LOLC MICROFINANCE BANK LIMITED

INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED
31 MARCH 2025

LOLC MICROFINANCE BANK LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2025

	Note	(Un-Audited) March 31 2025	(Audited) December 31 2024
		-------- Rupees	--------
ASSETS			
Cash and balances with treasury banks	5	584,705,821	460,010,780
Balances with other banks	6	2,076,919,831	1,673,311,932
Lendings to financial institutions		-	-
Investments	7	782,578,464	567,398,711
Advances	8	4,732,604,907	4,138,259,964
Property and equipment	9	182,730,102	185,176,015
Right-of-use assets	10	223,934,296	212,020,792
Intangible assets	11	42,006,767	42,709,137
Other assets	12	373,720,402	268,250,668
Deferred tax assets	13	409,026,891	409,026,891
		9,408,227,481	7,956,164,890
LIABILITIES			
Bills payable		-	-
Borrowings	14	-	-
Deposits and other accounts	15	7,144,576,342	5,434,711,765
Lease liabilities	16	270,954,493	255,934,517
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities	17	629,030,734	651,754,709
		8,044,561,569	6,342,400,991
NET ASSETS		1,363,665,912	1,613,763,899
REPRESENTED BY			
Share capital	18	3,220,000,000	3,220,000,000
Reserves		183,178,511	183,178,511
Surplus on revaluation of assets - net of tax	19	897,663	897,663
Unappropriated loss		(2,040,410,262)	(1,790,312,275)
		1,363,665,912	1,613,763,899
CONTINGENCIES AND COMMITMENTS	20		

The annexed notes from 1 to 39 form an integral part of these financial statements.

President	Chief Financial Officer	Director	Director	Director

LOLC MICROFINANCE BANK LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED MARCH 31, 2025

	Note	Quarter Ended March 31, 2025	Quarter Ended March 31, 2024
		Rupees	
Mark-up / Return / Interest earned	21	609,756,543	491,946,616
Mark-up / Return / Interest expensed	22	(315,659,550)	(176,501,307)
Net mark-up / Return / Interest income		294,096,993	315,445,309
NON MARK-UP / INTEREST INCOME			
Fee and commission income	23	36,495,842	56,720,352
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	4,000,456	5,824,664
Total non-markup / interest income		40,496,298	62,545,016
Total income		334,593,291	377,990,325
NON MARK-UP / INTEREST EXPENSES			
Operating expenses	25	514,171,567	408,845,291
Workers welfare fund		-	-
Other charges	26	-	-
Total non-markup / interest expenses		514,171,567	408,845,291
Loss before credit loss allowance		(179,578,276)	(30,854,966)
Credit loss allowance and write offs - net	27	(70,519,711)	(229,666,474)
LOSS BEFORE LEVIES AND TAXATION		(250,097,987)	(260,521,440)
Levies	28	-	-
LOSS BEFORE TAXATION		(250,097,987)	(260,521,440)
Taxation	29	-	-
LOSS AFTER TAXATION		(250,097,987)	(260,521,440)
Basic and diluted loss per share	30	(1.08)	(1.13)

The annexed notes from 1 to 39 form an integral part of these financial statements.

President	Chief Financial Officer	Director	Director	Director

LOLC MICROFINANCE BANK LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED MARCH 31, 2025

	Quarter Ended	
	March 31, 2025	**March 31, 2024**
	------- --- **Rupees** ---------	
Loss after taxation for the period	(250,097,987)	(260,521,440)
Other comprehensive income		
Items that may be reclassified to profit and loss account in subsequent periods:		
Movement in surplus on revaluation of investments	-	-
Related tax impact	-	-
Movement in surplus on revaluation of investments - net of tax	-	-
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement of defined benefit obligation	-	-
Related tax impact	-	-
Remeasurement of defined benefit obligation - net of tax	-	-
Total comprehensive loss for the year	(250,097,987)	(260,521,440)

The annexed notes from 1 to 39 form an integral part of these financial statements.

President	Chief Financial Officer	Director	Director	Director

LOLC MICROFINANCE BANK LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED MARCH 31, 2025

	Share capital	Share premium	Statutory reserve	Depositors' Protection Fund	Accumulated losses	Surplus on revaluation of investments	Total
	---------------------- Rupees ----------------------						
Balance as at January 01, 2025	3,220,000,000	52,041,600	98,175,982	32,960,929	(1,790,312,275)	897,663	1,613,763,899
Profit after taxation for the quarter ended March 31, 2025	-	-	-	-	(250,097,987)	-	(250,097,987)
Other comprehensive income for the quarter ended March 31, 2025	-	-	-	-	-	-	-
Total comprehensive income for the quarter ended March 31, 2025	-	-	-	-	(250,097,987)	-	(250,097,987)
Transfer to Depositors' Protection Fund							
- 5% of the profit after tax	-	-	-	-	-	-	-
- return on investment - net of tax	-	-	-	-	-	-	-
	-	-	-	-	-		-
Balance as at March 31, 2025	3,220,000,000	52,041,600	98,175,982	32,960,929	(2,040,410,262)	897,663	1,363,665,912

The annexed notes from 1 to 39 form an integral part of these financial statements.

President **Chief Financial Officer** **Director** **Director** **Director**

LOLC MICROFINANCE BANK LIMITED
CONDENSED INTERIM STATEMENT OF CASH FLOW
FOR THE PERIOD ENDED MARCH 31, 2025

	Note	March 31, 2025	March 31, 2024
		-------- Rupees	--------
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before levies and taxation		**(250,097,987)**	**(260,521,440)**
Adjustments:			
Depreciation on property and equipment	9	16,494,377	14,268,506
Depreciation on right-of-use assets	10	13,322,523	10,439,837
Amortization of intangible assets	11	5,498,007	2,526,183
Credit loss allowance and write-offs	27	120,304,937	51,777,198
Finance cost on lease obligations		12,149,069	11,259,217
Provision for gratuity		3,000,000	3,000,000
Provision for leave fare assistance		49,056	2,517
		170,817,969	93,273,458
Operating profit before working capital changes		(79,280,018)	(167,247,982)
(Increase) / decrease in operating assets			
Advances		(721,741,408)	(380,557,566)
Other assets		(92,036,543)	(189,730,597)
		(813,777,951)	(570,288,163)
Increase / (decrease) in operating liabilities			
Deposit and other accounts		1,709,864,577	3,987,582,642
Other liabilities		(26,455,308)	(159,078,037)
		1,683,409,269	3,828,504,605
		790,351,300	3,090,968,460
Levies / income tax paid		(11,985,495)	27,328,546
Defined benefit obligation		(2,219,611)	9,160,689
		(14,205,106)	36,489,235
Net cash generated from / (used in) operating activites		776,146,194	3,127,457,695
CASH FLOWS FROM INVESTING ACTIVITES			
Net investment classified as amortised cost		(217,957,531)	(124,968,931)
Net investment classified as FVOCI		6,199,528	7,637,229
Rent paid against lease obligation		(17,241,150)	(55,847,964)
Acquisition of operating fixed assets		(14,048,464)	(63,596,361)
Investment in intangible assets		(4,795,637)	-
Sales proceeds of operating fixed assets disposed off		-	9,350,014
Net cash used in investing activities		(247,843,254)	(227,426,013)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Borrowing from SBP		-	- 1,982,284,483
Net cash (used in) / generated from financing activities		-	- 1,982,284,483
Increase in cash and cash equivalents during the year		528,302,940	917,747,199
Cash and cash equivalent at the beginning of the year		2,133,322,712	1,215,575,513
Cash and cash equivalent at the end of the year	31	2,661,625,652	2,133,322,712

The annexed notes from 1 to 39 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 QUARTER ENDED MARCH 31, 2025

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 March 2025, the bank has 87 branches (2024: 87) 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 Company 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 Company, 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 (ort where applicable, a part of a financial asset) is derecognized when the rights receive cash flows from the financial asset have expired. The bank also recognizes the financial asset if it has both transferred the financial asset end 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. The bank 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 (12mECL).

The 12mECL 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 12mECLs are calculated on either an individual basis or a collective basis, depending: on the nature of the underlying portfolio of financial instruments.

The bank has established a policy to perform an assessment, at the end of each reporting period, of whether 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 12 month ECLs. 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 are outlined below and the key elements are as follows:

PD — The Probability of Default (PD) is an estimate of: the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously 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 ae accounted for as an the financial asset's gross carrying value.

The mechanics of the ECL method are summarized below:

Stage 1 — The 12 Month ECL 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
- Inflation
- Unemployment

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 3 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 and enterprise loans and 90 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 lending. 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 uses 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).

4.2.3 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.

4.3 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

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-

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

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	March 31, 2025 (Un-audited)	December 31, 2024 (Audited)
			- - - - - - - - Rupees	- - - - - - - -
5	**CASH AND BALANCES WITH TREASURY BANKS**			
	In hand			
	- local currency		179,163,913	168,584,268
	Balance with State Bank of Pakistan (SBP)			
	- Local Currency current account	5.1	405,541,908	291,426,512
	Less: Credit loss allowance		-	-
			584,705,821	460,010,780

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	2025	2024
			- - - - - - - - Rupees	- - - - - - - -
6	**BALANCES WITH OTHER BANKS**			
	In Pakistan			
	- in current accounts		295,707,808	285,348,713
	- in deposit accounts	6.1	1,781,212,023	1,387,963,219
	Less: Credit loss allowance		-	-
			2,076,919,831	1,673,311,932

6.1 These represents deposits with commercial banks carrying mark-up at rates ranging from 11% to 16% per annum (2024: 17% to 24% per annum).

7 INVESTMENTS

7.1 Investment by Type:

	Un-Audited 2025 Fair Value / Amortized Cost	Un-Audited 2025 Credit Loss Allowance	Un-Audited 2025 Surplus / (Deficit)	Un-Audited 2025 Caring Value	Audited 2024 Cost / Amortized Cost	Audited 2024 Provision for diminution	Audited 2024 Surplus / (Deficit)	Audited 2024 Caring Value
	Rupees				Rupees			
Debt Instruments								
Classified as Amortized Cost								
- Market Treasury Bills	670,576,806	-	-	670,576,806	512,619,275	-	-	512,619,275
Term deposit receipts (TDRs)	100,000,000	-	-	100,000,000	40,000,000	-		40,000,000
	770,576,806	-	-	770,576,806	552,619,275	-	-	552,619,275
Classified as FVOCI								
Term finance certificates (TFCs)	5,882,055	(5,882,055)	-	-	5,882,055	(5,882,055)	-	-
Sukuk	12,001,658	-	-	12,001,658	24,083,241	(10,000,000)	696,195	14,779,436
	17,883,713	(5,882,055)		12,001,658	29,965,296	(15,882,055)	696,195	14,779,436
Total Investments	788,460,519	(5,882,055)	-	782,578,464	582,584,571	(15,882,055)	696,195	567,398,711

7.2 Investments by Segments:

	Un-Audited 2025 Fair Value / Amortized Cost	Un-Audited 2025 Credit Loss Allowance	Un-Audited 2025 Surplus / (Deficit)	Un-Audited 2025 Caring Value	Audited 2024 Cost / Amortized Cost	Audited 2024 Provision for diminution	Audited 2024 Surplus / (Deficit)	Audited 2024 Caring Value
	Rupees				Rupees			
Federal Government Securities								
- Market Treasury Bills	670,576,806	-	-	670,576,806	512,619,275	-	-	512,619,275
- Pakistan Investment Bonds	-	-	-	-	-	-	-	-
- Ijarah Sukuks	-			-	-	-	-	-
- Other Investments	-	-	-	-	-	-	-	-
	670,576,806	-	-	670,576,806	512,619,275	-	-	512,619,275
Provincial Government Securities	-	-	-	-	-	-	-	-
Shares:								
- Listed	-	-	-	-	-	-	-	-
- Unlisted	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Non Government debt Securities								
- Listed								
- Unlisted	117,883,713	(5,882,055)	-	112,001,658	69,965,296	(15,882,055)	696,195	54,779,436
	117,883,713	**(5,882,055)**	**-**	**112,001,658**	**69,965,296**	**(15,882,055)**	**696,195**	**54,779,436**
Associates	-	-	-	-	-	-	-	-
Subsidiaries	-	-	-	-	-	-	-	-
Total Investments	**788,460,519**	**(5,882,055)**	**-**	**782,578,464**	**582,584,571**	**(15,882,055)**	**696,195**	**567,398,711**

	2025	2024
	Rupees	
7.3 Investments given as collateral	-	-

7.4 Investments - Particulars of credit loss allowance

	Un-Audited				Audited			
	2025				2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	Rupees				Rupees			
7.5 Investments - Exposure								
Gross carrying amount	566,702,516	-	15,882,055	582,584,571	412,072,444	-	15,882,055	427,954,499
New Investments	217,957,531	-	-	217,957,531	325,546,831	-	-	325,546,831
Investments derecognized or repaid	(2,081,583)	-	-	(2,081,583)	(160,000,000)	-	(10,220,564)	(170,220,564)
Transfer to stage 1	-		-	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-	-	-
	215,875,948	-	-	215,875,948	165,546,831	-	(10,220,564)	155,326,267
Amounts written off / charged off	-	-	-	-	-	-	-	-
Closing balance	782,578,464	-	15,882,055	798,460,519	577,619,275	-	5,661,491	583,280,766
7.6 Investments - Credit loss allowance								
Credit loss allowance Opening balance	-	-	15,882,055	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	15,882,055

	Un-Audited		Audited	
	2025		2024	
	NPL	Credit loss allowance	NPL	Credit loss allowance
	Rupees		Rupees	
7.7 Particulars of credit loss allowance against debt securities				
Domestic				
Stage 1	-	-	-	-
Stage 2	-	-	-	-
Stage 3	15,882,055	15,882,055	15,882,055	15,882,055
	15,882,055	15,882,055	15,882,055	15,882,055

7.8 Quality of Securities

	March 31, 2025 (Un-audited)	December 31, 2024 (Audited)
	- - - - - - - - Rupees - - - - - - - -	
Federal Government Securities - Government Guaranteed		
- Market Treasury Bills	670,576,806	512,619,275
- Pakistan Investment Bonds	-	-
- Ijarah Sukuks	-	-
- Other Investments	-	-
	670,576,806	512,619,275
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	-	-
	-	-
To be categorized based on long term rating by Credit Rating Agency		
- AAA	-	-
- AA+, AA, AA-	-	-
- A+, A, A-	112,001,658	54,779,436
- BBB+, BBB, BBB-	-	-
- BB+, BB, BB-	-	-
- B+, B, B-	-	-
- CCC and below	-	-
- Unrated	-	-
	112,001,658	54,779,436

8 ADVANCES

Loan Type	Performing				Non Performing		Total	
	Stage 1		Stage 2		Stage 3			
	(Un-audited) March 31, 2025	(Audited) December 31, 2024	(Un-audited) March 31, 2025	(Audited) December 31, 2024	(Un-audited) March 31, 2025	(Audited) December 31, 2024	(Un-audited) March 31, 2025	(Audited) December 31, 2024
	-------- Rupees --------		-------- Rupees --------		-------- Rupees --------		-------- Rupees --------	
Microcredits								
Secured	2,456,213,266	1,694,102,577	11,615,181	16,630,650	26,593,293	21,449,678	2,494,421,740	1,732,182,905
Un-Secured	1,982,390,900	2,092,476,515	66,511,324	117,415,621	544,253,629	530,397,895	2,593,155,853	2,740,290,031
Staff Loan	33,878,950	38,652,104	-	-	-	-	33,878,950	38,652,104
Advances - gross	4,472,483,116	3,825,231,196	78,126,505	134,046,271	570,846,922	551,847,573	5,121,456,543	4,511,125,040
Credit loss allowance against advances								
Stage 1	116,520,995	99,373,639	-	-	-	-	116,520,995	99,373,639
Stage 2	-	-	9,105,714	16,442,000	-	-	9,105,714	16,442,000
Stage 3	-	-	-	-	263,224,927	257,049,437	263,224,927	257,049,437
Specific provision	-	-	-	-	-	-	-	-
General provision	-	-	-	-	-	-	-	-
	116,520,995	99,373,639	9,105,714	16,442,000	263,224,927	257,049,437	388,851,636	372,865,076
Advances - net of credit loss allowance	4,355,962,121	3,725,857,557	69,020,791	117,604,271	307,621,995	294,798,136	4,732,604,907	4,138,259,964

8.1 Advances - Particulars of credit loss allowance

8.1.1 Advances - Exposure

	2025				2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	------------------ Rupees ------------------				------------------ Rupees ------------------			
Gross carrying amount	3,786,579,091	134,046,271	551,847,573	4,472,472,935	3,256,191,450	179,699,248	645,942,317	4,081,833,015
New advances	2,001,412,705	-	-	2,001,412,705	4,855,565,980	141,840,525	95,162,139	5,092,568,644
Advances derecognized or repaid	(1,269,490,405)	(30,018,425)	15,064,378	(1,284,444,452)	(3,968,724,357)	(228,713,955)	455,661,285	(3,741,777,027)
Transfer to stage 1	22,414,660	(18,433,186)	(3,981,474)	-	1,179,760	(1,077,405)	(102,355)	-
Transfer to stage 2	(56,574,272)	58,656,231	(2,081,959)	-	(66,562,580)	66,756,957	(194,377)	-
Transfer to stage 3	(45,737,615)	(66,124,386)	111,862,001	-	(291,071,162)	(24,459,099)	315,530,261	-
	652,025,073	(55,919,766)	120,862,946	716,968,253	530,387,641	(45,652,977)	866,056,953	1,350,791,617
Amounts written off / charged off	-	-	(101,863,597)	(101,863,597)	-	-	(960,151,697)	(960,151,697)
Closing balance	4,438,604,164	78,126,505	570,846,922	5,087,577,591	3,786,579,091	134,046,271	551,847,573	4,472,472,935

8.1.2 Advances - Credit loss allowance

	2025				2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	Rupees				Rupees			
Opening balance	396,657,058	16,442,000	- 40,233,982	372,865,076	37,363,673	-	276,298,600	313,662,273
IFRS Initial Impact	-	-	-	-	162,994,751	-	47,426,744	210,421,495
Opening balance - as restated	396,657,058	16,442,000	- 40,233,982	372,865,076	200,358,424	-	323,725,344	524,083,768
New advances	44,225,619	-	-	44,225,619	79,780,736	8,871,293	50,268,417	138,920,446
Advances derecognized or repaid	(322,066,587)	(1,495,786)	278,896,115	(44,666,258)	(249,948,352)	(4,152,439)	(198,984,894)	(453,085,685)
Transfer to Stage 1	1,492,506	(1,179,924)	(312,582)	-	63,686	(59,517)	(4,169)	-
Transfer to Stage 2	(7,519,783)	7,689,036	(169,253)	-	(7,373,391)	7,388,998	(15,607)	-
Transfer to Stage 3	(22,291,793)	(31,039,558)	53,331,351	-	(121,678,284)	(10,176,149)	131,854,433	-
Specific	-	-	-	-	-	-	-	-
General	-	-	-	-	-	-	-	-
	(306,160,038)	(26,026,232)	331,745,631	(440,639)	(299,155,605)	1,872,186	(16,881,820)	(314,165,239)
Total Provision charge for the year	26,023,975	18,689,946	73,576,875	118,290,796	495,454,239	14,569,814	613,074,191	1,123,098,244
Amounts written off/charged Off			(101,863,597)	(101,863,597)	-	-	(960,151,697)	(960,151,697)
Changes in risk parameters	-	-	-	-	-	-	-	-
Closing balance	116,520,995	9,105,714	263,224,927	388,851,636	396,657,058	16,442,000	- 40,233,982	372,865,076

8.2 Credit loss allowance details

Outstanding gross exposure

	2025				2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Performing - Stage 1	4,438,604,166	-	-	4,438,604,166	3,786,579,092	-	-	3,786,579,092
Under Performing - Stage 2								
Other assets especially mentioned	-	78,126,505	-	78,126,505	-	134,046,271	-	134,046,271
Non- Performing - Stage 3								
Substandard	-	-	202,689,027	202,689,027	-	-	195,323,060	195,323,060
Doubtful	-	-	217,379,937	217,379,937	-	-	251,954,910	251,954,910
Loss	-	-	150,777,958	150,777,958	-	-	104,569,603	104,569,603
	-	-	570,846,922	570,846,922	-	-	551,847,573	551,847,573
	4,438,604,166	78,126,505	570,846,922	5,087,577,593	3,786,579,092	134,046,271	551,847,573	4,472,472,936
Corresponding credit loss allowance								
Stage 1	116,520,995	-	-	116,520,995	99,373,639	-	-	99,373,639.0
Stage 2	-	9,105,714	-	9,105,714	-	16,442,000	-	16,442,000.0
Stage 3	-	-	263,224,927	263,224,927	-	-	257,049,437	257,049,437.0
Specific	-	-	-	-	-	-	-	-
General	-	-	-	-	-	-	-	-
	116,520,995	9,105,714	263,224,927	388,851,636	99,373,639	16,442,000	257,049,437	372,865,076

8.3 Particulars of write offs

	March 31, 2025 (Un-audited)	December 31, 2024 (Audited)
	Rupees	
Against provision	101,863,597	858,252,152
Directly charged to profit or loss account	-	101,899,545
	101,863,597	960,151,697

9 PROPERTY AND EQUIPMENT

	Note	March 31, 2025 (Un-audited)	December 31, 2024 (Audited)
		- - - - - - - - Rupees - - - - - - - -	
Capital work-in-progress		-	-
Property and equipment	9.1	182,730,102	185,176,015

9.1 Property and equipment

	2025 (Un-Audited)							
	Freehold land	Leasehold land	Building on freehold land	Building on leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total
	……… Rupees '000 ………							
At December 31, 2024								
Cost / Revalued amount	-	-	-	169,441,958	54,920,427	174,930,590	72,751,820	472,044,795
Accumulated depreciation	-	-	-	(88,596,154)	(34,322,390)	(120,492,437)	(43,457,799)	(286,868,780)
Net book value	-	-	-	80,845,804	20,598,037	54,438,153	29,294,021	185,176,015
Quarter ended March 31, 2025								
Opening net book value	-	-	-	80,845,804	20,598,037	54,438,153	29,294,021	185,176,015
Additions	-	-	-	7,731,649	1,170,355	5,396,360	-	14,048,464
Movement in surplus on assets revalued during the year	-	-	-	-	-	-	-	-
Acquisitions through business combinations	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Profit and loss account - net	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Depreciation charge	-	-	-	(7,481,329)	(1,675,236)	(5,527,083)	(1,810,729)	(16,494,377)
Exchange rate adjustments	-	-	-	-	-	-	-	-
Other adjustments / transfers	-	-	-	-	-	-	-	-
Closing net book value	-	-	-	81,096,124	20,093,156	54,307,430	27,483,292	182,730,102
								-
At December 31, 2024								
Cost / Revalued amount	-	-	-	177,173,607	56,090,782	180,326,950	72,751,820	486,093,259
Accumulated depreciation	-	-	-	(96,077,483)	(35,997,626)	(126,019,520)	(45,268,528)	(303,363,157)
Net book value	-	-	-	273,251,090	92,088,408	306,346,470	118,020,348	789,456,416
Rate of depreciation (percentage)	**-**	**-**	**-**	**20%**	**20%**	**20%**	**33%**	

	2024 (Audited)							
	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 '000							
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
Year ended December 2024								
Opening net book value	-	-	-	66,171,971	18,065,954	40,028,000	25,755,973	150,021,898
	-	-	-	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	72,751,820	472,044,795
Accumulated depreciation	-	-	-	(88,596,154)	(34,322,390)	(120,492,437)	(43,457,799)	(286,868,780)
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%	

	Note	March 31 2025	December 31, 2024
		- - - - - - - - Rupees	- - - - - - - -

10 RIGHT-OF-USE ASSETS

Opening balance at January 1			
Cost		373,055,517	335,981,347
Accumulated Depreciation		(161,034,725)	(112,935,266)
Net Carrying amount at January 1		212,020,792	223,046,081
Additions during the period		25,236,027	37,074,170
Deletions during the period		-	-
Amortisation Charge for the period		(13,322,523)	(48,099,459)
Reassessment during the period		-	-
Closing balance as at		223,934,296	212,020,792

		March 31 2025 (Un-audited)	December 31, 2024 (Audited)

11 INTANGIBLE ASSETS

Cost		107,667,109	102,871,474
Accumulated amortization and impairment		(65,660,343)	(60,162,337)
Net book value	11.1	42,006,766	42,709,137

11.1 Opening net book value		42,709,137	14,664,791
Additions:			
- developed internally		-	-
- directly purchased		4,795,637	42,276,263
- through business combinations		-	-
		4,795,637	42,276,263
Impairment loss recognized in the profit and loss - net		-	-
Disposals		-	-
Amortization charge		(5,498,007)	(14,151,891)
Exchange rate adjustments		-	-
Other adjustments			80,026
Closing net book value		42,006,767	42,709,137
Computer software		42,006,767	14,664,791

11.2 Additions to intangible assets

The following additions have been made to intangible assets during the period:		-	-
Directly purchased		4,795,637	42,276,263
		4,795,637	42,276,263

11.3 Disposals of intangible assets

The net book value of intangible assets disposed off during the period is as follows:	-	-
Directly purchased	-	-

12 OTHER ASSETS

Income / Mark-up accrued in local currency - net of credit loss allowance	180,122,411	117,659,025
Advances, deposits, advance rent and other prepayments	92,798,875	64,692,839
Advance taxation / refundable taxes	92,016,433	80,030,938
Others	8,782,683	5,867,866
	373,720,402	268,250,668
Less: Credit loss allowance held against other	-	-
	373,720,402	268,250,668

13 DEFERRED TAX ASSETS

	March 31 2025 (Un-audited)	December 31, 2024 (Audited)
	- - - - - - - - Rupees	- - - - - - - -
Deductible temporary differences on		
- Tax losses carried forward	162,791,514	162,791,514
- Current Tax Loss	64,674,765	64,674,765
- Post retirement employee benefits	11,088,687	11,088,687
- Accelerated tax depreciation against operating fixed	6,354,955	6,354,955
- Credit loss allowance against advances	108,130,872	108,130,872
- Credit loss allowance against investments	3,242,531	3,242,531
- Investments	10,213,964	10,213,964
- Minimum tax under section 113	28,181,391	28,181,391
- lease obligation	74,221,010	74,221,010
	468,899,689	468,899,689
- Surplus on revaluation of investments	-	-
- Accelerated tax depreciation against right-of-use assets	-	-
	59,872,798	59,872,798
	59,872,798	59,872,798
	409,026,891	409,026,891

		Note	March 31 2025 (Un-audited)	December 31, 2024 (Audited)
			-------- Rupees --------	
14	**BORROWINGS**			
	Unsecured			
	Borrowing from State Bank of Pakistan	14.1	-	-

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

		Note	March 31 2025 (Un-audited)	December 31, 2024 (Audited)
			-------- Rupees --------	
15	**DEPOSITS AND OTHER ACCOUNTS**			
	Customers			
	Current deposits		37,373,542	27,228,695
	Savings deposits		125,785,522	66,200,445
	Term deposits	16.1	6,981,417,278	5,341,282,625
			7,144,576,342	5,434,711,765
	Financial Institutions		-	-
			7,144,576,342	5,434,711,765
15.1	**Composition of Term Deposits**			
	- Individuals		3,315,392,380	2,964,903,571
	- Government (Federal and Provincial)		-	-
	- Public sector entities		-	-
	- Banking companies		-	-
	- Non-banking financial institutions		325,000,000	390,000,000
	- Private sector		3,341,024,898	1,986,379,054
			6,981,417,278	5,341,282,625
16	**LEASE LIABILITIES**			
	Balance as at January 1		255,934,517	251,940,707
	Additions during the period		21,001,909	27,940,386
	Interest expense		11,259,217	44,910,102
	Payment		(17,241,150)	(68,856,678)
	Balance as at		270,954,493	255,934,517

16.1 Contractual maturity of lease liabilities

Short-term lease liabilities - within one year	48,064,042	64,175,080
Long-term lease liabilities		
- 1 to 5 years	165,569,552	165,569,552
- 5 to 10 years	57,320,899	26,189,885
- More than 10 years	-	-
Total lease liabilities	270,954,493	255,934,517

	Note	March 31 2025 (Un-audited)	December 31, 2024 (Audited)
		- - - - - - - - Rupees	- - - - - - - -
17 OTHER LIABILITIES			
Mark-up / Return / Interest payable in local currency		121,668,683	129,823,234
Accrued expenses		52,728,569	77,532,264
Payable against IT services	17.1	341,338,144	341,539,772
Payable to defined benefit plan		41,236,853	38,236,853
Advance from customer		-	-
Withholding taxes payable		41,683,721	33,266,261
Provision for compensated absences		28,901,016	27,901,016
Sales taxes		1,187,882	2,256,446
Provision for leave fare assistance		14,749	283,416
Zakat Payable		- 22,700	- 22,700
Payable to Customer		293,017	937,347
Security Deposit		800	800
		629,030,734	651,754,709

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

18 SHARE CAPITAL

Authorized capital

March 31 2025	December 31, 2024		March 31 2025	December 31, 2024
- - - 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

2025	2024		2025	2024
- - - 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

	March 31 2025 (Un-audited)	December 31, 2024 (Audited)
	- - - - - - - - Rupees - - - - - - - -	

19 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

	March 31 2025 (Un-audited)	December 31, 2024 (Audited)
Surplus / (deficit) on revaluation of		
- FVOCI - Reserve	897,633	897,633
Deferred tax on surplus / (deficit) on revaluation of:		
- FVOCI - Reserve	-	-
	897,633	897,633

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).

	March 31 2025 (Un-audited)	December 31, 2024 (Audited)
	- - - - - - - - Rupees - - - - - - - -	

21 MARK-UP RETURN / INTEREST EARNED

	March 31 2025 (Un-audited)	December 31, 2024 (Audited)
Interest / mark-up on:		
Loans and advances	527,279,608	420,609,018
Investments	25,052,839	23,330,388
Balances with other banks	57,424,096	48,007,210
	609,756,543	491,946,616

21.1 Interest income (calculated using effective interest rate method) recognized on:

Financial assets measured at amortized cost	664,369	-

22 MARK-UP / RETURN / INTEREST EXPENSED

Deposits	299,096,889	57,233,950
Mark up on borrowing	4,413,592	108,008,140
Lease liabilities	12,149,069	11,259,217
	315,659,550	176,501,307

22.1 Interest expense calculated using effective interest rate method

Finance cost on borrowings from SBP	4,413,592	108,008,140

	Note	2025 (Un-audited)	2024 (Audited)
		- - - - - - - - Rupees - - - - - - - -	

23 FEE AND COMMISSION INCOME

Fee and commission income	27,047,511	36,954,768
Overdue interest	9,448,331	19,765,584
Miscellaneous Income	-	-
	36,495,842	56,720,352

24 OTHER INCOME

Gain on disposal of fixed assets	-	-
Moratorium income	3,921,504	4,373,492
Miscellaneous Income	78,952	1,451,172
	4,000,456	5,824,664

25 OPERATING EXPENSES

	Note	2025 (Un-audited)	2024 (Audited)
		- - - - - - - - Rupees	- - - - - - - -
Total compensation expense	25.1	280,040,487	253,905,570
Property expense			
Rent, rates and taxes		15,487,386	13,905,267
Repairs and maintenance		3,486,270	2,827,488
Insurance		11,729,242	12,217,071
Depreciation on property and equipment		16,494,377	14,268,506
Depreciation on right-of-use assets		13,322,523	10,439,837
		60,519,798	53,658,169
Information technology expenses			
IT supplies and software		27,408,309	9,640,436
Fusion expenses		20,957,132	17,692,314
Amortisation of intangible assets		5,498,007	2,526,183
		53,863,448	29,858,933
Other operating expenses			
Travel and transportation		7,676,142	6,160,563
Stationery and printing		3,461,565	6,185,854
Training		111,164	1,859,181
Legal and professional charges		3,074,019	3,075,424
Utilities		9,481,108	7,939,009
Communications		19,221,996	15,515,205
Vehicle running		661,573	409,525
Office supplies		2,604,214	3,841,456
Fees and subscription		5,839,401	3,804,312
Advertisement and business promotions		22,485,954	3,834,260
Bank charges		2,510,655	750,000
Security expense		28,908,709	9,797,458
Kitchen expenses		2,429,351	2,081,643
Entertainment expenses		3,199,953	1,685,575
Archiving		582,512	1,411,158
Fuel Expenses		4,317,324	1,431,716
Staff Loan Impairement IFRS-9		-	-
Auditors' remuneration	25.2	1,269,438	381,900
Other expenses		1,912,756	1,258,380
		119,747,834	71,422,619
		514,171,567	408,845,291

25.1 Total compensation expense

		2025	2024
Salaries, allowances etc.		262,407,026	231,662,262
Bonus to employees		7,000,000	14,500,000
Contribution to defined contribution plan		7,097,061	4,736,321
Charge for defined benefit plan		3,000,000	3,000,000
Charge for leave fare assistance		49,056	2,687
Non-executive directors' allowances and other expenses		348,732	-
Medical staff		138,612	4,300
		280,040,487	253,905,570

25.2 Auditors' remuneration

Audit services		
Audit fee	1,027,500	296,700
Out of pocket expenses	241,938	85,200
	1,269,438	381,900

26 OTHER CHARGES

Penalties imposed by State Bank of Pakistan	-	-

	2025 (Un-audited)	2024 (Audited)
	-------- Rupees --------	
27 CREDIT LOSS ALLOWANCE AND WRITE OFFS - NET		
Credit loss allowance against loans & advances	120,304,937	261,596,775
Bad debts written off directly	-	-
Recovery of written off / charged off bad debts	(49,785,226)	(31,930,301)
	70,519,711	229,666,474

28 LEVIES

Minimum tax differential	-	-

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.

	March 31, 2025 (Un-audited)	December 31, 2024 (Audited)
	-------- Rupees --------	
29 TAXATION		
For the year		
- current	-	-
- deferred	-	-
	-	-
For prior year		
- current	-	-
- deferred	-	-
	-	-
	-	-

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.

		March 31, 2025 (Un-audited)	December 31, 2024 (Audited)
30	**LOSS PER SHARE - BASIC AND DILUTED**		
	Loss after taxation (Rupees)	(250,097,987)	(260,521,440)
	Weighted average number of ordinary shares (Numbers)	230,830,000	230,830,000
	Earnings per share - basic and diluted (Rupees)	(1.08)	(1.13)
31	**CASH AND CASH EQUIVALENTS**		
	Cash and balances with treasury banks	584,705,821	460,010,780
	Balances with other banks	2,076,919,831	1,673,311,932
		2,661,625,652	2,133,322,712

		March 31, 2025	December 31, 2024
		----- Number -----	
32	**STAFF STRENGTH**		
	Permanent	910	907
	On bank contract	141	169
	Others (please specify)		-
	Bank's own staff strength at the end of the year	1,051	1,076

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.

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:

	2025			
	Level 1	Level 2	Level 3	Total
	- - - - - - - - - - - Rupees - - - - - - - - - - -			
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investmnents				
- Non-Government debt securities	12,001,658	-	-	12,001,658
	12,001,658	-	-	12,001,658
Financial assets - disclosed but not measured at fair value				
Investmnents				
- Federal Government Securities	-	670,576,806	-	670,576,806
- Non-Government debt securities	-	100,000,000	-	100,000,000
	-	770,576,806	-	770,576,806
Off-balance sheet financial instruments - measured at fair value	-	-	-	-
	12,001,658	770,576,806	-	782,578,464

	2024			
	Level 1	Level 2	Level 3	Total
	- - - - - - - - - - - Rupees - - - - - - - - - - -			
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investmnents				
- 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

35 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 transacitons with related paties 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 transacitons with related parties during the period, other than those which have been disclosed elsewhere in these financial statements are as follows:

	2025 (Un-Audited)							2024 (Audited)						
	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	-	-	17,187,052	-	-	-	-	-	-	56,854,569	-	-	-	-
Addition during the period / year	-	-	13,510,750	-	-	-	-	-	-	13,510,750	-	-	-	-
Repaid during the period / year	-	-	(53,178,267)	-	-	-	-	-	-	(53,178,267)	-	-	-	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	(22,480,465)	-	-	-	-	-	-	17,187,052	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities														
Payable to staff retirement fund	-	-	-	-	-	-	41,236,853	-	-	-	-	-	-	38,236,853
Payable against IT services														
- LOLC technology services limited	-	-	-	-	-	-	341,338,144	-	-	-	-	-	-	341,539,772
	-	-	-	-	-	-	382,574,997	-	-	-	-	-	-	379,776,625
Contingencies and commitments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transactions with related parties														
Income														
Markup income	-	-	-	-	-	-	-	-	-	830,711	-	-	-	-
Expense														
Remuneration to key management personnel	-	-	6,175,908	-	-	-	-	-	-	74,110,890	-	-	-	-
Non-executive director's fee / remuneration	-	500,000	706,667	-	-	-	-	-	500,000	8,480,000	-	-	-	-
Charge for defined contribution plan	-	-	-	-	-	-	7,097,061	-	-	-	-	-	-	22,223,331
Charge for defined benefit plan	-	-	-	-	-	-	3,000,000	-	-	-	-	-	-	16,976,818
System Maintenance (Fusion charges)	-	-	-	-	-	-	20,957,132	-	-	-	-	-	-	76,630,057
	-	500,000	6,882,575	-	-	-	31,054,193	-	500,000	82,590,890	-	-	-	115,830,206

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

36 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.

36.1 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.

36.1.1 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.

36.1.2 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.

36.1.3 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.

36.1.4 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).

36.2 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.

36.3 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.

37 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	March 31, 2025 (Un-audited)	December 31, 2024 (Audited)
	- - - - - - - - Rupees	- - - - - - - -
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	1,179,589,738	1,429,687,725

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.

	March 31, 2025 (Un-audited)	December 31, 2024 (Audited)
	- - - - - - - - Rupees	- - - - - - - -
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	990,260,426	1,264,844,500
	-	-
Total Eligible Tier 1 Capital	990,260,426	1,264,844,500
Eligible Tier 2 Capital	32,960,929	32,960,929
Total Eligible Capital (Tier 1 + Tier 2)	1,023,221,355	1,297,805,429
Risk Weighted Assets (RWAs):	4,685,000,000	4,488,704,461
Common Equity Tier 1 Capital Adequacy Ratio	21.14%	28.18%
Tier 1 Capital Adequacy Ratio	21.14%	28.18%
Total Capital Adequacy Ratio	21.84%	28.91%

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.

	March 31, 2025 (Un-audited)	December 31, 2024 (Audited)
	- - - - - - Number - - - - - -	
38 NUMBER OF BRANCHES		
Branches at the beginning of the year	63	62
Opened during the year	-	1
Transfer from Service Centers	24	-
Closed during the year	-	-
Branches at the end of the year	87	63

The Bank had 24 service centers (2024: 24) in operation along with branches.

39. GENERAL

Comparative information has been reclassified, rearranged or additionally incorporated in these financial statements for the purposes of better presentation.

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.

40. DATE OF AUTHORISATION

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

President	Chief Financial Officer	Director	Director	Director