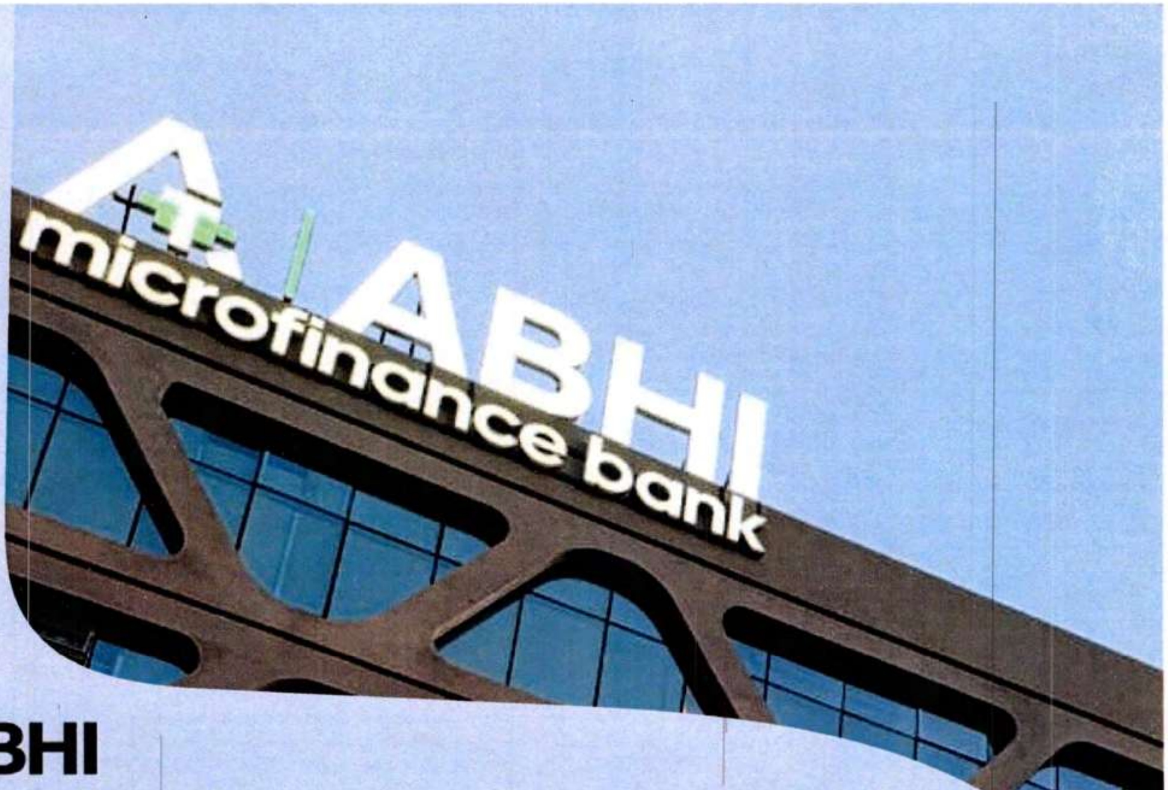

ABHI

ABHI MICOROFINANCE BANK LIMITED
(FORMERLY FINCA MICROFINANCE BANK LIMITED)

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

Auditors

PKF

PKF F.R.A.N.T.S.
Chartered Accountants

Contents

PKF F.R.A.N.T.S.
Chartered Accountants
135, Ferozepur Road,
Lahore - Pakistan.

+92 42 37503381-82
lahore@pkf.com.pk
www.pkf.com.pk

Independent Auditor's Report

To the members of ABHI Microfinance Bank Limited (formerly FINCA Microfinance Bank Limited)

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, 2023**, 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 material accounting policy information and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the 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 Companies Act, 2017 (XIX of 2017), Microfinance Institutions Ordinance, 2001 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, 2023 and of the loss and other comprehensive income, 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 relating to Going Concern

We draw attention to Note 1.1 in the financial statements, which indicates that the Bank incurred a net loss of Rs. 1,729.87 million during the year ended December 31, 2023 and, as of that date, the Bank's accumulated losses of Rs. 4,653.58 million have resulted in negative capital of Rs. 1,131.86 million. Consequently, the Bank was in breach of the minimum capital requirements prescribed under the State Bank of Pakistan's Prudential Regulations for Microfinance Banks. As stated in Note 1.1, these events or conditions, along with other matters as set forth therein, indicate that a material uncertainty exists that may cast significant doubt on the Bank's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of Matter

We draw attention to Note 13.2 to the financial statements, which describes that the Bank has recognized a deferred tax asset of Rs. 4,271.76 million based on the business plan and financial projections approved by the Board of Directors of the Bank. The realization of this deferred tax asset is dependent on the Bank generating sufficient taxable profits in future periods. The preparation of these projections involves the use of management assumptions and judgments about future profitability. A significant change in these assumptions may affect the recoverability of the deferred tax asset. Our opinion is not modified in respect of this matter.

Information Other than the Financial Statements and Auditor's Reports Thereon

Management is responsible for the other information. The other information comprises the information included in the directors' report but does not include the financial statements and our auditor's reports thereon.

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

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

Responsibilities of Management and the Board of Directors for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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 Companies Act, 2017 (XIX of 2017), Microfinance Institutions Ordinance, 2001 and the directives issued by the State Bank of Pakistan and are in agreement with the books of account and returns; PK

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, 2022 were audited by another auditor who expressed an unmodified opinion on those financial statements on October 23, 2025.

The engagement partner on the audit resulting in this independent auditor's report is **Nouman Razaq Khan**.

PKF Frants

PKF F.R.A.N.T.S.
Chartered Accountants
Lahore

Date: November 20, 2025
UDIN: AR20231020515mxKRJly

ABHI MICROFINANCE BANK LIMITED
(formerly FINCA MICROFINANCE BANK LIMITED)

Balance Sheet

As at 31 December 2023

	Note	31 December 2023 Rupees	31 December 2022 Rupees
Assets			
Cash and balances with SBP and NBP	7	**1,830,826,692**	1,960,777,194
Balances with other banks / NBFIs / MFBs	8	**105,940,179**	147,178,213
Investments	9	**3,889,939,410**	7,461,699,210
Advances - net of provisions	10	**17,965,971,882**	16,353,759,067
Operating fixed assets	11	**1,210,796,065**	1,616,031,122
Other assets	12	**2,595,318,825**	1,688,669,181
Deferred tax asset	13	**4,271,761,534**	3,175,716,231
Total assets		**31,870,554,587**	32,403,830,218
Liabilities			
Deposits and other accounts	14	**25,539,671,770**	24,476,984,617
Borrowings	15	**3,046,875,000**	3,795,878,780
Subordinated debt	16	**800,000,000**	800,000,000
Other liabilities	17	**3,615,863,458**	2,810,943,001
Total liabilities		**33,002,410,228**	31,883,806,398
Net assets		**(1,131,855,641)**	520,023,820
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 and general reserves		**868,881,433**	868,881,433
Depositors' protection fund		**390,823,377**	320,859,941
Accumulated losses		**(4,653,579,935)**	(2,923,816,707)
		(1,134,028,308)	525,771,484
Surplus/(deficit) on revaluation of assets - net of tax	19	**2,172,667**	(5,747,664)
Deferred grants	20	**-**	-
Total capital		**(1,131,855,641)**	520,023,820
Memorandum / off-balance sheet items	21		

The annexed notes from 1 to 46 form an integral part of these financial statements.

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

ABHI MICROFINANCE BANK LIMITED
(formerly FINCA MICROFINANCE BANK LIMITED)

Profit and Loss Account
For the year ended 31 December 2023

	Note	31 December 2023 Rupees	31 December 2022 Rupees
Mark-up / return / interest earned	22	**6,309,457,793**	4,824,428,832
Mark-up / return / interest expensed	23	**(4,893,564,249)**	(3,415,357,909)
Net mark-up / interest income		**1,415,893,544**	1,409,070,923
(Provision) / reversal against non-performing advances	10.4	**(1,045,713,841)**	(3,717,709,633)
Bad debts written off directly	10.4.1	**(7,075,302)**	(8,472,838)
		(1,052,789,143)	(3,726,182,471)
Net mark-up / interest income after provisions		**363,104,401**	(2,317,111,548)
Non mark-up / non interest income			
Fee, commission and brokerage income	24	**671,719,455**	583,830,185
Other income	25	**830,671,299**	415,861,762
Total non mark-up / non interest income		**1,502,390,754**	999,691,947
		1,865,495,155	(1,317,419,601)
Non mark-up / non interest expenses			
Administrative expenses	26	**(4,563,623,036)**	(3,968,954,772)
Other charges	27	**(45,530,323)**	(57,494,728)
Total non mark-up / non interest expenses		**(4,609,153,359)**	(4,026,449,500)
Loss before taxation		**(2,743,658,204)**	(5,343,869,101)
Taxation - Current		**(87,300,516)**	(67,603,237)
- Prior years		**-**	(8,685,210)
- Deferred		**1,101,092,708**	2,162,968,881
	28	**1,013,792,192**	2,086,680,434
Loss after taxation		**(1,729,866,012)**	(3,257,188,667)
(Accumulated losses) / unappropriated profit brought forward		**(2,923,816,707)**	334,322,112
Other comprehensive income / (loss) for the year		**102,784**	(950,152)
Accumulated losses before appropriation		**(4,653,579,935)**	(2,923,816,707)
Appropriations:			
Transfer to:			
Statutory reserve		**-**	-
Capital reserve		**-**	-
Dividend		**-**	-
Contribution to depositors' protection fund		**-**	-
Revenue reserve		**-**	-
		-	-
Accumulated losses carried forward		**(4,653,579,935)**	(2,923,816,707)
Loss per share - basic and diluted	32	**(2.72)**	(5.13)

The annexed notes from 1 to 46 form an integral part of these financial statements.

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

ABHI MICROFINANCE BANK LIMITED
(formerly FINCA MICROFINANCE BANK LIMITED)
Statement of Comprehensive Income
For the year ended 31 December 2023

	31 December 2023 Rupees	31 December 2022 Rupees
Loss after taxation	**(1,729,866,012)**	(3,257,188,667)
Other comprehensive income / (loss) for the year:		
Components of comprehensive income / (loss) 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	**158,130**	(1,557,626)
Related tax impact	**(55,346)**	607,474
	102,784	(950,152)
Total comprehensive loss for the year transferred to equity	**(1,729,763,228)**	(3,258,138,819)
Components of comprehensive income / (loss) 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	**12,800,150**	8,865,200
Related tax impact	**(4,992,059)**	(2,725,924)
	7,808,091	6,139,276
Total comprehensive loss for the year	**(1,721,955,137)**	(3,251,999,543)

The annexed notes from 1 to 46 form an integral part of these financial statements. PM

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

ABHI MICROFINANCE BANK LIMITED
(formerly FINCA MICROFINANCE BANK LIMITED)

Statement of Changes In Equity

For the year ended 31 December 2023

		Capital reserves			Revenue reserves	
	Share capital	Discount on issue of shares	Statutory reserve	Depositors' protection fund	Unappropriated profit / (Accumulated losses)	Total
	Rupees					
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 year	-	-	-	-	(3,258,138,819)	(3,258,138,819)
Transfer to statutory reserve	-	-	-	-	-	-
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**
Loss for the year	-	-	-	-	(1,729,866,012)	(1,729,866,012)
Other comprehensive loss	-	-	-	-	102,784	102,784
Total comprehensive loss for the year	-	-	-	-	(1,729,763,228)	(1,729,763,228)
Transfer to statutory reserve	-	-	-	-	-	-
Return on depositors' protection fund's investments	-	-	-	69,963,436	-	69,963,436
Balance as at 31 December 2023	**6,348,887,110**	**(4,089,040,293)**	**868,881,433**	**390,823,377**	**(4,653,579,935)**	**(1,134,028,308)**

The annexed notes from 1 to 46 form an integral part of these financial statements. PWR

Chief Executive Officer | Chairman | Director | Director

ABHI MICROFINANCE BANK LIMITED
(formerly FINCA MICROFINANCE BANK LIMITED)

Cash Flow Statement

For the year ended 31 December 2023

Cash flow from operating activities	Note	31 December 2023 Rupees	31 December 2022 Rupees
Loss before taxation		**(2,743,658,204)**	(5,343,869,101)
Adjustments for non-cash charges and other items:			
Depreciation on property and equipment	11.4	**173,526,709**	184,672,366
Depreciation on right of use assets	11.3	**221,337,641**	235,821,238
Amortization on intangible assets	11.2	**55,790,040**	63,606,788
Notional interest on lease liability	17.4	**99,735,482**	127,078,169
Provision against non-performing advances	10.4	**1,045,713,841**	3,717,709,633
Bad debts written off directly		**7,075,302**	8,472,838
Operating fixed assets written off	11.4	**27,004,807**	-
Markup earned on investments in government securities	22	**(1,010,898,232)**	(1,023,072,606)
Gain on disposal of operating fixed assets	25	**(1,341,373)**	(505,499)
Gain on revaluation of held for trading securities	25	**(1,679)**	-
(Gain) / loss on disposal of government securities	25	**(1,902,818)**	20,785,133
Amortization of deferred grant	20	**(2,864,087)**	-
Liabilities written back	25	**-**	(20,000,000)
Gain on termination of lease	25	**(47,359,716)**	-
Provision for gratuity		**91,753,302**	83,529,538
		657,569,219	3,398,097,598
		(2,086,088,985)	(1,945,771,503)
Decrease / (increase) in operating assets:			
Net investments in held for trading securities		**(171,016,327)**	(4,188,993)
Advances		**(2,665,001,958)**	(1,252,747,650)
Others assets		**(963,267,499)**	1,332,761,300
		(3,799,285,784)	75,824,657
(Decrease) / increase in operating liabilities:			
Bills payable		**(23,422,785)**	41,909,111
Borrowings from financial institutions		**(749,003,780)**	(585,500,105)
Deposits		**1,062,687,153**	(942,142,829)
Other liabilities		**1,125,615,381**	258,183,819
		1,415,875,969	(1,227,550,004)
		(4,469,498,800)	(3,097,496,850)
Gratuity paid		**(68,293,019)**	(76,571,339)
Income tax paid		**(46,847,813)**	(64,711,408)
Net cash used in operating activities		**(4,584,639,632)**	(3,238,779,597)
Cash flow from investing activities			
Net investments in available for sale securities		**4,838,526,445**	3,818,051,350
Purchase of operating fixed assets		**(68,645,406)**	(125,333,862)
Sale proceeds of operating fixed assets		**7,736,118**	2,013,141
Net cash generated from investing activities		**4,777,617,157**	3,694,730,629
Cash flow from financing activities			
Grant received		**2,864,087**	-
Payment of lease liabilities		**(367,030,148)**	(329,179,863)
Net cash used in financing activities		**(364,166,061)**	(329,179,863)
(Decrease) / Increase in cash and cash equivalents		**(171,188,536)**	126,771,169
Cash and cash equivalents at beginning of the year		**2,107,955,407**	1,981,184,238
Cash and cash equivalents at end of the year	34	**1,936,766,871**	2,107,955,407

The annexed notes from 1 to 46 form an integral part of these financial statements.

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

ABHI MICROFINANCE BANK LIMITED
(formerly FINCA MICROFINANCE BANK LIMITED)

Notes to the Financial Statements
For the year ended 31 December 2023

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. 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 principal business of the Bank is to provide microfinance services to the poor and under-served segments of the society as envisaged under the Microfinance Institutions Ordinance, 2001. The Bank is licensed to operate nationwide. As at 31 December 2023, the Bank has 114 branches (2022: 130 branches) operating in the provinces of Punjab, Khyber Pakhtunkhwa, Balochistan, Sindh, Gilgit Baltistan and Azad Jammu & Kashmir. Details of the Bank's branch network are presented in note 35. The credit rating company PACRA assigned the long term entity rating of the Bank at 'BBB+' and short term rating at 'A-3' on 23 February 2024.

The registered office of the Bank was previously located at Building-36, Sector-XX, Commercial Zone, Phase III, Khayaban-e-Iqbal, DHA, Lahore, Pakistan. However, subsequent to the year-end, and in light of events disclosed in note 45, the registered office of the Bank has been relocated to Plot No. 12, S.A. House, D-12 Markaz, Islamabad, Pakistan.

During the year and as at the reporting date, the holding company of the Bank was FINCA Microfinance Cooperatief U.A.,(a cooperative with exclusion of liability incorporated in the Netherlands). The ultimate holding company of the Bank was FINCA Impact Finance, a not-for-profit corporation incorporated in Washington DC, USA.

As detailed in note 45, subsequent to the year-end, the Bank was jointly acquired by Abhi (Private) Limited and TPL Corp Limited in January 2025. 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.

1.1 Going concern assumption

During the year ended December 31, 2023, the Bank reported a net loss of Rs. 1,729.87 million (2022: Rs. 3,257.19 million), increasing accumulated losses to Rs. 4,653.58 million (2022: Rs. 2,923.82 million). Consequently, the Bank's capital position turned negative, with a capital deficit of Rs. 1,131.86 million at year-end as against the Minimum Capital requirement of Rs. 1,000 million while the Capital Adequacy Ratio (CAR) also remained below the prescribed level of 15% as required under the State Bank of Pakistan's Prudential Regulations for Microfinance Banks.

These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Bank's ability to continue as a going concern and, accordingly, its capacity to realize assets and discharge liabilities in the normal course of business. The deterioration in financial performance and position over the past few years has primarily been driven by the maturity of COVID-19–restructured loans, which resulted in substantial write-offs and increased provisioning against non-performing advances and lower mark-up income. Additionally, the prevailing macroeconomic environment marked by persistent inflation, sharp currency depreciation, and tight monetary environment has further constrained the borrowers' repayment capacity, adversely affecting the Bank's profitability.

Subsequent to the reporting date, as detailed in note 45, the Bank underwent a change in ownership and control following its acquisition by Abhi (Private) Limited ("ABHI") and TPL Corp Limited ("TPL"), pursuant to a Share Purchase Agreement (SPA) with the then majority shareholder i.e. FINCA Microfinance Cooperatief U.A, accompanied by a rebranding of the Bank. The acquisition and related change of control were completed with the approval of the State Bank of Pakistan (SBP). Under the stewardship of the new management team, a comprehensive strategic turnaround plan has been initiated, aimed at restoring profitability, enhancing asset quality, improving capital base and operational efficiency. Key measures include:

- Injection of additional equity of Rs. 2 billion through a right issuance of 200 million ordinary shares of Rs. 10 each, with commitment to inject further equity of Rs. 2 billion by new sponsors subject to regulatory approvals.
- Restructuring of borrowings, including the extension of repayment terms for Rs. 3,000 million from the SBP and Rs. 800 million from the Pakistan Microfinance Investment Company (PMIC), along with a waiver of accrued mark-up due to PMIC (refer to notes 15.2 and 16.1 for details).
- Transitioning to a secured-lending model, particularly gold-backed loans and asset-secured micro-enterprise financing, minimizing credit risk and ensuring stable returns.

The new management is confident that the measures outlined above will enable the Bank to restore financial stability and achieve sustainable operations. Accordingly, these financial statements have been prepared on a going concern basis. PWP

2 Basis of presentation

2.1 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.

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

2.2 These financial statements comprise of balance sheet of the Bank as at 31 December 2023 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 2023.

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 and presentational currency. All amounts have been rounded to the nearest Pakistani Rupee, unless otherwise indicated.

4 Statement of compliance and basis of preparation

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, prudential regulations for the Microfinance Banks and the Companies Act, 2017; and

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

Wherever 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 related directives shall prevail.

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.

As per SBP BPRD Circular No. 03 of 2022, the effective date for the implementation of IFRS 9 Financial Instruments is accounting period beginning on or after January 1, 2024. As part of the same circular, SBP has issued detailed instructions on the application of the Standard, including transitional provisions, impact on the Capital Adequacy Ratio (CAR) calculation and reporting requirements. The Bank carried out an impact assessment in accordance with SBP's instructions and, based on preliminary results, does not expect any material increase in provisioning levels. IFRS 9 will be adopted using the modified retrospective approach, with the cumulative effect recognized in opening equity as of January 1, 2024, and no restatement of comparatives.

4.2 Standards, interpretations and amendments to the approved accounting standards

4.2.1 Standards, interpretations and amendments that are effective in the current year

There are certain new standards, interpretations and amendments to existing accounting and reporting standards that have become applicable to the Bank for accounting periods beginning on or after January 1, 2023. These are either considered not to be relevant or not to have any significant effect on the Bank's financial statements.

4.2.2 Standards, interpretations and amendments that are not yet effective

Following standards and amendments to published accounting standards will be effective in future periods and have not been early adopted by the Bank. The Bank considered the following standards are either not relevant or will not have material impact.

		Effective date (annual reporting periods beginning on or after)
IAS 1	Classification of liabilities as current and non-current (Amendments)	January 1, 2024
IAS 7/IFRS 7	Supplier Finance Arrangements (Amendments)	January 1, 2024
IAS 21	Lack of exchangeability (Amendments)	January 1, 2025
IFRS 10/IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)	To be announced
IFRS 16	Lease Liability in a Sale and Leaseback (Amendments)	January 1, 2024
IFRS 17	Insurance Contracts	January 1, 2026

4.2.3 Following standards have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) as at December 31, 2023 for the purpose of their applicability in Pakistan:

IFRS 1 First Time Adoption of International Financial Reporting Standards

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
-	Provision for Advances	6.3
-	Operating fixed assets	6.4
-	Provision for taxation	6.7
-	Recoverability of deferred tax assets	6.7
-	Staff retirement benefits	6.8

6 Material accounting policy information

The material accounting policies adopted in the preparation of the financial statements are set out below. The accounting policies have been consistently applied to all the years presented, except as mentioned.

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 on 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 Microfinance Banks.

Advances are stated net of specific and general provisions which are determined on the basis of the Prudential Regulations for Microfinance Banks (the Prudential Regulations) issued by SBP and general provisions as explained below. Advances are written off according to the Prudential Regulations or when there is no realistic prospect of recovery. These regulations prescribe a time based criteria for classification of non-performing advances into the following categories:

Category	General loans	Housing loans	Microenterprise loans
a) Other Assets Especially Mentioned (OAEM)	Loan (principal/mark-up) is overdue for 30 or more but less then 60 days	Loan (principal/mark-up) Is overdue for 90 or more but less then 180 days	Loan (principal/mart-up) is overdue for 90 or more but less then 180 days
b) Substandard	Loan (principal/mark-up) is overdue for 60 or more but less then 90 days	Loan (principal/mark-up) is overdue for 180 or more but less then one year	Loan (principal/mark-up) Is overdue for 180 or more but less then one year
c) Doubtful	Loan (principal/mark-up) is overdue for 90 or more but less then 180 days	Loan (principal/mark-up) Is overdue for one year or more but less then two years	Loan (principal/mark-up) is overdue for one year or more but less then 18 months
d) Loss	Loan principal/mark-up) is overdue for 180 days or more	Loan (principal/mark-up) is overdue for two year of more	Loan (principal/mark-up) is overdue for 18 months or more

In accordance with the Prudential Regulations, the Bank maintains specific provision for potential loan losses for all non-performing advances. The provision is determined on the basis of outstanding principal net of cash collaterals and gold (ornaments and bullion) 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).

Category	General loans	Housing loans	Microenterprise loans
a) Other Assets Especially Mentioned (OAEM)	Nil	Nil	10%
b) Substandard	25%	25%	25%
c) Doubtful	50%	50%	50%
d) Loss	100%	100%	100%

Specific and general provisions against loans and advances are made in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan from time to time and management assumptions

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 05 years from the date of classification of loan.
Microenterprise loans	Loan secured against Mortgaged residential, commercial and industrial properties (Land & building only) is charged off, one month after 05 years from the date of classification of loan. All other loan shall be charged off, one month after 03 years from the date of classification.

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

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

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' (Note 11) and the liability is presented in 'Other liabilities' (Note 17). 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 Grants

Grants are initially recognized at fair value in the balance sheet when there is reasonable assurance that the grants will be received and the Bank will comply with all the attached conditions. Grants that compensate the Bank for expenses incurred are recognized as other income in the profit and loss account on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Bank for the cost of an asset are recognized in the profit and loss account as other income on a systematic basis over the useful life of the asset.

6.7 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 recognized for:

- 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.

6.8 Staff retirement benefits

6.8.1 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.

6.8.2 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 2023 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.

6.9 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.

6.10 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.

Related 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 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.

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

6.12 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.

6.13 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.

6.14 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.

6.15 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.

6.16 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.

6.17 Revenue recognition

Mark-up/return/ interest on performing advances is recognised on an accrual basis using the effective interest method. Mark-up on advances classified under the Prudential Regulations is recognised on receipt basis.

- Mark-up/return on investment is recognised on an accrual basis using the effective interest method.

- Fee, commission and brokerage income is recognised when services are rendered.

- Gains and losses on sale of investments are included in the profit and loss account in the period in which sale / settlement occurs.

- Return on balances with other banks is recognised in the profit and loss account on an accrual basis.

- Other income is recognised on an accrual basis.

6.18 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.

6.19 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.

6.19.1 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.

6.19.2 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.

6.20 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.

6.21 Earnings 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).

6.22 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-performance risk.

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	2023 Rupees	2022 Rupees
7 Cash and balances with SBP and NBP			
Cash in hand		**467,133,592**	490,336,381
Balance with State Bank of Pakistan		**1,319,028,347**	1,464,186,175
Balance with National Bank of Pakistan in:			
Saving accounts	7.2	**23,952**	-
Current accounts		**44,640,801**	6,254,638
		1,830,826,692	1,960,777,194

7.1 These represent the balances maintained with SBP and NBP to meet the minimum balance requirement equivalent to 5% (2022: 5%) as cash reserve and 10% (2022: 10%) as liquidity reserve of the Bank's time and demand liabilities in accordance with the Prudential Regulations.

7.2 Saving accounts carry markup at 12.75% to 19.00% (2022: 8.50% to 14.50%) per annum.

	Note	2023 Rupees	2022 Rupees
8 Balances with other banks / NBFIs / MFBs			
In Pakistan:			
Saving accounts	8.1	**62,047,845**	59,931,772
Current accounts		**43,892,334**	87,246,441
		105,940,179	147,178,213

8.1 These accounts carry mark-up ranging from 12.75% to 20.50% (2022: 8.50% to 15.50%) per annum.

	Note	2023 Rupees	2022 Rupees
9 Investments			
Federal Govt. Securities:			
Market treasury bills (Available for sale)	9.1	**3,088,506,150**	7,011,339,900
Market treasury bills (Held for trading)	9.1	**801,433,260**	450,359,310
		3,889,939,410	7,461,699,210

9.1 These carry yield rate ranging from 21.00% to 21.99% (2022: 9.95% to 17.00%) per annum and have maturity upto 28 November 2024. These securities have an aggregate face value of Rs. 4,306.24 million (2022: Rs. 7,723.15 million). This includes Rs. 390.82 million (2022: Rs. 320.86 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

		2023		2022	
	Note	Number	Rupees	Number	Rupees
Micro credit advances	10.1	**97,073**	**18,667,532,501**	130,358	17,127,529,552
Other advances	10.2	**488**	**92,409,122**	582	88,864,157
			18,759,941,623		17,216,393,709
Less: Provisions held:					
Specific	10.3 & 10.4	**17,159**	**584,703,156**	24,869	698,235,274
General	10.5		**209,266,585**		164,399,368
			793,969,741		862,634,642
			17,965,971,882		16,353,759,067

10.1 This includes fully secured advances amounting to Rs. 14,258.61 million (2022: Rs. 7,433.41 million) whereas the remaining advances are secured by personal guarantees.

10.2 These advances are staff loans and carry markup rate 5% to 10% per annum (2022: 5% to 10%).

10.3 Particulars of non-performing advances

The total advances of Rs. 1,944.38 million (2022: Rs. 2,647.66 million) placed under non-performing status includes Rs 126.58 million (2022: Rs 91.58 million) secured advances.

	2023				
	%	Number	Amount outstanding Rupees	Provision required Rupees	Provision held Rupees
Microenterprise loans					
OAEM	10	134	34,814,766	1,571,263	1,571,263
Sub-standard	25	330	69,998,642	15,227,960	15,227,960
Doubtful	50	480	100,636,415	40,988,627	40,988,627
Loss	100	1,075	139,980,167	135,768,324	135,768,324
Subtotal		2,019	345,429,990	193,556,174	193,556,174
General and house loans					
OAEM	0	5,670	611,228,580	-	-
Sub-standard	25	4,363	457,671,605	110,245,798	110,245,798
Doubtful	50	4,551	488,744,371	239,741,867	239,741,867
Loss	100	556	41,309,317	41,159,317	41,159,317
Subtotal		15,140	1,598,953,873	391,146,982	391,146,982
Total		17,159	1,944,383,863	584,703,156	584,703,156

	2022				
	%	Number	Amount outstanding	Provision required	Provision held
Microenterprise loans			Rupees	Rupees	Rupees
OAEM	10	326	73,416,004	5,848,001	5,848,001
Sub-standard	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	-	-	-	-
Subtotal		1,475	232,457,997	53,664,427	53,664,427
General and house loans					
OAEM	0	8,193	865,442,120	-	-
Sub-standard	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
Subtotal		23,394	2,415,204,796	644,570,847	644,570,847
Total		24,869	2,647,662,793	698,235,274	698,235,274

10.4 Particulars of non-performing advances

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

		2023			2022		
	Note	Specific Rupees	General Rupees	Total Rupees	Specific Rupees	General Rupees	Total Rupees
Balance as at 01 January		698,235,274	164,399,368	862,634,642	720,172,279	148,363,266	868,535,545
Charge for the period / year		1,000,846,624	44,867,217	1,045,713,841	3,701,673,531	16,036,102	3,717,709,633
Advances written off	*10.4.1*	(1,114,378,742)	-	(1,114,378,742)	(3,723,610,536)	-	(3,723,610,536)
		(113,532,118)	44,867,217	(68,664,901)	(21,937,005)	16,036,102	(5,900,903)
Balance as at 31-December-2023		584,703,156	209,266,585	793,969,741	698,235,274	164,399,368	862,634,642

10.4.1 Particulars of write offs

	2023 Rupees	2022 Rupees
Against provisions	1,114,378,742	3,723,610,536
Directly charged to profit and loss account	7,075,302	8,472,838
	1,121,454,044	3,732,083,374

10.5 This represents general provision equivalent to 1% (2022: 1%) of the outstanding advances net of specific provisions and those against which gold collaterals are taken. Further, additional general provision of Rs. 67.46 million (2022: 73.55 million) has been created against gold portfolio as approved by board of directors.

11 Operating fixed assets

	Note	2023 Rupees	2022 Rupees
Capital work-in-progress	11.1	**16,700,136**	40,878,034
Intangible assets	11.2	**154,778,437**	169,964,659
Right of use assets	11.3	**541,188,645**	752,352,807
Property and equipment	11.4	**498,128,847**	652,835,622
		1,210,796,065	1,616,031,122

11.1 Capital work-in-progress

	Note	2023	2022
Assets	11.1.1	**14,254,907**	35,394,402
Advances to suppliers and contractors	11.1.2	**2,445,229**	5,483,632
		16,700,136	40,878,034

11.1.1 Assets

	Note	2023	2022
Leasehold Improvements		**1,175,038**	4,220,814
Furniture and Fixtures		**1,096,000**	3,452,647
Computer Equipment		**2,234,821**	27,720,941
Office Equipment		**792,800**	-
Intangibles	11.2	**8,956,248**	-
		14,254,907	35,394,402

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

11.2 Intangible assets

Computer Software

	Note	2023	2022
Cost:			
Balance as at 01 January		**694,051,903**	645,791,527
Additions during the year		**40,603,818**	48,260,376
Balance as at		**734,655,721**	694,051,903
Amortization:			
Balance as at 01 January		**524,087,244**	460,480,456
Charge during the year	26	**55,790,040**	63,606,788
Balance as at		**579,877,284**	524,087,244
Carrying value		**154,778,437**	169,964,659

11.2.1 Cost of intangible assets includes cost of fully amortized intangible assets that are still in use amounting to Rs. 444.08 million (2022: Rs. 341.67 million)

	2023	2022
Amortization rate (%)	**10% - 20%**	10% - 20%

11.3 Right of use assets:

The movement in right of use assets during the period is as follows:

	Note	2023	2022
Opening net book value		**752,352,807**	978,078,124
Additions during the year		**88,634,386**	10,095,921
Right of use asset derecognized during the year		**(89,401,123)**	-
Modification of lease for the year		**10,940,216**	-
Depreciation charge for the year	26	**(221,337,641)**	(235,821,238)
Closing net book value		**541,188,645**	752,352,807

11.4 Property and equipment

	2023											
	Cost					Depreciation					Book value as at 31 December 2023	Rate of depreciation % (per annum)
	As at 01 January 2023	Additions/ Transfers	Disposals	Write offs	As at 31 December 2023	As at 01 January 2023	Charge for the year	Disposals	Write offs	As at 31 December 2023		
	Rupees											
Owned assets												
Leasehold improvements	693,244,937	6,166,547	-	(68,331,981)	631,079,503	363,607,197	67,732,660	-	(41,388,201)	389,951,656	241,127,847	10%
Furniture and fixtures	214,337,153	2,996,934	(10,144,488)	(33,242)	207,156,357	120,756,925	20,730,959	(6,912,676)	(23,626)	134,551,582	72,604,775	10%
Computer equipment	629,696,802	42,993,005	(3,163,888)	(839,874)	668,686,045	537,784,278	56,265,283	(3,015,723)	(830,155)	590,203,683	78,482,362	20%-33%
Office equipment	294,175,017	63,000	(8,326,228)	(105,933)	285,805,856	157,654,751	27,890,995	(5,391,630)	(64,241)	180,089,875	105,715,981	10%
Vehicles	28,341,100	-	(6,168,000)	-	22,173,100	27,156,236	906,812	(6,087,830)	-	21,975,218	197,882	25%
	1,859,795,009	52,219,486	(27,802,604)	(69,311,030)	1,814,900,861	1,206,959,387	173,526,709	(21,407,859)	(42,306,223)	1,316,772,014	498,128,847	

	2022											
	Cost					Accumulated Depreciation					Book value as at 31 December 2022	Rate of depreciation % (per annum)
	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		
	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 equipment	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 equipment	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. 552.39 million (2022: Rs. 443.51 million).

11.4.2 As required by BSD circular # 11 of 2003 , details of property and equipment disposed of during the year is disclosed in Annexure-I and forms integral part of these financial statements.

12 Other assets	Note	2023 Rupees	2022 Rupees
Income / mark-up accrued on advances	12.1	2,274,237,658	1,315,387,439
Income / mark-up accrued on balance with banks		304,551	272,412
Prepayments		22,973,698	40,035,504
Security deposits		10,279,632	9,891,150
Stationery and stamps on hand		27,467,354	16,387,569
Advance income tax - net	12.2	62,177,071	118,794,926
Receivable from Finca International Inc.	12.3	-	748,619
Receivable from SBP against crop insurance		125,673,591	139,960,868
Others		72,205,270	47,190,694
		2,595,318,825	1,688,669,181

12.1 This is net of markup income suspended amounting to Rs 2,219.12 million (2022: Rs. 1,996.98 million) on non performing advances of the Bank.

12.2 Advance income tax - net	2023	2022
Advance income tax	149,477,587	186,398,163
Provision for income tax	(87,300,516)	(67,603,237)
	62,177,071	118,794,926

12.3 This represented amount receivable from a related party, FINCA International Inc. against reimbursement of integration, travelling and advertisement expenses. Maximum aggregate amount receivable from the related party at end of any month during the year was Rs. 0.749 million (2022: Rs. 0.749 million).

13 Deferred tax asset	Note	2023 Rupees	2022 Rupees
Deferred tax asset on deductible temporary differences arising in respect of:			
- Payable to defined benefit plan		116,238,026	107,150,186
- Provision against non performing advances		1,679,047,198	1,637,037,662
- Unadjusted tax losses		2,372,419,381	1,300,352,636
- Deficit on revaluation of 'available for sale' securities		-	3,602,976
- Deferred tax on lease liability and ROU		89,521,563	125,915,092
- Decelerated tax depreciation		15,925,104	1,657,679
		4,273,151,272	3,175,716,231
Deferred tax liability on taxable temporary differences arising in respect of:			
- Gain on revaluation of 'held for trading' securities		(655)	-
- Surplus on revaluation of 'available for sale' securities		(1,389,083)	-
		(1,389,738)	-
Deferred tax asset - net	13.1	4,271,761,534	3,175,716,231

13.1 Movement in deferred tax balances is as follows:	Note	2023	2022
As at 01 January		3,175,716,231	1,014,865,800
Recognized in profit and loss account:			
- Payable to defined benefit plan		9,143,186	13,362,827
- Provision against non performing advances		42,009,536	1,167,812,780
- Turnover tax credits		-	(76,004,919)
- Unadjusted tax losses		1,072,066,745	919,813,870
- Decelerated tax depreciation		14,267,425	12,140,991
- Lease liability and ROU asset		(36,393,529)	125,915,092
- Gain on revaluation of 'held for trading' securities		(655)	-
		1,101,092,708	2,163,040,641
Recognized in other comprehensive income:			
- Remeasurement of staff retirement benefits		(55,346)	607,474
- Surplus on revaluation of 'available for sale' securities		(4,992,059)	(2,797,684)
As at 31 December	13.2	4,271,761,534	3,175,716,231

13.2 As at the year end, the Bank has recognized a net deferred tax asset amounting to Rs. 4,271.76 million (2022: Rs. 3,175.72 million) as the management, based on the business plan and financial projections which have been approved by the board of directors of the Bank, anticipates that the Bank will become profitable from 2025 and will be able to generate sufficient taxable profits to absorb the available tax losses amounting to Rs.6,083.13 million. The projections involve certain key assumptions underlaying the estimation of future taxable profits, such as cost to income ratio, growth of advances and deposits, 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.

13.3 Deferred tax asset, the potential tax benefit of which amounts to Rs. 230.91 million (2022: Rs. 143.61 million) representing tax credit on minimum tax has not been recognized. Amount and expiry of minimum tax for which no deferred tax asset has been recognized is as follows:

Minimum tax	**Rupees**	**Expiry (Tax Year)**
Tax Year 2022 (FY 2021)	**76,004,919**	2027
Tax Year 2023 (FY 2022)	**67,603,238**	2026
Tax Year 2024 (FY 2023)	**87,300,516**	2027
	230,908,673	

14 Deposits and other accounts

		2023		2022	
	Note	**Number of accounts**	**Amount (Rupees)**	Number of accounts	Amount (Rupees)
Fixed deposits	14.1	**5,117**	**14,662,059,550**	5,960	13,569,209,130
Saving deposits	14.2	**127,252**	**8,936,863,056**	125,492	8,206,244,071
Current deposits		**1,820,026**	**1,940,749,164**	1,689,679	2,701,531,416
		1,952,395	**25,539,671,770**	1,821,131	24,476,984,617

14.1 These represent fixed deposits having tenure of 1 to 60 months carrying profit rates ranging from 8.40% to 24.75% (2022: 7.25% to 16%) per annum.

14.2 The saving deposits represent accounts carrying interest rates ranging from 7.25% to 23.00% (2022: 7.25% to 16%) per annum.

14.3 Particulars of deposits by ownership

	2023		2022	
	Number of accounts	**Amount (Rupees)**	Number of accounts	Amount (Rupees)
Individual depositors	**1,951,343**	**19,274,220,038**	1,820,114	19,620,530,944
Institutional depositors:				
Corporations, firms and other such entities	**968**	**4,706,379,807**	942	3,888,544,957
Banks and financial institutions	**84**	**1,559,071,925**	75	967,908,716
	1,952,395	**25,539,671,770**	1,821,131	24,476,984,617

14.4 Deposits include deposits from related parties amounting to Rs. 182.22 million (2022: Rs. 161.41 million).

15 Borrowings	**Note**	**2023 Rupees**	2022 Rupees
Borrowings from banks / financial institutions in Pakistan - secured	**15.1**	**46,875,000**	795,878,780
Borrowings from the State Bank of Pakistan - *unsecured*	**15.2**	**3,000,000,000**	3,000,000,000
		3,046,875,000	3,795,878,780

15.1 Details of borrowings from financial institutions - secured

Secured			
Running finance - National Bank of Pakistan	**15.1.1**	-	499,003,780
Term finance - National Bank of Pakistan	**15.1.2**	-	187,500,000
Term finance - Allied Bank Limited	**15.1.3**	**46,875,000**	109,375,000
		46,875,000	795,878,780

15.1.1 The facility carried mark-up at the rate of 3 months KIBOR plus 100 bps per annum (2022: 3 months KIBOR plus 50 bps per annum), payable quarterly. This facility was 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. The facility has been settled during the year.

15.1.2 The facility carried mark-up at the rate of 3 months KIBOR plus 100 bps per annum (2022: 3 months KIBOR plus 100 bps per annum), payable quarterly. The principal was to be paid in sixteen equal quarterly installments, the first such installment was paid on 31 December 2019. This was secured against first pari-passu charge of Rs. 1,333 million on present and future current assets of the Bank with a 25% margin. The facility has been settled during the year.

15.1.3 Term finance - Allied Bank Limited

Term Finance - Facility 2	**15.1.3.1**	-	25,000,000
Term Finance - Facility 3	**15.1.3.2**	**46,875,000**	84,375,000
		46,875,000	109,375,000

15.1.3.1 This facility carried mark-up at the rate of 3 months KIBOR plus 75 bps per annum (2022: 3 months KIBOR plus 75 bps per annum) , payable quarterly. The principal was to be paid in sixteen equal quarterly installments, the first such installment was paid on 28 August 2019. This was secured against first pari-passu charge of Rs. 267 million on present and future current assets of the Bank with a 25% margin. The facility has been settled during the year.

15.1.3.2 This facility had an aggregate limit of Rs. 150 million (2022: Rs. 150 million). Mark-up is payable quarterly at the rate of 3 months KIBOR plus 75 bps per annum (2022: 3 months KIBOR plus 75 bps per annum). The principal is to be paid in sixteen equal quarterly installments, the first such installment was paid on 20th June 2021. The facility 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 was expiring on 20 March 2025, however, the facility was settled early in March 2024, subsequent to the year-end.

15.2 This represents unsecured long term borrowing obtained on 24 June 2019 from SBP under Financial Inclusion Infrastructure Program (FIIP) to provide access to long term market based funding to 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 (2022: 6 months KIBOR minus 100 bps per annum). Principal amount was repayable in last four quarters of 5 years loan period or in bullet form at the end of said tenor. Subsequent to the year-end, in 2024, the Bank received formal communication from the State Bank of Pakistan confirming the extension of the principal repayment period of 5 years from June 30, 2024, to June 30, 2029. This event constitutes a non-adjusting event under IAS 10 – Events after the Reporting Period; accordingly, no adjustments have been made to these financial statements.

16 Subordinated debt	Note	2023 Rupees	2022 Rupees
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. 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 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 had 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.

Subsequent to year-end, in 2024, the Bank received formal communication from Pakistan Microfinance Investment Company Limited (PMIC) confirming the extension of the term of the loan for seven (7) years from the amendment effective date and waiver of accrued interest amounting to PKR 285.04 million. 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.

17 Other liabilities	Note	2023 Rupees	2022 Rupees
Markup / return / interest payable	**17.1**	**1,504,420,587**	743,100,172
Bills payable		**102,600,913**	126,023,698
Accrued expenses		**373,845,526**	285,323,067
Payable to FINCA Network Support B.V.	**17.2**	**253,146,364**	9,254,046
Payable to defined benefit plan	**17.3**	**298,046,220**	274,744,067
Withholding tax payable		**158,908,899**	175,074,051
Sundry creditors		**120,842,883**	88,890,931
Lease liability against right of use assets	**17.4**	**770,731,115**	1,075,212,018
Workers' Welfare Fund		**33,320,951**	33,320,951
		3,615,863,458	2,810,943,001

17.1 This includes markup payable on deposits from related parties amounts to Rs. 30.58 million (2022: Rs. 16.4 million).

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

17.3 Payable to defined benefit plan	Note	2023 Rupees	2022 Rupees
Staff gratuity			
Present value of defined benefit obligation	**17.3.1**	**283,079,199**	251,517,009
Benefits due but not yet paid		**14,967,021**	23,227,058
Balance as at 31 December		**298,046,220**	274,744,067

		2023 Rupees	2022 Rupees
17.3.1	**Changes in present value of defined benefit obligation**		
	Balance at 01 January	**251,517,009**	253,730,902
	Current service cost	**59,634,721**	59,061,333
	Past service cost	**-**	-
	Interest cost	**32,118,581**	24,468,205
		91,753,302	83,529,538
	Benefits due but not yet paid	**(9,666,766)**	(21,842,252)
	Adjustment for last year's payable	**(13,875)**	3,680,660
	Payments made during the year	**(50,352,341)**	(69,139,465)
		(60,032,982)	(87,301,057)
	Remeasurements due to actuarial (gains)/losses arising from:		
	- changes in demographic assumptions	**-**	6,258,531
	- changes in financial assumptions	**979,921**	2,247,735
	- experience adjustment	**(1,138,051)**	(6,948,640)
		(158,130)	1,557,626
	Balance at 31 December	**283,079,199**	251,517,009
17.3.2	**Amount charged to profit and loss account**		
	Current service cost	**59,634,721**	59,061,333
	Past service cost	**-**	-
	Interest cost	**32,118,581**	24,468,205
	Interest income on plan asset	**-**	-
		91,753,302	83,529,538
17.3.3	**Remeasurements recognized in other comprehensive income**		
	Actuarial (gains) / losses arising from:		
	- changes in demographic assumptions	**-**	6,258,531
	- changes in financial assumptions	**979,921**	2,247,735
	- experience adjustment	**(1,138,051)**	(6,948,640)
	Remeasurement - net	**(158,130)**	1,557,626
17.3.4	**Changes in net liability**		
	Balance as at 01 January	**274,744,067**	266,228,242
	Amount charged to profit and loss account	**91,753,302**	83,529,538
	Remeasurements recognized in other comprehensive income	**(158,130)**	1,557,626
	Benefits paid (including payments for benefits due not paid)	**(68,293,019)**	(76,571,339)
	Balance as at 31 December	**298,046,220**	274,744,067

17.3.5 Significant actuarial assumptions

The latest actuarial valuation of the gratuity scheme was carried out by an independent actuary at December 31, 2023. Following are the significant assumptions used in the valuation;

	2023	2022
Discount rate used for interest cost in profit and loss account	**14.50%**	11.75%
Discount rate used for year end obligation	**15.50%**	14.50%
Expected rate of increase in salaries	**14.50%**	13.50%
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

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17.3.6 Expected expense for the next year

The Bank expects to charge Rs 100.62 million to profit and loss account on account of defined benefit plan for the year ending 31 December 2024.

	(Rupees)
Current service cost	60,368,922
Interest cost	40,253,898
Amount chargeable to profit and loss account	100,622,820

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			
		2023		2022	
		Rupees			
	Change	Increase	Decrease	Increase	Decrease
Discount rate	±100 BPS	20,898,385	18,327,526	18,299,748	15,990,670
Salary growth rate	±100 BPS	21,737,123	19,406,213	19,103,850	17,002,008

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 sensitivity analysis from prior years.

17.3.8 The average duration of the defined benefit obligation is 7 years (2022: 7 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 2024 will be Rs. 100.62 million.

17.4 Lease liability against right of use assets	2023 Rupees	2022 Rupees
Balance at 01 January	**1,075,212,018**	1,267,217,791
Additions during the year	**88,634,386**	10,095,921
Deletion during the year	**(125,820,623)**	-
Interest expense during the year	**99,735,482**	127,078,169
Payment made during the year	**(367,030,148)**	(329,179,863)
Balance at 31 December	**770,731,115**	1,075,212,018

	Note		2023	2022	2023	2022
			(Number of shares)		Rupees	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 At year-end, share capital was 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
	18.3.1	100.00%	**634,888,711**	634,888,711	**6,348,887,110**	6,348,887,110

18.3.1 Subsequent to year-end, on acquisition of the Bank by another shareholders, the shareholding pattern has changed. Refer to note 45 for details.

19 Surplus/(deficit) on revaluation of assets - net of tax	2023 Rupees	2022 Rupees
Surplus / (deficit) on revaluation of securities:		
Federal government securities - market treasury bills (available for sale)	**3,561,750**	(9,422,400)
Related deferred tax effect	**(1,389,083)**	3,674,736
	2,172,667	(5,747,664)

19.1 Surplus / 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 Deferred grants	2023 Rupees	2022 Rupees
Balance as at 01 January	**-**	-
Grant received from Karandaz for women empowerment	**2,864,087**	-
Less: Grant amortized	**(2,864,087)**	-
Balance as at 31 December	**-**	-

20.1 This represented grant received from Karandaz for women awareness about the use of SIMSIM wallet in rural / peri urban areas.

21 Memorandum / off-balance sheet items

21.1 Contingencies and commitments

21.1.1 Contingencies

(a) While finalizing the income tax assessment for tax year 2020 under Section 122(5A) of the Income Tax Ordinance, 2001 (the Ordinance), the tax officer made certain add-backs resulting in a tax impact of Rs. 187.191 million. Being aggrieved, the Bank filed an appeal before the Commissioner Inland Revenue (Appeals) [CIR(A)], who remanded the case back to the tax officer. Upon conclusion of the appeal effect proceedings by the tax officer, the tax impact was reduced to Rs. 66.125 million. The Bank again filed an appeal before the CIR(A), who granted relief to the Bank with no outstanding liability. Consequently, the tax officer had preferred an appeal before the Appellate Tribunal Inland Revenue, which is currently pending adjudication.

(b) Subsequent to the year-end, the Punjab Revenue Authority (PRA) issued a notice to the Bank regarding alleged short payment of sales tax on services and shortfall in sales tax withheld on taxable services for financial years 2020 and 2021. After submission of replies and hearings, PRA passed an order dated 16 June 2025 creating a demand of Rs. 196.398 million along with a penalty of Rs. 9.820 million for both years. The Bank, based on advice from its tax consultants, has filed an appeal before the competent appellate authority.

(c) During the financial year 2016, a demand of Rs. 9.315 million was raised by the Deputy Commissioner Inland Revenue (DCIR) through order passed under Section 3 of the Federal Excise Act, 2005. Being aggrieved, the Bank preferred an appeal before the Commissioner Inland Revenue (Appeals), which was dismissed vide order dated 21 September 2020. The subsequent appeal before the Appellate Tribunal Inland Revenue (ATIR) was also dismissed through order dated 29 September 2022. The Bank has now filed a reference before the Honorable Lahore High Court through its legal counsel, which is currently pending adjudication.

Bank's AJK Operations:

(d) During the previous years, the Deputy Commissioner Inland Revenue (DCIR) passed orders under section 122(1) of the Ordinance for the Tax Years 2019, 2020 and 2021, thereby raising an aggregate tax demand of Rs. 32.323 million. Feeling aggrieved, the Bank preferred appeals before Commissioner Inland Revenue (Appeals) [CIR(A)], who subsequent to year-end, vide orders dated 19 December 2024, partially confirmed the aggregate demand to the tune of Rs. 12.766 million while remanding back the remaining demand to DCIR. The remand back proceedings are underway till this date.

(e) During the year, the DCIR passed order under section 122(1) of the Ordinance for the Tax Year 2022, thereby reducing taxable loss by Rs. 14.685 million. Feeling aggrieved, the Bank preferred appeals before CIR(A) which is pending adjudication.

21.1.2 Commitments

There are no significant commitments as at 31 December 2023 (2022: Nil).

22 Mark-up / return / interest earned

	2023 Rupees	2022 Rupees
Interest income on advances	**5,292,082,882**	3,774,731,497
Markup earned on investments in government securities	**1,010,898,232**	1,023,072,606
Interest income on bank accounts	**6,476,679**	26,624,729
	6,309,457,793	4,824,428,832

	Note	2023 Rupees	2022 Rupees
23 Mark-up / return / interest expensed			
Deposits		**3,926,990,025**	2,592,486,033
Borrowings		**667,769,151**	538,952,722
Subordinated loan		**199,069,591**	156,840,985
Notional interest on lease liability	**17.4**	**99,735,482**	127,078,169
		4,893,564,249	3,415,357,909
24 Fee, commission and brokerage income			
Loan processing fee		**508,070,207**	423,882,643
Income on cheque book issuance		**3,632,703**	7,476,439
Over due charges		**44,567,206**	65,383,765
Early settlement charges		**85,736,108**	59,768,773
Others		**29,713,231**	27,318,565
		671,719,455	583,830,185
25 Other income			
Recovery against advances previously written off		**774,415,325**	394,782,881
Gain on disposal of operating fixed assets		**1,341,373**	505,499
Grant income		**2,864,087**	-
Gain on sale of government securities - available for sale		**1,902,818**	-
Gain on revaluation of held for trading securities		**1,679**	-
Gain on derecognition of leases arrangements		**47,359,716**	-
Liabilities written back		**-**	20,000,000
Others		**2,786,301**	573,382
		830,671,299	415,861,762

PWC

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26 Administrative expenses	Note	2023 Rupees	2022 Rupees
Staff salaries and other benefits	26.1	**2,385,649,799**	2,108,899,877
Contribution to employees provident fund		**66,005,541**	62,789,642
Non-executive directors' fees, allowances and other expenses		**4,349,999**	4,950,000
Printing, stationery and periodicals		**45,420,428**	70,722,595
Advertisement		**81,249,024**	88,048,481
Rent, rates and taxes		**27,743,366**	22,594,463
Office running expenses		**53,120,854**	70,029,227
Vehicle running expenses		**114,056,577**	75,474,801
Insurance		**84,799,333**	119,308,897
Office security / personnel services		**172,627,812**	152,097,696
Repairs and maintenance		**306,916,999**	169,205,099
Communication		**98,155,690**	95,709,725
Travel and transportation		**93,304,968**	92,421,571
Utilities		**192,231,467**	192,926,832
IT expenses	26.2	**243,892,317**	19,831,503
Legal and professional charges		**66,288,539**	80,821,974
Auditors' remuneration	26.3	**5,466,666**	8,961,330
Training and research		**11,022,457**	688,072
Depreciation on property and equipment	11.4	**173,526,709**	184,672,366
Depreciation on right of use assets	11.3	**221,337,641**	235,821,238
Amortization on intangible assets	11.2	**55,790,040**	63,606,788
Others		**60,666,810**	49,372,595
		4,563,623,036	3,968,954,772

26.1 This includes Rs. 91.75 million (2022: Rs. 83.53 million) in respect of staff gratuity expense.

26.2 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.

26.3 Auditors' remuneration	Note	2023 Rupees	2022 Rupees
Annual audit		**4,666,666**	3,328,170
Half year review		-	1,014,300
Tax services		-	2,578,860
Fee for certifications		-	1,400,000
Out of pocket expense		**800,000**	640,000
		5,466,666	8,961,330

27 Other charges

Penalties imposed by SBP	27.1	**4,074,100**	325,561
Bank charges		**14,451,416**	31,576,868
Loss on sale of government securities		-	20,785,133
Write-off against operating fixed assets		**27,004,807**	-
Others		-	4,807,166
		45,530,323	57,494,728

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

28 **Taxation**		**2023** **Rupees**	2022 Rupees
Current:			
For the year	**28.1**	**87,300,516**	67,603,237
For the prior year		**-**	8,685,210
		87,300,516	76,288,447
Deferred:			
For the year		**(1,101,092,708)**	(2,162,968,881)
		(1,013,792,192)	(2,086,680,434)

28.1 There is no relationship between the current tax expense for the year and product of accounting loss multiplied by applicable tax rate as the provision for current tax expense is based on minimum tax under section 113 of the Income Tax Ordinance, 2001, accordingly, no numerical tax charge reconciliation has been presented.

29 Number of employees

	2023		
	Credit / Sales staff	**Banking / Support staff**	**Total staff**
Permanent	**748**	**677**	**1,425**
Contractual	**389**	**187**	**576**
Total	**1,137**	**864**	**2,001**
Average number of employees during the year	**1,193**	**916**	**2,109**

	2022		
	Credit / Sales staff	Banking / Support staff	Total staff
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

PWC

30 Number of branches	2023 Branches No.	2023 Sales service centre No.	2022 Branches No.	2022 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	(16)	(2)	-	-
Branches at the end of the year	114	-	130	2

31 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	
	2023	2022	2023	2022	2023	2022
	----------	----------	Rupees	----------	----------	----------
Meeting fee	-	-	4,349,999	4,950,000	-	-
Managerial remuneration	27,883,296	23,786,596	-	-	411,239,293	322,936,045
House rent allowance	11,153,316	9,514,636	-	-	164,495,737	129,174,477
Provident fund	2,322,684	1,981,423	-	-	33,442,858	26,900,573
Utilities allowance	-	-	-	-	39,005,105	30,776,414
Medical Allowance	2,788,332	2,378,662	-	-	2,119,036	1,517,241
Conveyance/ car allowance	1,800,000	1,800,000	-	-	71,639,428	66,055,112
Charge for defined benefit plan	-	2,325,281	-	-	-	45,163,493
Driver allowance	600,000	600,000	-	-	9,061,371	7,548,183
Title allowance	-	-			9,416,294	5,039,299
	46,547,628	42,386,598	4,349,999	4,950,000	740,419,122	635,110,837
Number of persons	1	1	9	9	361	365

31.1 Executive means employees, other than the chief executive and directors, whose basic salary exceed five hundred thousand rupees in a financial year.

31.2 Aggregate amount charged to profit and loss account for the year in respect of travelling and hotel expenses of directors is Rs. 0.78 million (2022: Rs 0.66 million) and Rs. 1.15 million (2022: 0.67 million) respectively.

31.3 No remuneration and other benefits were paid to directors of the Bank. Non-executive directors were paid meeting fees amounting to Rs. 4.35 million (2022: Rs. 4.95 million).

32 Loss per share - basic and diluted		2023	2022
32.1 Loss for the year	Rupees	(1,729,866,012)	(3,257,188,667)
Weighted average number of ordinary shares	Number	634,888,711	634,888,711
Basic and diluted loss per share	Rupees	(2.72)	(5.13)

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

33 Related party transactions and balances

During the year, the Bank's related parties comprise of directors, key management personnel, shareholders, associated company and employee retirement fund. Transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements, are as follows:

	31 December 2023				31 December 2022			
	Key management personnel	Directors	FINCA Network Support B.V.	Kashf Foundation Provident Fund Trust	Key management personnel	Directors	FINCA Network Support B.V.	Kashf Foundation Provident Fund Trust
Deposits/others	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Opening balance	5,355,104	100,292	9,254,046	155,961,347	18,370,067	10,723,084	-	180,030,306
Received/Charged during the year	265,457,762	-	243,892,317	370,119,986	93,717,588	-	19,831,503	199,903,017
Withdrawn during the year	(264,773,404)	(650)	-	(350,000,000)	(106,732,551)	(10,622,792)	(10,577,457)	(223,971,976)
Closing balance	6,039,463	99,642	253,146,363	176,081,333	5,355,104	100,292	9,254,046	155,961,347
Staff loans								
Opening balance	11,818,810	-	-	-	1,141,358	-	-	-
Disbursement during the year	8,717,900	-	-	-	14,612,851	-	-	-
Repayments during the year	(7,498,184)	-	-	-	(3,935,399)	-	-	-
Closing balance	13,038,526	-	-	-	11,818,810	-	-	-
Transactions during the year								
Mark-up/return/interest earned	1,236,759	-	-	-	775,905	-	-	-
Mark-up/return/interest expensed	769	-	-	30,582,766	534,314	1,033,851	-	18,047,412
Contribution to provident fund	8,130,394	-	-	-	7,501,789	-	-	-
IT expenses	-	-	243,892,317	-	-	-	19,831,503	-
Basis of Relationship	*By virtue of key management position held*	*By virtue of directorship*	*Associated Company*	*Common Directorship/ Management*	*By virtue of key management position held*	*By virtue of directorship*	*Associated Company*	*Common Directorship/ Management*

**Subsequent to year-end, due to acquisition of the Bank and change in ownership structure, the related parties of the Bank have changed.*

34 Cash and cash equivalents	Note	2023 Rupees	2022 Rupees
Cash and balances with SBP and NBP	7	1,830,826,692	1,960,777,194
Balances with other banks	8	105,940,179	147,178,213
		1,936,766,871	2,107,955,407

35 Details of business locations

At year-end, the addresses of the branches 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	Allama Iqbal Road	Property No:2 Khatooni No 2123, Allama Iqbal Road, Near Chenab Cross, Opposite Government College University Faisalabad
7	Allama Iqbal Town Lahore	Plot No. 23, Block Gulshan near Dubai Chowk, Allama Iqbal Town, Lahore.
8	Arifwala	Khewat# 1872, Khatooni#1885, Main Muhammadi Road near Khushhali Bank, Arifwala.
9	Attock	Shop # C-99, Block C, Lakki plaza, Near MCB Islamic Bank, Barki Road Attock.
10	Bahawalnagar	Plot # 08, Nishtar Road, Jinnah Colony, Bahawalnagar.
11	Bahawalpur	Plot # 2/A, Muhammad Bin Qasim Road, Model Town "A", Cantt. Bahawalpur.
12	Bander Road Larkana	City Survey # 707 & 708, Ward "A" Opposite First Women Bank, Bank Square, Bander Road, Larkana.
13	Barakahu	Khewat No. 192 & 213, Near omania Restaurant, Sardar Abbasi Plaza, Murree Road, Bara Kahu.
14	Bhakkar	Khata No. 191, Khasra No. 1916/380/21, Chisti Road, Bhakkar.
15	Bhalwal	P.No. 586, Main Ajnala Road Near Satellite town, Bhalwal, District Sargodha.
16	Blue Area Islamabad	109-East Jinnah Avenue, Blue Area, Islamabad.
17	Burewala	Plot # 26, F - Block, Near Wapda Office, Vehari Bazar, Burewala.
18	Chakwal	Khatooni No. 1853, Rawalpindi Road, Opposite Govt Degree College near Sui Gas office, Chakwal.
19	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.
20	Chishtian	Khewat# 583/585, Khatooni# 583, Khawaja Qibla Aalam Road near Qomi Bachat Road Chishtian .
21	Clifton Karachi	Plot No.BC-13, Block-9, Clifton Karachi.
22	College Road	27-17-B1, College Road, Township near Aslam Chowk Lahore.
23	Daska	Khasra # 3180/3058/3027/2834/2757/338, Khewat # 747, Khatoni # 1070, Mouza Daska Kot (Urban), Main Circular Road, Daska.
24	Depalpur	Khewat no 274, Khatooni no 277, Pakpattan Road, Near Allied Bank, Depalpur.
25	Dera Ghazi Khan	House # 02 Block A, Bukhari Market Railway Road, Dera Ghazi Khan.
26	DHA Lahore	House No. 49/A, Block XX, Phase 3C, DHA Lahore.
27	Dunyapur	Khewat # 41/2660, Khasra # 14-15-5, Railway Road near Post Office, Dunyapur.
28	Fort Abbas	Khewat No. 411/409, Khatooni No. 439, Kachi Mandi, Allama Iqbal Road, Fort Abbas.
29	Ghotki	Plot No. C/S 890/2,Ward No B,S.K Plaza Devri Sahab Road,Ghotki.
30	Gojar Khan	Property No's B-IV-7-A-B, B-IV-13 & B-IV-25, Near Main Bazar, Tehsil Road, Gujar Khan.
31	Gojra	Khewat # 1156, Khatoni # 1167, Chak # 365 JB Urban, near Saifullah House, Main Jhang Road, Tehsil Gojra.
32	Gujranwala III	Shop # 9 & 10, Main Sheikhupura Road, Adjacent to Bank Alfalah Limited, Raqba Mouza, Main Sansi Khiali Shah Pur Town, District Gujranwala.
33	Gujrat	Faisal Gate, Circular Road, Near First Woman Bank, Gujrat.
34	Hafizabad	Khasra # 122/124, Khatoni # 169, Model Town, Gujranwala Road, Hafizabad.
35	Haripur	Khasra No:1602,1598,1504/12, Naeem Market, Adjacent Total Filling Station, G.T Road Haripur.
36	Haroonabad	Plot # 207-Copposite Grain Market,Bangla Road Haroonabad.
37	Hasilpur	Khatooni No. 148, Baldia Raod, Near Imam Bargah, Hasilpur.

Sr. No.	Branch Name	Branch address
38	Hassanabdal	Property Khewat # 1751, Khata # 2610, Khasra # 1491, Ch. Tariq Palaza, Ground Floor, Dr. Afzaal Road, Adda Lariyan,Hassan Abdal.
39	Haveli Lakha	Khewat # 238, Khatoni # 332, Pakpattan Road near Bank Al-falah, Haveli Lakha.
40	Hujra Shah Muqeem	Khatooni No. 2193,Near NBP, Circular Road, Hujra Shah Muqeem, Tehsil Depalpur, District Okara.
41	Hyderabad	G-916, Guro Nagar, opposite SK Rahim Girls High School, Near New Cloth Market Hyderabad.
42	Hyderi Branch - Karachi	Plot # D-6/B , Block-D, North Nazimabad, KDA Scheme # 2, Karachi.
43	Illahabad	Khewat No. 246, Khatooni No. 450, Kasur Road, Illahabad.
44	Jahanian	Plot No. 520 & 522, Near Jahanian bypass Road, Jahanian, District Khanewal.
45	Jalalpur Jattan	Khewat # 1729, Khatoni # 2355,Circular Road oppsite MCB Bank near Bank Al-Falah, Jalalpur Jattan district Gujrat.
46	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.
47	Jhang	Yousaf Shah Road House No. 3 Mohallah Sawal Lain, Jhang
48	Jhelum	Khatooni No. 1931/32355, Session Mohallah No.3, Old G.T Road, Jehlum.
49	Joherabad	Khet/Ahata 1, Block 2, Market Kameti Chowk near Alfalah Bank, Jouharabad .
50	Kamalia	Plot No. 4169 to 4191, Mohalla Mahtianwala, Near NBP, Kamaliya.
51	Kamoki	Khewat No. 276, Opposite Underbypass, Near Old Patha Mandi, Main GT Road, Kamonki, District Gujranwala
52	Kehror Pacca	Khewat # 27/1041, Khasra # 52-1, Near Admore Petrol Pump, Dunya Pur Road, Kehror Pakka.
53	Khairpur	Plot No. A-1264-A (Old Plot No. A/4-SI-4/1), Shah Lateef Colony, Near Khaki Shah Pul Station Road, Khairpur Meras.
54	Khairpur Tamewali	Khasra # 346/8, Khewat # 94, Khatooni # 249, Tehsil Khairpur Tamewali, District Bahawalpur.
55	Khanewal	Block No.8, Opposite GPO, Khanewal.
56	Kot Addu	Ward No 14-Near PSO petrol Punp Kakewala,Main G.T Road Kot Addu.
57	Lala Musa	Khewat No 182, Khatooni No 500, Usman Plaza, Near Nisar Hospital, GT Road, Lala Musa.
58	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.
59	Layyah	Chak No.123/B, Khewat #49, Near Mohallah Hafizabad, Main Chobara Road, Layyah.
60	Liaqat Road Rawalpindi	Plot # G-518-519, Near Bank Alfalah Ltd. Opposite MCB Bank Ltd. Main Liaqat Road, Rawalpindi.
61	Liaqatpur	Plot No. 3/C-1, 87 Bank Road, Liaquatpur.
62	Lodhran	Khewat # 541/1, Khatoni # 1125, Saad Plaza, Ground Floor, Jalalpur Morr, Faizabad, Lodhran.
63	Main Jhang Road - Sahiwal	Khewat # 1234, Near Shell petrol Pump, Nawa Lok, Main sargodha Jhang Road, Sahiwal District Sargodha.
64	Malakwal	Khewat No.431, Khatooni No. 730 to 735, Ahmad Plaza Badshahpur Road, Malakwal.
65	Mandi Bahuddin	Khewat No. 568, Khatooni No. 579, Shayan Plaza, Mandi Bahauddin.
66	Manga Mandi	Main Multan Road, Near Govt. High School, Manga Mandi, Lahore.
67	Mansehra	Mohala Chennai, Abbotabad Road, near Habib Bank,Mansehra.
68	Mardan	Shop # (3, 4, 5, 6, 7, 8, 13 & 14), Block A, Shaheen Shopping Mall, Main Qazi Bashir Road, Mardan.
69	Mazang Chungi	5 Ferozpur Road Mazang Chungi Lahore.
70	Mian Channu	Ameen Trade Centre, Near Bus Stand, G.T. Road, Mian Channu.
71	Mianwali	Khasra No. 637, Moza Wata Khail, Government High School Road, Mianwali.
72	Minchanabad	Corner Plot no 01, Sadiqia Abbasia Street, Circular Road, Minchanabad(old address), Boys High School Road Near Police Station ,Minchanabad.
73	Mirpur Khas	City Survey # 639, Ward "A" Khari Quarters, Opposite Railway Goods Naka Mirpur Khas, Taluka & District Mirpur Khas.
74	Moza Mandi Kotli	Rawalpindi Road near Kechari Moza Mandi,Kotli,Azad kashmir.
75	Mughal Pura	Khasra # 230/1, 230/3, Sani Road, Mouza Davi Pura, Near Dhobi Ghat Stop, Opposite Shell Petrol Pump, Tehsil Cantt, District Lahore.
76	Multan	Shops No.112,113&114, Sherry Commercial Centre, Central Jail Morr, Moza Tarf Ravi, Vehari Road, Multan.

Sr. No.	Branch Name	Branch address
77	Muzafargarh	Khewat # 772,Muhalla Aminabad opposite New General Bus Stand, Shah Jamal Road, Muzafar Garh.
78	Muzaffarabad	Khewat # 36, Khasra # 739/130, Jalal Abad, Amaan Arcade, Opposite New DHQ Complex, Secretariat Road, Muzaffarabad.
79	Nankana	Khewat No. 56, Khatooni No. 209 BII IS-2, Malji Road, Nankana Sahib.
80	Narowal	Khewat No. 196, Khatooni 367, Circular Road, Siddique Pura, Narowal.
81	Nawabshah	CS No 88, Ward -A, Sakrand Road, Nawabshah.
82	New Garden Town - Lahore	28-B, Ali Block, New Garden Town, Lahore.
83	Okara	Link M.A Jinnah Road Mehar Colony Okara.
84	Pakpatan	College Road Opposite Jamia Masjid Al Qudas Pakpattan.
85	Pano Aqil	Property Jaryan No. 10060, Eid Gah Chowk, Cinema Road, Cantt Road, Panu Aqil, District Sukkur.
86	Pasroor	Khata no. 344, Khatooni no 633, Class Wala Road near Satrah Chowk, Opposite Bunyad School System, Pasroor.
87	Peshawar	University Road Peshawar, near Hotel Grand opposite Metro Station Peshawar.
88	Phaliya	Khewat No. 161, Near Masjid Gulzar-e-Madina Plaza, Hilyan Road, Phaliya District Mandi Bahauddin.
89	Pindi Bhattian	Khewat No. 168, Khatooni No. 495 & 485, Opposite Siyal Tent Services, Pully Siyal Tent Wali, Hafizabad Road, Pindi Bhattian, District Hafizabad.
90	Piplan Branch	Khewat No.1579, Khasra No.1609/01, Ghalla Mandi, Piplan, Distt. Mianwali.
91	Quaidabad	Plot No 05,Mandi Town Quaidabad, Sarghoda-Mianwali Road, Near Bus Stand , Distt.Khushab.
92	Quetta	Property # 1-26/5 G1330 & 1-26/5 H1331, Manan Chowk, Opposite Meezan Bank Ltd. M. A. Jinnah Road, Quetta.
93	Rahim Yar Khan	Plot # 26, Model Town, Near Faysal Bank, Rahim Yar Khan.
94	Rajanpur	Khata # 822, Mouza Rajan Pur # 1, Gulshan-e-Iqbal Colony, Rajan Pur.
95	Rawalpindi	39-B-1, Satellite Town, Rawalpindi - 46300.
96	Sadiqabad	Property No. 243 Water Supply Road, Sadiqabad.
97	Sahiwal	Khewat No. 355, Khatoni No. 375, Main Liaquat Road, Sahiwal.
98	Sambrial	Khewat# 86, Khatooni# 105, Opposite Makki Masjid, Wazirabad Road, Sambrial.
99	Samundri	Khewat No 79/79, Circular Road, Samundari.
100	Sargodha	Azad Road, Block No 15,Opposite HBL, Sargodha.
101	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.
102	Sharaqpur Sharif	Khewat No. 136, Near Muslim Pura Area, Main Lahore-Jaranwala Road, Sharaqpur Sharif District Sheikhupura.
103	Sheikhupura	Khewat # 582, Khatooni # 1071 situated at Mouza Sheikhupura Urban, Near SADAR THANA Lahore Sargodha Road Sheikhupura.
104	Shorkot	Khata No. 1875, Mohalla Abbas Pura, Nawan Shehar, Jhang Road, Shorkot District Jhang.
105	Shujaabad	Khewat No. 315 Jalal Pur Road near KB stand, Shujaabad.
106	Sialkot	Shahab Pura Road, Near MCB Shahabpura, City Tower Sialkot.
107	Sukker	Property no 631/ 5-A/IB-3, Minara Road near Dolphin Bakery Chowk, Sukkhur.
108	Syedwala	Khewat No. 129, Jaranwala Road, Syedwala, District Nankana Sahib.
109	Talagang	Plot No. Kh-3215/203, Chowk Saddiqabad Mian Wali Road, Talagang.
110	Tando Allah Yar	Plot No 07, near Wapda Grid station, Main Hyderabad Road, Tando Allah Yar.
111	Toba Tek Singh	Khewat # 337, Opposite Qaim Center, Shorkot Road baron lakar Mandi Toba Tek Singh.
112	Vehari	Khewat No. 104, 52 - A - Block, Vehari.
113	Wazirabad	G.T Road Opposite Fire Brigade and Rescue 15, Wazirabad.
114	Yazman	Chak No 56/A, Bahawalpur Road Mandi Yazman.

36 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.

		2023								
		Carrying amount						Fair value		
	Note	Held for trading	Held to maturity	Available for sale	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3
		Rupees								
On-Balance sheet financial instruments										
Financial assets measured at fair value										
Investments	9	801,433,260	-	3,088,506,150	-	-	3,889,939,410	-	3,889,939,410	-
Financial assets not measured at fair value										
Cash and cash equivalents	34	-	-	-	1,936,766,871	-	1,936,766,871	-	-	-
Advances - net of provisions	10	-	-	-	17,965,971,882	-	17,965,971,882	-	-	-
Other assets	12	-	-	-	2,482,700,702	-	2,482,700,702	-	-	-
		-	-	-	22,385,439,455	-	22,385,439,455	-	-	-
Financial liabilities not measured at fair value										
Deposits and other accounts	14	-	-	-	-	25,539,671,770	25,539,671,770	-	-	-
Borrowings	15	-	-	-	-	3,046,875,000	3,046,875,000	-	-	-
Subordinate debt	16					800,000,000	800,000,000	-	-	-
Other liabilities	17	-	-	-	-	3,423,633,608	3,423,633,608	-	-	-
		-	-	-	-	32,810,180,378	32,810,180,378	-	-	-

PUP

		2022								
		Carrying amount						Fair value		
	Note	Held for trading	Held to maturity	Available for sale	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3
		Rupees								
On-Balance sheet financial instruments										
Financial assets measured at fair value										
Investments	9	450,359,310	-	7,011,339,900	-	-	7,461,699,210	-	7,461,699,210	-
Financial assets not measured at fair value										
Cash and cash equivalents	34	-	-	-	2,107,955,407	-	2,107,955,407	-	-	-
Advances - net of provisions	10	-	-	-	16,353,759,067	-	16,353,759,067	-	-	-
Other assets	12	-	-	-	1,513,451,182	-	1,513,451,182	-	-	-
		-	-	-	19,975,165,656	-	19,975,165,656	-	-	-
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	-	-	-	-	2,602,547,999	2,602,547,999	-	-	-
		-	-	-	-	31,675,411,396	31,675,411,396	-	-	-

36.1 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. PWR

37 Financial risk management

37.1 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.

		2023										
		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	5.50 - 7.25	23,952	-	-	-	23,952	1,830,802,740	-	-	-	1,830,802,740	1,830,826,692
Balances with other banks/NBFIs/MFBs	5.50 - 7.40	62,047,845	-	-	-	62,047,845	43,892,334	-	-	-	43,892,334	105,940,179
Investments - net of provisions	21 - 21.99	801,433,260	1,200,024,741	1,888,481,409	-	3,889,939,410	-	-	-	-	-	3,889,939,410
Advances - net of provisions	10.00 - 53.04	1,170,480,300	9,373,831,362	6,888,945,693	532,714,527	17,965,971,882	-	-	-	-	-	17,965,971,882
Other assets	-	-	-	-	-	-	2,472,421,070	-		10,279,632	2,482,700,702	2,482,700,702
		2,033,985,357	10,573,856,103	8,777,427,102	532,714,527	21,917,983,089	4,347,116,144	-	-	10,279,632	4,357,395,776	26,275,378,865
Off balance sheet		-	-	-	-	-	-	-	-	-	-	-
Total		2,033,985,357	10,573,856,103	8,777,427,102	532,714,527	21,917,983,089	4,347,116,144	-	-	10,279,632	4,357,395,776	26,275,378,865
Financial liabilities												
On balance sheet:												
Deposit and other accounts	0.00 - 24.75	10,865,230,195	6,146,369,071	5,635,212,622	952,110,718	23,598,922,606	1,940,749,164	-	-	-	1,940,749,164	25,539,671,770
Borrowings including subordinated debt	17.50 - 23.91	-	3,018,750,000	18,750,000	809,375,000	3,846,875,000	-	-	-	-	-	3,846,875,000
Other liabilities	8.55 - 25.27	30,585,846	152,929,229	183,515,074	403,700,967	770,731,116	2,652,902,492	-	-	-	2,652,902,492	3,423,633,608
		10,895,816,041	9,318,048,300	5,837,477,696	2,165,186,685	28,216,528,722	4,593,651,656	-	-	-	4,593,651,656	32,810,180,378
Off balance sheet		-	-	-	-	-	-	-	-	-	-	-
Total		10,895,816,041	9,318,048,300	5,837,477,696	2,165,186,685	28,216,528,722	4,593,651,656	-	-	-	4,593,651,656	32,810,180,378
On balance sheet gap		(8,861,830,684)	1,255,807,803	2,939,949,406	(1,632,472,158)	(6,298,545,633)	(246,535,512)	-	-	10,279,632	(236,255,880)	(6,534,801,513)
Off balance sheet gap		-	-	-	-	-	-	-	-	-	-	-

PLK

	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	616,166,752	5,174,546,520	6,935,036,169	3,628,009,626	16,353,759,067	-	-	-	-	-	16,353,759,067
Other assets	-	-	-	-	-	-	406,303,113	666,011,505	327,532,413	113,604,151	1,513,451,182	1,513,451,182
		1,071,699,724	12,240,644,530	6,935,036,169	3,628,009,626	23,875,390,049	2,454,326,748	666,011,505	327,532,413	113,604,151	3,561,474,817	27,436,864,866
Off balance sheet		-	-	-	-	-	-	-	-	-	-	-
Total		1,071,699,724	12,240,644,530	6,935,036,169	3,628,009,626	23,875,390,049	2,454,326,748	666,011,505	327,532,413	113,604,151	3,561,474,817	27,436,864,866
Financial liabilities												
On balance sheet:												
Deposits and other accounts	0.00 - 16.00	11,760,350,676	2,459,508,053	3,963,473,903	3,592,120,568	21,775,453,200	2,701,531,417	-	-	-	2,701,531,417	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	827,673,691	1,075,212,018	1,527,335,981	-	-	-	1,527,335,981	2,602,547,999
		13,371,288,388	2,575,930,506	4,079,530,845	7,419,794,259	27,446,543,998	4,228,867,398	-	-	-	4,228,867,398	31,675,411,396
Off balance sheet		-	-	-	-	-	-	-	-	-	-	-
Total		13,371,288,388	2,575,930,506	4,079,530,845	7,419,794,259	27,446,543,998	4,228,867,398	-	-	-	4,228,867,398	31,675,411,396
On balance sheet gap		(12,299,588,664)	9,664,714,024	2,855,505,324	(3,791,784,633)	(3,571,153,949)	(1,774,540,650)	666,011,505	327,532,413	113,604,151	(667,392,581)	(4,238,546,530)
Off balance sheet gap		-	-	-	-	-	-	-	-	-	-	-

37.2 Credit risk

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 primarily arises from its advances, investments, certain other receivables, and balances with banks. The credit risk on liquid funds is limited, as the counterparties are banks with reasonably high credit ratings. The Bank has an effective loan disbursement and recovery monitoring system in place, which enables it to evaluate borrowers' creditworthiness and identify potential problem loans. Provisions for loan losses are maintained in accordance with the Prudential Regulations and based on the level of delinquency. Investments are largely placed in government securities, which are considered to carry minimal credit risk.

The Bank's maximum exposure to the credit risk at year-end is as follows:

	2023	2022
	Rupees	Rupees
Balances with SBP and NBP	1,363,693,100	1,470,440,813
Balances with other banks / NBFIs / MFBs	105,940,179	147,178,213
Investments	3,889,939,410	7,461,699,210
Advances	17,965,971,882	16,353,759,067
Other assets	2,482,700,702	1,513,451,182
	25,808,245,273	26,946,528,485

Credit risk is limited in respect of Cash and Balances with SBP and NBP, balances with other banks / NBFIs /MFBs as the same are placed with Banks, NBFIs, MFBs having good credit rating.

37.3 Liquidity risk

Liquidity risk is the risk that the Bank will not be able to raise funds to meet its commitments. The Bank's Asset and Liability Committee (ALCO) is primarily responsible for the formulation of the overall strategy and oversight of the liquidity management. The Bank's approach to liquidity management is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses. The maturity profile of assets and liabilities is prepared based on contractual maturities and non-contractual assets and liabilities. PUZ

38 Schedule of maturity distribution of market rate assets and liabilities as at 31 December 2023

	2023				
	Total	Upto one month	Over one month upto six months	Over six months upto one year	Over one year
	Rupees				
Market rate assets					
Advances	17,965,971,882	1,170,480,300	9,373,831,362	6,888,945,693	532,714,527
Investments	3,889,939,410	801,433,260	1,200,024,741	1,888,481,409	-
Other earning assets	62,071,797	62,071,797	-	-	-
Total market rate assets	21,917,983,089	2,033,985,357	10,573,856,103	8,777,427,102	532,714,527
Other non-earning assets	9,952,571,498	4,381,164,266	272,332,274	184,896,263	5,114,178,695
Total assets	31,870,554,587	6,415,149,623	10,846,188,377	8,962,323,365	5,646,893,222
Market rate liabilities					
Time deposits of Rs. 100,000 and above	14,662,059,550	1,928,367,139	6,146,369,071	5,635,212,622	952,110,718
Time deposits below Rs. 100,000	-	-	-	-	-
Borrowings including subordinated debt	3,846,875,000	-	3,018,750,000	18,750,000	809,375,000
Other cost bearing liabilities	9,707,594,172	8,967,448,902	152,929,229	183,515,074	403,700,967
Total market rate liabilities	28,216,528,722	10,895,816,041	9,318,048,300	5,837,477,696	2,165,186,685
Other non-cost bearing liabilities	4,785,881,506	4,593,651,656	158,908,899	-	33,320,951
Total liabilities	33,002,410,228	15,489,467,697	9,476,957,199	5,837,477,696	2,198,507,636

	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	16,353,759,067	616,166,752	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	23,875,390,049	1,071,699,724	12,240,644,530	6,935,036,169	3,628,009,626
Other non-earning assets	9,467,848,677	6,942,782,716	258,409,615	240,095,792	2,026,560,554
Total assets	33,343,238,726	8,014,482,440	12,499,054,145	7,175,131,961	5,654,570,180
Market rate liabilities					
Time deposits of Rs. 100,000 and above	14,745,525,426	1,223,565,185	6,404,998,546	2,756,211,870	4,360,749,825
Time deposits below Rs. 100,000	148,070,060	35,921,871	38,196,690	28,459,642	45,491,857
Borrowings including subordinated debt	5,510,503,886	748,003,886	159,375,000	168,750,000	4,434,375,000
Other cost bearing liabilities	9,944,456,456	8,448,603,354	59,963,856	79,786,431	1,356,102,815
Total market rate liabilities	30,348,555,828	10,456,094,296	6,662,534,092	3,033,207,943	10,196,719,497
Other non-cost bearing liabilities	4,258,850,514	4,005,282,965	-	25,356,755	228,210,794
Total liabilities	34,607,406,342	14,461,377,261	6,662,534,092	3,058,564,698	10,424,930,291

39 Capital risk management

39.1 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. 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.

39.2 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.

39.3 Statutory minimum capital requirement and management of capital

Capital requirements applicable to the Bank are set out under the State Bank of Pakistan's Prudential Regulations for Microfinance Banks. These requirements are put in place to ensure sufficient solvency margins. The Bank manages its capital requirement by assessing its capital structure against required capital level on regular basis. The maintenance of minimum paid up capital (free of losses) requirement applicable to the Bank is Rs 1,000 million, whereas the Bank's paid up capital (free of losses) as at year-end is negative Rs. 1,131.86 million.

Capital adequacy is assessed with reference to the minimum Capital Adequacy Ratio (CAR) of 15% as required under the Prudential Regulations for Microfinance Banks/Institutions. The CAR is calculated based on the Bank's risk-weighted assets, enabling management to evaluate the long-term financial soundness of the Bank. Given the Bank's operations across a wide geographic network, continuous monitoring of exposures and capital sufficiency across the organization is critical.

The Bank actively manages its capital structure in response to regulatory requirements and changing economic conditions. Measures to maintain or adjust capital include revising dividend distributions, returning capital to shareholders, or issuing new shares. Following the post-year-end acquisition and equity injections by the new sponsors along with measures disclosed in note 1.1, are expected to strengthen the Bank's capital base and ensure compliance with statutory and regulatory requirements.

40 Provident fund related disclosure

The Bank operates contributory provident fund for all its permanent and eligible employees. The following information is based on the latest audited financial statements of the provident fund for the year ended December 31, 2023.

		2023	2022
		Rupees	Rupees
Size of the fund - total assets		**434,532,313**	461,623,582
Cost of investments made	40.1	**409,390,020**	437,923,507
Percentage of investments - (% of total assets)		**94%**	95%
Fair value of investments made		**416,636,518**	444,245,020

40.1 Breakup of cost of investments

	2023	2022	**2023**	2022
	Rupees	Rupees	**Relative % of size of the fund**	
Mutual fund	**167,498**	146,264	**0.04%**	0.03%
Pakistan Treasury Bills	**288,416,450**	-	**70.45%**	0.00%
Term finance certificates	**100,000,000**	100,000,000	**24.43%**	22.84%
Pakistan investment bonds	**-**	325,000,000	**0.00%**	74.21%
Bank balances	**20,806,072**	12,777,243	**5.08%**	2.92%
	409,390,020	437,923,507	**100.00%**	100.00%

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 2023 (per annum)	Estimated cost of outsourcing 2022 (per annum)
1	MSM Security Guards Pvt Ltd	Security guards services	**91,029,361**	48,507,034
2	Aqsa Security Guards Pvt Ltd	Security guards services	**50,638,215**	37,729,709
3	Access Security Service Pvt Ltd	Security guards services	**48,699,748**	18,772,202
4	Achtung Security Pvt Ltd	Security guards services	-	13,385,700
5	Pheonix Armour	Security guards services	**4,198,263**	-
6	National Institutional Facilitation Technolc	Clearing house	**14,349,395**	123,049,772
7	E-Ocean Pvt Ltd	SMS alerts to clients on transactions	**35,681,575**	4,764,345
8	Red Communication Art	Digital marketing and advertisement	**36,636,475**	14,535,997
9	Lotus	Digital marketing and advertisement	**180,000**	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 9,527 (2022: 11,081) complaints were received by the Bank and were resolved with average resolution time of 4 days (2022: 2 days).

43 Reconciliation of movement of liabilities to cash flows arising from financing activities

	2023		
	Deferred grant Rupees	Lease liability Rupees	Total Rupees
Carrying amount as at December 31, 2022	-	1,075,212,018	1,075,212,018
Changes from financing cash flows:			
Payment of lease liabilities	-	(367,030,148)	(367,030,148)
Grant received during the year	2,864,087	-	2,864,087
	2,864,087	(367,030,148)	(364,166,061)
Other liability changes			
Interest expense during the year	-	99,735,482	99,735,482
Additions	-	88,634,386	88,634,386
Deletions	-	(125,820,623)	(125,820,623)
Amortized during the year	(2,864,087)	-	(2,864,087)
	(2,864,087)	62,549,245	59,685,158
Carrying amount as at December 31, 2023	-	770,731,115	770,731,115

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	2022		
	Deferred grant Rupees	Lease liability Rupees	Total Rupees
Carrying amount as at December 31, 2021	-	1,267,217,791	1,267,217,791
Changes from financing cash flows			
Payment of lease liabilities	-	(329,179,863)	(329,179,863)
Grant received during the year	-	-	-
	-	(329,179,863)	(329,179,863)
Other liability changes			
Interest expense during the year	-	127,078,169	127,078,169
Additions		10,095,921	10,095,921
Amortized during the year	-	-	-
	-	137,174,090	137,174,090
Carrying amount as at December 31, 2022	-	1,075,212,018	1,075,212,018

44 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.

- The comparative information has been re-arranged or reclassified for better comparison and presentation, however, no material reclassification has been made in these financial statements.

45 Subsequent events

Subsequent to the year-end, Abhi (Private) Limited ("ABHI") and TPL Corp Limited ("TPL") entered into a Share Purchase Agreement (SPA) with FINCA Microfinance Cooperatief U.A., the then-majority shareholder of the Bank, for the joint acquisition of the Bank. Pursuant to the SPA, ABHI and TPL obtained approval from the State Bank of Pakistan (SBP) in November 2024 to acquire up to 94.8% shareholding in the Bank. Subsequently, the Competition Commission of Pakistan (CCP) also approved the transaction in January 2025, after which the acquisition was formally completed, resulting in a change of ownership and control and consequent rebranding of the Bank.

Following the acquisition, the new sponsors, in order to strengthen the Bank's capital base, support regulatory compliance, and enhance financial stability, injected additional equity of Rs. 2 billion through a right issuance of 200 million ordinary shares of Rs. 10 each. Additionally, the new management has relocated the Bank's Head Office from Lahore to Islamabad to align operations with its revised strategic direction and growth plans. The Bank has also entered into a restructuring arrangements, including the extension of repayment terms for Rs. 3,000 million from the SBP and Rs. 800 million from the Pakistan Microfinance Investment Company (PMIC), along with a waiver of accrued mark-up due to PMIC (refer to notes 15.2 and 16.1 for details).

These events occurred subsequent to the reporting date and are considered non-adjusting events under IAS 10 – Events after the Reporting Period, as they do not relate to conditions existing at the reporting date. However, they are disclosed due to their significance in understanding the Bank's future capital position, ownership structure, and strategic direction.

46 Date of authorization for issue

These financial statements were authorised for issue by the Board of Directors of the Bank in their meeting held on

18-Nov-2025

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

ABHI MICROFINANCE BANK LIMITED (formerly FINCA MICROFINANCE BANK LIMITED)
Notes to the Financial Statements
For the year ended 31 December 2023

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As refered to the the Note 11.4.2 details of property and equipment book value greater than the Rs. 250,000/- and Cost exceeds Rs. 1,000,000 /- during the year.

Particular of assets	COST	ACC. DEP	NET BOOK VALUE	SALE PROCEED	GAIN/ (LOSS)	SOLD TO PARTY	DISOSAL MODE	Relationship
Motor Vehicles								
Honda City 1339	1,924,000	1,803,750	120,250	1	(120,249)	Employee Kamran Zafar-1158	Buy Back	Employee
Toyota Corolla Gli1299	1,440,000	1,410,000	30,000	1	(29,999)	Employee Saira Mirza-4662	Buy Back	Employee
Honda City	1,924,000	2,030,750	(106,750)	80,167	186,917	Employee Farmaan Ali-1757	Buy Back	Employee
Faw V2 M/T	880,000	843,333	36,667	1	(36,666)	Employee Asghar Ali-581	Buy Back	Employee
Sub-total (A)	**6,168,000**	**6,087,833**	**80,167**	**80,170**	**3**			
Office equipments								
UPS & Batteries	1,226,392	1,151,085	75,307	398,842	323,535	External Party	Auction	Third Party
Air Conditioners	3,939,339	1,873,284	2,066,055	1,065,947	(1,000,108)	External Party	Auction	Third Party
Electrical Installation	1,328,127	1,963,023	(634,896)	249,121	884,017	External Party	Auction	Third Party
Meter & Transformer	962,764	283,800	678,964	200,000	(478,964)	External Party	Auction	Third Party
Smart LEDs	869,605	120,438	749,167	100,000	(649,167)	External Party	Auction	Third Party
Sub-total (B)	**8,326,227**	**5,391,630**	**2,934,597**	**2,013,910**	**(920,687)**			
Computer equipments								
Laptop Hp	932,616	594,173	338,443	201,600	(136,843)	External Party	Auction	Third Party
Printer	15,000	15,000	-	4,878	4,878	External Party	Auction	Third Party
Computers	619,616	315,500	304,116	102,606	(201,510)	External Party	Auction	Third Party
Tablets	1,526,657	2,021,050	(494,393)	1,013,030	1,507,423	External Party	Auction	Third Party
Connectivity/Installation modems	70,000	70,000	-	22,765	22,765	External Party	Auction	Third Party
Sub-total (C)	**3,163,889**	**3,015,723**	**148,166**	**1,344,879**	**1,196,713**			
Furniture & Fixtures								
Tables & Racks	4,326,817	3,146,759	1,180,058	1,880,874	700,816	External Party	Auction	Third Party
Vaults	221,000	212,100	8,900	76,210	67,310	External Party	Auction	Third Party
Room Doors	275,700	261,300	14,400	89,662	75,262	External Party	Auction	Third Party
Chairs	3,533,756	2,295,422	1,238,334	1,673,804	435,470	External Party	Auction	Third Party
Cabinets	919,009	668,840	250,169	294,256	44,087	External Party	Auction	Third Party
Counter	296,180	219,124	77,056	96,323	19,267	External Party	Auction	Third Party
Notice Board	36,711	27,070	9,641	11,940	2,299	External Party	Auction	Third Party
Credanza	535,315	82,058	453,257	174,090	(279,167)	External Party	Auction	Third Party
Sub-Total (E)	**10,144,488**	**6,912,673**	**3,231,815**	**4,297,159**	**1,065,344**			
Grand Total(A+B+C+D+E)	**27,802,604**	**21,407,859**	**6,394,745**	**7,736,118**	**1,341,373**			