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INDEPENDENT AUDITOR'S REPORT TO
To the members of ABHI Microfinance Bank Limited (Formerly FINCA)
Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **ABHI Microfinance Bank Limited** (Formerly FINCA Microfinance Bank Limited) ("the Bank"), which comprise the balance sheet as at December 31, 2022, and the profit and loss account, the statement of comprehensive income, the statement of changes in equity, the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the balance sheet, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Microfinance Institution Ordinance, 2001, the Companies Act, 2017(XIX of 2017) and the directives issued by the State Bank of Pakistan in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at December 31, 2022 and of the loss, the comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1.1 to the financial statements, which discloses that the Bank incurred a net loss of Rs. 2,923.8 million for the year ended December 31, 2022 and that its Capital Adequacy Ratio has been breached. As stated therein, these events and conditions, along with other matters described therein, indicate the existence of a material uncertainty that may cast significant doubt on the Bank's ability to continue as a going concern. Our opinion, however, is not modified in respect of this matter.

Emphasis of Matter paragraph

We draw attention to Note 13.2 to the financial statements which states that the deferred tax asset of Rs. 3,175.71 million has been recognized in the financial statements on the basis of financial projections of six years approved by the board of directors of the Bank. The preparation of financial projections involves management assumptions regarding future taxable profits. A significant change in such assumptions may have impact on recoverability of the deferred tax asset. Our opinion is not modified in respect of this matter.

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Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan, the requirements of the Microfinance Institution Ordinance, 2001, the Companies Act, 2017 (XIX of 2017) and the directives issued by the State Bank of Pakistan and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to Influence the economic decisions of users taken on the basis of this financial statement.

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

b) the balance sheet, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes thereon have been drawn up in conformity with the Microfinance Institution Ordinance, 2001, the Companies Act, 2017(XIX of 2017) and the directives issued by the State Bank of Pakistan and are in agreement with the books of account and returns;

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

d) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Other Matter

The financial statements of the Bank for the year ended December 31, 2021 was audited by another auditor, KPMG Taseer Hadi & Co. Chartered Accountants, who expressed an unmodified opinion on these financial statements.

The engagement partner on the audit resulting in this independent auditor's report is **Shah Naveed Saeed**.

Naveed Zafar Ashfaq Jaffery & Co.

Place: Islamabad
Date: 23/10/2025
UDIN: AR202210596xKJuBmOAe

Naveed Zafar Ashfaq Jaffery & Co.
Chartered Accountants

ABHI MICROFINANCE BANK LIMITED (formerly FINCA MICROFINANCE BANK)
FINANCIAL POSITION
AS AT December 31, 2022

	Note	2022 Rupees	2021 Rupees
Assets			
Cash and balances with SBP and NBP	7	**1,960,777,194**	1,702,585,689
Balances with other banks / NBFIs / MFBs	8	**147,178,213**	278,598,549
Investments	9	**7,461,699,210**	10,229,997,480
Advances - net of provisions	10	**16,353,759,067**	18,827,193,888
Operating fixed assets	11	**1,616,031,122**	1,966,209,373
Other assets	12	**1,688,669,181**	3,033,007,520
Deferred tax assets	13	**3,175,716,231**	1,014,865,800
Total assets		**32,403,830,218**	37,052,458,299
Liabilities			
Deposits and other accounts	14	**24,476,984,617**	25,419,127,446
Borrowings	15	**3,795,878,780**	4,381,378,885
Subordinated debt	16	**800,000,000**	800,000,000
Other liabilities	17	**2,810,943,001**	2,714,340,019
Total liabilities		**31,883,806,398**	33,314,846,350
Net assets		**520,023,820**	3,737,611,949
Represented by:			
Share capital	18	**6,348,887,110**	6,348,887,110
Discount on issue of shares		**(4,089,040,293)**	(4,089,040,293)
Statutory reserve		**868,881,433**	868,881,433
Depositors' protection fund		**320,859,941**	286,448,527
Unappropriated (loss) / profit		**(2,923,816,707)**	334,322,112
		525,771,484	3,749,498,889
Deficit on revaluation of assets - net of tax	19	**(5,747,664)**	(11,886,940)
Total capital		**520,023,820**	3,737,611,949
Memorandum / off-balance sheet items	20		

The annexed notes from 1 to 45 form an integral part of these financial statements.

Chief Executive Officer **Chairman** **Director** **Director**

ABHI MICROFINANCE BANK LIMITED (formerly FINCA MICROFINANCE BANK)
PROFIT OR LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2022

	Note	2022 Rupees	2021 Rupees
Mark-up / return / interest earned	21	**4,824,428,832**	5,156,247,103
Mark-up / return / interest expensed	22	**(3,415,357,909)**	(2,623,080,542)
Net mark-up / interest income		**1,409,070,923**	2,533,166,561
Provision against non-performing advances	10.5	**(3,717,709,633)**	(2,170,226,490)
Bad debts written off directly	10.5.1	**(8,472,838)**	(22,531,552)
		(3,726,182,471)	(2,192,758,042)
Net mark-up / interest (expense) / income after provisions		**(2,317,111,548)**	340,408,519
Non mark-up / non interest income			
Fee, commission and brokerage income	23	**583,830,185**	572,070,672
Other income	24	**415,861,762**	352,075,784
Total non mark-up / non interest income		**999,691,947**	924,146,456
		(1,317,419,601)	1,264,554,975
Non mark-up / non interest expenses			
Administrative expenses	25	**(3,968,954,772)**	(3,554,558,476)
Other charges	26	**(57,494,728)**	(52,228,069)
Total non mark-up / non interest expenses		**(4,026,449,500)**	(3,606,786,545)
Loss before taxation		**(5,343,869,101)**	(2,342,231,570)
Taxation - Current year		**(67,603,237)**	(76,004,919)
- Prior years		**(8,685,210)**	900,461
- Deferred		**2,162,968,881**	894,812,713
	27	**2,086,680,434**	819,708,255
Loss after taxation		**(3,257,188,667)**	(1,522,523,315)
Unappropriated profit brought forward		**334,322,112**	1,848,106,312
Add: Other comprehensive (loss) / income		**(950,152)**	8,739,115
(Loss) / profit available for appropriation		**(2,923,816,707)**	334,322,112
Appropriations:			
Transfer to:			
Statutory reserve		-	-
Capital reserve		-	-
Dividend		-	-
Contribution to depositors' protection fund		-	-
Revenue reserve		-	-
		-	-
Unappropriated (loss) / profit carried forward		**(2,923,816,707)**	334,322,112
Loss per share	31	**(5.13)**	(2.40)

The annexed notes from 1 to 45 form an integral part of these financial statements.

Chief Executive Officer **Chairman** **Director** **Director**

ABHI MICROFINANCE BANK LIMITED (formerly FINCA MICROFINANCE BANK)
STATEMENT OF COMPREHENSIVE INCOMER
FOR THE YEAR ENDED DECEMBER 31, 2022

	2022 Rupees	2021 Rupees
Loss after taxation	**(3,257,188,667)**	(1,522,523,315)
Other comprehensive loss for the period		
Components of comprehensive income for the year transferred to equity:		
Items that will not be reclassified subsequently to profit and loss account		
Remeasurement of post retirement defined benefit obligation	**(1,557,626)**	13,444,792
Related tax impact	**607,474**	(4,705,677)
	(950,152)	8,739,115
	(3,258,138,819)	(1,513,784,200)
Components of comprehensive income for the year not transferred to equity:		
Items that may be reclassified subsequently to profit and loss account		
Net change in fair value of 'available-for-sale' securities	**8,865,200**	(18,287,600)
Related tax impact	**(2,725,924)**	6,400,660
	6,139,276	(11,886,940)
Total comprehensive loss for the year	**(3,251,999,543)**	(1,525,671,140)

The annexed notes from 1 to 45 form an integral part of these financial statements.

Chief Executive Officer **Chairman** **Director** **Director**

ABHI MICROFINANCE BANK LIMITED (formerly FINCA MICROFINANCE BANK)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2022

		Capital reserves			Revenue reserves	
	Share capital	Discount on issue of shares	Statutory reserve	Depositors' protection fund	Unappropriated profit	Total
			Rupees			
Balance as at 31 December 2020	6,348,887,110	(4,089,040,293)	868,881,433	266,156,280	1,848,106,312	5,242,990,842
Loss for the year	-	-	-	-	(1,522,523,315)	(1,522,523,315)
Other comprehensive income	-	-	-	-	8,739,115	8,739,115
Total comprehensive loss for the period	-	-	-	-	(1,513,784,200)	(1,513,784,200)
Return on depositors' protection fund's investments	-	-	-	20,292,247	-	20,292,247
Balance as at 31 December 2021	6,348,887,110	(4,089,040,293)	868,881,433	286,448,527	334,322,112	3,749,498,889
Loss for the year	-	-	-	-	(3,257,188,667)	(3,257,188,667)
Other comprehensive loss	-	-	-	-	(950,152)	(950,152)
Total comprehensive loss for the period	-	-	-	-	(3,258,138,819)	(3,258,138,819)
Return on depositors' protection fund's investments	-	-	-	34,411,414	-	34,411,414
Balance as at 31 December 2022	6,348,887,110	(4,089,040,293)	868,881,433	320,859,941	(2,923,816,707)	525,771,484

The annexed notes from 1 to 45 form an integral part of these financial statements.

Chief Executive Officer **Chairman** **Director** **Director**

ABHI MICROFINANCE BANK LIMITED (formerly FINCA MICROFINANCE BANK)
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2022

	Note	2022 Rupees	2021 Rupees
Cash flow from operating activities			
Loss before taxation		**(5,343,869,101)**	(2,342,231,570)
Adjustments for non-cash charges:			
Depreciation on property and equipment		**184,672,366**	213,910,371
Depreciation on right of use assets		**235,821,238**	234,143,934
Amortization on intangible assets		**63,606,788**	66,094,350
Notional interest on lease liability		**127,078,169**	145,383,922
Provision against non-performing advances		**3,717,709,633**	2,170,226,490
Operating fixed assets written off		**-**	8,769,678
Markup earned on investments in government securities		**(1,023,072,606)**	(606,518,488)
(Gain) / loss on disposal of operating fixed assets		**(505,499)**	788,649
Loss on disposal of government securities		**20,785,133**	286,156
Amortization of deferred grant		**-**	(300,000)
Gain on termination of lease		**-**	(16,509,812)
Liabilities written back		**(20,000,000)**	-
Provision for gratuity		**83,529,538**	81,704,068
		3,389,624,760	2,297,979,318
		(1,954,244,341)	(44,252,252)
Decrease / (increase) in operating assets:			
Net investments in held for trading securities		**(4,188,993)**	(340,937,651)
Advances		**(1,244,274,812)**	248,688,478
Others assets		**1,332,761,300**	2,268,770,109
		84,297,495	2,176,520,936
(Decrease) / increase in operating liabilities:			
Bills payable		**41,909,111**	18,930,219
Borrowings from financial institutions		**(585,500,105)**	(329,125,001)
Deposits		**(942,142,829)**	(663,633,599)
Other liabilities(excluding current tax, lease liabilities, bills payables and provision for gratuity)		**258,183,819**	(48,214,256)
		(1,227,550,004)	(1,022,042,637)
		(3,097,496,850)	1,110,226,047
Gratuity paid		**(76,571,339)**	(55,598,583)
Income tax paid		**(64,711,408)**	(272,321,061)
Net cash (used in) / generated from operating activities		**(3,238,779,597)**	782,306,403
Cash flow from investing activities			
Net investments in available for sale securities		**3,818,051,350**	(2,832,135,050)
Purchase of operating fixed assets		**(125,333,862)**	(75,137,836)
Sale proceeds of operating fixed assets disposed off		**2,013,141**	20,029,645
Net cash generated from / (used in) investing activities		**3,694,730,629**	(2,887,243,241)
Cash flow from financing activities			
Payment of lease liabilities		**(329,179,863)**	(335,057,384)
Net cash used in financing activities		**(329,179,863)**	(335,057,384)
Increase / (decrease) in cash and cash equivalents		**126,771,169**	(2,439,994,222)
Cash and cash equivalents at beginning of the period		**1,981,184,238**	4,421,178,460
Cash and cash equivalents at end of the period	**33**	**2,107,955,407**	1,981,184,238
			1,981,184,238

The annexed notes from 1 to 45 form an integral part of these financial statements.

Chief Executive Officer **Chairman** **Director** **Director**

1 Status and nature of business

ABHI Microfinance Bank Limited (formerly FINCA Microfinance Bank Limited), ("the Bank") was incorporated on 26 June 2008 as a public limited company (unquoted). The Bank obtained the Microfinance banking license from the State Bank of Pakistan ("SBP") on 12 August 2008 under the provisions of Microfinance Institutions Ordinance, 2001 and certificate of commencement of business on 04 September 2008 from Securities and Exchange Commission of Pakistan. The Bank received the certificate of commencement of business from SBP on 27 October 2008.

The Bank's principal business is to provide microfinance services to the poor and under-served segments of the society as envisaged under the Microfinance Institutions Ordinance, 2001. The registered office of the Bank is situated at Building-36 Sector-XX Commercial Zone, Phase III, Khayaban-e-Iqbal, DHA, Lahore, Pakistan. Subsequent to takeover by FINCA International the Bank has changed its name from Kashf Microfinance Bank Limited to FINCA Microfinance Bank Limited with effect from 25 November 2013.

The Bank is licensed to operate nationwide. As at 31 December 2022, the Bank has 130 branches (2021: 130 branches) operating in the provinces of Punjab, Khyber Pakhtunkhwa, Balouchistan, Sindh, Gilgit Baltistan and Azad Jammu & Kashmir.

The credit rating company JCR-VIS assigned the long term entity rating of the Bank at 'A-' and short term rating at 'A-2' on 16 December 2022.

The holding company of the Bank is FINCA Microfinance Cooperatief U.A.,(a cooperative with exclusion of liability incorporated in the Netherlands). The ultimate holding company of the Bank is FINCA Impact Finance, a not-for-profit corporation incorporated in Washington DC, USA.

1.1 Going concern assumption

For the year ended December 31, 2022, the Bank incurred loss amounting to PKR. 3,257 million. The unappropriated loss as of 31st December 2022 amounted to PKR. 2,923 million and shortfall to maintain minimum capital requireemnt is Rs. 5.2 billion). During the year 2022, the net cash outflow from the operating activities of the Bank amounted to PKR. 3,239 million due to which the cash and cash equivalents of the Bank stands at PKR. 2,108 million as of 31st December 2022. However, considering the financial position, the Bank has managed to maintain higher liquidity at 39.1 % as of 31st December 2022 being more than the required liquidity level of 15%.

The reason behind worsened financial position of the Bank is primarily due to the COVID-19 effected loans maturities that impacted in substantial increase in write-offs, provisions against non-performing advances along with reduction in markup income impacting the bottom line as forecasted and the inability to grow higher yielding unsecured fresh loans due to lack of capital. Moreover, economy of Pakistan has been severely impacted by the rising inflation, an unprecedented devaluation of the Pakistan Rupee, the devastating floods, balance of payment issues and political uncertainty in the country. These conditions have reduced the repayment capacity of borrowers, even those with a good credit history. To mitigate credit risk, the Bank has focused more on increasing its portfolio of secured loans.

Notwithstanding the above, the Management and Board of Directors are of the view that to prepare the financial statements on a going concern basis requires consideration of the following initiatives:

- The State Bank of Pakistan (SBP) approved the reciprocal due diligence (DD) for proposed merger vide letter dated 25th January 2023 to be completed within six (06) months.

- The capital restoration plan being part of merger proposal to bring the CAR at minimum over a period of three year.

The Bank has suffered a loss after tax of Rs. 3.257 billion in 2022, loss after tax Rs. 1.689 billion for 2023 and loss after tax of Rs. 1.073 billion for 2024 respectively as per unaudited accounts. The current assets exceed current liabilities with Rs. 502 million only, after providing a deferred tax asset of Rs. 3.175 billion. The State Bank of Pakistan vide its letter dated November 14, 2022 has shown serious concern that despite the commitment, the bank has not arranged the required capital by the committed timeline and a substantial decrease in Capital Adequacy Ratio (CAR) from 15.26% as on December 31, 2021 to negative 22.58% on December 31, 2022. These events and conditions indicate the existence of a material uncertainty that may cast significant doubt on the Bank's ability to continue as a going concern. However, due to subsequent developments and the following mitigating factors, the management has prepared the financial statements for the year ended December 31, 2022 on going concern basis.

i) The bank has been taken over by another group and the top management of the bank has been changed with effect from January 01, 2025 and it has changed its overall product strategy where the Bank loans are now mostly backed by gold as security.

ii) Additional capital of Rs. 2.6 billion has been injected into the Bank in the January 2025 and a further capital of Rs. 2.0 billion in expected to be received in September 2025.

iii) The bank has closed 18 non-productive branches during the year ended December 31, 2023.

iv) State bank of Pakistan has relaxed certain instructions on lending of advances imposed under memorandum in 2021.

v) KIBOR rates are substantially reduced in subsequent periods.

vi) Revenue of the Bank has substantially increased in the subsequent years.

vii) With the changed policy and strategy, the Bank has started earning profit and there has been a profit of Rs. 328 million before tax based on the half yearly unaudited accounts for the six months period ended June 30, 2025.

2 Basis of presentation

These financial statements have been presented in accordance with the requirements of SBP Banking Supervision Department (BSD) Circular No. 11 dated 30 December 2003 and fifth schedule to the Companies Act, 2017.

These financial statements comprise of the balance sheet of the Bank as at 31 December 2022 and the related profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereof for the year ended 31 December 2022.

3 Basis of measurement

These financial statements have been prepared under the historical cost convention except for the following which are stated at fair values / present values:

- Investments in government securities;
- Right of use assets and corresponding lease liabilities; and
- Payable to defined benefit plan.

These financial statements are presented in Pakistani Rupees ("Rs.") which is the Bank's functional currency. All amounts have been rounded to the nearest Rupee, unless otherwise indicated.

4 Statement of compliance

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

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

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

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

Where the requirements of the Microfinance Institution Ordinance, 2001, the Companies Act, 2017 or the directives issued by the SBP and SECP differ with the requirements of IFRS, the requirements of the Microfinance Ordinance, 2001, the Companies Act, 2017 and the said directives shall prevail.

During the year, the Companies Act, 2017 was enacted on May 30, 2017 and came into force at once.

4.2 The SBP, vide BSD Circular Letter No. 10, dated 26 August 2002 has deferred the applicability of International Accounting Standard 39 'Financial Instruments: Recognition and Measurement' (IAS 39) and International Accounting Standard 40 'Investment Property' (IAS 40) for banking companies till further instructions. Further, according to a notification of Securities and Exchange Commission of Pakistan (SECP) dated 28 April 2008, International Financial Reporting Standard 7 'Financial Instruments Disclosure' (IFRS 7), has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and disclosed in accordance with the requirements prescribed by SBP through various circulars.

4.3 Standards, interpretations of and amendments to the published approved accounting standards that are effective in the current year

There are certain amendments and interpretations that are effective from 01 January 2022 however, these do not have any significant impact on the financial statements of the Bank.

4.4 Standards, interpretations of and amendments to the published approved accounting standards that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2023:

- Classification of liabilities as current or non-current (Amendments to IAS 1 in January 2020) apply retrospectively for the annual periods beginning on or after 01 January 2024 (as deferred vide amendments to IAS 1 in October 2022) with earlier application permitted.

These amendments in the standards have been added to further clarify when a liability is classified as current. Convertible debt may need to be reclassified as 'current'. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity's expectation and discretion at the reporting date to refinance or to reschedule payments on a long-term basis are no longer relevant for the classification of a liability as current or non-current. An entity shall apply those amendments retrospectively in accordance with IAS 8.

- Non-current Liabilities with Covenants (amendment to IAS 1 in October 2022) aims to improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with conditions. The amendment is also intended to address concerns about classifying such a liability as current or non-current. Only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the Company must comply after the reporting date (i.e. future covenants) do not affect a liability's classification at that date.

  However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date. The amendments apply retrospectively for annual reporting periods beginning on or after 01 January 2024, with earlier application permitted. These amendments also specify the transition requirements for companies that may have early-adopted the previously issued but not yet effective 2020 amendments to IAS 1 (as referred above).

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) - the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:

  - requiring companies to disclose their material accounting policies rather than their significant accounting policies;
  - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
  - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

  The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted.

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:

  - requiring companies to disclose their material accounting policies rather than their significant accounting policies;
  - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
  - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a Company's financial statements.

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy is closures. The amendments are effective for annual reporting periods beginning on or after 01 January 2023 with earlier application permitted.

- Definition of Accounting Estimates (Amendments to IAS 8) introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after 01 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the Company applies the amendments.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

  For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. The amendments are effective for annual reporting periods beginning on or after 01 January 2023 with earlier application permitted.

- Lease Liability in a Sale and Leaseback (amendment to IFRS 16 in September 2022) adds subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements to be accounted for as a sale. The amendment confirms that on initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction. After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognizes no gain or loss relating to the right of use it retains. A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. The amendments are effective for annual reporting periods beginning on or after 01 January 2024 with earlier application permitted.

  Under IAS 8, a seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of IFRS 16 and will need to identify and re-examine sale-and-leaseback transactions entered into since implementation of IFRS 16 in 2019, and potentially restate those that included variable lease payments. If an entity (a seller-lessee) applies the amendments arising from Lease Liability in a Sale and Leaseback for an earlier period, the entity shall disclose that fact.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) amend accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.

The above amendments are not likely to have an impact on the Bank's financial statements.

- Annual Improvements to IFRS Standards 2015–2017 Cycle 01 January 2019

4.4 New accounting standards / amendments and IFRS interpretations that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies

IFRIC 23	The interpretation requires the uncertainty over tax treatment be reflected in the
IFRS 9 'Financial	IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments:
IFRS 15 'Revenue	IFRS 15 establishes a comprehensive framework for determining whether, how
IFRS 16 'Leases'	IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4
Amendment to	The IASB has issued amendments aiming to resolve the difficulties that arise
Amendment to IAS	The amendment will affect companies that finance such entities with preference
Amendments to	The amendments clarify that on amendment, curtailment or settlement of a
Amendments to	The amendments are intended to make the definition of material in IAS 1 easier

The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts

5 Use of accounting estimates and judgements

The preparation of these financial statements is in conformity with the approved accounting standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions and judgements are based on historical experience and other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgements about carrying values of assets and liabilities that are readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision effects only that period, or in the period of revision and future periods if revision affects both current and future periods. The areas where various assumptions and estimates are significant to Bak's financial statements are as follows:

	Note
- Recoverability of deferred tax assets	6.6
- Staff retirement benefits	6.7

6 Significant accounting policies

The accounting policies adopted for the preparation of the financial statements are set out below. The accounting policies have been consistently applied to all the years presented.

6.1 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement represent cash in hand and balances held with treasury banks and balances held with other banks in current and deposit accounts with maturities of less than three months and are carried at cost.

6.2 Investments

The investments of the Bank, upon initial recognition, are classified as 'held for trading', 'held to maturity' or 'available for sale', as appropriate.

Investments (other than 'held for trading') are initially measured at cost, being the fair value of consideration paid. 'Held for trading' investments are initially measured at fair value and transaction costs are expensed out in the profit and loss account.

All purchases and sale of investments that require delivery within the time frame established by regulation or market convention are recognized at the trade date which is the date, the Bank commits to purchase or sale the investment.

Investments are classified as follows:

6.2.1 Held for trading

Securities acquired with the intention to be disposed off within 90 days trade by taking advantage of short-term market / interest rate movement are classified as 'held for trading' investments.

After initial measurement, these are measured at mark-to-market and surplus / deficit arising on revaluation of 'held for trading' investments is recognized in profit and loss account in accordance with the requirements prescribed by the SBP.

6.2.2 Held-to-maturity

Investments with fixed maturity, where management has both the intent and the ability to hold till maturity, are classified as 'held to maturity' and are initially measured at cost.

Subsequent to initial measurement, these are carried at amortized cost, less provision for impairment in value, if any, and amortized cost is calculated taking into account effective yield method. Profit on 'held to maturity' investments is recognized on a time proportion basis taking into account the effective yield on the investments.

Premium or discount on acquisition of 'held to maturity' investments is amortized through profit and loss account over the remaining period till maturity.

6.2.3 Available for sale

Investments that are intended to be held for an undefined period of time but may be sold in response to the need for liquidity or changes in interest rates are classified as 'available for sale'.

Investments classified as 'available for sale' are initially measured at cost, being the fair value of consideration paid. Subsequent to initial recognition at cost, these investments are measured at fair value.

The surplus / (deficit) arising on revaluation of available for sale investments is shown in the balance sheet below equity. The surplus / (deficit) arising on these investments is recognized in the profit and loss account, when actually realized upon disposal.

Provision for impairment in the value of securities is made after considering objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of these investments. A significant or prolonged decline in the value of security is also considered as an objective evidence of impairment. Provision for diminution in the value of debt securities is made as per the prudential regulations.

In the event of impairment of 'available for sale' securities, the cumulative loss that had been recognized directly in surplus on revaluation of securities on the balance sheet shown below equity is therefore adjusted and recognized in the profit and loss account.

6.3 Advances

These are stated net of provision for non-performing advances, (if any). The outstanding principal and mark-up of the loans and advances, payments against which are overdue for 30 days or more, are classified as non-performing loans (NPLs). The unrealized interest / mark-up on NPLs is suspended and credited to interest suspense account.

State Bank of Pakistan (SBP) via AC&MFD circular No. 02 of 2022 dated 16 March 2022 has revised Prudential Regulation R-8: Classifications of Assets and Provisioning Requirements for Microfiance Banks. The NPLs are classified into the following categories:

***For Gen* R**

Category	Determinant	Treatment of Income	Provisioning to be made
Other Assets Especially Mentioned (OAEM)	Where mark-up or principal is overdue for 30 days or more but less than 60 days from due date.	Nil	No provisioning required
Substandard	Where mark-up or principal is overdue for 60 days or more but less than 90 days from due date.	The unrealized interest / profit / mark-up / service charges on NPLs shall be suspended and credited to memorandum account.	25% of outstanding principal net of liquid assets realizable without recourse to a court of law.
Doubtful	Where mark-up or principal is overdue for 90 days or more but less than 180 days from due date.	As above	50% of outstanding principal net of liquid assets realizable without recourse to a court of law.
Loss	Where mark-up or principal is overdue for 180 days or more from due date.	As above	100% of outstanding principal net of liquid assets realizable without recourse to a court of law.

For Housing Loans

Category	Determinant	Treatment of Income	Provisioning to be made
Other Assets Especially Mentioned (OAEM)	Where mark-up or principal is overdue for 90 days or more but less than 180 days from due date.	Nil	No provisioning required
Substandard	Where mark-up or principal is overdue for 180 days or more but less than one year from due date.	Unrealized interest / profit / mark-up to be kept in Memorandum Account and not to be credited to Income Account except when realized in cash. Unrealized interest / profit / mark-up already taken to income account to be reversed and kept in Memorandum Account.	Provision of 25% of the difference resulting from the outstanding balance of principal net of liquid assets realizable without recourse to a court of law, and Forced Sale Value (FSV) of mortgaged properties to the extent of 75% of such FSV.
Doubtful	Where mark-up or principal is overdue for one year days or more but less than two years from due date.	As above	Provision of 50% of the difference resulting from the outstanding balance of principal net of liquid assets realizable without recourse to a court of law, and Forced Sale Value (FSV) of mortgaged properties to the extent of 75% of such FSV.
Loss	Where mark-up or principal is overdue by two years or more from the due date.	As above	Provision of 100% of the difference resulting from the outstanding balance of principal net of liquid assets realizable without recourse to a court of law, and Forced Sale Value (FSV) of mortgaged properties to the extent of 75% of such FSV for first and second year, 50% for third and fourth year and 30% of FSV for fifth year from the date of classification. Benefit of FSV against NPLs shall not be available after 05 years from the date of classification of financing.
Other Assets Especially Mentioned (OAEM)	Where mark- up/ interest or principal is overdue by 90 days or more but less than 180 days from the due date.	Unrealized interest / profit / mark-up to be kept in Memorandum Account and not to be credited to Income Account except when realized in cash. Unrealized interest / profit / mark-up already taken to income account to be reversed and kept in Memorandum Account.	Provision of 10% of the difference resulting from the outstanding balance of principal net of liquid assets realizable without recourse to a court of law, and Forced Sale Value (FSV) of pledged stocks, plant & machinery under charge and mortgaged residential, commercial and industrial properties (land & building only) to the extent allowed by SBP.

For Microenterprise loans

Category	Determinant	Treatment of Income	Provisioning to be made
Substandard	Where mark- up/ interest or principal is overdue by 180 days or more but less than one year from the due date.	As above	Provision of 25% of the difference resulting from the outstanding balance of principal net of liquid assets realizable without recourse to a court of law, and Forced Sale Value (FSV) of pledged stocks, plant & machinery under charge and mortgaged residential, commercial and industrial properties (land & building only) to the extent allowed by SBP.
Doubtful	Where mark-up/ interest or principal is overdue by one year or more but less than 18 months from the due date.	As above	Provision of 50% of the difference resulting from the outstanding balance of principal net of liquid assets realizable without recourse to a court of law, and Forced Sale Value (FSV) of pledged stocks, plant & machinery under charge and mortgaged residential, commercial and industrial properties (land & building only) to the extent allowed by SBP.
Loss	Where mark-up/ interest or principal is overdue by 18 months or more from the due date.	As above	Provision of 100% of the difference resulting from the outstanding balance of principal net of liquid assets realizable without recourse to a court of law, and Forced Sale Value (FSV) of pledged stocks, plant & machinery under charge and mortgaged residential, commercial and industrial properties (land & building only) to the extent allowed by SBP.

In addition, a general provision is maintained equivalent to 1% (2021:1%) of the net outstanding balance (advances net of specific provisions) for potential loan losses.

Specific and general provisions are recognized in profit and loss account for the year.

Non-performing advances are written off in accordance with revised Prudential Regulation R-10: Charging-off non-performing loans (NPLs) issued by State Bank of Pakistan (SBP) via AC&MFD circular No. 02 of 2022 dated 16 March 2022 as follows:

General loans	One month after being classified as 'Loss".
Housing loans	One month after 5 years from the date of classification.
Microenterprise	One month after 3 years from the date of classification.

However, the Bank continues its efforts for recovery of the written off balances.

6.4 Operating fixed assets

6.4.1 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.

6.4.2 Intangible assets

Expenditure incurred to acquire computer software is capitalized as intangible assets and stated at cost less accumulated amortization and any identified impairment loss. These are amortized using the straight line method over their estimated useful life.

Full month's amortization is charged in the month of addition while no amortization is charged in the month of deletion.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific assets to which it relates.

The residual value, useful life and amortization method is reviewed and adjusted, if appropriate, at each balance sheet date.

6.4.3 Property and equipment

Owned

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any except land which is stated at cost. Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and includes other costs directly attributable to the acquisition or construction, erection and installation.

Land shall be carried at cost and subsequently at revalued amount (if any).

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

Depreciation is calculated using the straight line method so as to write off the property and equipment, over their expected useful lives. Depreciation is calculated at the rates stated in note 11.4. The assets' residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each balance sheet date. The effect of any revision are charged to profit and loss account for the year, when the changes arise. Depreciation on additions to property and equipment is charged from the month in which an asset is acquired or capitalized while no depreciation is charged for the month in which the asset is disposed-off.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are recognized in profit and loss account for the year.

6.4.4 Impairment

The Bank assesses at each balance sheet date whether there is any indication that assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying amounts exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Where an impairment loss is recognized, the depreciation / amortization charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the amount which would have been determined had there been no impairment. Reversal of impairment loss is recognized as income.

6.5 Leases

6.5.1 Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate. The Bank determines its incremental borrowing rate by analyzing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

The lease liability is subsequently measured at amortized cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

6.5.2 Right of use assets

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred.

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

The right of use assets is presented in 'Operating Fixed Assets' and the liability is presented in 'Other liabilities'. Also in relation to those leases under IFRS 16, the Bank has recognized depreciation and interest costs.

6.5.3 Short-term leases

The Bank has elected not to recognize right-of-use assets and lease liabilities for some leases having a lease term less than 12 months from the commencement date and do not contain a purchase option. The lease payments associated with these leases are recognized as an expenses on a straight-line basis over the lease term.

6.6 Taxation

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

Current tax

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for taxation made in previous years arising from assessments framed during the year for such years.

Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

6.7 Staff retirement benefits

6.7.1 Defined contribution plan - provident fund

The Bank operates an approved defined contribution provident fund scheme for all permanent employees. Equal monthly contributions are made by the Bank and the employees to the fund at the rate of 8.33% of basic salary per month. The contribution of the Bank is charged to profit and loss account.

6.7.2 Defined benefit plan - gratuity scheme

The Bank operates an unapproved non-contributory defined benefit gratuity scheme for all permanent employees with a qualifying period of three years. Eligible employees are entitled to one month's basic salary for each completed year of service upon their departure from the Bank. The latest actuarial valuation was carried out as at 31 December 2022 using Projected Unit Credit Method. Actuarial gains and losses arising from the actuarial valuation are recognized immediately in other comprehensive income.

The Bank determines the net interest expense on the net defined liability for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then - net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit and loss account.

6.8 Deposits

Deposits are recorded at the proceeds received. Markup accrued on these deposits, if any, is recognized separately as part of other liabilities, and is charged to profit and loss account over the period.

6.9 Borrowings

Loans and borrowing are initially recorded at proceeds received. In subsequent periods, borrowings are stated at amortized cost using the effective interest rate method.

Finance costs are accounted for on an accrual basis and are included in other liabilities to the extent of the amount remaining unpaid.

6.10 Subordinated debt

Sub-ordinated loans are initially recorded at the amount of proceeds received and subsequently measured at amortized cost. Markup accrued on these loans is charged to profit and loss account over the period at effective interest rate.

Finance costs are accounted for on an accrual basis and are included in other liabilities to the extent of the amount remaining unpaid.

6.11 Provisions

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

6.12 Statutory reserve

The Bank is required under the requirements of the Microfinance Institution Ordinance, 2001 and Prudential Regulation, to maintain a statutory reserve to which an appropriation equal to 20% of the annual profit after tax is made until the reserve fund equals the paid up capital of the Bank. Thereafter, a sum not less than 5% of its annual profits after tax is required to be transferred to the said reserve.

6.13 Depositors' protection fund

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

6.14 Cash reserve requirement

In compliance with the requirements of the Microfinance Institution Ordinance, 2001 and Prudential Regulation, the Bank maintains a cash reserve equivalent to not less than 5% of its deposits (including demand deposits and time deposits with tenure of less than 1 year) in a current account opened with the State Bank of Pakistan (SBP) or its agent.

6.15 Statutory liquidity requirement

In compliance with the requirements of the Prudential Regulation, the Bank maintains liquidity equivalent to at least 10% of its total demand liabilities and time liabilities with tenure of less than one year in the form of liquid assets i.e. cash, gold, unencumbered treasury bills, Pakistan Investment Bonds and Government of Pakistan sukuk bonds. Treasury bills and Pakistan Investment Bonds held under depositors' protection fund are excluded for the purposes of determining liquidity.

6.16 Revenue recognition

Mark-up / return on performing advances is recognized on a time proportion basis using effective interest rate method at the Bank's prevailing mark-up rates for the loan products. Mark-up / return on advances is collected with loan installments due but unpaid mark-up is accrued on overdue advances for a period up to 29 days. From the 30th day, overdue advances are classified as non-performing advances and further accrual of unpaid mark-up / return ceases. Accrued mark-up on non-performing advances are reversed and credited to suspense account. Mark-up recoverable on non-performing advances and classified advances is recognized on a receipt basis.

Mark-up / return on investments is recognized on time proportion basis using effective interest rate method. Where debt securities are purchased at premium or discount, such premium / discount is amortized through the profit and loss account over the remaining period of maturity. Gain or loss on sale of securities is accounted for in the period in which it occurs.

Return on bank deposits is recognized on an accrual basis using effective interest rate method.

Fee, commission and brokerage income is recognized as services are rendered.

Other income is recognized on a time proportion basis.

6.17 Foreign currency transactions and translation

All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into rupees at the spot rate on the date of transaction. All non-monetary items are translated into rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined (for assets carried at fair value).

Foreign currency differences arising on retranslation are charged to profit and loss account in the period in which they arise.

6.18 Financial instruments

Financial assets and financial liabilities are recognized when the Bank becomes a party to the contractual provisions of the instrument and derecognized when the Bank loses control of the contractual rights that comprise the financial assets and in case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired.

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received, respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be.

6.18.1 Financial assets and financial liabilities

Financial instruments carried on the balance sheet include cash and balances with treasury banks, balances with other banks, lending to financial institutions, investments, advances, other assets, bills payable, borrowings, deposits and other liabilities. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

6.18.2 Off setting

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the Bank intends to either settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

6.19 Share capital and dividend

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as deduction, net of tax, from the proceeds. Dividend distribution to the shareholders is recognized as liability in the period in which it is declared.

6.20 Earning per share

The Bank presents earnings per share (EPS) for its ordinary shares which 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. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effect of all dilutive potential ordinary shares (if any).

6.21 Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-

A number of the Bank's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When one is available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Bank determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

		Note	2022 Rupees	2021 Rupees
7	**Cash and balances with SBP and NBP**			
	Cash in hand	7.1	**490,336,381**	395,334,434
	Balance with State Bank of Pakistan	7.2	**1,464,186,175**	1,123,669,630
	Balance with National Bank of Pakistan in:			
	Saving account	7.2	**-**	3,915,685
	Current account	7.2	**6,254,638**	179,665,940
			1,960,777,194	1,702,585,689

7.1 The cash in hand is held by the Bank to comply with the statutory liquidity requirements as set out under the Prudential Regulations R-3 "Maintenance of cash reserve and liquidity".

7.2 This represents the balance maintained with SBP and NBP to meet the minimum balance requirement equivalent to 5% (2021: 5%) as cash reserve and 10% (2021: 10%) as liquidity reserve of the Bank's time and demand liabilities in accordance with the Prudential Regulations. Saving accounts carry markup at 8.50% to 14.50% (2021: 5.50% to 7.25%) per annum.

		Note	2022 Rupees	2021 Rupees
8	**Balances with other banks / NBFIs / MFBs**			
	In Pakistan:			
	Saving accounts	8.1	**59,931,772**	132,134,051
	Current accounts		**87,246,441**	146,464,498
			147,178,213	278,598,549

8.1 These accounts carry mark-up ranging from 8.50% to 15.50% (2021: 5.50% to 7.40%) per annum.

		Note	2022 Rupees	2021 Rupees
9	**Investments**			
	Federal Govt. Securities:			
	Market treasury bills (Available for sale)	9.1	**7,011,339,900**	9,879,609,700
	Market treasury bills (Held for trading)	9.1	**450,359,310**	350,387,780
			7,461,699,210	10,229,997,480

9.1 These carry yield rate ranging from 9.95% to 17% (2021: 6.39% to 11.40%) per annum and have maturity upto 24 March 2023. These securities have an aggregate face value of Rs. 7,723.15 million (2021: Rs. 10,370 million). This includes Rs. 320.86 million (2021: Rs. 286.45 million) maintained with SBP under depositors' protection fund to comply with the statutory liquidity requirements as set under the Prudential Regulations.

10 Advances - net of provisions

		2022		2021	
	Note	Number	Rupees	Number	Rupees
Micro credit advan	10.1	**130,358**	**17,127,529,552**	200,967	19,615,335,012
Other advances	10.2	**582**	**88,864,157**	1,127	80,394,421
			17,216,393,709		19,695,729,433
Less: Provisions held:					
Specific	10.4 & 10.5	**24,869**	**698,235,274**	46,140	720,172,279
General	10.6		**164,399,368**		148,363,266
			862,634,642		868,535,545
			16,353,759,067		18,827,193,888

10.1 This includes fully secured advances amounting to Rs. 7,433.41 million (2021: Rs. 4,139.23 million) whereas the remaining advances are secured by personal guarantees.

10.2 These advances are staff loans and carry markup rate between 5% to 10% per annum (2021: 5% to 10%).

10.4 Particulars of non-performing advances

The total advances of Rs. 2,647.66 million (2021: Rs. 2,922.15 million) placed under non-performing status includes Rs 91.58 million (2021: Rs 55.30 million) advances, secured against gold:

	2022				
	%	**Number**	**Amount outstanding Rupees**	**Provision required Rupees**	**Provision held Rupees**
Microenterprise loans					
OAEM	**10**	**326**	**73,416,004**	**5,848,001**	**5,848,001**
Sub-standar	**25**	**802**	**117,631,061**	**27,610,960**	**27,610,960**
Doubtful	**50**	**347**	**41,410,932**	**20,205,466**	**20,205,466**
Loss	**100**	**-**	**-**	**-**	**-**
Total		**1,475**	**232,457,997**	**53,664,427**	**53,664,427**
General and house loans					
OAEM	**0**	**8,193**	**865,442,120**	**-**	**-**
Sub-standar	**25**	**6,331**	**664,030,695**	**161,258,664**	**161,258,664**
Doubtful	**50**	**7,641**	**780,540,875**	**379,111,605**	**379,111,605**
Loss	**100**	**1,229**	**105,191,106**	**104,200,578**	**104,200,578**
Total		**23,394**	**2,415,204,796**	**644,570,847**	**644,570,847**

	2021				
	%	Number	Amount outstanding Rupees	Provision required Rupees	Provision held Rupees
OAEM	0	14,450	1,164,616,182	-	-
Sub-standar	25	9,716	644,220,001	156,440,940	156,440,940
Doubtful	50	21,388	1,082,189,547	532,608,423	532,608,423
Loss	100	586	31,122,916	31,122,916	31,122,916
Total		46,140	2,922,148,646	720,172,279	720,172,279

10.5 Particulars of non-performing advances

Movement of provision against non-performing advances is as under:

		2022			2021		
	Note	**Specific Rupees**	**General Rupees**	**Total Rupees**	Specific Rupees	General Rupees	Total Rupees
Balance as at 01 January		720,172,279	148,363,266	868,535,545	115,534,548	188,866,507	304,401,055
Charge/ (reversal) for the year		3,701,673,531	16,036,102	3,717,709,633	2,210,729,731	(40,503,241)	2,170,226,490
Advances written off	10.5.1	(3,723,610,536)	-	(3,723,610,536)	(1,606,092,000)	-	(1,606,092,000)
		(21,937,005)	16,036,102	(5,900,903)	604,637,731	(40,503,241)	564,134,490
Balance as at 31 December		698,235,274	164,399,368	862,634,642	720,172,279	148,363,266	868,535,545

	2022 Rupees	2021 Rupees
10.5.1 Particulars of write offs		
Against provisions	**3,723,610,536**	1,606,092,000
Directly charged to profit and loss account	**8,472,838**	22,531,552
	3,732,083,374	1,628,623,552

10.6 This represents general provision equivalent to 1% (2021: 1%) of the outstanding advances net of specific provisions and those against which gold collaterals are taken.

10.7 During the year, the management of the Bank has restructured 346 (2021: 29,201) loans amounting to Rs. 37.21 million (2021: Rs. 2,851 million) as per the requirements of "Regulation R - 9" of the "Prudential Regulations for Microfinance Banks" issued by the State Bank of Pakistan.

11 Operating fixed assets	**Note**	**2022 Rupees**	2021 Rupees
Capital work-in-progress	11.1	**40,878,034**	27,237,929
Intangible assets	11.2	**169,964,659**	185,311,071
Right of use assets	11.3	**752,352,807**	978,078,124
Property and equipment	11.4	**652,835,622**	775,582,249
		1,616,031,122	1,966,209,373

11.1 Capital work-in-progress

Assets	11.1.1	**35,394,402**	23,748,226
Advances to suppliers and contractors	11.1.2	**5,483,632**	3,489,703
		40,878,034	27,237,929

11.1.1 Assets

Leasehold improvements	**4,220,814**	6,790,326
Furniture and fixtures	**3,452,647**	127,000
Computer equipments	**27,721,012**	16,830,900
	35,394,473	23,748,226

11.1.2 This represents advances to suppliers given for property and equipment.

	Note	2022 Rupees	2021 Rupees
11.2 Intangible assets			
Computer Software			
Cost:			
Balance as at 01 January		**645,791,527**	600,288,488
Additions during the year		**48,260,376**	45,503,039
Balance as at 31 December		**694,051,903**	645,791,527
Amortization:			
Balance as at 01 January		**460,480,456**	394,386,106
Charge during the year	25	**63,606,788**	66,094,350
Balance as at 31 December		**524,087,244**	460,480,456
Carrying value		**169,964,659**	185,311,071

11.2.1 Cost of intangible assets include cost of fully amortized intangible assets that are still in use amounting to Rs. 341.67 million (2021: Rs. 276.91 million).

	2022	2021
Amortization rate	**10% - 20%**	10% - 20%

	Note	2022 Rupees	2021 Rupees
11.3 Right of use assets:			
The movement in right of use assets during the period is as follows:			
Opening net book value		**978,078,124**	1,222,372,194
Additions during the year		**10,095,921**	47,652,159
Right of use asset derecognized during the year		**-**	(63,391,044)
Modification of lease for the year		**-**	5,588,749
Depreciation charge for the year	25	**(235,821,238)**	(234,143,934)
Closing net book value		**752,352,807**	978,078,124

11.4 Property and equipment

	2022											
	Cost					Accumulated Depreciation						
	As at 01 January 2022	Additions	Disposals	Write offs	As at 31 December 2022	As at 01 January 2022	Charge for the year	Disposals	Write offs	As at 31 December 2022	Book value as at 31 December 2022	Rate of depreciation % (per annum)
	Rupees											
Owned assets												
Leasehold improvements	689,893,374	3,351,563	-	-	693,244,937	295,252,638	68,354,559	-	-	363,607,197	329,637,740	10%
Furniture and fixtures	210,645,215	3,696,723	(4,785)	-	214,337,153	100,201,296	20,557,942	(2,313)	-	120,756,925	93,580,228	10%
Computer equipments	579,506,459	51,174,744	(984,401)	-	629,696,802	475,312,858	63,455,821	(984,401)	-	537,784,278	91,912,524	20%-33%
Office equipments	288,964,666	5,210,351	-	-	294,175,017	129,972,275	27,682,476	-	-	157,654,751	136,520,266	10%
Vehicles	40,761,100	-	(12,420,000)	-	28,341,100	33,449,498	4,621,568	(10,914,830)	-	27,156,236	1,184,864	25%
	1,809,770,814	63,433,381	(13,409,186)	-	1,859,795,009	1,034,188,565	184,672,366	(11,901,544)	-	1,206,959,387	652,835,622	

11.4.1 Cost of property and equipment include cost of fully depreciated assets that are still in use amounting to Rs. 443.51 million (2021: Rs. 333.78 million).

	2021											
	Cost					Accumulated Depreciation						
	As at 01 January 2021	Additions	Disposals	Write offs	As at 31 December 2021	As at 01 January 2021	Charge for the year	Disposals	Write offs	As at 31 December 2021	Book value as at 31 December 2021	Rate of depreciation % (per annum)
	Rupees											
Owned assets												
Leasehold improvements	703,550,467	1,302,780	-	(14,959,873)	689,893,374	231,977,029	69,465,842	-	(6,190,233)	295,252,638	394,640,736	10%
Furniture and fixtures	221,721,241	4,654,102	(12,471,679)	(3,258,449)	210,645,215	89,299,651	21,435,925	(7,275,870)	(3,258,410)	100,201,296	110,443,919	10%
Computer equipments	553,700,249	38,289,486	(12,238,276)	(245,000)	579,506,459	400,747,908	85,653,551	(10,843,601)	(245,000)	475,312,858	104,193,601	20%-33%
Office equipments	294,542,268	1,712,553	(7,133,729)	(156,426)	288,964,666	105,173,883	28,736,079	(3,781,261)	(156,426)	129,972,275	158,992,391	10%
Vehicles	75,356,880	-	(31,629,000)	(2,966,780)	40,761,100	48,550,962	8,618,974	(20,753,658)	(2,966,780)	33,449,498	7,311,602	25%
	1,848,871,105	45,958,921	(63,472,684)	(21,586,528)	1,809,770,814	875,749,433	213,910,371	(42,654,390)	(12,816,849)	1,034,188,565	775,582,249	

11.4.2 Details of tangible assets sold and written off:

Deletion of fixed assets with cost exceeding Rs. 1 million or book value exceeding Rs. 0.25 million are as follows:

Particulars of assets	Particulars of buyer	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss)	Relationship with the Bank	Mode of disposal
		------	------	Rupees	------	------		
Owned assets								
Vehicles								
Honda Br-V	Kashan Samuel	1,943,000	1,704,501	238,499	202,403	(36,096)	Employee	As per policy
Honda City	Muhammad Iftikhar	1,924,000	1,563,249	360,751	360,750	(1)	Employee	As per policy
Honda Civic Oriel	Manzoor Ahmed Janjua	3,538,000	2,948,332	589,668	589,667	(1)	Employee	As per policy
Suzuki Mehran Vxr	Mr.Tahir	795,000	794,999	1	1	-	Employee	As per policy
Suzuki Swift Dx	Bushra Malik	840,000	700,000	140,000	140,000	-	Employee	As per policy
Suzuki Wagon-R	Abdul Salam	840,000	839,999	1	1	-	Employee	As per policy
Suzuki Wagon-R	Imran Khalid	840,000	717,500	122,500	157,500	35,000	Employee	As per policy
Suzuki Wagon-R	Qasim Ali Shah	860,000	806,251	53,749	89,583	35,834	Employee	As per policy
Suzuki Cultus Vxl	Shafqat Ullah	840,000	839,999	1	1	-	Employee	As per policy
Others								
Computer equipments	Various buyers	984,401	984,401	-	443,235	443,235	Third Party	Auction
Furniture and fixtures	Various buyers	4,785	2,313	2,472	30,000	27,528	Third Party	Auction
	2022	**13,409,186**	**11,901,544**	**1,507,642**	**2,013,141**	**505,499**		
	2021	85,059,212	55,471,240	29,587,972	20,029,645	(9,558,327)		

	Note	2022 Rupees	2021 Rupees
12 Other assets			
Income / mark-up accrued on advances	12.1	**1,315,387,439**	2,589,642,115
Income / mark-up accrued on balance with banks		**272,412**	361,711
Prepayments		**40,035,504**	31,660,105
Security deposits		**9,891,150**	9,324,270
Stationary and stamps on hand		**16,387,569**	31,855,951
Advance tax - net		**118,794,926**	130,371,965
Receivable from Finca International Inc.	12.2	**748,619**	-
Receivable from SBP against crop insurance		**139,960,868**	188,280,825
Others		**47,190,694**	51,510,578
		1,688,669,181	3,033,007,520

12.1 This is net of markup income suspended amounting to Rs 1,996.98 million (2021: Rs. 2,350.86 million) on non performing advances of the Bank.

12.2 This represents amount receivable from Finca International Inc. for reimbursement of integration, travelling and advertisement expenses. It is incorporated in United States of America and its registered office is situated at 1201, 15th street NW, 8th floor Washington, DC 20005. The maximum aggregate amount receivable at end of any month during the year 2022 is Rs 748,619.

	2022 Rupees	2021 Rupees
13 Deferred tax asset		
Deferred tax asset on deductible temporary differences arising in respect of:		
- Payable to defined benefit plan	**107,150,186**	93,179,885
- Provision against non performing advances	**1,637,037,662**	469,224,882
- Turnover tax credits	-	76,004,919
- Unadjusted tax losses	**1,300,352,636**	380,538,766
- Deficit on revaluation of 'available for sale' securities	**3,602,976**	6,400,660
- Deferred tax on lease liability	**419,332,687**	-
- Accelerated tax depreciation	**1,657,679**	-
	3,469,133,826	1,025,349,112
Deferred tax liability on taxable temporary differences arising in respect of:		
- Accelerated tax depreciation	-	(10,483,312)
- Deferred tax on ROU	(293,417,595)	-
	3,175,716,231	1,014,865,800

13.1 Movement in deferred tax balances is as follows:

	2022	2021
As at 01 January	**1,014,865,800**	118,358,104
Recognized in profit and loss account:		
- Payable to defined benefit plan	**13,362,827**	9,136,920
- Provision against non performing advances	**1,167,812,780**	414,904,007
- Turnover tax credits	**(76,004,919)**	76,004,919
- Unadjusted tax losses	**919,813,870**	380,538,766
- Accelerated tax depreciation	**12,140,991**	14,228,101
- Deferred tax on lease liability & ROU	**125,915,092**	-
- Effect of rate change	-	-
	2,163,040,641	894,812,713
Recognized in other comprehensive income:		
- Remeasurement of staff retirement benefits	**607,474**	(4,705,677)
- Deficit on revaluation of 'available for sale' securities	**(2,797,684)**	6,400,660
- Effect of rate change	-	-
As at 31 December	**3,175,716,231**	1,014,865,800

13.2 A deferred tax asset of Rs. 2,162.97 million has been further recognized during the year as the Bank anticipates becoming profitable in 2025, based on the financial projections. The losses incurred in the years ended December 31, 2021 and 2022 are expeted to be absorbed against the projected profits in line with the business plan within 6 years as envisaged under section 57 of the Income Tax Ordinance, 2001.

The management of the Bank has prepared 6 years projections which have been approved by the board of directors of the Bank. The projections involve certain key assumptions underlying the estimation of future taxable profits, such as cost to income ratio, growth of deposits and advances, and return on investments etc. Any significant change in such assumptions may have an effect on the recoverability of the deferred tax asset. The management believes that it is probable that the Bank will be able to achieve the projected profits and consequently the deferred tax asset will be fully realized in the future.

Expiry Tax Years	**Nature**	**Rupees**
Business losses:		
2027	Business loss - TY 2021-22	**(1,053,351,249)**
2028	Business loss - TY 2022-23	**(2,280,886,278)**
Minimum tax:		
2026	Minimum tax - TY 2021-22	**76,004,919**
2027	Minimum tax - TY 2022-23	**67,603,238**

14 Deposits and other accounts

		2022		2021	
	Note	**Number of accounts**	**Amount (Rupees)**	Number of accounts	Amount (Rupees)
Fixed deposits	14.1	**5,960**	**13,569,209,130**	9,220	13,707,049,478
Saving deposits	14.2	**125,492**	**8,206,244,071**	123,712	9,024,669,682
Current deposits		**1,689,679**	**2,701,531,416**	1,575,558	2,687,408,286
		1,821,131	**24,476,984,617**	1,708,490	25,419,127,446

14.1 These represent fixed deposits having tenure of 1 to 60 months carrying profit rates ranging from 7.25% to 16.00% (2021: 7.25% to 14.00%) per annum.

14.2 The saving deposits represent accounts carrying interest rates ranging from 7.25% to 16.00% (2021: 6.50% to 9.50%) per annum.

14.3 Particulars of deposits by ownership

	2022		2021	
	Number of accounts	**Amount (Rupees)**	Number of accounts	Amount (Rupees)
Individual depositors	**1,820,114**	**19,620,530,944**	1,707,645	20,415,984,736
Institutional depositors:				
Corporations, firms and other such entities	**942**	**3,888,544,957**	780	3,766,187,373
Banks and financial institutions	**75**	**967,908,716**	65	1,236,955,337
	1,821,131	**24,476,984,617**	1,708,490	25,419,127,446

14.4 Deposits include deposits from related parties amounting to Rs. 161.41 million (2021: Rs. 209.12 million).

15 Borrowings	**Note**	**2022 Rupees**	2021 Rupees
Borrowings from banks / financial institutions in Pakistan - *secured*	15.1	**795,878,780**	1,381,378,885
Borrowings from the State Bank of Pakistan - unsecured	15.2	**3,000,000,000**	3,000,000,000
		3,795,878,780	4,381,378,885

		Note	2022 Rupees	2021 Rupees
15.1	**Details of borrowings from financial institutions - *secured***			
	Secured			
	Running finance - Allied Bank Limited	15.1.1	-	248,000,105
	Running finance - National Bank of Pakistan	15.1.2	**499,003,780**	499,003,780
	Term finance - National Bank of Pakistan	15.1.3	**187,500,000**	437,500,000
	Term finance - Allied Bank Limited	15.1.4	**109,375,000**	196,875,000
			795,878,780	1,381,378,885

15.1.1 This facility has limit aggregating Rs. 250 million (2021: Rs. 250 million). Mark-up is payable quarterly at the rate of 3 months KIBOR plus 50 bps per annum (2021: 3 months KIBOR plus 50 bps per annum). This is secured against first pari-passu hypothecation charge on present and future current assets of the Bank to the extent of Rs. 333.33 million with a 25% margin. This facility has expired on 30 June 2022.

15.1.2 This facility has limit aggregating Rs. 500 million (2021: Rs. 500 million). Mark-up is payable quarterly at the rate of 3 months KIBOR plus 50 bps per annum (2021: 3 months KIBOR plus 50 bps per annum). This is secured against first pari-passu charge on present and future current assets of the Bank to the extent of Rs. 667 million with a 25% margin. This facility has expired on 31 December 2022. The Bank is in process of negotiation for extension of the facility.

15.1.3 This facility has limit aggregating Rs. 1,000 million (2021: Rs. 1,000 million). Mark-up is payable quarterly at the rate of 3 months KIBOR plus 100 bps per annum (2021: 3 months KIBOR plus 100 bps per annum). The principal will be paid in sixteen equal quarterly installments, the first such installment has been paid on 31 December 2019. This is secured against first pari-passu charge of Rs. 1,333 million on present and future current assets of the Bank with a 25% margin. This facility is expiring on 30 September 2023. The outstanding term finance liability has become payable on demand due to the fact that the Bank has made defaults in complying covenants associated by the lender with the said term loan. The Bank is in the process of obtaining waiver from the lender for the associated covenant requirements.

		Note	2022 Rupees	2021 Rupees
15.1.4	**Term finance - Allied Bank Limited**			
	Term Finance - Facility 2	15.1.4.1	**25,000,000**	75,000,000
	Term Finance - Facility 3	15.1.4.2	**84,375,000**	121,875,000
			109,375,000	196,875,000

15.1.4.1 This facility has limit aggregating Rs. 200 million (2021: Rs. 200 million). Mark-up is payable quarterly at the rate of 3 months KIBOR plus 75 bps per annum (2021: 3 months KIBOR plus 75 bps per annum). The principal will be paid in sixteen equal quarterly installments, the first such installment has been paid on 28 August 2019. This is secured against first pari-passu charge of Rs. 267 million on present and future current assets of the Bank with a 25% margin. This facility is expiring on 28 May 2023. The outstanding term finance liability has become payable on demand due to the fact that the Bank has made defaults in complying covenants associated by the lender with the said term loan. The Bank is in the process of obtaining waiver from the lender for the associated covenant requirements.

15.1.4.2 This facility has an aggregating limit of Rs. 150 million (2021: 150 million). Mark-up is payable quarterly at the rate of 3 months KIBOR plus 75 bps per annum (2021: 3 months KIBOR plus 75 bps per annum). The principal will be paid in sixteen equal quarterly installments, the first such installment has been paid on 20th June 2021 .This is secured against first pari-passu charge of Rs. 200 million on present and future current assets of the Bank with a 25% margin. This facility is expiring on 20 March 2025. The outstanding term finance liability has become payable on demand due to the fact that the Bank has made defaults in complying covenants associated by the lender with the said term loan. The Bank is in the process of obtaining waiver from the lender for the associated covenant requirements.

15.2 This represents unsecured long term borrowing received from SBP under Financial Inclusion Infrastructure Program (FIIP) to provide access to long term market based funding that will enhance lending to microfinance borrowers including micro enterprises and micro housing especially women borrowers. The markup is payable at the rate of 6 months KIBOR minus 100 bps per annum (2021: 6 months KIBOR minus 100 bps per annum). Principal amount will be repaid in last four quarters of 5 years loan period or in bullet form at the end of said tenor.

	Note	2022 Rupees	2021 Rupees
16 Subordinated debt			
Pakistan Microfinance Investment Company (PMIC)	16.1	**800,000,000**	800,000,000

16.1 This represents an unsecured and subordinated loan facility raised by the Bank during the year 2019, amounting to Rs. 800 million to contribute towards the Bank's Tier II capital. The fund so raised will be utilized in the Bank's business operations. Mark-up is payable half yearly at the rate of 6 months KIBOR plus 300 bps per annum. The instrument is structured to redeem in 6 semi-annual installments in arrears starting from 6th year after the end of grace period of 5 years, as follows:

- 6th Year : 1% of total issue amount payable in 2 equal installments;
- 7th Year : 1% of total issue amount payable in 2 equal installments;
- 8th Year : 98% of total issue amount payable in 2 equal installments.

The instrument is unsecured and subordinated as to payment of principal and profit to all other indebtedness of the Bank, including deposits, and it is not redeemable before maturity without prior approval of SBP.

The outstanding liability has become payable on demand due to the fact that the Bank has made defaults in complying covenants associated by the lender with the said term loan. The Bank is in the process of obtaining waiver from the lender for the associated covenant requirements.

Subsequent to year-end, in 2024, the Bank received formal communication from Pakistan Microfinance Investment Company Limited (PMIC) confirming the waiver of accrued interest amounting to PKR 82,485,259. The waiver was granted under Clause 3.1.2 of the addendum to the subordinate debt agreement executed on 7 November 2024. This constitutes a non-adjusting event under IAS 10 *Events after the Reporting Period*; accordingly, no adjustments have been made to these financial statements.

	Note	2022 Rupees	2021 Rupees
17 Other liabilities			
Markup / return / interest payable	17.1	**743,100,172**	470,822,428
Bills payable		**126,023,698**	84,114,587
Accrued expenses		**285,323,067**	204,765,114
Payable to FINCA Network Support B.V.	17.2	**9,254,046**	-
Payable to defined benefit plan	17.3	**274,744,067**	266,228,242
Withholding tax payable		**175,074,051**	175,645,573
Sundry creditors		**88,890,931**	212,225,333
Lease liability against right of use assets		**1,075,212,018**	1,267,217,791
Workers' Welfare Fund		**33,320,951**	33,320,951
		2,810,943,001	2,714,340,019

17.1 This includes markup payable on deposits from related parties amounts to Rs. 16.4 million (2021: Rs. 15.74 million).

17.2 This represents amount payable to the Finca Network Support B.V. for corporate insurance under shared service center fee. It is incorporated in Netherlands and its registered office is situated at Jupiter building, Herikerbergwegb 88, 1101 CM, Amsterdam.

		Note	2022 Rupees	2021 Rupees
17.3	**Payable to defined benefit plan**			
	Present value of defined benefit obligation	17.3.1	**251,517,009**	253,730,902
	Benefits due but not yet paid		**23,227,058**	12,497,340
	Balance as at 31 December		**274,744,067**	266,228,242
17.3.1	**Changes in present value of defined benefit obligation**			
	Balance at 01 January		**253,730,902**	246,845,842
	Current		**59,061,333**	59,547,798
	Interest cost		**24,468,205**	22,156,270
			83,529,538	81,704,068
	Benefits due but not yet paid		**(18,161,592)**	(10,249,952)
	Payments made during the year		**(69,139,465)**	(51,124,264)
			(87,301,057)	(61,374,216)
	Included in other comprehensive income			
	Actuarial loss arising from changes in demographic assumptions		**6,258,531**	-
	Actuarial loss arising from changes in financial assumptions		**2,247,735**	1,370,527
	Actuarial gain arising from experience adjustment		**(6,948,640)**	(14,815,319)
			1,557,626	(13,444,792)
	Present value of defined benefit obligation		**251,517,009**	253,730,902
17.3.2	**Expenses charged to profit and loss account**			
	Current service cost		**59,061,333**	59,547,798
	Interest cost		**24,468,205**	22,156,270
			83,529,538	81,704,068
17.3.3	**Total remeasurement chargeable in other comprehensive income**			
	Remeasurement of plan obligation:			
	Actuarial loss arising from changes in demographic assumptions		**6,258,531**	-
	Actuarial loss arising from changes in financial assumptions		**2,247,735**	1,370,527
	Actuarial gain arising from experience adjustment		**(6,948,640)**	(14,815,319)
	Total remeasurement chargeable in other comprehensive income		**1,557,626**	(13,444,792)
17.3.4	**Changes in net liability**			
	Balance as at 01 January		**266,228,242**	253,567,549
	Expense chargeable to profit and loss account		**83,529,538**	81,704,068
	Remeasurement chargeable in other comprehensive income		**1,557,626**	(13,444,792)
	Benefits paid		**(76,571,339)**	(55,598,583)
	Balance as at 31 December		**274,744,067**	266,228,242

17.3.5 Significant actuarial assumptions

	2022	2021
Discount rate used for interest cost in profit and loss account	**11.75%**	10.25%
Discount rate used for year end obligation	**14.50%**	11.75%
Expected rate of increase in salaries	**13.50%**	10.75%
Mortality rates	**SLIC 2001-05 Setback 1 Year**	SLIC 2001-05 Setback 1 Year
Withdrawal rate	**Age based (as per appendix)**	Age based (as per appendix)
Retirement assumption	**Age 60 years**	Age 60 years

17.3.6 Expected expense for the next year

The Bank expects to charge Rs 92.73 million to profit and loss account on account of defined benefit plan for the year ending 31 December 2023.

	(Rupees)
Current service cost	**59,634,721**
Interest cost	**33,094,018**
Amount chargeable to profit and loss account	**92,728,739**

17.3.7 Sensitivity analysis

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate and expected rate of salary increase. The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant:

		Impact on defined benefit obligation			
		2022		2021	
		Rupees			
	Change	Increase	Decrease	Increase	Decrease
Discount rate	±100 BPS	**18,299,748**	**15,990,670**	35,021,062	13,984,762
Salary growth rate	±100 BPS	**19,103,850**	**17,002,008**	35,953,923	14,709,874

Furthermore in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the balance sheet.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

17.3.8 The average duration of the defined benefit obligation is 7 years (2021: 9.6 years).

17.3.8.1 Risk associated with defined benefit obligations

The defined benefit obligations may expose the Bank to actuarial risks such as longevity risk, salary increase risk and withdrawal rate risk as described below;

Longevity risks:

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

Salary increase risk:

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

Withdrawal Rate:

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

17.3.9 Expected contribution of the Bank to the defined benefit gratuity fund for the year ending 31 December 2023 will be Rs. 46.56 million.

	Note		2022 (Number of shares)	2021 (Number of shares)	2022 Rupees	2021 Rupees
18 Share Capital						
18.1 Authorized capital						
Ordinary shares of Rs 10 each			**1,500,000,000**	1,500,000,000	**15,000,000,000**	15,000,000,000
18.2 Issued, subscribed and paid-up share capital						
Ordinary shares of Rs 10 each fully paid in cash	18.3		**634,888,711**	634,888,711	**6,348,887,110**	6,348,887,110
18.3 Share capital has been subscribed by the following:						
Kashf Holdings (Private) Limited		5.22%	**33,119,747**	33,119,747	**331,197,470**	331,197,470
International Finance Corporation		4.85%	**30,771,739**	30,771,739	**307,717,390**	307,717,390
Triodos Fair Share Fund		2.73%	**17,368,319**	17,368,319	**173,683,190**	173,683,190
Acumen Fund		0.81%	**5,130,253**	5,130,253	**51,302,530**	51,302,530
FINCA Microfinance Cooperatief U.A		86.39%	**548,498,653**	548,498,653	**5,484,986,530**	5,484,986,530
		100.00%	**634,888,711**	634,888,711	**6,348,887,110**	6,348,887,110

	2022 Rupees	2021 Rupees
19 Deficit on revaluation of assets		
Deficit on revaluation of securities:		
Federal government securities - market treasury bills (T-Bills - available for sale)	**(9,422,400)**	(18,287,600)
Related deferred tax effect	**3,674,736**	6,400,660
	(5,747,664)	(11,886,940)

19.1 Deficit on revaluation of available for sale investments is charged through statement of comprehensive income in accordance with the Prudential Regulation "R - 11 (c) Treatment of Surplus / (Deficit)".

20 Memorandum / off-balance sheet items

20.1 Contingencies and commitments

20.1.1 Contingencies

- Tax authorities have issued orders under Punjab Sales Tax on Services (withholding) Rules, 2016, for the year 2016 thereby creating arbitrary aggregate demand of Rs. 25,295,245. The Bank's appeals before PRA CIR (Appeals) are pending for adjudication. The management is confident that aforesaid demand will be deleted by appellate authorities and therefore no provision has been made against it.

- The income tax assessments of the Bank have been finalized upto and including tax year 2022. While finalizing income tax assessments for tax year 2020 and 2021, income tax authorities made certain add backs with aggregate tax impact of Rs. 94,914,693. Pending adjudication before Appellate Tribunal Inland revenue, no provision has been made by the Bank in these accounts as the management is confident that the outcome of proceedings will be in favor of the Bank.

20.1.2 Commitments

There are no significant commitments as at 31 December 2022 (2021: Nil).

	2022	2021
	Rupees	Rupees
21 Mark-up / return / interest earned		
Interest / mark-up on advances	**3,774,731,497**	4,489,276,652
Markup earned on investments in government securities	**1,023,072,606**	606,518,488
Interest / mark-up on bank accounts	**26,624,729**	60,451,963
	4,824,428,832	5,156,247,103
22 Mark-up / return / interest expensed		
Deposits	**2,592,486,033**	2,059,796,091
Borrowings	**538,952,722**	317,255,049
Subordinated loan	**156,840,985**	100,645,480
Notional interest on lease liability	**127,078,169**	145,383,922
	3,415,357,909	2,623,080,542
23 Fee, commission and brokerage income		
Loan processing fee	**423,882,643**	459,495,469
Income on cheque book issuance	**7,476,439**	7,002,202
Over due charges	**65,383,765**	58,815,155
Early settlement charges	**59,768,773**	31,370,255
Others	**27,318,565**	15,387,591
	583,830,185	572,070,672
24 Other income		
Recovery against advances previously written off	**394,782,881**	272,400,420
Net gain on disposal of operating fixed assets	**505,499**	-
Grant income	-	300,000
Gain on termination of lease	-	16,509,812
Liabilities written back	**20,000,000**	-
Others	**573,382**	62,865,552
	415,861,762	352,075,784

	Note	2022 Rupees	2021 Rupees
25 Administrative expenses			
Staff salaries and other benefits	25.1	**2,108,899,877**	1,965,134,388
Contribution to employee provident fund		**62,789,642**	59,320,470
Non-executive directors' fees, allowances and other expenses		**4,950,000**	4,909,930
Printing, stationery and periodicals		**70,722,595**	40,803,025
Advertisement		**88,048,481**	60,878,250
Rent, rates and taxes		**22,594,463**	14,611,425
Office running expenses		**70,029,227**	54,853,167
Vehicle running expenses		**75,474,801**	45,345,415
Insurance		**119,308,897**	96,938,314
Office security / personnel services		**152,097,696**	135,045,700
Repairs and maintenance		**169,205,099**	152,352,377
Communication		**95,709,725**	101,052,332
Travel and transportation		**92,421,571**	99,744,826
Utilities		**192,926,832**	113,828,017
IT expenses	25.2	**19,831,503**	-
Legal and professional charges		**80,821,974**	73,870,548
Auditors' remuneration	25.3	**8,961,330**	7,060,823
Training and research		**688,072**	9,567,844
Depreciation on property and equipment		**184,672,366**	213,910,371
Depreciation on right of use assets		**235,821,238**	234,143,934
Amortization on intangible assets		**63,606,788**	66,094,350
Others		**49,372,595**	5,092,970
		3,968,954,772	3,554,558,476

25.1 This includes Rs. 83.53 million (2021: 81.70 million) in respect of staff gratuity expense.

25.2 This includes amount pertaining to corporate insurance and license fee under shared service center fee provided by the Finca Network Support B.V. It is incorporated in Netherlands and its registered office is situated at Jupiter building, Herikerbergwegb 88, 1101 CM, Amsterdam.

	Note	2022 Rupees	2021 Rupees
25.3 Auditors' remuneration			
Annual audit		**3,328,170**	2,894,063
Half year review		**1,014,300**	926,100
Tax services		**2,578,860**	1,850,660
Fee for certifications		**1,400,000**	800,000
Out of pocket expense		**640,000**	590,000
		8,961,330	7,060,823

	Note	2022 Rupees	2021 Rupees
26 Other charges			
Penalties imposed by SBP	26.1	**325,561**	1,762,000
Bank charges		**31,576,868**	33,258,304
Loss on sale of government securities		**20,785,133**	286,156
Operating fixed assets written off		-	8,769,678
Loss on disposal of operating fixed assets		-	788,649
Others		**4,807,166**	7,363,282
		57,494,728	52,228,069

26.1 This represents penalty paid during the year related to non compliance of MIS reporting of ECIB data and other directives issued by the SBP.

	2022 Rupees	2021 Rupees
27 Taxation		
Current:		
For the year	**67,603,237**	76,004,919
For the prior year	**8,685,210**	(900,461)
	76,288,447	75,104,458
Deferred:		
For the year	**(2,162,968,881)**	(894,812,713)
Effect of rate change	-	-
	(2,162,968,881)	(894,812,713)
	(2,086,680,434)	(819,708,255)

	2022		
	Credit / Sales staff	**Banking / Support staff**	**Total staff**
28 Number of employees			
Permanent	**995**	**750**	**1,745**
Contractual	**254**	**217**	**471**
Total	**1,249**	**967**	**2,216**
Average number of employees during the year	**1,350**	**959**	**2,309**

	2021		
	Credit / Sales staff	Banking / Support staff	Total staff
Permanent	1,190	697	1,887
Contractual	261	254	515
Total	1,451	951	2,402
Average number of employees during the year	1,425	964	2,389

29 Number of branches

	2022		2021	
	Branches No.	**Sales service centre No.**	Branches No.	Sales service centre No.
Branches at the beginning of the year	**130**	**2**	130	2
Opened during the year	-	-	-	-
	130	**2**	130	2
Less: closed during the year	-	-	-	-
Branches at the end of the year	**130**	**2**	130	2

30 Remuneration of directors and executives

The aggregate amounts charged in the financial statements for the year in respect of remuneration, including benefits to the Chief Executive, Directors and Executives of the Bank are as follows:

	Chief Executive		Directors		Executives	
	2022	2021	**2022**	2021	**2022**	2021
	Rupees					
Fee	-	-	**4,950,000**	4,909,930	-	-
Managerial remuneration	**23,786,596**	12,568,193	-	-	**322,936,045**	319,998,516
House rent allowance	**9,514,636**	5,027,276	-	-	**129,174,477**	127,999,508
Provident fund	**1,981,423**	1,046,930	-	-	**26,900,573**	25,349,481
Utilities allowance	-	-	-	-	**30,776,414**	28,801,219
Medical Allowance	**2,378,662**	1,256,821	-	-	**1,517,241**	3,198,637
Conveyance / car allowance	**1,800,000**	985,000	-	-	**66,055,112**	64,081,026
Charge for defined benefit plan	**2,325,281**	1,046,111	-	-	**45,163,493**	21,888,547
Driver allowance	**600,000**	300,000	-	-	**7,548,183**	5,951,436
Title allowance	-	-	-	-	**5,039,299**	4,068,313
	42,386,598	22,230,331	**4,950,000**	4,909,930	**635,110,837**	601,336,683
Number of persons	**1**	1	**9**	9	**365**	329

30.1 Executive means employees, other than the Chief executive and Directors, whose basic salary exceed five hundred thousand rupees in a financial year.

30.2 Aggregate amount charged to profit and loss account for the year in respect of travelling and hotel expenses of directors is Rs. 0.66 million (2021: Rs 0.78 million) and Rs. 0.67 million (2021: 1.15 million) respectively.

30.3 The Bank provided car allowance of Rs. 1.80 million (2021: Rs. 0.99 million) per annum to the Chief Executive Officer as part of the remuneration.

30.4 No remuneration and other benefits were paid to directors of the Bank. Non-executive directors were paid meeting fees amounting to Rs. 4.95 million (2021: Rs. 4.91 million).

31 Loss per share

		2022	2021
31.1 Loss for the year	*Rupees*	**(3,257,188,667)**	(1,522,523,315)
Weighted average number of ordinary shares	*Number*	**634,888,711**	634,888,711
Basic and diluted loss per share	*Rupees*	**(5.13)**	(2.40)

31.2 There is no dilutive effect on the basic loss per share of the Bank.

32 Related party transactions

The Bank's related parties comprise of directors, key management personnel, shareholders and entities over which the directors are able to exercise significant influence and employee gratuity fund. The detail of Bank's shareholders is given in note 18.3 while remuneration of key management personnel is disclosed in note 31 to the financial statements. Transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements, are as follows:

	2022			2021		
	Key management personnel	**Directors**	**Kashf foundation provident fund trust**	Key management personnel	Directors	Kashf foundation provident fund trust
Deposits	**Rupees**	**Rupees**	**Rupees**	Rupees	Rupees	Rupees
Opening balance	**18,370,067**	**10,723,084**	**180,030,306**	11,564,072	14,557,501	165,000,750
Received during the year	**93,717,588**	**-**	**199,903,017**	50,038,098	24,558,669	205,734,448
Withdrawn during the year	**(106,732,551)**	**(10,622,792)**	**(223,971,976)**	(43,232,102)	(28,393,086)	(190,704,892)
Closing balance	**5,355,104**	**100,292**	**155,961,347**	18,370,068	10,723,084	180,030,306
Staff loans						
Opening balance	**1,141,358**	-	-	7,307,383	-	-
Disbursement during the year	**14,612,851**	-	-	-	-	-
Repayments during the year	**(3,935,399)**	-	-	(6,166,025)	-	-
Closing balance	**11,818,810**	-	-	1,141,358	-	-
Transactions during the year						
Mark-up / return / interest earned	**775,905**	-	-	113,262	-	-
Mark-up / return / interest expensed	**534,314**	**1,033,851**	**18,047,412**	655,162	1,308,193	37,115,751
Contribution to provident fund	**7,501,789**	-	-	4,421,034	-	-

33 Cash and cash equivalents

	Note	2022 Rupees	2021 Rupees
Cash and balances with SBP and NBP	7	**1,960,777,194**	1,702,585,689
Balances with other banks / NBFIs / MFBs	8	**147,178,213**	278,598,549
		2,107,955,407	1,981,184,238

34 Details of business locations

The addresses of the branches and sales service centers of the Bank are as follows:

Sr. No.	Branch Name	Branch address
1	Abbotabad	Opposite Daewoo Terminal, Mansehra Road, Mandian, Abbottabad.
2	Abdali Road Multan	Plot No. 01, Survey 156/04, Ghazi Tower, Abdali Road, Multan.
3	Abdullah Pur	P-453, Street # 19, Jummra Road, Abdullah Pur, Faisalabad.
4	Ahmad Pur East	Khasra No. 107/11, Katchery Road, AhmedPur Sharqia.
5	Ahmadpur Sial Branch	Khata No.335/318, Khatooni No.1228, Ward No.04, Farooqabad Main Road, Ahmadpur Sial.
6	Ali Pur	Khewat # 193, 194, 200, Sadat Colony, Multan Road, Ali Pur.
7	Allama Iqbal Road	Property No:2 Khatooni No 2123, Allama Iqbal Road, Near Chenab Cross, Opposite Government College University Faisalabad.
8	Allama Iqbal Road Mirpur	Plot No 2-A, Sub-Sector B-2,Allama Iqbal Road Mirpur Azad Kashmir.
9	Allama Iqbal Town Lahore	Plot No. 23, Block Gulshan near Dubai Chowk, Allama Iqbal Town, Lahore.
10	Arifwala	Khewat# 1872, Khatooni#1885, Main Muhammadi Road near Khushhali Bank, Arifwala.
11	Attock	Shop # C-99, Block C, Lakki plaza, Near MCB Islamic Bank, Barki Road Attock.
12	Bahawalnagar	Plot # 08, Nishtar Road, Jinnah Colony, Bahawalnagar.
13	Bahawalpur	Plot # 2/A, Muhammad Bin Qasim Road, Model Town "A", Cantt. Bahawalpur.
14	Bander Road Larkana	City Survey # 707 & 708, Ward "A" Opposite First Women Bank, Bank Square, Bander Road, Larkana.
15	Barakahu	Khewat No. 192 & 213, Near omania Restaurant, Sardar Abbasi Plaza, Murree Road, Bara Kahu.
16	Bhakkar	Khata No. 191, Khasra No. 1916/380/21, Chisti Road, Bhakkar.
17	Bhalwal	P.No. 586, Main Ajnala Road Near Satellite town, Bhalwal, District Sargodha.
18	Blue Area Islamabad	109-East Jinnah Avenue, Blue Area, Islamabad.
19	Burewala	Plot # 26, F - Block, Near Wapda Office, Vehari Bazar, Burewala.
20	Chakwal	Khatooni No. 1853, Rawalpindi Road, Opposite Govt Degree College near Sui Gas office, Chakwal.
21	Chichawatni	Property No. 995 Block No 6, Darass Road Chichawatni, Distt Sahiwal.
22	Chiniot	Shop No 486 A-2, A-3, Shahrae Quaid-e-Azam, Chiniot Khewat No. 3188/3178, Sagheer Town Chah Krari wala Faisalabad Road, Chiniot.
23	Chishtian	Khewat# 583/585, Khatooni# 583, Khawaja Qibla Aalam Road near Qomi Bachat Road Chishtian .
24	Clifton Karachi	Plot No.BC-13, Block-9, Clifton Karachi.
25	College Road	27-17-B1, College Road, Township near Aslam Chowk Lahore.
26	Daska	Khasra # 3180/3058/3027/2834/2757/338, Khewat # 747, Khatoni # 1070, Mouza Daska Kot (Urban), Main Circular Road, Daska.
27	Depalpur	Khewat no 274, Khatooni no 277, Pakpattan Road, Near Allied Bank, Depalpur.
28	Dera Ghazi Khan	House # 02 Block A, Bukhari Market Railway Road, Dera Ghazi Khan.
29	Dera Ismail Khan	Shop # 3675-11, 3675-E, 3675-E, Shumali Circular Road, Janooban Gali, Sarr e Aam, Near Fawara/Kashmir Chowk, Dera Ismail Khan.
30	DHA Lahore	House No. 49/A, Block XX, Phase 3C, DHA Lahore.
31	Dinga	Khewat No. 1033/3185, Fawara Chowk, Kharian Road, Dinga Tehsil &District Gujrat.
32	Dunyapur	Khewat # 41/2660, Khasra # 14-15-5, Railway Road near Post Office, Dunyapur.
33	Fort Abbas	Khewat No. 411/409, Khatooni No. 439, Kachi Mandi, Allama Iqbal Road, Fort Abbas.
34	Ghotki	Plot No. C/S 890/2,Ward No B.S.K Plaza Devri Sahab Road,Ghotki.

Sr. No.	Branch Name	Branch address
35	Gojar Khan	Property No's B-IV-7-A-B, B-IV-13 & B-IV-25, Near Main Bazar, Tehsil Road, Gujar Khan.
36	Gojra	Khewat # 1156, Khatoni # 1167, Chak # 365 JB Urban, near Saifullah House, Main Jhang Road, Tehsil Gojra.
37	Gujranwala III	Shop # 9 & 10, Main Sheikhupura Road, Adjacent to Bank Alfalah Limited, Raqba Mouza, Main Sansi Khiali Shah Pur Town, District Gujranwala.
38	Gujrat	Faisal Gate, Circular Road, Near First Woman Bank, Gujrat.
39	Hafizabad	Khasra # 122/124, Khatoni # 169, Model Town, Gujranwala Road, Hafizabad.
40	Haripur	Khasra No:1602,1598,1504/12, Naeem Market, Adjacent Total Filling Station, G.T Road Haripur.
41	Haroonabad	Plot # 207-Copposite Grain Market,Bangla Road Haroonabad.
42	Hasilpur	Khatooni No. 148, Baldia Raod, Near Imam Bargah, Hasilpur.
43	Hassanabdal	Property Khewat # 1751, Khata # 2610, Khasra # 1491, Ch. Tariq Palaza, Ground Floor, Dr. Afzaal Road, Adda Lariyan,Hassan Abdal.
44	Haveli Lakha	Khewat # 238, Khatoni # 332, Pakpattan Road near Bank Al-falah, Haveli Lakha.
45	Hujra Shah Muqeem	Khatooni No. 2193,Near NBP, Circular Road, Hujra Shah Muqeem, Tehsil Depalpur, District Okara.
46	Hyderabad	G-916, Guro Nagar, opposite SK Rahim Girls High School, Near New Cloth Market Hyderabad.
47	Hyderi Branch - Karachi	Plot # D-6/B , Block-D, North Nazimabad, KDA Scheme # 2, Karachi.
48	Illahabad	Khewat No. 246, Khatooni No. 450, Kasur Road, Illahabad.
49	Jahanian	Plot No. 520 & 522, Near Jahanian bypass Road, Jahanian, District Khanewal.
50	Jalalpur Jattan	Khewat # 1729, Khatoni # 2355,Circular Road oppsite MCB Bank near Bank Al-Falah, Jalalpur Jattan district Gujrat.
51	Jalalpur Peer Wala	Khewat No 22/22, Khatooni No 46, Old Virtual University Campus, Shujaabad Road Near HBL, Dewan Market, Jalalpur Peer Wala, District Lodhran.
52	Jamal Din Wali	Khewat # 6/6, Khatooni # 26 to 70, Sheller Market, Jamal Din Wali Tehsil Sadiqabad.
53	Jaranwala	Khewat No 5396 & 5556, Khatooni No. 7129. Main Faisalabad Road, Muhallah Mahmood Colony opposite Hussain Travels, Jaranwala.
54	Jhang	Yousaf Shah Road House No. 3 Mohallah Sawal Lain, Jhang
55	Jhelum	Khatooni No. 1931/32355, Session Mohallah No.3, Old G.T Road, Jehlum.
56	Joherabad	Khet/Ahata 1, Block 2, Market Kameti Chowk near Alfalah Bank, Jouharabad .
57	Kamalia	Plot No. 4169 to 4191, Mohalla Mahtianwala, Near NBP, Kamaliya.
58	Kamoki	Khewat No. 276, Opposite Underbypass, Near Old Patha Mandi, Main GT Road, Kamonki, District Gujranwala
59	Kasur	Main Railway Road, Opposite Metro Shoes, Near Railway Station, Kasur.
60	Kehror Pacca	Khewat # 27/1041, Khasra # 52-1, Near Admore Petrol Pump, Dunya Pur Road, Kehror Pakka.
61	Khairpur	Plot No. A-1264-A (Old Plot No. A/4-Sl-4/1), Shah Lateef Colony, Near Khaki Shah Pul Station Road, Khairpur Meras.
62	Khairpur Tamewali	Khasra # 346/8, Khewat # 94, Khatooni # 249, Tehsil Khairpur Tamewali, District Bahawalpur.
63	Khan Bela	Khewat No 107/106, Opposite Zarai Bank, Khan Bela, Tehsil Liaquatpur, District Rahim Yar Khan.
64	Khanewal	Block No.8, Opposite GPO, Khanewal.
65	Khanpur	Plot No. 237, A Block, Ward Area Development Society, Khanpur.
66	Kot Addu	Ward No 14-Near PSO petrol Pump Kakewala,Main G.T Road Kot Addu.
67	Lala Musa	Khewat No 182, Khatooni No 500, Usman Plaza, Near Nisar Hospital, GT Road, Lala Musa.
68	Lashari Market Umer Kot	Ward "A" CS No 20/1/1, Lashari Market, Near Kumar Medical Store, Umer Kot Town, Tahuka and Sub-District Umarkot.
69	Layyah	Chak No.123/B, Khewat #49, Near Mohallah Hafizabad, Main Chobara Road, Layyah.
70	Liaqat Road Rawalpindi	Plot # G-518-519, Near Bank Alfalah Ltd. Opposite MCB Bank Ltd. Main Liaqat Road, Rawalpindi.
71	Liaqatpur	Plot No. 3/C-1, 87 Bank Road, Liaquatpur.
72	Lodhran	Khewat # 541/1, Khatoni # 1125, Saad Plaza, Ground Floor, Jalalpur Morr, Faizabad, Lodhran.

Sr. No.	Branch Name	Branch address
73	Mailsi	Khewat No. 63/61, Khatooni No. 87, Colony Road, Mailsi.
74	Main Jhang Road - Sahiwal	Khewat # 1234, Near Shell petrol Pump, Nawa Lok, Main sargodha Jhang Road, Sahiwal District Sargodha.
75	Malakwal	Khewat No.431, Khatooni No. 730 to 735, Ahmad Plaza Badshahpur Road, Malakwal.
76	Mandi Bahuddin	Khewat No. 568, Khatooni No. 579, Shayan Plaza, Mandi Bahauddin.
77	Manga Mandi	Main Multan Road, Near Govt. High School, Manga Mandi, Lahore.
78	Mankera Branch	Khata No .226/220, Khatooni No. 270/1224., Mushtaq Market, Jhang Bhakkar Road, Mankera.
79	Mansehra	Mohala Chennai, Abbotabad Road, near Habib Bank,Mansehra.
80	Mardan	Shop # (3, 4, 5, 6, 7, 8, 13 & 14), Block A, Shaheen Shopping Mall, Main Qazi Bashir Road, Mardan.
81	Mazang Chungi	5 Ferozpur Road Mazang Chungi Lahore.
82	Mian Channu	Ameen Trade Centre, Near Bus Stand, G.T. Road, Mian Channu.
83	Mianwali	Khasra No. 637, Moza Wata Khail, Government High School Road, Mianwali.
84	Minchanabad	Corner Plot no 01, Sadiqia Abbasia Street, Circular Road, Minchanabad(old address), Boys High School Road Near Police Station ,Minchanabad.
85	Mirpur Khas	City Survey # 639, Ward "A" Khari Quarters, Opposite Railway Goods Naka Mirpur Khas, Taluka & District Mirpur Khas.
86	Moza Mandi Kotli	Rawalpindi Road near Kechari Moza Mandi,Kotli,Azad kashmir.
87	Mughal Pura	Khasra # 230/1, 230/3, Sani Road, Mouza Davi Pura, Near Dhobi Ghat Stop, Opposite Shell Petrol Pump, Tehsil Cantt, District Lahore.
88	Multan	Shops No.112,113&114, Sherry Commercial Centre, Central Jail Morr, Moza Tarf Ravi, Vehari Road, Multan.
89	Muzafargarh	Khewat # 772,Muhalla Aminabad opposite New General Bus Stand, Shah Jamal Road, Muzafar Garh.
90	Muzaffarabad	Khewat # 36, Khasra # 739/130, Jalal Abad, Amaan Arcade, Opposite New DHQ Complex, Secretariat Road, Muzaffarabad.
91	Nankana	Khewat No. 56, Khatooni No. 209 BII IS-2, Malji Road, Nankana Sahib.
92	Narowal	Khewat No. 196, Khatooni 367, Circular Road, Siddique Pura, Narowal.
93	Nawabshah	CS No 88, Ward -A, Sakrand Road, Nawabshah.
94	New Garden Town - Lahore	28-B, Ali Block, New Garden Town, Lahore.
95	Okara	Link M.A Jinnah Road Mehar Colony Okara.
96	Pakpatan	College Road Opposite Jamia Masjid Al Qudas Pakpattan.
97	Pano Aqil	Property Jaryan No. 10060, Eid Gah Chowk, Cinema Road, Cantt Road, Panu Aqil, District Sukkur.
98	Pasroor	Khata no. 344, Khatooni no 633, Class Wala Road near Satrah Chowk, Opposite Bunyad School System, Pasroor.
99	Pattoki	Khewat No. 887, Lahore Wala Adda, Multan Road, Pattoki.
100	Peshawar	University Road Peshawar, near Hotel Grand opposite Metro Station Peshawar.
101	Phaliya	Khewat No. 161, Near Masjid Gulzar-e-Madina Plaza, Hilyan Road, Phaliya District Mandi Bahauddin.
102	Pindi Bhattian	Khewat No. 168, Khatooni No. 495 & 485, Opposite Siyal Tent Services, Pully Siyal Tent Wali, Hafizabad Road, Pindi Bhattian, District Hafizabad.
103	Piplan Branch	Khewat No.1579, Khasra No.1609/01, Ghalla Mandi, Piplan, Distt. Mianwali.
104	Pirmahal	Khewat # 1389, Khatooni # 1390, Plot # 12/12 & 13/13, Near Askari Bank Ltd. Main Rajana Road, Kousar Abad, Pir Mehal.
105	Quaidabad	Plot No 05,Mandi Town Quaidabad, Sarghoda-Mianwali Road, Near Bus Stand , Distt.Khushab.
106	Quetta	Property # 1-26/5 G1330 & 1-26/5 H1331, Manan Chowk, Opposite Meezan Bank Ltd. M. A. Jinnah Road, Quetta.
107	Rahim Yar Khan	Plot # 26, Model Town, Near Faysal Bank, Rahim Yar Khan.
108	Raiwind	Khasra # 422 & 423, Khewat # 1453 & 1456, Khatoni # 2355 & 2357, Sunder Road, Near Dar - e Arqam School, Raiwind District Lahore.
109	Rajanpur	Khata # 822, Mouza Rajan Pur # 1, Gulshan-e-Iqbal Colony, Rajan Pur.
110	Rawalpindi	39-B-1, Satellite Town, Rawalpindi - 46300.

Sr. No.	Branch Name	Branch address
111	Sadiqabad	Property No. 243 Water Supply Road, Sadiqabad.
112	Sahiwal	Khewat No. 355, Khatoni No. 375, Main Liaquat Road, Sahiwal.
113	Sambrial	Khewat# 86, Khatooni# 105, Opposite Makki Masjid, Wazirabad Road, Sambrial.
114	Samundri	Khewat No 79/79, Circular Road, Samundari.
115	Sargodha	Azad Road, Block No 15,Opposite HBL, Sargodha.
116	Shahrah E Quaid E Azam – Gilgit	Khasra # A3877/188, Azam Khan Plaza, Naeem Block, Near Public School Chowk, Shahrah-e-Quaid-e-Azam, Zulfiqarabad Block A, Distt. Gilgit.
117	Sharaqpur Sharif	Khewat No. 136, Near Muslim Pura Area, Main Lahore-Jaranwala Road, Sharaqpur Sharif District Sheikhupura.
118	Sheikhupura	Khewat # 582, Khatooni # 1071 situated at Mouza Sheikhupura Urban, Near SADAR THANA Lahore Sargodha Road Sheikhupura.
119	Shorkot	Khata No. 1875, Mohalla Abbas Pura, Nawan Shehar, Jhang Road, Shorkot District Jhang.
120	Shujaabad	Khewat No. 315 Jalal Pur Road near KB stand, Shujaabad.
121	Sialkot	Shahab Pura Road, Near MCB Shahabpura, City Tower Sialkot.
122	Sialkot II	Property # 408 - 409, Survey # 268/191, Agha Kamal Road, Lane # 1, Sadar Bazar, Sialkot Cantt.
123	Sukker	Property no 631/ 5-A/IB-3, Minara Road near Dolphin Bakery Chowk, Sukkhur.
124	Syedwala	Khewat No. 129, Jaranwala Road, Syedwala, District Nankana Sahib.
125	Talagang	Plot No. Kh-3215/203, Chowk Saddiqabad Mian Wali Road, Talagang.
126	Tando Allah Yar	Plot No 07, near Wapda Grid station, Main Hyderabad Road, Tando Allah Yar.
127	Toba Tek Singh	Khewat # 337, Opposite Qaim Center, Shorkot Road baron lakar Mandi Toba Tek Singh.
128	Vehari	Khewat No. 104, 52 - A - Block, Vehari.
129	Wazirabad	G.T Road Opposite Fire Brigade and Rescue 15, Wazirabad.
130	Yazman	Chak No 56/A, Bahawalpur Road Mandi Yazman.

Sr. No.	Sales service center	Sales service center address
1	Uch Sharif	Ahmed Pur Road, opposite MCB bank limitied Uch Sharif, Tehsil Ahmed Pur, East District Bahawalpur.
2	Sillan Walli	Khewat # 2583, Khatoni # 2597, Waheed market near gulzar plaza, 46 - Ada Road, Sillanwali.

35 Fair value measurement of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Underlying the definition of fair value is the presumption that the Bank is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted price is readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and that price represents actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurement' requires the Bank to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that entity can access at measurement date (Level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (i.e. unobservable) inputs (Level 3)

Transfer between levels of the fair value hierarchy are recognised at the end of the reporting period during which the changes have occurred.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		December 31, 2022									
		Carrying amount						Fair value			
On-Balance sheet financial instruments	Note	Held for trading	Held to maturity	Available for sale	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		Rupees									
Financial assets - measured at fair value											
Investments - net of provisions	9	450,359,310	-	7,011,339,900	-	-	7,461,699,210	-	7,461,699,210	-	7,461,699,210
Financial assets - not measured at fair value											
Cash and cash equivalents	33	-	-	-	2,107,955,407	-	2,107,955,407	-	-	-	-
Advances - net of provisions	10	-	-	-	16,353,759,067	-	16,353,759,067	-	-	-	-
Other assets	12	-	-	-	1,466,260,488	-	1,466,260,488	-	-	-	-
		-	-	-	19,927,974,962	-	19,927,974,962	-	-	-	-
Financial liabilities - not measured at fair value											
Deposits and other accounts	14	-	-	-	-	24,476,984,617	24,476,984,617	-	-	-	-
Borrowings	15	-	-	-	-	3,795,878,780	3,795,878,780	-	-	-	-
Subordinate debt	16	-	-	-	-	800,000,000	800,000,000	-	-	-	-
Other liabilities	17	-	-	-	-	2,635,868,950	2,635,868,950	-	-	-	-
		-	-	-	-	31,708,732,347	31,708,732,347	-	-	-	-

		December 31, 2021									
		Carrying amount						Fair value			
		Held for trading	Held to maturity	Available for sale	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
On-Balance sheet financial instruments	Note	Rupees									
Financial assets - measured at fair value											
Investments - net of provisions	9	350,387,780	-	9,879,609,700	-	-	10,229,997,480	-	10,229,997,480	-	10,229,997,480
Financial assets - not measured at fair value											
Cash and cash equivalents	33	-	-	-	1,981,184,238	-	1,981,184,238	-	-	-	-
Advances - net of provisions	10	-	-	-	18,827,193,888	-	18,827,193,888	-	-	-	-
Other assets	12	-	-	-	2,787,608,921	-	2,787,608,921	-	-	-	-
		-	-	-	23,595,987,047	-	23,595,987,047	-	-	-	-
Financial liabilities - not measured at fair value											
Deposits and other accounts	14	-	-	-	-	25,419,127,446	25,419,127,446	-	-	-	-
Borrowings	15	-	-	-	-	4,381,378,885	4,381,378,885	-	-	-	-
Subordinate debt	16	-	-	-	-	800,000,000	800,000,000	-	-	-	-
Other liabilities	17	-	-	-	-	2,538,694,446	2,538,694,446	-	-	-	-
		-	-	-	-	33,139,200,777	33,139,200,777	-	-	-	-
		-	-	-	-	33,139,200,777	33,139,200,777	-	-	-	-

35.1 Fair value versus carrying amounts

The Bank has not disclosed the fair values of these financial assets and liabilities as these are for short term or re-priced over short term. Therefore, their carrying amounts are reasonable approximation of fair value.

36 Financial assets and liabilities

36.1 Interest rate risk management

Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rate. The Bank's interest rate exposure stems mainly from its investments, bank deposits and advances. This risk is managed by regular review of market rates.

	2022											
		Interest bearing / exposed to yield / interest risk					Non-Interest bearing / not exposed to yield / interest risk					
	Effective yield / interest rate	Upto one month	Over one month upto six months	Over six months upto one year	Over one year	Sub total	Upto one month	Over one month upto six months	Over six months upto one year	Over one year	Sub total	Total
	%	------------------	------------------	------------------	------------------	------------------	Rupees	------------------	------------------	------------------	------------------	------------------
Financial assets												
On balance sheet:												
Cash and balances with SBP and NBP	8.50 - 14.50	-	-	-	-	-	1,960,777,194	-	-	-	1,960,777,194	1,960,777,194
Balances with other banks/NBFIs/MFBs	8.50 - 15.50	59,931,772	-	-	-	59,931,772	87,246,441	-	-	-	87,246,441	147,178,213
Investments - net of provisions	9.95- 17.00	395,601,200	7,066,098,010	-	-	7,461,699,210	-	-	-	-	-	7,461,699,210
Advances - net of provisions	5.00 - 53.04	689,718,584	5,174,546,520	6,935,036,169	3,628,009,626	16,427,310,899	-	-	-	-	-	16,427,310,899
Other assets	-	-	-	-	-	-	359,112,419	666,011,505	327,532,413	113,604,151	1,466,260,488	1,466,260,488
		1,145,251,556	12,240,644,530	6,935,036,169	3,628,009,626	23,948,941,881	2,407,136,054	666,011,505	327,532,413	113,604,151	3,514,284,123	27,463,226,004
Off balance sheet		-	-	-	-	-	-	-	-	-	-	-
Total		1,145,251,556	12,240,644,530	6,935,036,169	3,628,009,626	23,948,941,881	2,407,136,054	666,011,505	327,532,413	113,604,151	3,514,284,123	27,463,226,004
Financial liabilities												
On balance sheet:												
Deposit and other accounts	0.00 - 16.00	11,760,350,676	2,459,508,053	3,963,473,903	3,592,120,568	21,775,453,201	2,701,531,416	-	-	-	2,701,531,416	24,476,984,617
Borrowings including subordinated debt	7.79 - 14.26	1,595,878,780	-	-	3,000,000,000	4,595,878,780	-	-	-	-	-	4,595,878,780
Other liabilities	8.55 - 18.23	15,058,932	116,422,453	116,056,942	803,689,628	1,051,227,955	766,217,221	199,409,880	131,795,470	309,558,261	1,406,980,832	2,458,208,787
		13,371,288,388	2,575,930,506	4,079,530,845	7,395,810,196	27,422,559,936	3,467,748,637	199,409,880	131,795,470	309,558,261	4,108,512,248	31,531,072,184
Off balance sheet		-	-	-	-	-	-	-	-	-	-	-
Total		13,371,288,388	2,575,930,506	4,079,530,845	7,395,810,196	27,422,559,936	3,467,748,637	199,409,880	131,795,470	309,558,261	4,108,512,248	31,531,072,184
On balance sheet gap		(12,226,036,832)	9,664,714,024	2,855,505,324	(3,767,800,570)	(3,473,618,055)	(1,060,612,583)	466,601,625	195,736,943	(195,954,110)	(594,228,125)	(4,067,846,180)
Off balance sheet gap		-	-	-	-	-	-	-	-	-	-	-

36.2 Credit risk management

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Bank's credit risk is primarily attributable to its advances and balances at banks. The Bank's credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit rating. The Bank has an effective loan disbursement and recovery monitoring system which allows it to evaluate borrowers' credit worthiness and identify potential problem loans. A provision for potential loan losses is maintained as required by the Prudential Regulations. However, the Bank believes that it is not exposed to major concentration of credit risk. Maximum amount of financial assets which are subject to credit risk amount to Rs. 26,948.18 million (2021: Rs. 33,430.65 million).

36.3 Liquidity risk management

Liquidity risk is the risk of being unable to raise funds at a reasonable price to meet commitments when they fall due, or take the advantage of investment opportunities when they rise. The management ensures that funds are available at all times to meet the funding requirements of the Bank. The Bank manages risk by maintaining sufficient liquidity at Head Office and the branches.

37 Capital risk management

37.1 The objective of managing capital is to safeguard the Bank's ability to continue as a going concern, so that it could continue to provide adequate returns and benefits to stakeholders by pricing products and services commensurately with the level of risk and comply with capital requirements set by SBP. It is the policy of the Bank to maintain a strong capital base at a reasonable cost so as to maintain investor, creditor and market confidence, sustain future development of the business and achieve low overall cost of capital with appropriate mix of cost of capital. The impact of the level of capital on shareholders' return is also recognized and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with higher gearing and the advantages and security afforded by a sound capital position.

37.2 The Bank's objectives with when managing its capital are:

- To comply with the capital requirements set by the SBP.
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders.
- To maintain a strong capital base to support the development of its business.

37.3 Statutory minimum capital requirement and management of capital

As per amendments on Prudential Regulations (R-1) issued vide BPRD Circular No. 10 of 2015 dated 03 June 2015, the minimum paid up capital requirement (MCR), free of losses for Microfinance Banks operating at national level is Rs. 1,000 million as at 31 December 2022. As at 31 December 2022, the paid up share capital net of discount, of the Bank stood at Rs. 2,259.85 million (2021: Rs. 2,259.85 million).

The capital of the Bank is managed keeping in view the minimum CAR (15%) required by the Prudential Regulations for the 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 ratio 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.

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.

38 Schedule of maturity distribution of market rate assets and liabilities as at 31 December 2022

	2022				
	Total	Upto one month	Over one month upto six months	Over six months upto one year	Over one year
	Rupees				
Market rate assets					
Advances	16,427,310,899	689,718,584	5,174,546,520	6,935,036,169	3,628,009,626
Investments	7,461,699,210	395,601,200	7,066,098,010	-	-
Other earning assets	59,931,772	59,931,772	-	-	-
Total market rate assets	23,948,941,881	1,145,251,556	12,240,644,530	6,935,036,169	3,628,009,626
Other non-earning assets	7,248,602,600	2,484,253,356	900,602,332	1,623,632,038	2,240,114,874
Total assets	31,197,544,481	3,629,504,912	13,141,246,862	8,558,668,207	5,868,124,500
Market rate liabilities					
Time deposits of Rs. 100,000 and above	13,518,575,931	3,542,603,940	2,450,145,235	3,954,939,217	3,570,887,539
Time deposits below Rs. 100,000	50,633,199	11,502,665	9,362,818	8,534,686	21,233,029
Borrowings including subordinated debt	4,595,878,780	1,595,878,780	-	-	3,000,000,000
Other cost bearing liabilities	9,257,472,026	8,221,303,003	116,422,453	116,056,942	803,689,628
Total market rate liabilities	27,422,559,936	13,371,288,388	2,575,930,506	4,079,530,845	7,395,810,196
Other non-cost bearing liabilities	4,266,904,247	3,617,527,443	199,409,880	131,795,470	318,171,454
Total liabilities	31,689,464,183	16,988,815,831	2,775,340,386	4,211,326,315	7,713,981,650

	2021				
	Total	Upto one month	Over one month upto six months	Over six months upto one year	Over one year
	Rupees				
Market rate assets					
Advances	18,827,193,888	1,105,957,415	8,095,283,543	6,035,211,142	3,590,741,788
Investments	10,229,997,480	4,061,985,600	6,168,011,880	-	-
Other earning assets	136,049,736	136,049,736	-	-	-
Total market rate assets	29,193,241,104	5,303,992,751	14,263,295,423	6,035,211,142	3,590,741,788
Other non-earning assets	7,859,217,195	2,753,294,156	1,940,622,178	1,137,679,706	2,027,621,155
Total assets	37,052,458,299	8,057,286,907	16,203,917,601	7,172,890,848	5,618,362,943
Market rate liabilities					
Time deposits of Rs. 100,000 and above	13,607,082,569	1,513,461,379	6,188,428,756	1,289,911,350	4,615,281,084
Time deposits below Rs. 100,000	99,966,909	21,424,722	28,294,488	18,157,352	32,090,347
Borrowings including subordinated debt	5,181,378,885	943,878,885	125,000,000	125,000,000	3,987,500,000
Other cost bearing liabilities	10,291,887,473	9,039,796,308	81,320,302	111,067,276	1,059,703,587
Total market rate liabilities	29,180,315,836	11,518,561,294	6,423,043,546	1,544,135,978	9,694,575,018
Other non-cost bearing liabilities	4,134,530,514	3,652,890,102	144,312,937	64,459,991	272,867,484
Total liabilities	33,314,846,350	15,171,451,396	6,567,356,483	1,608,595,969	9,967,442,502

39 Reconciliation of movements of liabilities to cash flows arising from financing activities.

	2022		2021	
	Equity	Liabilities	Equity	Liabilities
	Unappropriated profit	Lease liabilities	Unappropriated profit	Lease liabilities
	Rupees			
Balance as at 01 January	334,322,112	1,267,217,791	1,848,106,312	1,483,551,201
Changes from financing cash flows				
Payment of lease liabilities	-	(329,179,863)	-	(335,057,384)
Other changes				
Notional interest on lease liabilities	-	127,078,169	-	145,383,922
Addition in lease liabilities	-	10,095,921	-	47,652,159
Impact of derecognition	-	-	-	(63,391,044)
Impact of modification	-	-	-	5,588,749
Gain on termination of lease	-	-	-	(16,509,812)
Total comprehensive loss for the year	(3,258,138,819)	-	(1,513,784,200)	-
	(3,258,138,819)	137,174,090	(1,513,784,200)	118,723,974
Balance as at 31 December	(2,923,816,707)	1,075,212,018	334,322,112	1,267,217,791

40 Provident fund related disclosure

The Bank operates funded contributory provident fund scheme for all its permanent and eligible employees. The following information is based on latest audited financial statements of the fund.

	Note	2022 Rupees Audited	2021 Rupees Audited
Size of the fund - total assets		**461,623,582**	559,141,037
Cost of investments made	40.1	**437,923,507**	518,815,515
Percentage of investments - (% of total assets)		**95%**	93%
Fair value of investments made		**444,245,020**	525,227,352

40.1 Breakup of cost of investments

	2022 Rupees	2021 Rupees	2022 Relative % of size of the fund	2021
Mutual fund	**146,264**	146,155	**0.03%**	0.03%
Term finance certificates	**100,000,000**	100,000,000	**21.66%**	17.88%
Pakistan investment bonds	**325,000,000**	325,000,000	**70.40%**	58.12%
Bank balances	**12,777,243**	93,669,360	**2.77%**	16.75%
	437,923,507	518,815,515	**95%**	93%

The investments of the provident fund trust are in compliance with the provision of section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

41 Material outsourcing arrangements

In compliance to the BPRD circular no. 06 of 2017 of SBP, the material outsourcing arrangements of the Bank are listed below:

Sr. Number	Name of the service provider	Name of service	Estimated cost of outsourcing 2022 (per annum)
1	MSM Security Guards Pvt Ltd	Security guards services	48,507,034
2	Aqsa Security Guards Pvt Ltd	Security guards services	37,729,709
3	Access Security Service Pvt Ltd	Security guards services	18,772,202
4	Achtung Security Pvt Ltd	Security guards services	13,385,700
5	National Institutional Facilitation Technologies	Clearing house	123,049,772
6	E-Ocean Pvt Ltd	SMS alerts to clients on transactions	4,764,345
7	Red Communication Art	Digital marketing and advertisement	14,535,997
8	Lotus	Digital marketing and advertisement	2,815,164

42 Complaints management mechanism

The Bank is a customer oriented organization and gives due consideration to the valuable feedback of its customers. Complaints are treated as opportunity to align our products/services and processes to serve the customers in a best possible way. The Bank ensures that resolution of complaints is comprehensive, appropriate and is dealt with agility; keeping customers informed of their complaint status from acknowledgement till the final resolution. An escalation matrix for complaint management has also been put into place internally for effective and efficient resolution of the customer complaints logged in. During the year 11,081 (2021: 11,426) complaints were received by the Bank and were resolved with average resolution time of 2 days (2021: 2 days).

43 General

Where there are no amounts to be disclosed in the account captions as prescribed by BSD Circular No.11 dated 30 December 2003 issued by SBP in respect of forms of financial statements for Microfinance banks, these captions have not been reproduced in these financial statements, except for caption of balance sheet, profit and loss account.

44 Events after the Reporting Period

Subsequent to the balance sheet date, the Bank was acquired by ABHI (Private) Limited on January 21, 2025 and TPL Corp Limited. This transaction represents a significant non-adjusting event under IAS 10 *Events after the Reporting Period*. Accordingly, no adjustments have been made to these financial statements; however, the event has been appropriately disclosed herein to inform users of the financial statements.

45 Date of authorization

These financial statement were authorized for issue on 22-10-2025 by the Board of Directors of the Bank.

Chief Executive Officer	Chairman	Director	Director