459	37,210,943
Amortization of intangible assets	11	14,151,890	10,474,175
Credit loss allowance and write-offs	27	808,933,005	80,118,861
Gain on disposal of fixed assets	24	(10,135,083)	(4,557,783)
Finance cost on lease obligations		44,910,101	41,402,799
Provision for gratuity		16,976,818	26,926,772
Reversal of refundable tax		(7,251,304)	-
Provision for leave fare assistance		63,589	277,740
		974,735,018	251,052,478
Operating loss before working capital changes		(21,784,115)	(498,763,101)
(Increase) / decrease in operating assets			
Advances		(1,441,289,710)	1,381,774,401
Other assets		174,288,857	35,921,338
		(1,267,000,853)	1,417,695,739
Increase / (decrease) in operating liabilities			
Deposit and other accounts		4,505,792,222	(1,545,063,214)
Other liabilities		(12,016,492)	83,229,524
		4,493,775,730	(1,461,833,690)
		3,204,990,762	(542,901,052)
Levies / income tax paid		(40,264,403)	(43,637,415)
Defined benefit obligation		(26,558,099)	(416,458)
		(66,822,502)	(44,053,873)
Net cash generated from / (used in) operating activities		3,138,168,260	(586,954,925)
CASH FLOWS FROM INVESTING ACTIVITES			
Net investment classified as amortised cost		(165,546,831)	(111,345,850)
Net investment classified as FVOCI		10,916,759	11,111,113
Rent paid against lease obligation		(68,856,678)	(55,847,964)
Acquisition of operating fixed assets		(98,338,877)	(63,596,361)
Investment in intangible assets		(42,276,263)	-
Sales proceeds of operating fixed assets disposed off		14,333,300	6,565,999
Net cash used in investing activities		(349,768,590)	(213,113,063)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Borrowing from SBP		(1,982,284,483)	911,700,000
Net cash (used in) / generated from financing activities		(1,982,284,483)	911,700,000
Increase in cash and cash equivalents during the year		806,115,187	111,632,012
Cash and cash equivalent at the beginning of the year		1,327,207,525	1,215,575,513
Cash and cash equivalent at the end of the year	31	2,133,322,712	1,327,207,525

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

President | Chief Financial Officer | Director | Director | Director

LOLC MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024

1 STATUS AND NATURE OF BUSINESS

LOLC Microfinance bank Limited formerly Pak Oman Microfinance bank Limited (the bank) was incorporated on 09 March 2006 as a public limited company under Companies Ordinance, 1984 (Repealed with the enactment of the Companies Act, 2017 on 30 May 2017) and was granted license by the State bank of Pakistan (SBP) on 12 April 2006. The bank received certificate of commencement of business on 06 May 2006, effective from 08 May 2006. The bank's principal business is to provide microfinance services to the poor and under served segment of the society as envisaged under the Microfinance Institutions Ordinance, 2001. The Bank is a subsidiary of LOLC Asia (Private) Limited and LOLC Holdings PLC is the ultimate parent.

The registered office of the bank is situated at Park View Plaza, Bearing No. CB-6300, near Royal Palace Hotel, Jhelum Road, Rawalpindi. As at 31 December 2024, the bank has 63 branches (2023: 62) and 24 (2023: 24) service centres in operation in all provinces of Pakistan, and Azad Jammu & Kashmir other than Gilgit Baltistan, including the Federal Capital Islamabad and is licensed to operate nationwide.

In the year 2016, the Board of Directors of the bank entered into an agreement with LOLC PLC, the Parent Company, who in lieu of the agreement acquired the majority of the stake (50.1%) in the bank. In the year 2021, the remaining of the stake (49.9%) of the bank was acquired.

Name of the bank was rebranded from Pak Oman Microfinance bank Limited to LOLC Microfinance bank Limited with the approvals from SECP vide their document B 048901 dated October 10, 2022 and SBP vide their letter No. BPRD (LD-01) / 2022 -12317 dated December 12, 2022. Therefore, the bank shall be known as LOLC Microfinance bank Limited effective from January 01, 2023.

JCR-VIS has determined the bank's medium to long-term rating as 'A-' and the short-term rating as 'A-2'.

2 BASIS OF PRESENTATION

These financial statements are presented in accordance with the requirements of format as per BPRD Circular No. 03 of 2023 dated February 09, 2023. Further, additional disclosures have been incorporated to comply with the requirements of IFRS 7 due to early adoption by the Bank.

2.1 STATEMENT OF COMPLIANCE

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;

- Provisions of and directives issued under The Microfinance Institutions Ordinance, 2001 (the MFI Ordinance) and the Companies Act, 2017; and

- Directives issued by the SBP and the Securities and Exchange Commission of Pakistan (SECP).

Whenever the requirements of the Microfinance Institution Ordinance, 2001, 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 Microfinance Institution Ordinance, 2001, the Companies Act, 2017 and the said directives shall prevail.

2.2 Standards, Interpretations and amendments to existing accounting standards that have become effective this year

Durning the period, there are certain new and amended standards, interpretations and amendments that are became effective. However, these are considered either not to be relevant or not to have material effect on the financial statements of the bank and therefore are not disclosed.

2.3 Standards, interpretations of and amendments to existing accounting standards that are not yet effective

There are certain new and amended standards, interpretations and amendments to the existing accounting and reporting standards that are not effective to the current period. The bank expects that the adoption of the same will not effect the financial statements in the period of initial application.

3 BASIS OF MEASUREMENT

The financial statements are prepared under the historical cost convention except:
- Investments measured at fair value through profit and loss and fair value through other comprehensive income.
- Right of use asset and lease liability initially measured at their present values.
- Obligation in respect of defined benefit plan at their present values.

4 MATERIAL ACCOUNTING POLICY INORMATIONS

4.1 Impact of IFRIC 31 / IAS 37

During the year, the bank changed its accounting policy of recognizing the portion of income tax paid or payable for the year under the Income Tax Ordinance, 2001, not based on the taxable profits of the bank, as a Levy under IFRIC-21/IAS-37 instead of the current income tax for the year under IAS-12.

The management believes that the new policy provides reliable and more relevant information to the users of the financial statements.

The change in accounting policy has been accounted for retrospectively in accordance with International Accounting Standard 8: “Accounting Policies, Changes in Accounting Estimates and Errors". There is, however, no material impact on the financial statements of the prior years.

Levy

Minimum tax, final tax and super-tax not based on taxable profits are recognized as a levy in the statement of profit or loss. The amount calculated on taxable income using the notified tax rate is recognized as current income tax expense for the year in statement of profit or loss under the scope of IAS 12. Any excess of expected income tax paid or payable for the year under the Income Tax Ordinance, 2001 over the amount designated as current income tax for the year, is then recognized as a levy falling under the scope of IFRIC 21 / IAS 37. Minimum tax under Section (113) of the Income Tax Ordinance, 2001 is chargeable at rate of 1.25% of turnover of the company and adjustable against normal tax in subsequent three tax years.

If any excess paid expected to be realized in subsequent tax years, then such excess shall be recognized as 'deferred tax asset' adjustable against tax liability for subsequent tax years.

4.2 Impact of IFRS 9 - Financial Instruments

As permitted by the transitional provisions of IFRS 9, the bank has opted for modified retrospective approach and has not restated comparative figures. Any adjustments to the carrying amount of financial assets and liabilities at the date of transition were recognized in the opening retained earnings at the beginning of current year without restating the comparative figures.

The adoption of IFRS 9 has resulted in changes in the accounting policies for recognition, classification and measurements of financial assets, financial liabilities and Impairment of financial assets, IFRS 9 also significantly amends other standards dealing with the financial instruments such as IFRS 7 financial instrument disclosures.

4.2.1 The key changes to bank's accounting policies resulting from its adoption of IFRS-9 are summarized below;

a) Classification of Financial Assets

The bank classifies its financial assets into the following categories.

- At Fair Value through Profit and loss (FVPL);
- At Fair value through other comprehensive Income (FVOCI);
- At amortized cost;

Classification of Equity Instruments

Equity securities that are trading in active market and are held for trading purposes will be classified as FVPL. Equities securities that are not held for trading purpose will be classified as FVOCI; however, gain and losses from the sale of securities classified as FVOCI will not be recycled through profit and loss account. The classification decision is made based on a case by case basis at the time of purchase is documented and is irrevocable.

Classification of Other Financial Assets

Financial assets other then equity will be classified based on their cash flow characteristics and business model assessment.

a. **Amortized Cost**: These will be classified as amortized cost if the objective is to held the asset only for collecting contractual cash flows (principal and interest).

b. **FVOCI:** These will be classified as FVOCI if the objective is to collect contractual cash flows (principal and interest) and also to potentially sell the same depending on market conditions. Any unrealized profit and loss on debt instruments classified through FVOCI is reflected in other comprehensive income and is recycled through profit and loss account with the investment is sold.

c. **FVPL:** This include financial assets:
- which are not classified either at amortized cost or FVOCI.
- Which do not have fixed maturity.

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

Subsequent Measurement

Equity and debt securities classified as FVPL

Securities other then unlisted equity securities, are subsequently measured at fair value. Changes in fair value of these securities are taken to profit and loss account.

Changes in the value of unlisted equity securities carried at lower of cost or break up value are taken to the profits and loss account.

Equity and debt securities classified as FVOCI

Securities, other then unlisted equity securities, are subsequently measured at fair value. Changes in the fair value of these securities are recorded in OCI. When a debt security is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified form equity to profit and loss account. When an equity security is derecognized, gain or loss previously recognized in OCI are not recycled through profit and loss account but are transferred directly to retain earnings.

Changes in the value of unlisted equity securities, carried out at lower of cost or break up value are recorded in OCI. When these are derecognized, gain or loss previous recognized in OCI are not recycled through profit and loss account but are directly transferred to retained earnings.

Other Financial Assets Classified at Amortized Cost

Other financial assets initially classified at amortized cost continue to be subsequently measured at amortized cost.

b) **Classification of Financial Liabilities**

Financial liabilities are either classified as FVPL, when they are held for trading purposes, or at amortized cost. Financial liabilities classified through FVPL are measured at fair value.

Financial liabilities classified at amortized cost are initially recorded at fair value and subsequently measured using the effective interest rate method.

c) **Derecognition of financial assets and liabilities**

Derecognition for substantial modification of Financial assets

The bank derecognizes a financial asset such as a loan to a customer. when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage I for ECL measurement purposes. unless the new loan is deemed to be POCI.

For financial liabilities, the bank considers a modification substantial based on qualitative factors an it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability or greater than, ten percent. For financial assets this assessment is based on qualitative factors.

Derecognition other than for substantial modification Financial assets

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

Financial liabilities

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

Reclassification of financial assets and liabilities

From 1 January 2024 the bank does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the bank: acquires, disposes off or terminates a business line. Financial liabilities are never reclassified. The8ank did not reclassify any of its financial assets or liabilities in 2024.

d) Impairment of financial assets (Policy applicable from I January 2024)

i) Overview of the ECL principles

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

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit toss 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 (12 month ECL).

The 12 months ECL is the portion of LTECLs that represent the ECLs that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12 months ECLs are calculated on either an individual basis or a collective basis, depending: on the nature of the underlying portfolio of financial instruments.

The bank has established a policy to perform an assessment, at the end of each reporting period, of whether financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

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

Stage 1 — When loans are first recognized, the bank recognizes an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

Stage 2 — When a loan has shown a significant increase in credit risk since origination, the bank records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

Stage 3 — Loans considered credit-impaired. The bank records an allowance for the LTECLs.

POCI — Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition, POCI assets are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit-adjusted EIR. ECLs are only recognized or released to the extent that there is a subsequent change in the expected credit losses.

ii) The calculation of ECLs

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

The mechanics of the ECL calculations ate 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 derecognized and is still in the portfolio. The concept of PDS is further explained in credit risk management.

LGD — The Loss Given Default (LGD) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral or credit enhancements that are integral to the loan. It is usually expressed as a percentage of the EAD. The LGD is further explained in credit risk management.

EAD — The Exposure at Default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract of otherwise, expected drawdowns on committed facilities and accrued interest from missed payments.

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

The mechanics of the ECL method are summarized below:

Stage 1 — The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date, The bank calculates the 12 months ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios as explained above.

Stage 2 — When a loan has shown a significant increase in credit risk since origination the bank records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument.

Stage 3 — For loans considered credit-impaired, the bank recognizes the lifetime expected credit losses for these loans. The method is similar to that for stage 2 assets, with the PD set at 100%.

POCI — POCI assets are financial assets that are credit impaired on initial recognition. The bank only recognizes the cumulative changes in lifetime ECLs since initial recognition based on a probability-weighting of the three scenarios, discounted by the credit-adjusted EIR.

Debt instruments measured at fair value through OCI

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

Purchased or originated credit impaired financial assets (POCI)

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

Forward looking information

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

- GDP growth
- Consumer price indices

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

Two track approach for stage 3 loans

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

iii) Credit risk management

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

Definition of default and cure

The bank considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations. advances to customers when the borrower becomes 60 days past due for general loans, 90 days past due for enterprise loans and 180 days past dues for housing loans on its contractual payments.

As a part of a qualitative assessment of whether a customer is in default. The bank also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the bank carefully considers whether the event should result in treating the: customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- The borrower is deceased
- A material decrease in the underlying collateral value where the recovery of the loan is expected from the sate of the collateral
- A covenant breach not waived by the bank
- The borrower is unable to pay due to any other reason
- The loan facility is restructured / deferred.

It is the bank's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present. The decision whether to classify an assets as Stage 2 or Stage 1 once cured depends on :the updated delinquency, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition. However, no financial assets is directly classified from stage 3 to stage 1.

iv) **PD estimation process**

The banks entire loans and advances portfolio consist of consumer fending. Consumer lending comprises agriculture, livestock, enterprise, general, gold, house and Islamic loans. The bank does not have credit score card model for consumer lending's,. therefore, the bank used delinquency (day past due) based model for estimation of PDs. Average monthly transitions to default of relevant delinquency states were converted into current 12 months point in time PDs using statistical models. The lifetime PD is developed by applying a maturity profile to the current 12 months PD.

v) **LGD estimation process**

The bank segments its consumer lending products into smaller homogeneous segments, based on key characteristics that are relevant to the estimation of future cash flows. The bank calculate LGD of each segment based historical experiences of cash recoveries from defaults (including settlements), cost and time of recoveries. One year set back is maintained for calculation of LGD for defaults, Which means parties which are classified as default till end of last year are taken in to the calculation of LGD.

vi) **Forward looking information**

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

4.2.2 Transitional Impact

The bank has adopted IFRS 9 in accordance with the application instructions from 1st January 2024, using the modified retrospective approach and has not restated comparatives for the 2023 reporting period and the difference in carrying amount of financial asset and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings as at 1st January 2024 as permitted under specific transitional provision in the standard.

Measurement of Expected Credit Loss allowances

The measurement of ECL allowance for the financial assets measured at amortized cost and at FVOCI is derived using complex models with significant assumptions about future economic conditions and credit behavior.

A number of significant judgments are applied the accounting requirements for measuring the ECL, such as

- Choosing appropriate models and assumptions for the measurement of ECL.
- Establishing groups of similar financial assets for the purpose of measuring ECL.
- Establishing the number and relevant weightages of forward-looking macroeconomic scenarios for each segment and the associated ECL; and
- Determining whether an asset shows a significant increase in credit risk.

4.2.3 Reconciliation of Statement of financial position balances for existing local regulations to IFRS 9

The following table reconciles the carrying amount of financial assets, from their previous measurement category in accordance with the existing local regulations to their new measurement categories upon transition to IFRS 9 January 01, 2024;

Classification under IFRS 9						
	As per previous accounting policy	At FVOCI	At FVPL	At Amortized Cost	Remeasurement under IFRS 9	As per IFRS 9
	Carrying amount as at January 1, 2024					Carrying amount as at January 1, 2024
Cash and cash equivalents	1,327,207,525	-	-	1,327,207,525	-	1,327,207,525
Advances	3,825,025,311			3,825,025,311	(337,264,568)	3,487,760,743
Investment in financial assets						
Available for sale	412,266,887	-	25,194,443	387,072,444	-	412,266,887
Other Assets	402,275,152	-	-	402,275,152	-	402,275,152
Other Liabilities	620,847,813	-	-	620,847,813	-	620,847,813

4.3 Advances

These are stated at cost net of provisions, which are determined based on the higher of Prudential Regulations (the Regulations) for Microfinance banks issued by SBP and IFRS-9, with the amount charged to profit or loss account. Advances are written off according to the Prudential Regulations or when there is no realistic prospect of recovery. These regulations prescribe a time based criteria for classification of non-performing advances in to following categories:

a) **Other Assets Especially Mentioned (OAEM)**

These are advances in arrears (payment / instalments overdue) of 30 days or more but less than 60 days.

b) **Substandard**

These are advances in arrears (payment / instalments overdue) for 60 days or more but less than 90 days.

c) **Doubtful**

These are advances in arrears (payment / instalments overdue) for 90 days or more but less than 180 days.

d) **Loss**

These are advances in arrears (payment / instalments overdue) for 180 days or more.

In addition the bank maintains a watch list of all accounts delinquent by 5 - 29 days. However, such accounts are not treated as non-performing for the purpose of classification / provisioning.

In accordance with the Regulations, the bank maintains specific provision for potential loan losses for all non-performing advances as follows:

OAEM 10% of outstanding principal of only Micro Enterprise loans net of cash collaterals and gold (ornaments and bullion) realizable without recourse to a Court of Law.

Substandard 25% of outstanding principal net of cash collaterals and gold (ornaments and bullion) realizable without recourse to a Court of Law.

Doubtful	50% of outstanding principal net of cash collaterals and gold (ornaments and bullion) realizable without recourse to a Court of Law.
Loss	100% of outstanding principal net of cash collaterals and gold (ornaments and bullion) realizable without recourse to a Court of Law.

In addition, a general provision is made in accordance with the requirements of the Prudential Regulations for Microfinance banks issued by SBP equivalent to 1% of the net outstanding balance (advances net of specific provisions) for potential loan losses.

Non-performing advances are written off one month after the loan is classified as "Loss". However, the bank continues its efforts for recovery of the written off balances.

Under exceptional circumstances management reschedules repayment terms for clients who have suffered catastrophic events and who appear willing and able to fully repay their loans. The classification made as per the Regulation is not changed due to such rescheduling.

4.4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of cash in hand, balances with treasury bank and balance with other banks and short term, highly liquid investments that are readily convertible to known amount of cash and subject to an insignificant risk of changes in value.

4.5 PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that are directly attributable to the acquisition of items.

Depreciation is charged to profit or loss account at the rates mentioned in note 9 applying the straight line method over estimated useful life of assets. The asset's residual values and useful lives are reviewed annually, and adjusted if required.

Full depreciation is charged on additions in the month of purchase and no depreciation is charged on disposals in the month of disposal.

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

Gains / losses on disposals of property and equipment are determined by comparing proceeds with the carrying amount. These are recognized in the profit or loss account.

4.6 CAPITAL WORK IN PROGRESS

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

4.7 INTANGIBLE ASSETS

Intangible assets with a definite useful lives are stated at cost less accumulated amortization and accumulated impairment losses, if any. These are amortized using the straight line method at the rates mentioned in note 11 over their estimated useful life.

Amortization is charged on additions from the date the asset available for use and on disposals up to the date of disposal.

The asset's residual values and useful lives are reviewed annually, and adjusted if required, at each reporting date.

4.8 REVENUE RECOGNITION

- Return on investment / lending to financial institutions is recognized using effective interest rate method.

- Mark-up / interest / return on performing advances is recognized using effective interest rate method except that income suspended in accordance with the requirements of the Prudential Regulations for Microfinance Banks, is taken to income when actually received.

- Interest or mark-up recoverable on non-performing advances and classified investments is recognized on a receipt basis.

- Dividend income is recognized when the right to receive dividend is established.

- Processing fees is recognized when services are performed.

- Moratorium income is a fee charged to a borrower for provision of loan relaxation. It is accrued on the basis of expectation of recoverability of the income.

- Other income are recognized on accrual basis.

4.9 STAFF RETIREMENT BENEFITS

Defined contribution plan

The Bank also operates a recognized provident fund for its eligible employees. Equal monthly contributions are made by the Bank and its employees to the fund at the rate of 8.33% (2023: 8.33%) of basic salary per month.

Defined benefit plan

The Bank operates a funded-gratuity scheme for all of its permanent employees. The scheme was approved on 16 September 2014. Contributions to the fund are made every year based on actuarial valuation. The actuarial valuation is carried out using the Projected Unit Credit Method (PUCM). Under this method, the cost of providing gratuity is charged to the profit or loss account so as to spread the cost over the service lives of the employees in accordance with the actuarial valuation. All actuarial gains and losses are recognized in Other Comprehensive Income (OCI) in the periods in which they occur.

4.10 TAXATION

Income tax on the profit or loss for the year comprises of current and deferred tax. Income tax is recognized in the profit or loss account, except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account applicable tax credits, rebates and exemptions available, if any or minimum tax applicable in accordance with the Income Tax Ordinance, 2001. The charge for the current tax also includes adjustments where necessary, relating to prior years which arise from assessments framed/ finalized during the year.

Deferred

Deferred tax is accounted for on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. At each balance sheet date, the bank reassesses the carrying amount and the unrecognized amount of deferred tax assets.

Deferred tax assets and liabilities are calculated at the rate that are expected to apply for the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantially enacted till the balance sheet date. Deferred tax, on revaluation of investments, if any, is recognized as an adjustment to surplus / (deficit) arising on such revaluation.

4.11 RESERVES

Statutory reserve

The Bank is required under the Microfinance Institutions Ordinance, 2001 to maintain a statutory reserve to which an appropriation equivalent to 20% of the annual after tax profit is made till such time the reserves are equal to paid-up capital and thereafter 5% of profit after taxes.

Depositor's protection fund

The Bank is required under the Microfinance Institutions Ordinance, 2001, to contribute 5% of annual after tax profit and profit earned on investments of the fund to be credited to depositors protection fund for the purpose of providing security or guarantee to persons depositing money in the Bank.

4.12 RIGHT-OF-USE ASSETS

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

Right-of-use assets are subsequently stated at cost less any accumulated depreciation and accumulated impairment losses and are adjusted for any remeasurement of lease liability. The remeasurement of lease liability will only occur in cases where the terms of the lease are changed during the lease tenor.

Right-of-use assets are depreciated over their expected useful lives using the straight-line method. Depreciation on additions (new leases) is charged from the month in which the leases are entered into. No depreciation is charged in the month in which the leases mature or are terminated.

4.13 LEASE LIABILITY AGAINST RIGHT OF USE ASSETS

The lease liabilities are initially measured as the present value of the remaining lease payments, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Bank's incremental borrowing rate.

The lease liability is subsequently measured at amortized cost using the effective interest rate method. The Lease liability is also remeasured to reflect any reassessment or change in lease terms. These remeasurements of lease liabilities are recognized as adjustments to the carrying amount of related right-of-use assets after the date of initial recognition.

Each lease payment is allocated between a reduction of the liability and a finance cost. The finance cost is charged to the profit and loss account as markup expense over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

4.14 EARNINGS PER SHARE

The Bank presents earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by weighted average number of ordinary shares outstanding during the year.

4.15 CURRENCY

These financial statements are presented in Pakistani Rupee (PKR), which is the Bank's functional currency.

4.16 CONTINGENCIES

A contingent liability is disclosed when the Bank has a possible obligation as a result of past events, existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank or the Bank has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

4.17 MATERIAL ACCOUNTING ESTIMATES AND JUDGMENTS

The material accounting estimates, judgements as classified as under:

Estimates and assumptions

The assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustments to the carrying amounts of assets and liabilities within the next financial year are described below:

The Bank based it's assumptions and estimates on the parameters under which these financial statements were prepared.

Existing circumstances and assumptions about the future development may change due to market changes or circumstances arising that are beyond the control of the Bank. Such changes are reflected in the assumptions when they occur.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have significant effect on the amounts recognised in the financial statements relates to valuation and impairment of investments, advances, determination of useful lives of depreciable assets and intangible assets, provision for income taxes and other provisions which are discussed in following paragraphs:

a) Useful lives

The Bank reviews useful life and residual value of operating fixed assets on regular basis. Any change in estimates may affect the carrying amounts of the respective items of operating fixed assets with a corresponding effect on the depreciation charge.

b) **Provision for income taxes**

The Bank recognises tax liabilities for pending tax assessments using estimates based on expert opinion obtained from tax/legal advisors. Differences, if any, between the income tax provision and the final tax liability is recorded when such liability is determined. Deferred income tax is calculated at the rates that are expected to apply to the period when the differences reverse.

c) **Staff retirement benefits**

Actuarial valuation of gratuity contributions requires use of certain assumptions related to future periods including increase in remuneration, expected long term return on plan assets and the discount rate used to convert future cash flows to current values. Actuarial gains and losses arising from changes in actuarial assumptions are taken in the other comprehensive income immediately.

d) **Impairment losses on financial assets**

The measurement of impairment losses under IFRS 9 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The segmentation of financial assets when their ECL is assessed on a collective basis.
- Development of ECL models, including the various formulas and the choice of inputs.
- The Bank's criteria for assessing if there has been a significant increase in credit risk.
- Determination of associations between macroeconomic scenarios and, economic inputs.
- Selection of forward-looking

It has been the Bank's policy to regularly review its models in the context of actual loss experience and adjust whenever necessary.

e) **Provision against advances**

The Bank maintains a provision against advances as per the requirements of the Prudential Regulations and assesses the adequacy of provision against delinquent portfolio. Any change in the criteria / rate for provision may affect the carrying amount of the advances with a corresponding effect on the mark-up / interest earned and provision charge.

f) **Financial instrument**

The fair value of the financial instrument that are not traded in an active market is determined by using valuation techniques based on assumption that are dependent on conditions existing at the balance sheet.

g) **Provision for doubtful receivables**

The carrying amount of other receivables are assessed on regular basis and if there is any doubt about the realisability of these receivables, appropriate amount of provision is made.

Judgements

In the process of applying Bank's accounting policies, management has made the judgements, as mentioned below, which have most significant effects on the amounts recognised in the financial statements.

h) **Classification and impairment of investments**

The classification of investments between different categories depends upon management's intentions to hold those investments. Any change in the classification of investments may affect their carrying amounts with a corresponding effect on the return and unrealised surplus / (deficit) on these investments of the Bank.

i) **Provision and contingent liabilities**

The management exercises judgment in measuring and recognising provisions and exposures to contingent liabilities related to pending litigations or other outstanding claims. Judgment is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement. Because of inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provision.

j) **Lease term and effective interest rate for recognition of lease contracts**

The Bank determines the lease term as the non cancellable period of lease, together with periods covered by an option to extend and terminate the lease, if the Bank is reasonably certain to exercise that option at the time of entering the contract. Further, the Bank uses incremental borrowing rate to discount the lease payments to measure lease liability at the time of entering the contract.

		Note	2024	2023
			-------- Rupees --------	
5	**CASH AND BALANCES WITH TREASURY BANKS**			
	In hand			
	- local currency		168,584,268	44,434,583
	Balance with State Bank of Pakistan (SBP)			
	- Local Currency current account	5.1	291,426,512	67,356,877
	Less: Credit loss allowance		-	-
			460,010,780	111,791,460

5.1 This represents current accounts maintained with SBP to meet the minimum balance requirement equivalent to 5% as cash reserve of Bank's demand and time deposits with tenor of less than 1 year in accordance with the Prudential Regulations.

		Note	2024	2023
			-------- Rupees --------	
6	**BALANCES WITH OTHER BANKS**			
	In Pakistan			
	- in current accounts		285,348,713	129,650,354
	- in deposit accounts	6.1	1,387,963,219	1,085,765,711
	Less: Credit loss allowance		-	-
			1,673,311,932	1,215,416,065

6.1 These represents deposits with commercial banks carrying mark-up at rates ranging from 17% to 24% per annum (2023: 20.5% to 23.5% per annum).

7 INVESTMENTS

7.1 Investment by Type:

	2024				2023			
	Fair Value / Amortized Cost	Credit Loss Allowance	Surplus / (Deficit)	Caring Value	Cost / Amortized Cost	Provision for diminution	Surplus / (Deficit)	Caring Value
	Rupees				Rupees			
Debt Instruments								
Classified as Amortized Cost								
- Market Treasury Bills	512,619,275	-	-	512,619,275	187,072,444	-	-	187,072,444
Term deposit receipts (TDRs)	40,000,000	-	-	40,000,000	200,000,000	-	-	200,000,000
	552,619,275	-	-	552,619,275	387,072,444	-	-	387,072,444
Classified as FVOCI								
Term finance certificates (TFCs)	5,882,055	(5,882,055)	-	-	5,882,055	(5,882,055)	-	-
Sukuk	24,083,241	(10,000,000)	696,195	14,779,436	35,000,000	(10,000,000)	194,443	25,194,443
	29,965,296	(15,882,055)	696,195	14,779,436	40,882,055	(15,882,055)	194,443	25,194,443
Total Investments	582,584,571	(15,882,055)	696,195	567,398,711	427,954,499	(15,882,055)	194,443	412,266,887

7.2 Investments by Segments:

	2024				2023			
	Fair Value / Amortized Cost	Credit Loss Allowance	Surplus / (Deficit)	Caring Value	Cost / Amortized Cost	Provision for diminution	Surplus / (Deficit)	Caring Value
	Rupees				Rupees			
Federal Government Securities								
- Market Treasury Bills	512,619,275	-	-	512,619,275	187,072,444	-	-	187,072,444
- Pakistan Investment Bonds	-	-	-	-	-	-	-	-
- Ijarah Sukuks	-	-	-	-	-	-	-	-
- Other Investments	-	-	-	-	-	-	-	-
	512,619,275	-	-	512,619,275	187,072,444	-	-	187,072,444
Provincial Government Securities								
Shares:								
- Listed	-	-	-	-	-	-	-	-
- Unlisted	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Non Government debt Securities								
- Listed	-	-	-	-	-	-	-	-
- Unlisted	69,965,296	(15,882,055)	696,195	54,779,436	240,882,055	(15,882,055)	194,443	225,194,443
	69,965,296	**(15,882,055)**	**696,195.00**	**54,779,436**	**240,882,055**	**(15,882,055)**	**194,443**	**225,194,443**
Associates	-	-	-	-	-	-	-	-
Subsidiaries	-	-	-	-	-	-	-	-
Total Investments	**582,584,571**	**(15,882,055)**	**696,195.00**	**567,398,711**	**427,954,499**	**(15,882,055)**	**194,443**	**412,266,887**

	2024	2023
	Rupees	
7.3 Investments given as collateral	-	-

7.4 Investments - Particulars of credit loss allowance

	2024				2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	Rupees				Rupees			
7.4.1 Investments - Exposure								
Gross carrying amount	412,072,444	-	15,882,055	427,954,499	-	-	-	327,914,205
New Investments	83,082,898	-	-	83,082,898	-	-	-	387,072,444
Investments derecognized or repaid	(387,689,383)	-	-	(387,689,383)	-	-	-	- 287,032,150
Transfer to stage 1	-		-	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-	-	-
	(304,606,485)	-	-	(304,606,485)	-	-	-	100,040,294
Amounts written off / charged off	-	-	-	-	-	-	-	-
Closing balance	107,465,959	-	15,882,055	123,348,014	-	-	-	427,954,499
7.4.2 Investments - Credit loss allowance								
Credit loss allowance Opening balance	-	-	15,882,055	15,882,055	-	-	-	15,882,055
New Investments	-	-	-	-	-	-	-	-
Investments derecognized or repaid	-	-	-	-	-	-	-	-
Transfer to stage 1	-	-	-	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Amounts written off / charged off	-	-	-	-	-	-	-	-
Changes in risk parameters	-	-	-	-	-	-	-	-
Credit loss allowance closing balance	-	-	15,882,055	15,882,055	-	-	-	15,882,055

7.5 Particulars of credit loss allowance against debt securities

	2024		2023	
	NPL	Credit loss allowance	NPL	Credit loss allowance
	Rupees		Rupees	
Domestic				
Stage 1	-	-	-	-
Stage 2	-	-	-	-
Stage 3	15,882,055	15,882,055	-	-
	15,882,055	15,882,055	-	-

7.6 Quality of Securities

	2024	2023
	-------- Rupees --------	
Federal Government Securities - Government Guaranteed		
- Market Treasury Bills	512,619,275	187,072,444
- Pakistan Investment Bonds	-	-
- Ijarah Sukuks	-	-
- Other Investments	-	-
	512,619,275	187,072,444
Provincial Government Securities - Government Guaranteed	-	-
Non Government debt Securities		
Listed		
To be categorized based on long term rating by Credit Rating Agency		
- AAA	-	-
- AA+, AA, AA-	-	-
- A+, A, A-	-	-
- BBB+, BBB, BBB-	-	-
- BB+, BB, BB-	-	-
- B+, B, B-	-	-
- CCC and below	-	-
- Unrated	-	-
	-	-
Unlisted		
To be categorized based on long term rating by Credit Rating Agency		
- AAA	-	-
- AA+, AA, AA-	-	-
- A+, A, A-	54,779,436	235,000,000
- BBB+, BBB, BBB-	-	-
- BB+, BB, BB-	-	-
- B+, B, B-	-	-
- CCC and below	-	-
- Unrated	-	-
	54,779,436	235,000,000

8 ADVANCES

Loan Type	Performing				Non Performing		Total	
	Stage 1		Stage 2		Stage 3			
	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
	-------- Rupees --------		-------- Rupees --------		-------- Rupees --------		-------- Rupees --------	
Microcredits								
Secured	1,694,102,577	229,463,731	16,630,650	2,169,319	21,449,678	2,353,904	1,732,182,905	233,986,954
Un-Secured	2,092,476,515	3,026,727,719	117,415,621	177,529,929	530,397,895	643,588,413	2,740,290,031	3,847,846,061
	3,786,579,092	3,256,191,450	134,046,271	179,699,248	551,847,573	645,942,317	4,472,472,936	4,081,833,015
Staff Loan	38,652,104	56,854,569	-	-	-	-	38,652,104	56,854,569
Advances - gross	3,825,231,196	3,313,046,019	134,046,271	179,699,248	551,847,573	645,942,317	4,511,125,040	4,138,687,584
Credit loss allowance against advances								
Stage 1	99,373,639	-	-	-	-	-	99,373,639	-
Stage 2	-	-	16,442,000	-	-	-	16,442,000	-
Stage 3	-	-	-	-	257,049,437	-	257,049,437	-
Specific provision	-	-	-	-	-	276,298,600	-	276,298,600
General provision	-	37,363,673	-	-	-	-	-	37,363,673
	99,373,639	37,363,673	16,442,000	-	257,049,437	276,298,600	372,865,076	313,662,273
Advances - net of credit loss allowance	3,725,857,557	3,275,682,346	117,604,271	179,699,248	294,798,136	369,643,717	4,138,259,964	3,825,025,311

8.1 Advances - Particulars of credit loss allowance

8.1.1 Advances - Exposure

	2024				2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	---------- Rupees ----------				---------- Rupees ----------			
Gross carrying amount	3,256,191,450	179,699,248	645,942,317	4,081,833,015	-	-	-	5,493,901,167
New advances	4,855,565,980	141,840,525	95,162,139	5,092,568,644	-	-	-	3,593,392,464
Advances derecognized or repaid	(3,968,724,357)	(228,713,955)	455,661,285	(3,741,777,027)	-	-	-	(4,133,321,280)
Transfer to stage 1	1,179,760	(1,077,405)	(102,355)	-	-	-	-	-
Transfer to stage 2	(66,562,580)	66,756,957	(194,377)	-	-	-	-	-
Transfer to stage 3	(291,071,162)	(24,459,099)	315,530,261	-	-	-	-	-
	530,387,641	(45,652,977)	866,056,953	1,350,791,617	-	-	-	(539,928,816)
Amounts written off / charged off	-	-	(960,151,697)	(960,151,697)	-	-	-	(872,139,336)
Closing balance	3,786,579,091	134,046,271	2,472,150,967	4,472,472,935	-	-	-	4,081,833,015

8.1.2 Advances - Credit loss allowance

	2024				2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	Rupees				Rupees			
Opening balance	37,363,673	-	276,298,600	313,662,273	-	-	-	233,543,582
IFRS Initial Impact	162,994,751	-	47,426,744	210,421,495	-	-	-	-
Opening balance - as restated	200,358,424	-	323,725,344	524,083,768	-	-	-	233,543,582
New advances	79,780,736	8,871,293	50,268,417	138,920,446	-	-	-	-
Advances derecognized or repaid	(249,948,352)	(4,152,439)	(198,984,894)	(453,085,685)	-	-	-	-
Transfer to Stage 1	63,686	(59,517)	(4,169)	-	-	-	-	-
Transfer to Stage 2	(7,373,391)	7,388,998	(15,607)	-	-	-	-	-
Transfer to Stage 3	(121,678,284)	(10,176,149)	131,854,433	-	-	-	-	-
Specific	-	-	-	-	-	-	-	1,018,328,224
General	-	-	-	-	-	-	-	(66,070,197)
	(299,155,605)	1,872,186	(16,881,820)	(314,165,239)	-	-	-	952,258,027
Provision charge for the year	495.454.239	14,569,814	613.074.191	1.123.098.244	-	-	-	-
Amounts written off/charged Off	-	-	(960,151,697)	(960,151,697)	-	-	-	(872,139,336)
Changes in risk parameters	-	-	-	-	-	-	-	-
Closing balance	396,657,058	16,442,000	(40,233,982)	372,865,076	-	-	-	313,662,273

8.2 Credit loss allowance details

	2024				2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Outstanding gross exposure								
Performing - Stage 1	3,786,579,091	-	-	3,786,579,091	-	-	-	3,286,944,035
Under Performing - Stage 2								
Other assets especially mentioned	-	134,046,271	-	134,046,271	-	-	-	196,810,525
Non- Performing - Stage 3								
Substandard	-	-	195,323,060	195,323,060	-	-	-	231,111,527
Doubtful	-	-	251,954,910	251,954,910	-	-	-	305,787,440
Loss	-	-	104,569,603	104,569,603	-	-	-	61,179,488
	-	-	551,847,573	551,847,573	-	-	-	598,078,455
	3,786,579,091	134,046,271	551,847,573	4,472,472,935	-	-	-	4,081,833,015
Corresponding credit loss allowance								
Stage 1	396,657,058	-	-	396,657,058	-	-	-	-
Stage 2	-	16,442,000	-	16,442,000	-	-	-	-
Stage 3	-	-	(40,233,982)	(40,233,982)	-	-	-	-
Specific	-	-	-	-	-	-	-	276,298,600
General	-	-	-	-	-	-	-	37,363,673
	396,657,058	16,442,000	(40,233,982)	372,865,076	-	-	-	313,662,273

8.3 Particulars of write offs

	2024	2023
	Rupees	
Against provision	858,252,152	872,139,336
Unadjusted write off	101,899,545	-
Directly charged to profit or loss account	-	17,027,897
	960,151,697	889,167,233

9 PROPERTY AND EQUIPMENT

	Note	2024	2023
		-------- Rupees --------	
Capital work-in-progress		-	-
Property and equipment	9.1	185,176,015	150,021,898

9.1 Property and equipment

	2024							
	Freehold land	Leasehold land	Building on freehold land	Building on leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total
	Rupees							
At January 1, 2024								
Cost / Revalued amount	-	-	-	130,204,692	45,912,953	138,855,289	58,732,984	373,705,918
Accumulated depreciation	-	-	-	(64,032,721)	(27,846,999)	(98,827,289)	(32,977,011)	(223,684,020)
Net book value	-	-	-	66,171,971	18,065,954	40,028,000	25,755,973	150,021,898
Year ended December 2024								
Opening net book value	-	-	-	66,171,971	18,065,954	40,028,000	25,755,973	150,021,898
Additions	-	-	-	39,237,266	9,007,474	36,075,301	14,018,836	98,338,877
Movement in surplus on assets revalued during the year	-	-	-	-	-	-	-	-
Acquisitions through business combinations	-	-	-	-	-	-	-	-
Impairment loss recognized in the profit and loss account - net	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	(4,198,217)	(4,198,217)
Depreciation charge	-	-	-	(24,563,433)	(6,475,391)	(21,665,148)	(6,282,571)	(58,986,543)
Exchange rate adjustments	-	-	-	-	-	-	-	-
Other adjustments / transfers	-	-	-	-	-	-	-	-
Closing net book value	-	-	-	80,845,804	20,598,037	54,438,153	29,294,021	185,176,015
								-
At December 31, 2024								
Cost / Revalued amount	-	-	-	169,441,958	54,920,427	174,930,590	68,553,603	467,846,578
Accumulated depreciation	-	-	-	(88,596,154)	(34,322,390)	(120,492,437)	(39,259,582)	(282,670,563)
Net book value	-	-	-	80,845,804	20,598,037	54,438,153	29,294,021	185,176,015
Rate of depreciation (percentage)	-	-	-	**20%**	**20%**	**20%**	**33%**	

	2023							
	Free hold land	Lease hold land	Building on free hold land	Building on lease hold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total
	.... Rupees							
At January 1, 2023								
Cost / Revalued amount	-	-	-	113,951,908	34,932,729	117,131,400	58,732,984	324,749,021
Accumulated depreciation	-	-	-	(41,816,115)	(21,244,021)	(75,319,582)	(24,097,114)	(162,476,832)
Net book value	-	-	-	72,135,793	13,688,708	41,811,818	34,635,870	162,272,189
Year ended December 2023								
Opening net book value	-	-	-	72,135,793	13,688,708	41,811,818	34,635,870	162,272,189
Additions	-	-	-	16,252,784	10,980,224	21,723,889	-	48,956,897
Movement in surplus on assets revalued during the year	-	-	-	-	-	-	-	-
Acquisitions through business combinations	-	-	-	-	-	-	-	-
Impairment loss recognized in the	-	-	-	-	-	-	-	-
profit and loss account - net	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	(87,500)	-	(1,920,716)	(2,008,216)
Depreciation charge	-	-	-	(22,216,606)	(6,515,478)	(23,507,707)	(6,959,181)	(59,198,972)
Exchange rate adjustments	-	-	-	-	-	-	-	-
Other adjustments / transfers	-	-	-	-	-	-	-	-
Closing net book value	-	-	-	66,171,971	18,065,954	40,028,000	25,755,973	150,021,898
At December 31, 2023								
Cost / Revalued amount	-	-	-	130,204,692	45,912,953	138,855,289	58,732,984	373,705,918
Accumulated depreciation	-	-	-	(64,032,721)	(27,846,999)	(98,827,289)	(32,977,011)	(223,684,020)
Net book value	-	-	-	66,171,971	18,065,954	40,028,000	25,755,973	150,021,898
Rate of depreciation (percentage)	-	-	-	20%	20%	20%	33%	

		Note	2024	2023
			-------- Rupees --------	
10	**RIGHT-OF-USE ASSETS**			
	Opening balance at beginning of the year			
	Cost		335,981,347	242,376,399
	Accumulated Depreciation		(112,935,266)	(75,724,323)
	Net Carrying amount at beginning of the year		223,046,081	166,652,076
	Additions during the period		37,074,170	34,842,747
	Deletions during the period		-	-
	Amortisation Charge for the period		(48,099,459)	(37,210,943)
	Reassessment during the period		-	58,762,201
	Closing balance at end of the year		212,020,792	223,046,081
11	**INTANGIBLE ASSETS**			
	Cost		102,871,474	60,595,211
	Accumulated amortization and impairment		(60,162,337)	(45,930,420)
	Net book value	11.1	42,709,137	14,664,791
11.1	Opening net book value		14,664,791	10,499,502
	Additions:			
	- developed internally		-	-
	- directly purchased		42,276,263	14,639,464
	- through business combinations		-	-
			42,276,263	14,639,464
	Impairment loss recognized in the profit and loss - net		-	-
	Disposals		-	-
	Amortization charge		(14,151,891)	(10,474,175)
	Exchange rate adjustments		-	-
	Other adjustments		80,026	-
	Closing net book value		42,709,137	14,664,791
12	**OTHER ASSETS**			
	Income / mark-up accrued in local currency - net of credit loss allowance		117,659,055	311,194,637
	Advances, deposits, advance rent and other prepayments		64,692,839	46,562,335
	Advance taxation / refundable taxes		80,030,938	39,766,535
	Others		5,867,866	4,751,645
			268,250,698	402,275,152
	Less: Credit loss allowance held against other assets		-	-
			268,250,698	402,275,152

13 DEFERRED TAX ASSET - NET

	2024			
	Balance as at January 01, 2024	Recognized in profit or loss account	Recognized in other comprehensive income	Balance as at December 31, 2024
	(Rupees)			
Taxable temporary differences				
Surplus on revaluation of investments	1,879,492	(1,879,492)	-	-
Amortization of premium on investments	-	-	-	-
Difference between accounting book value of fixed assets and tax base	-	-	-	-
Difference between accounting book value of lease receivable and tax base	64,683,364	(4,810,566)	-	59,872,798
	66,562,856	(6,690,058)	-	59,872,798
Deductible temporary differences				
Provision for other liabilities	9,504,017	423,848	1,503,323	11,431,188
Provision for diminution in value of investments	4,605,796	8,710,038	(201,870)	13,113,964
Difference between accounting book value of fixed assets and tax base	10,845,538	(4,490,583)	-	6,354,955
Difference between accounting book value of lease obligation IFRS 16	73,062,805	1,158,205	-	74,221,010
Provision against non-performing loans and advances	90,962,059	17,168,813	-	108,130,872
	188,980,215	22,970,321	1,301,453	213,251,989
Unabsorbed depreciation and carry forward losses	162,791,514	64,674,765	-	227,466,279
Unused tax credits	31,347,682	(3,166,291)	-	28,181,391
Deferred Tax Asset/ (Liability)	316,556,555	91,168,853	1,301,453	409,026,861

	2023			
	Balance as at January 01, 2023	Recognized in profit or loss account	Recognized in other comprehensive income	Balance as at December 31, 2023
	(Rupees)			
Taxable temporary differences				
Surplus on revaluation of securities	105,004	1,718,100	56,388	1,879,492
Amortization of premium on investments	-	-	-	-
Difference between accounting book value of fixed assets and tax base	-	-	-	-
Difference between accounting book value of lease receivable and tax base	48,329,102	16,354,262	-	64,683,364
	48,434,106	18,072,362	56,388	66,562,856
Deductible temporary differences				
Provision for other liabilities	8,477,331	4,823,608	(3,796,922)	9,504,017
Provision for diminution in value of investments	10,612,589	(6,006,793)	-	4,605,796
Difference between accounting book value of fixed assets and tax base	7,208,596	3,636,942	-	10,845,538
Difference between accounting book value of lease obligation IFRS 16	54,988,913	18,073,892	-	73,062,805
Provision against non-performing loans and advances	67,773,611	23,188,448	-	90,962,059
	149,061,040	43,716,097	(3,796,922)	188,980,215
Unabsorbed depreciation and carry forward losses	-	162,791,514	-	162,791,514
Unused tax credits	-	31,347,682	-	31,347,682
Deferred Tax Asset/ (Liability)	100,626,934	219,782,931	(3,853,310)	316,556,555

		Note	2024	2023
			-------- Rupees --------	
14	**BORROWINGS**			
	Unsecured			
	Borrowing from State Bank of Pakistan	14.1	-	1,982,284,483

14.1 This represents Line of Credit facility carrying interest at 6 month KIBOR minus 100 bps and was repaid in September 2024.

		Note	2024	2023
			-------- Rupees --------	
15	**DEPOSITS AND OTHER ACCOUNTS**			
	Customers			
	Current deposits		27,228,695	13,977,430
	Savings deposits		66,200,445	280,343
	Term deposits	15.1	5,341,282,625	914,661,770
			5,434,711,765	928,919,543
	Financial Institutions		-	-
			5,434,711,765	928,919,543
15.1	**Composition of Term Deposits**			
	- Individuals		2,964,903,571	751,918,908
	- Government (Federal and Provincial)		-	-
	- Public sector entities		-	-
	- Banking companies		-	-
	- Non-banking financial institutions		390,000,000	-
	- Private sector		1,986,379,054	177,000,635
			5,341,282,625	928,919,543
16	**LEASE LIABILITIES**			
	Balance as at beginning of the year		251,940,707	231,543,125
	Additions during the year		27,940,386	34,842,747
	Interest expense		44,910,102	41,402,799
	Payment		(68,856,678)	(55,847,964)
	Balance as at the end of the year		255,934,517	251,940,707
16.1	**Contractual maturity of lease liabilities**			
	Short-term lease liabilities - within one year		64,175,080	63,173,640
	Long-term lease liabilities			
	- 1 to 5 years		165,569,552	162,985,870
	- 5 to 10 years		26,189,885	25,781,197
	- More than 10 years		-	-
	Total lease liabilities		255,934,517	251,940,707

		Note	2024	2023
			-------- Rupees --------	
17	**OTHER LIABILITIES**			
	Mark-up / Return / Interest payable in local currency		129,823,234	246,456,507
	Accrued expenses		77,532,264	72,584,876
	Payable against IT services	17.1	341,539,772	244,483,136
	Payable to defined benefit plan		38,236,853	26,076,164
	Advance from customer		-	3,910,823
	Withholding taxes payable		33,266,261	569,633
	Provision for compensated absences		27,901,016	4,878,925
	Sales taxes		2,256,446	4,640,431
	Provision for leave fare assistance		283,416	6,126,675
	Zakat Payable		(22,700)	-
	Payable to customer		937,347	-
	Security deposit		800	11,120,643
			651,754,709	620,847,813

17.1 This represents amount payable to LOLC Technology Services Limited which is a related party.

18 SHARE CAPITAL

Authorized capital

2024	2023		2024	2023
--- Number of shares ----			-------- Rupees --------	
500,000,000	500,000,000	Ordinary shares of Rs. 10 each	5,000,000,000	5,000,000,000

Issued, subscribed and paid up Capital

2024	2023		2024	2023
--- Number of shares ---			-------- Rupees --------	
		Ordinary shares		
322,000,000	322,000,000	Fully paid in cash	3,220,000,000	3,220,000,000
-	-	Issued as bonus shares	-	-
-	-	Issued for consideration other than cash	-	-
322,000,000	322,000,000		3,220,000,000	3,220,000,000
-	-	Less: Discount on issue of shares	-	-
322,000,000	322,000,000		3,220,000,000	3,220,000,000

18.1 All ordinary shareholders rank equally with regard to LOLC's residual assets. Holders of these shares are entitled to dividends from time to time and are entitled to one vote per share at general meetings of LOLC.

		2024	2023
		-------- Rupees --------	
19	**SURPLUS ON REVALUATION OF ASSETS - NET OF TAX**		
	Surplus / (deficit) on revaluation of		
	- FVOCI - debt	897,663	283,885
	Deferred tax on surplus / (deficit) on revaluation of:		
	- FVOCI - debt	-	(82,327)
		897,663	201,558

20 CONTINGENCIES AND COMMITMENTS

20.1 Contingencies

The Company has no contingencies as at December 31, 2024 (2023: nil).

20.2 Commitments

The Company has no commitments as at December 31, 2024 (2023: nil).

		2024	2023
		-------- Rupees --------	
21	**MARK-UP RETURN / INTEREST EARNED**		
	Interest / mark-up on:		
	Loans and advances	1,816,458,937	1,995,184,789
	Investments	80,645,992	75,078,628
	Balances with other banks	170,723,034	112,895,901
		2,067,827,963	2,183,159,318
21.1	Interest income (calculated using effective interest rate method) recognized on:		
	Financial assets measured at amortized cost	4,705,112	-
22	**MARK-UP / RETURN / INTEREST EXPENSED**		
	Deposits	580,793,115	259,316,540
	Mark up on borrowing	216,761,470	382,726,911
	Lease liabilities	44,910,101	41,402,799
		842,464,686	683,446,250
22.1	Interest expense calculated using effective interest rate method		
	Finance cost on borrowings from SBP	216,761,470	382,726,911

		2024	2023
		-------- Rupees --------	
23	**FEE AND COMMISSION INCOME**		
	Fee and commission income	107,675,203	121,261,233
	Overdue interest	50,750,452	66,607,607
	Miscellaneous Income	-	-
		158,425,655	187,868,840
24	**OTHER INCOME**		
	Gain on disposal of fixed assets	10,135,083	4,557,783
	Moratorium income	16,631,481	18,970,851
	Miscellaneous Income	1,491,075	20,169,935
		28,257,639	43,698,569

25 OPERATING EXPENSES

	Note	2024	2023
		-------- Rupees --------	
Total compensation expense	25.1	1,064,472,113	896,143,753
Property expense			
Rent, rates and taxes		56,878,390	57,095,407
Repairs and maintenance		7,124,773	17,985,103
Insurance		44,000,765	66,734,479
Depreciation on property and equipment		58,986,543	59,198,971
Depreciation on right-of-use assets		48,099,459	37,210,943
		215,089,930	238,224,903
Information technology expenses			
IT supplies and software		40,116,614	45,462,349
Fusion expenses		76,630,057	79,014,040
Amortisation of intangible assets		14,151,890	10,474,175
		130,898,561	134,950,564
Other operating expenses			
Travel and transportation		32,264,323	24,212,633
Stationery and printing		13,458,868	17,593,110
Training		6,486,354	2,462,862
Legal and professional charges		6,660,450	28,207,882
Utilities		42,458,680	28,989,792
Communications		62,636,461	60,622,735
Vehicle running		5,783,845	7,766,199
Office supplies		11,337,269	7,407,748
Fees and subscription		15,420,593	20,053,061
Advertisement and business promotions		38,814,182	26,661,613
Bank charges		7,655,222	4,529,238
Security expense		60,580,534	30,936,693
Kitchen expenses		10,565,947	8,314,378
Entertainment expenses		8,597,931	3,112,666
Archiving		4,085,664	3,082,761
Fuel expenses		8,411,620	5,949,510
Staff loan impairment IFRS-9		31,320,977	-
Auditors' remuneration	25.2	4,307,238	4,726,999
Other expenses		259,918	970,326
		371,106,076	285,600,206
		1,781,566,680	1,554,919,426

25.1 Total compensation expense

	2024	2023
Salaries, allowances etc.	987,606,098	847,563,391
Bonus to employees	36,904,780	4,000,000
Contribution to defined contribution plan	22,223,331	16,908,573
Charge for defined benefit plan	16,976,818	26,926,772
Charge for leave fare assistance	63,589	277,910
Non-executive directors' allowances and other expenses	500,000	400,000
Medical staff	197,497	67,107
	1,064,472,113	896,143,753

25.2 Auditors' remuneration

	2024	2023
Audit services		
Audit fee	3,665,738	4,568,934
Out of pocket expenses	641,500	158,065
	4,307,238	4,726,999

		2024	2023
		-------- Rupees --------	
26	**OTHER CHARGES**		
	Penalties imposed by State Bank of Pakistan	3,187,788	-
27	**CREDIT LOSS ALLOWANCE AND WRITE OFFS - NET**		
	Credit loss allowance against loans & advances	808,933,005	1,002,236,566
	Bad debts written off directly	-	17,027,897
	Recovery of written off / charged off bad debts	(185,121,769)	(93,087,833)
		623,811,236	926,176,630
28	**LEVIES**		
	Minimum tax differential	28,181,391	31,347,682

28.1 The company has paid minimum tax under Section (113) of the Income Tax Ordinance, 2001 against which deferred tax asset has been recorded as it is expected to be realized in subsequent tax years.

		2024	2023
		-------- Rupees --------	
29	**TAXATION**		
	For the year		
	- current	-	-
	- deferred	91,168,853	219,782,931
		91,168,853	219,782,931
	For prior year		
	- current	-	-
	- deferred	-	-
		-	-
		91,168,853	219,782,931

29.1 The Finance Act 2007 had introduced amendments to the Income Tax Ordinance, 2001, through which income of Microfinance Banks has been conditionally exempted from tax for five years commencing 1 January 2008 under clause 66 (viii) of Part I of the Second Schedule. However, the Finance Act 2007 had also introduced the Seventh Schedule to the Income Tax Ordinance, 2001 which is applicable to Banking Companies. Under Rule 8 of the Seventh Schedule, no exemptions of the Second Schedule are to apply to Banking Companies. The exemption of Clause 66 (viii) therefore appears to be overruled by Rule 8 of the Seventh Schedule. However, based on the opinion of the Bank's lawyer, the Bank continues to prepare and submit its tax returns as a microfinance institution and does not follow the Seventh Schedule.

		2024	2023
30	**LOSS PER SHARE - BASIC AND DILUTED**		
	Loss after taxation (Rupees)	(933,531,671)	(561,380,330)
	Weighted average number of ordinary shares (Numbers)	230,830,000	230,830,000
	Earnings per share - basic and diluted (Rupees)	(4.04)	(2.43)

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

		2024	2023
31	**CASH AND CASH EQUIVALENTS**		
	Cash and balances with treasury banks	460,010,780	111,791,460
	Balances with other banks	1,673,311,932	1,215,416,065
		2,133,322,712	1,327,207,525

		2024	2023
		----- Number -----	
32	**STAFF STRENGTH**		
	Permanent	907	816
	On bank contract	169	335
	Others	-	-
	Bank's own staff strength at the end of the year	1,076	1,151

33 DEFINED BENEFIT PLAN

33.1 Staff Gratuity Scheme

As disclosed in Note 4, the Bank operates an approved funded gratuity scheme for its employees. The accounting policy for recognizing actuarial gains and losses is also disclosed in note 4 to the financial statements. The information in notes 34.1 to 34.11 relating to the 2023 and 2024 financial year has been obtained from the actuarial valuation report.

		2024	2023
		----- Number -----	
33.2	**Number of employees under the scheme**		
	Gratuity fund	907	816

33.3 Principal actuarial assumptions

The latest actuarial valuation for defined benefit plan scheme was carried out as at December 31, 2024 using the Projected Unit Credit Method (PUCM). The following significant assumptions were used for the actuarial valuation:

	2024	2023
	----- Percent per annum -----	
Discount rate	12.25	15.75
Expected rate of increase in salary levels - senior employees	9.75	13.25
Expected rate of increase in salary levels - other employees	9.75	13.25

Mortality rates assumed were based on the 70% of the EFU (61-66) table.

		2024	2023
		----- Rupees -----	
33.4	**The amounts recognized in the statement of financial position are as follows:**		
	Present value of defined benefit obligation	46,456,807	34,615,392
	Fair value of plan assets	(8,219,954)	(8,539,228)
		38,236,853	26,076,164
33.5	**Movement in the present value of defined benefit obligation**		
	Present value of obligation as at January 1	34,615,392	26,531,421
	Current service cost	13,657,322	17,582,453
	Past service cost	-	6,610,651
	Interest cost	4,714,573	4,034,009
	Benefits paid	(9,363,189)	(10,642,646)
	Actuarial gain / (loss) on remeasurement of obligation	2,832,709	(9,500,496)
	Present value of obligation as at December 31	46,456,807	34,615,392
33.6	**Movement in the fair value of plan assets**		
	Fair value of assets as at January 1	8,539,228	14,289,193
	Expected return	1,395,077	1,300,341
	Contributions	10,000,000	-
	Benefits paid	(9,363,189)	(10,642,646)
	Actuarial (loss) / gain	(2,351,162)	3,592,340
	Fair value of assets as at December 31	8,219,954	8,539,228

33.7 Movement in the net liability recognized in the statement of financial position are as follows:

		2024	2023
		----- Rupees -----	
Opening liability		26,076,164	12,242,228
Charge for the year	33.7.1	16,976,818	26,926,772
Other comprehensive income	33.7.2	5,183,871	(13,092,836)
Contributions		(10,000,000)	-
Closing liability		38,236,853	26,076,164

33.7.1 Cost recognized in profit and loss

Current service cost	13,657,322	24,193,104
Interest cost	3,319,496	2,733,668
Net charge for the year	16,976,818	26,926,772

33.7.2 Re-measurements recognized in OCI during the year

Loss / (gain) on obligation	-	-
Demographic assumptions	-	(3,567,274)
Financial assumptions	-	384,933
Experience adjustment	2,832,709	(6,318,155)
Return on plan assets over interest income	2,351,162	(3,592,340)
Total re-measurements recognized in OCI	5,183,871	(13,092,836)

33.8 Components of plan assets

Cash and cash equivalents - net	8,219,954	8,539,228
Government securities	-	-
Shares	-	-
Non-government debt securities	-	-
Other securities (to be specified)	-	-
	8,219,954	8,539,228

33.9 Sensitivity analysis

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
		---- (Rupees) ----	
Discount rate	1%	(947,106)	992,367
Salary increases	1%	1,006,123	(976,859

34 FAIR VALUE MEASUREMENT

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

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

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

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

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

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

34.1 The table below analyzes 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:

	2024			
	Level 1	**Level 2**	**Level 3**	**Total**
	----------- Rupees -----------			
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
- Non-Government debt securities	14,779,436	-	-	14,779,436
	14,779,436	-	-	14,779,436
Financial assets - disclosed but not measured at fair value				
Investments				
- Federal Government Securities	-	512,619,275	-	512,619,275
- Non-Government debt securities	-	40,000,000	-	40,000,000
	-	552,619,275	-	552,619,275
Off-balance sheet financial instruments - measured at fair value	-	-	-	-
	14,779,436	552,619,275	-	567,398,711

	2023			
	Level 1	**Level 2**	**Level 3**	**Total**
	----------- Rupees -----------			
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
- Non-Government debt securities	25,194,443	-	-	25,194,443
	25,194,443	-	-	25,194,443
Financial assets - disclosed but not measured at fair value				
Investments				
- Federal Government Securities	-	187,072,444	-	187,072,444
- Non-Government debt securities	-	200,000,000	-	200,000,000
	-	387,072,444	-	387,072,444
Off-balance sheet financial instruments - measured at fair value	-	-	-	-
	25,194,443	387,072,444	-	412,266,887

35 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

Items	2024						
	Directors			Members shariah board	President / CEO	Key management personnel	Other material risk takers / controllers
	Chairman	Executives (other than CEO)	Non-executives				
	Rupees						
Fees and allowances etc.	-	-	500,000	-	-	-	-
Managerial remuneration							
i) Fixed	-	6,719,100	-	-	13,670,801	45,931,280	-
ii) Variable							
a) Cash bonus / awards	-	825,000	-	-	918,750	1,665,172	-
b) Bonus & awards in shares	-	-	-	-	-	-	-
Charge for defined benefit plan	-	-	-	-	-	-	-
Contribution to defined contribution plan	-	425,618	-	-	865,970	3,110,929	-
Rent & house maintenance	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-
Medical	-	510,282	-	-	1,038,230	3,729,758	-
Conveyance	-	-	-	-	-	3,180,000	-
Others *	-	-	-	-	-	-	-
Total	-	8,480,000	500,000	-	16,493,751	57,617,139	-
Number of persons	-	2	-	-	1	12	-

Items	2023						
	Directors			Members shariah board	President / CEO	Key management personnel	Other material risk takers / controllers
	Chairman	Executives (other than CEO)	Non-executives				
	Rupees						
Fees and allowances etc.	-	-	-	-	-	-	-
Managerial remuneration							
i) Fixed	-	22,435,209	-	-	18,520,980	78,634,615	-
ii) Variable							
a) Cash bonus / awards	-	-	-	-	1,375,000	5,477,034	-
b) Bonus & awards in shares	-	-	-	-	-	-	-
Charge for defined benefit plan	-	-	-	-	-	4,710,339	-
Contribution to defined contribution plan	-	-	-	-	5,332,869	3,393,944	-
Rent & house maintenance	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-
Medical	-	-	-	-	979,020	5,646,589	-
Conveyance	-	-	-	-	-	5,780,043	-
Others *	-	-	-	-	-	-	-
Total	-	22,435,209.00	-	-	26,207,869	103,642,564	-
Number of persons	-	9	-	-	1	29	-

35.1 The Bank has provided free use of Bank's maintained car to the Chief Executive Officer.

36 RELATED PARTY TRANSACTIONS

The MFB has related party transactions with its parent, subsidiaries, associates, joint ventures, employee benefit plans and its directors and key management personnel.
The MFB enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / 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						
	Parent	Directors	Key management personnel	Subsidiaries	Associates	Joint venture	Other related parties	Parent	Directors	Key management personnel	Subsidiaries	Associates	Joint venture	Other related parties
	Rupees							Rupees						
Balances with related parties														
Balances with other banks / MFBs / DFIs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Advances														
Opening balance	-	-	56,854,569	-	-	-	-	-	-	26,560,818	-	-	-	-
Addition during the period / year	-	-	13,510,750	-	-	-	-	-	-	80,044,005	-	-	-	-
Repaid during the period / year	-	-	(53,178,267)	-	-	-	-	-	-	(49,750,254)	-	-	-	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	17,187,052	-	-	-	-	-	-	56,854,569	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities														
Payable to staff retirement fund	-	-	-	-	-	-	38,236,853	-	-	-	-	-	-	26,076,164
Payable against IT services														
- LOLC technology services limited	-	-	-	-	-	-	341,539,772	-	-	-	-	-	-	244,483,136
	-	-	-	-	-	-	379,776,625	-	-	-	-	-	-	270,559,300
Contingencies and commitments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transactions with related parties														
Income														
Markup income	-	-	830,711	-	-	-	-	-	-	201,752	-	-	-	-
Expense														
Remuneration to key management personnel	-	-	74,110,890	-	-	-	-	-	-	126,077,773	-	-	-	-
Non-executive director's fee / remuneration	-	500,000	8,480,000	-	-	-	-	-	-	22,435,209	-	-	-	-
Charge for defined contribution plan	-	-	-	-	-	-	22,223,331	-	-	-	-	-	-	16,908,573
Charge for defined benefit plan	-	-	-	-	-	-	16,976,818	-	-	-	-	-	-	26,926,772
System Maintenance (Fusion charges)	-	-	-	-	-	-	76,630,057	-	-	-	-	-	-	79,014,040
	-	500,000	82,590,890	-	-	-	115,830,206	-	-	148,512,982	-	-	-	122,849,385

The term 'related party' shall have the same meaning as specified under IAS 24 - Related party disclosures

37 RISK MANAGEMENT

The Bank has comprehensive risk management framework in place for managing the credit risk and operational risks which is constantly evolving as the business activities change in response to credit, market, product and other developments. The Board Risk Management Committee (BRMC), a sub-committee of the Board of Directors (BoD), oversees the entire risk management process of the Bank. The Banks' risk management is guided by number of factors and principles including the formal definition of risk management, governance, risk appetite, independent risk management and assessment and measurement by tools like Earning at Risk (EaR), Value-at-Risk (VaR) methodologies with stress testing under different economic scenarios and with diversification of risks.

37.1 Credit risk

Credit risk is the risk of suffering financial loss due to any of Bank's customer or counterparty failing to fulfil their contractual obligations which arise mainly from Bank's lending activities, placement of funds in deposits / money market and taking cover through guarantees and derivatives. The Bank has a sound and effective credit risk management framework in place which is based on bank's strategy and risk appetite established by the BOD. Credit evaluation system comprises of credit appraisal and monitoring mechanism where special focus is given to asset quality management. There is also a system in place to identify and correct portfolio concentrations in terms of geographies, products, economic segments etc. The risks identified through portfolio testing are reported to the Risk Management Committees of the Bank along-with the corrective action plan. For this purpose, various tools, techniques and stress tests are used to ensure that risk-return trade-off is maintained.

Risk review function is independent of those who approve and take risk. The Risk Asset Review function is performed by Risk Management as well as internal audit departments of the Bank. The Bank has implemented IFRS - 9 under which Expected Credit Loss (ECL) is computed as per SBP Regulations / Guidelines. The Bank reviews financial performance of various counterparties on annual basis through detailed analysis using Financial Models and past business experience and limits for each counterparty in respective segments are defined accordingly.

37.1.1 Definition of default and cure

The Bank considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases of its advances to customers when the borrower becomes 60 days past due on its contractual payments. The Bank considers treasury and interbank balances defaulted and takes immediate action when the required intraday. As a part of a qualitative assessment of whether a customer is in default, the Bank also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- the borrower is deceased.
- a material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral.

- a covenant breach not waived by the Bank
- the borrower is unable to pay due to any other reason

It is the Bank's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated delinquency, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition. However, no financial assets is directly classified from stage 3 to stage 1.

37.1.2 Probability of Default estimation process

Microfinance Lending

The banks entire loans and advances portfolio consist of microfinance lending. The lending portfolio comprise of agriculture, livestock, enterprise, gold, general purpose, housing and employee loans . The Bank utilising credit score card model for lending, such as area, gender, education, marital status, age etc. Therefore, the Bank used credit score card along with delinquency (day past due) for estimation of PDs. Average monthly transitions to default of relevant delinquency states were converted into current 12 months point in time PDs using statistical models. The lifetime PD is developed by applying a maturity profile to the current 12 months PD. Data from 1 January 2017 till date has been used for PD estimations.

37.1.3 Loss

The Bank segments its consumer lending products into smaller homogeneous segments, based on key characteristics that are relevant to the estimation of future cash flows. The bank calculate LGD of each segment based historical experiences of cash recoveries from defaults (including settlements), cost and time of recoveries. Effective interest rate or approximate thereof has been used to discount recoveries to date of default. Data from 1 January 2017 till date has been used for LGD estimations. For receivables from the banks, lending to financial institutions and investments, the Bank used LGD percentages prescribed under Basel Foundation-Internal Rating Based (F-IRB) approach to determine ECL under BSD Circular no. 08 dated June 27, 2006 issued by SBP.

37.1.4 Forward looking information

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

37.2 Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk governance structure of the bank is at the core of the three lines of Defense including strategic, macro and micro - integrating risk management practices into processes, procedures, product programs, systems and culture. The bank has in place board approved Risk management framework which is flexible enough to implement in stages and permits the overall approach to evolve in response to banks future requirements. The bank uses various risk mitigating tools and techniques such as Risk and Control Self-Assessment, Key Risk Indicators Analysis, and Stress testing under well-defined programs. There are dedicated units within the bank to manage operational risk, information security risk, business continuity risk and disaster recovery risk.

37.3 Liquidity risk

Liquidity risk is the the potential for loss that the bank will be unable to meet its obligations in a timely manner as they fall due. The Market and Liquidity desk monitors risk appetite limits to avoid undue threats. The bank's liquidity position is monitored by ALCO on monthly basis through liquidity and capacity ratios, concentrations in terms of nature and size of funding on portfolio as well as on transaction basis, liquidity and cashflow gaps etc. The bank has a Liquidity Contingency Plan in place to manage liquidity risk and maintains sufficient counter balancing capacity at all times to meet all its obligations on timely basis. Early warning indicators have been developed and are assessed on daily basis in order to envisage any incoming risks and take appropriate actions.

38 ASSETS AND LIABILITIES - BASED ON CONTRACTUAL MATURITY

	2024												
	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
ASSETS													
Cash and balances with treasury banks	460,010,780	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	1,673,311,932	-	-	-	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	-	-	-	-	40,000,000	243,486,881	97,900,563	140,993,146	45,018,121				
Advances	108,751,067	30,952,022	51,811,736	92,962,207	194,285,985	248,833,202	1,439,921,194	387,162,185	681,689,955	735,911,536	79,214,701	86,764,174	-
Property and equipment	-	-	-	4,915,518	4,915,518	4,915,518	14,746,554	14,746,554	14,746,554	58,986,216	58,986,216	8,217,367	-
Right-of-use assets	-	-	-	4,008,288	4,008,288	4,008,288	12,024,864	12,024,864	12,024,864	48,099,456	48,099,456	67,722,424	-
Intangible assets	-	-	-	1,179,324	1,179,324	1,179,324	3,537,972	3,537,972	3,537,972	14,151,888	14,151,888	253,473	-
Deferred tax assets	-	-	-	-	-	-	-	-	204,513,431	-	204,513,430	-	-
Other assets	-	-	-	173,634,842	94,615,856	-	-	-	-	-	-	-	-
LIABILITIES													
Bills payable	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	94,201,208	5,050,000	65,600,000	57,285,000	312,713,375	480,516,989	706,822,138	1,803,576,000	1,897,347,064	11,300,000	300,000	-	-
Lease liabilities	-	-	-	3,742,508	3,742,508	3,742,508	11,227,524	11,227,524	11,227,524	11,227,524	44,910,096	134,730,288	20,156,513
Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	20,930,621	50,020,621	290,104,528	120,046,825	130,064,857	-	40,587,257	-	-	-	-
NET ASSETS													
REPRESENTED BY													
Share capital	3,220,000,000												
Reserves	183,178,511												
Surplus on revaluation of assets - net of tax	897,663												
Unappropriated loss	(1,790,312,275)												

	2023												
	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
ASSETS													
Cash and balances with treasury banks	1,215,416,065	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	-	-	-	-	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	-	-	-	-	187,072,444	-	-	-	-	225,194,443			
Advances	100,519,442	28,609,190	47,889,984	85,925,678	179,580,021	229,998,430	1,330,930,164	357,856,966	630,091,235	680,208,657	73,218,754	80,196,790	-
Property and equipment	-	-	-	3,982,348	3,982,348	3,982,348	11,947,044	11,947,044	11,947,044	47,788,176	47,788,176	6,657,370	-
Right-of-use assets	-	-	-	4,216,723	4,216,723	4,216,723	12,650,169	12,650,169	12,650,169	50,600,675	50,600,675	71,244,055	-
Intangible assets	-	-	-	-	404,938	404,938	1,214,813	1,214,813	1,214,813	4,859,252	4,859,252	491,972	-
Deferred tax assets	-	-	-	-	-	-	-	-		-	316,556,555	-	-
Other assets	-	-	54,682,654	125,486,858	222,105,640	-	-	-	-	-	-	-	-
LIABILITIES													
Bills payable	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	991,142,242	991,142,241	-	-	-	-	-
Deposits and other accounts	16,101,193	863,163	11,212,577	9,791,348	53,450,041	82,131,607	120,812,460	308,273,385	324,301,057	1,931,435	51,277	-	-
Lease liabilities	-	-	-	3,684,107	3,684,107	3,684,107	11,052,321	11,052,321	11,052,321	11,052,321	44,209,282	132,627,846	19,841,974
Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	21,262,144	50,812,904	294,699,531	121,948,262	132,124,972	-	-	-	-	-	-
NET ASSETS													
REPRESENTED BY													
Share capital	3,220,000,000												
Reserves	182,705,584												
Surplus on revaluation of assets - net of tax	201,558												
Unappropriated loss	(515,835,488)												

39 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	2024	2023
	-------- Rupees --------	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	1,429,687,725	2,704,164,512

As per amendments on Prudential Regulations (R-1) issued vide BPRD Circular No. 10 of 2015 dated June 03, 2015, the minimum paid up capital requirement (MCR), free of losses for Microfinance Banks operating at national level is Rs. 1,000 million.

The Bank manages its capital structure and makes adjustments to it in light of changes in regulatory and economic conditions. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend paid to shareholders, return capital to shareholders or issue new shares.

	2024	2023
	-------- Rupees --------	
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	1,264,844,500	2,477,000,000
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	1,264,844,500	2,477,000,000
Eligible Tier 2 Capital	32,960,929	70,000,000
Total Eligible Capital (Tier 1 + Tier 2)	1,297,805,429	2,547,000,000
Risk Weighted Assets (RWAs):	4,488,704,461	5,307,000,000
Common Equity Tier 1 Capital Adequacy Ratio	28.18%	46.67%
Tier 1 Capital Adequacy Ratio	28.18%	46.67%
Total Capital Adequacy Ratio	28.91%	47.99%

At present, the Bank defines capital as shareholders' equity i.e. share capital and reserves. The capital of the Bank is managed keeping in view the minimum "Capital Adequacy Ratio" (15%) required by the Prudential Regulations for Microfinance Banks / Institutions. The adequacy of the capital is tested with reference to the risk-weighted assets of the Bank. The calculation of capital adequacy enables the Bank to assess the long-term soundness. As the Bank conducts business on a wide area network basis, it is critical that it is able to continuously monitor the exposure across the entire organization.

40 NUMBER OF BRANCHES

	2024	2023
	------ Number ------	
Branches at the beginning of the year	62	61
Opened during the year	1	1
Transfer from Service Centers	-	-
Closed during the year	-	-
Branches at the end of the year	63	62

The Bank also has 24 service centers (2023: 24) in operation along with branches.

41 COMPLAINTS STATUS

	2024	2023
	------ Number ------	
Total number of Complaints	96	116
Avg. time taken for resolution	3	3

Complaint Nature	**Complaint Received**	**Open as at December 2024**
	------ Number ------	
Minor	96	2
Minor	-	-
Total Count	**96**	**2**

42 GENERAL

Figures have been rounded off to nearest rupee.

Where there are no amounts to be disclosed in the account captions as prescribed by BSD Circular No. 3 dated February 9, 2023 issued by the State Bank of Pakistan (SBP) in respect of forms of financial statements for Microfinance Institutions / Banks, these captions have not been reproduced in these financial statements except for the statement of financial position and profit and loss account.

43 CORRESPONDING FIGURES

Corresponding figures have been re-arranged and re-classified, wherever considered necessary, for better presentation and classification. Following major reclassification has been made during the year.

Reclassified from	**Reclassified to**	**2023 Amount** --- Rupees ---
Current income tax	Minimum tax differential	31,347,682
Operating fixed assets	Property and equipment	150,021,898
Operating fixed assets	Right-of-use assets	223,046,081
Operating fixed assets	Intangible assets	14,664,791
Surplus on revaluation of assets	Reserves (SOCI)	201,558

44 DATE OF AUTHORIZATION

These financial statements were authorized for issue on _______________ by the Board of Directors of the Bank.

President | Chief Financial Officer | Director | Director | Director