# ABHI MICROFINANCE BANK LIMITED
# (formerly FINCA MICROFINANCE BANK LIMITED)

Annual Financial Statements
For the year ended 31 December 2024

# Contents

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# 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 statement of financial position as at **December 31, 2024**, and the statement of 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 statement of financial position, the statement of profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the 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, 2024 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. 1,753.52 million during the year ended December 31, 2024 and, as of that date, the Bank's accumulated losses of Rs. 7,644.58 million have resulted in negative capital of Rs. 4,029.87 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 in the note, 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. PWR

**Emphasis of Matter**

We draw attention to Note 14.1 to the financial statements, which describes that the Bank has recognized a net deferred tax asset of Rs. 4,602.67 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 Report 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 report thereon.

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

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

**Responsibilities of Management and 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 statement of financial position, the statement of profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes 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;

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

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.

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

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

**Date: March 18, 2026**
**UDIN: AR202410205VIORYLwiz**

## ABHI MICROFINANCE BANK LIMITED
## (formerly FINCA MICROFINANCE BANK LIMITED)

Statement of Financial Position
As at 31 December 2024

| | Note | 2024 | 2023 |
|---|---|---|---|
| | | ---------Rupees--------- | |
| **ASSETS** | | | |
| Cash and balances with treasury banks | 7 | 3,409,587,839 | 1,830,826,692 |
| Balances with other MFBs / banks / NBFs | 8 | 5,452,594,698 | 105,940,179 |
| Investments | 9 | 4,562,000,100 | 3,889,939,410 |
| Advances | 10 | 18,386,926,694 | 17,965,971,882 |
| Property and equipment | 11 | 416,654,081 | 514,828,983 |
| Right-of-use assets | 12 | 646,806,802 | 541,188,645 |
| Intangible assets | 13 | 118,086,431 | 154,778,437 |
| Deferred tax asset | 14 | 4,602,670,938 | 4,271,761,534 |
| Other assets | 15 | 2,757,248,926 | 2,595,318,825 |
| **Total assets** | | 40,352,576,509 | 31,870,554,587 |
| **LIABILITIES** | | | |
| Bills Payable | 16 | 116,212,293 | 102,600,913 |
| Borrowings | 17 | 3,000,000,000 | 3,046,875,000 |
| Deposits and other accounts | 18 | 36,226,184,701 | 25,539,671,770 |
| Lease liabilities | 19 | 898,106,035 | 770,731,115 |
| Subordinated debt | 20 | 800,000,000 | 800,000,000 |
| Deferred grant | 21 | - | - |
| Other liabilities | 22 | 3,341,947,500 | 2,742,531,430 |
| **Total liabilities** | | 44,382,450,529 | 33,002,410,228 |
| **NET ASSETS** | | (4,029,874,020) | (1,131,855,641) |
| **REPRESENTED BY:** | | | |
| Share capital | 23 | 2,259,846,817 | 2,259,846,817 |
| Reserves | | 868,881,433 | 868,881,433 |
| Depositors' protection fund | | 482,045,565 | 390,823,377 |
| Surplus on revaluation of assets - net of tax | 24 | 3,933,767 | 2,172,667 |
| Accumulated losses | | (7,644,581,602) | (4,653,579,935) |
| | | (4,029,874,020) | (1,131,855,641) |
| | | (4,029,874,020) | (1,131,855,641) |
| **CONTINGENCIES AND COMMITMENTS** | 25 | | |

The annexed notes 1 to 51 and Annexure I form an integral part of these financial statements.

| Chief Executive Officer | Chairman | Chief Financial Officer | Director | Director |
|---|---|---|---|---|

## ABHI MICROFINANCE BANK LIMITED
## (formerly FINCA MICROFINANCE BANK LIMITED)
Statement Profit and Loss Account
For the year ended 31 December 2024

| | Note | 2024 | 2023 |
|---|---|---|---|
| | | --------Rupees-------- | |
| Mark-up / return / interest earned | 26 | 7,385,402,542 | 6,309,457,793 |
| Mark-up / return / interest expensed | 27 | (6,382,028,345) | (4,893,564,249) |
| Net mark-up / interest income | | 1,003,374,197 | 1,415,893,544 |
| **NON MARK-UP / INTEREST INCOME** | | | |
| Fee and commission income | 28 | 1,027,849,086 | 671,719,455 |
| Gain on securities | 29 | 129,310,801 | 1,904,497 |
| Other income | 30 | 391,612,258 | 54,351,477 |
| Total non mark-up / interest income | | 1,548,772,145 | 727,975,429 |
| **Total Income** | | 2,552,146,342 | 2,143,868,973 |
| **NON MARK-UP / NON INTEREST EXPENSES** | | | |
| Operating expenses | 31 | (4,349,381,604) | (4,563,623,036) |
| Workers welfare fund | | - | - |
| Other charges | 32 | (50,666,366) | (45,530,323) |
| Total non mark-up / non interest expenses | | (4,400,047,970) | (4,609,153,359) |
| Loss before credit loss allowance | | (1,847,901,628) | (2,465,284,386) |
| Credit loss allowance and write offs - net | 33 | 555,990,568 | (278,373,818) |
| **LOSS BEFORE TAXATION** | | (1,291,911,060) | (2,743,658,204) |
| Taxation | 34 | (461,609,744) | 1,013,792,192 |
| **LOSS AFTER TAXATION** | | (1,753,520,804) | (1,729,866,012) |
| Basic and diluted loss per share | 35 | (2.76) | (2.72) |

The annexed notes 1 to 51 and Annexure I form an integral part of these financial statements.

| Chief Executive Officer | Chairman | Chief Financial Officer | Director | Director |
|---|---|---|---|---|

## ABHI MICROFINANCE BANK LIMITED
## (formerly FINCA MICROFINANCE BANK LIMITED)
Statement of Comprehensive Income
For the year ended 31 December 2024

| | 2024 | 2023 |
|---|---|---|
| | ---------Rupees-------- | |
| **Loss after taxation for the year** | **(1,753,520,804)** | (1,729,866,012) |
| **Other comprehensive income:** | | |
| ***Items that may be reclassified to profit or loss account in subsequent periods*** | | |
| Movement in surplus / (deficit) on revaluation of investments in debt instruments | **2,887,050** | 12,800,150 |
| Related tax impact | **(1,125,950)** | (4,992,059) |
| | **1,761,100** | 7,808,091 |
| **Items that will not be reclassified to profit and loss account in subsequent periods** | | |
| Remeasurment gain on defined benefit | **29,405,221** | 158,130 |
| Related tax impact | **(11,468,036)** | (55,346) |
| | **17,937,185** | 102,784 |
| **Total comprehensive loss** | **(1,733,822,519)** | (1,721,955,137) |

The annexed notes 1 to 51 and Annexure I form an integral part of these financial statements.

Chief Executive Officer | Chairman | Chief Financial Officer | Director | Director

ABHI MICROFINANCE BANK LIMITED
(formerly FINCA MICROFINANCE BANK LIMITED)

Statement of Changes in Equity

For the year ended 31 December 2024

| | Note | | Capital reserves | | | Revenue reserves | | |
|---|---|---|---|---|---|---|---|---|
| | | Share capital | Discount on issue of shares | Statutory reserve | Depositors' protection fund | Accumulated losses | Surplus/(deficit) on revaluation of assets - net of tax | Total |
| | | Rupees | | | | | | |
| **Balance as at 01 January 2023** | | 6,348,887,110 | (4,089,040,293) | 868,881,433 | 320,859,941 | (2,923,816,707) | (5,635,424) | 520,136,060 |
| Loss for the year | | - | - | - | - | (1,729,866,012) | - | (1,729,866,012) |
| Other comprehensive income-net of tax | | - | - | - | - | 102,784 | 7,808,091 | 7,910,875 |
| | | - | - | - | - | (1,729,763,228) | 7,808,091 | (1,721,955,137) |
| 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) | 2,172,667 | (1,131,855,641) |
| Impact of initial adoption of IFRS-09 | 6.22 | - | - | - | - | (1,255,418,048) | - | (1,255,418,048) |
| **Balance as at January 01, 2024 - as restated** | | 6,348,887,110 | (4,089,040,293) | 868,881,433 | 390,823,377 | (5,908,997,983) | 2,172,667 | (2,387,273,689) |
| Loss for the year | | - | - | - | - | (1,753,520,804) | - | (1,753,520,804) |
| Other comprehensive income-net of tax | | - | - | - | - | 17,937,185 | 1,761,100 | 19,698,285 |
| | | - | - | - | - | (1,735,583,619) | 1,761,100 | (1,733,822,519) |
| Transfer to statutory reserve | | - | - | - | - | - | - | - |
| Return on depositors' protection fund's investments | | - | - | - | 91,222,188 | - | - | 91,222,188 |
| **Balance as at 31 December 2024** | | 6,348,887,110 | (4,089,040,293) | 868,881,433 | 482,045,565 | (7,644,581,602) | 3,933,767 | (4,029,874,020) |

The annexed notes 1 to 51 and Annexure I form an integral part of these financial statements. PWC

Chief Executive Officer | Chairman | Chief Financial Officer | Director | Director

## ABHI MICROFINANCE BANK LIMITED
## (formerly FINCA MICROFINANCE BANK LIMITED)
Cash Flow Statement
For the year ended 31 December 2024

| | Note | 2024 | 2023 |
|---|---|---|---|
| ***CASH FLOW FROM OPERATING ACTIVITIES*** | | --------Rupees-------- | |
| (Loss) before taxation | | (1,291,911,060) | (2,743,658,204) |
| *Adjustments:* | | | |
| Depreciation | 11 | 141,604,236 | 173,526,709 |
| Depreciation on right-of-use assets | 12 | 237,062,448 | 221,337,641 |
| Amortization | 13 | 45,337,172 | 55,790,040 |
| Mark-up / return / interest expense on lease liability against right-of-use assets | 19 | 132,759,148 | 99,735,482 |
| Credit loss allowance and write-offs | 33 | (29,107,187) | 1,052,789,143 |
| Loss/ (Gain) on sale / disposal of property and equipment | 30 | (1,669,537) | (1,341,373) |
| Operating fixed assets written off | 32 | - | 27,004,807 |
| Markup earned on investments in government securities | 26 | (942,677,221) | (1,010,898,232) |
| Gain on revaluation of held for trading securities | 29 | - | (1,679) |
| (Gain) / loss on disposal of government securities | 29 | (129,310,801) | (1,902,818) |
| Amortization of deferred grant | 21 | - | (2,864,087) |
| Liabilities written back | 30 | (386,319,337) | - |
| Gain on termination of lease | 30 | (3,199,057) | (47,359,716) |
| Provision for gratuity | 39.6.1 | 102,582,918 | 91,753,302 |
| | | (832,937,218) | 657,569,219 |
| | | (2,124,848,278) | (2,086,088,985) |
| *(Increase)/ Decrease in operating assets* | | | |
| Securities classified as FVTPL | | 977,582,020 | (171,016,327) |
| Advances | | (1,898,676,695) | (2,665,001,958) |
| Others assets | | (224,107,172) | (963,267,499) |
| | | (1,145,201,847) | (3,799,285,784) |
| *Increase / (Decrease) in operating liabilities* | | | |
| Bills payable | | 13,611,380 | (23,422,785) |
| Borrowings from financial institutions | | (46,875,000) | (749,003,780) |
| Deposits | | 10,686,512,931 | 1,062,687,153 |
| Other liabilities | | 624,134,131 | 1,125,615,381 |
| | | 11,277,383,442 | 1,415,875,969 |
| | | 8,007,333,317 | (4,469,498,800) |
| Gratuity paid | 39.5 | (81,519,466) | (68,293,019) |
| Income tax paid | | (123,343,197) | (46,847,813) |
| **Net cash flow from / (used in) operating activities** | | 7,802,470,654 | (4,584,639,632) |
| ***CASH FLOW FROM INVESTING ACTIVITIES*** | | | |
| Net investments in amortised cost securities | | (481,784,350) | 4,838,526,445 |
| Investments in property and equipment | | (45,926,263) | (28,041,588) |
| Investments in Intangible assets | | (8,645,166) | (40,603,818) |
| Proceeds from sale of property and equipment | | 4,166,567 | 7,736,118 |
| **Net cash flow (used in) / from investing activities** | | (532,189,212) | 4,777,617,157 |
| ***CASH FLOW FROM FINANCING ACTIVITIES*** | | | |
| Grant received | | - | 2,864,087 |
| Payment of lease liability against right-of-use assets | | (344,865,776) | (367,030,148) |
| **Net cash used in financing activities** | | (344,865,776) | (364,166,061) |
| **Increase / (Decrease) in cash and cash equivalents** | | 6,925,415,666 | (171,188,536) |
| **Cash and cash equivalents at beginning of the year** | | 1,936,766,871 | 2,107,955,407 |
| **Cash and cash equivalents at end of the year** | 36 | 8,862,182,537 | 1,936,766,871 |

The annexed notes 1 to 51 and Annexure I form an integral part of these financial statements.

| Chief Executive Officer | Chairman | Chief Financial Officer | Director | Director |
|---|---|---|---|---|

## ABHI MICROFINANCE BANK LIMITED
## (formerly FINCA MICROFINANCE BANK LIMITED)

Notes to the Financial Statements
For the year ended 31 December 2024

### 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 2024, the Bank has 114 branches (2023: 114 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 38. 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 50, 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 50, subsequent to the year-end, the Bank was jointly acquired by Abhi (Private) Limited and TPL Corp Limited in January 2025. This share transfer 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, 2024, the Bank reported a net loss of Rs. 1,753.52 million (2023: Rs. 1,729.87 million), increasing accumulated losses to Rs. 7,644.58 million (2023: Rs. 4,653.58 million). This has resulted in negative capital of Rs. 4,029.87 million (2023: 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.

Subsequent to the reporting date, as detailed in note 50, 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 in April 2025, with a commitment to inject further equity of Rs. 2 billion 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 17.2 and 20 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. PW2

## 2 BASIS OF PRESENTATION

2.1 The Banking Policy & Regulations Department 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 ended December 31, 2024. These annual financial statements have been prepared in accordance with the SBP BPRD circular no. 3 of 2023 dated February 09, 2023 and new disclosures have been presented in the financial statements and comparative figures in these financial statements have been reclassified accordingly as per new format as disclosed in Note 49.

## 3 STATEMENT OF COMPLIANCE

3.1 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:

- IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Provisions of, directives and notifications 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 and notifications issued by the SBP and SECP differ with the requirements of IFRS Accounting Standards, the requirements of the Microfinance Ordinance, 2001, the Companies Act, 2017 and the related directives shall prevail.

3.2 The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies in Pakistan through BSD Circular Letter 10 dated 26 August 2002 till further instructions. SECP has deferred the applicability of IFRS 7 'Financial Instruments: Disclosures' through its notification S.R.O 411 (I) / 2008 dated 28 April 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the IFRS 9 requirements.

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

During the year, the Bank has adopted IFRS 9 as applicable in Pakistan with effect from 01 January 2024 (refer note 6.2 for details). There are certain other amendments to existing accounting and reporting standards that have become applicable to the Bank for accounting periods beginning on or after January 01, 2024. Except for IFRS 9, these are either considered not to be relevant or do not have any significant impact and accordingly have not been detailed in these financial statements.

### 3.3.1 IFRS 9 'Financial Instrument'

As per circular no. 3 of 2022 dated 05 July 2022, issued by State Bank of Pakistan (SBP), the Bank has adopted IFRS 9 from 01 January 2024.

The Bank has not restated comparative information for 2023 for financial instruments in the scope of IFRS 9. Therefore, the comparative information for 2023 is reported under previous local regulatory requirements and is not comparable with the information presented for 2024. Differences arising from the adoption of IFRS 9 have been recognized directly in retained earnings as of 1 January 2024 and are disclosed in Note 6.22.

**Changes to classification and measurement**

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

New categories of financial assets under IFRS 9 are as follow:

- Debt instruments at amortized cost
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition
- Equity instruments at FVOCI, with no recycling of gains or losses in profit or loss on derecognition
- Financial assets at FVTPL

The accounting for financial liabilities remains largely the same as it was under prior accounting policy. PW2

**Changes to the impairment calculation**

The adoption of IFRS 9 has fundamentally changed the Bank's accounting for impairments loss by replacing prior incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Bank to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset.

### 3.4 Standards, interpretations and amendments that are not yet effective

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

| Standard, Interpretation or Amendment | Effective date (annual reporting periods beginning on or after) |
|---|---|
| Lack of exchangeability - Amendments to IAS 21 | January 01, 2025 |
| Classification and Measurement of Financial Instruments - Amendments to IFRS 9 | January 01, 2026 |
| IFRS 17 - Insurance Contracts | January 01, 2026 |
| Annual Improvements to IFRS Accounting Standards - Volume 11 | January 01, 2026 |
| Power Purchase Agreements - Amendments to IFRS 9 and IFRS 7 | January 01, 2026 |
| Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 | Not yet finalized |

The above standards and amendments are not expected to have any significant impact on Bank's financial statements for future periods.

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, 2024 for the purpose of their applicability in Pakistan:

| Standard | Effective date (annual reporting periods beginning on or after) |
|---|---|
| IFRS 1 - First time adoption of International Financial Reporting Standards | January 01, 2025 |
| IFRS 18 - Presentation and Disclosure in Financial Statements | January 01, 2026 |
| IFRS 19 - Subsidiaries without Public Accountability: Disclosures | January 01, 2026 |

## 4 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.

## 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. PWR

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 Bank's financial statements are as follows:

| | | Note |
|---|---|---|
| - | Impairment losses on financial assets | 6.2.9 |
| - | Property and equipment | 6.4.3 |
| - | Right-of-use assets | 6.5.2 |
| - | Intangible assets | 6.4.2 |
| - | 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 these financial statements are consistent with those of the corresponding year, except for adoption of IFRS9 with effect 01 January 2024 (note 6.2).

### 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 Financial instruments – initial recognition (accounting policy applicable from 1 January 2024)

The Bank has adopted IFRS 9 (read with IFRS 9 application instructions issued by SBP) retrospectively with date of initial application as January 01, 2024, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. In terms of the transitional provisions of IFRS 9, adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening accumulated loss at the beginning of the current period without restating the comparative figures. The impact on carrying amounts of the financial assets and liabilities is disclosed in note 6.22.

Financial instruments carried on the statement of financial position include Cash and balances with treasury banks, balances with other banks, Investments, Advances, certain Other assets, Bills payable, Borrowings, Deposits and certain Other liabilities.

### 6.2.1 Classification of financial assets

IFRS 9 introduced a new classification model for financial assets that is more principle-based than the previous requirements. Financial assets are classified according to their contractual cash flow characteristics and the business models under which they are held. Instruments will be classified either at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The previous accounting policies were based on instrument by instrument classification into Held for trading, Held to maturity and Available for Sale categories.

### 6.2.2 Financial assets - initial recognition

All financial assets under IFRS 9 are initially recognized at fair value plus transaction cost. However, transaction costs in relation to Financial Assets measured at Fair Value through Profit and Loss, is recognized as an expense when incurred.

### 6.2.3 Classification and subsequent measurement of financial assets

Financial assets are classified into following categories for measurement subsequent to initial recognition:

- Financial assets at amortized Cost
- Financial assets at 'fair value through other comprehensive income' FVOCI
- Financial assets at 'fair value through profit or loss' FVTPL

Fair Value through Profit or Loss (FVTPL) is the residual category which is used for financial assets that are held for trading or if a financial asset does not fall into one of the two business models.

**6.2.4 Financial assets at amortised cost**

The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.The Bank classifies its financial assets at amortized cost only if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, these financial assets are subsequently measured at amortized cost.

**6.2.5 Financial assets at FVOCI**

The Bank applies this new category under IFRS 9 when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets

- The contractual terms of the financial asset meet the SPPI test

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income at EIR are recognised in the profit and loss.

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

On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit and loss account.

As per "IFRS 9 Financial Instruments application instructions" issued by SBP via BPRD Circular No. 03 of 2022 Government Securities are exempt from the application of ECL Framework.

**6.2.6 Financial assets and financial liabilities at FVPL**

Financial assets and financial liabilities in this category are those that are:

- held for trading, that is, they have been purchased or issued primarily for short-term profit-making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking, or

- not held for trading and have been either designated by management upon initial recognition, or mandatorily required to be measured at fair value under IFRS 9.

Financial assets are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss account.

**6.2.7 Financial liabilities at amortised cost**

Financial liabilities with a fixed maturity are measured at amortised cost. These include Bills payable, Borrowings, Deposits and certain items within Other Liabilities.

**6.2.8 Derecognition of financial assets**

**6.2.8.1 Derecognition other than due to substantial modification of terms and conditions**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Bank also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

**6.2.8.2 Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

**6.2.9 Impairment of financial assets (Policy applicable from 1 January 2024)**

**6.2.9.1 Overview of the ECL principles**

IFRS 9 has fundamentally changed the Bank's loan loss impairment method by replacing incurred loss approach with a forward-looking ECL approach. From 1 January 2024, the Bank has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset the lifetime expected credit loss or (LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL).

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

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

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

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

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

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

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

#### 6.2.9.2 The calculation of ECLs

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

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

PD The Probability of Default (PD) is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio. The concept of PDs is further explained in note 45.2.7.

LGD The Loss Given Default (LGD) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral or credit enhancements that are integral to the loan. It is usually expressed as a percentage of the EAD. The LGD is further explained in note 45.2.8.

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

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

The mechanics of the ECL method are summarized below:

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

Stage 2 When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

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

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

#### 6.2.9.3 Purchased or originated credit impaired financial assets (POCI)

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

### 6.2.9.4 Forward looking information

In its ECL models, the Bank relies on a broad range of forward looking information as economic inputs, such as:
- GDP growth
- Consumer price indices

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Detailed information about these inputs is explained in note 45.2.9.

### 6.2.9.5 Credit enhancements: collateral

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as gold, vehicle, house etc. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. However, the fair value of eligible collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a requirement basis.

Eligible collateral are those which has i) legal certainty and enforceability, and ii) history of forcibility and recovery. The Bank consider cash and cash equivalents as eligible collaterals and EAD of relevant facilities are reduced by the amount of eligible collateral.

### 6.2.9.6 Write-offs

Financial assets are written off either partially or in their entirety only when the Bank has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense. The Bank also follows Prudential regulations issued by SBP for write off of its advances.

### 6.2.9.7 ECL on government guaranteed credit exposure

ECL on credit exposure (in local currency) that have been guaranteed by the Government of Pakistan and Government Securities, has not been estimated due to exemption available under IFRS instructions issued by SBP through circular no. 3 of 2022 dated 05 July 2022.

### 6.2.9.8 Two track approach for stage 3 loans

As per instructions issued by SBP, the Bank used two track approach for ECL assessment on stage 3 loans. As per this approach the Bank calculated provision /ECL both under PRs and IFRS 9 and higher amount at segment level has been taken as final ECL.

## 6.3 Advances

Advances are stated net of expected credit Losses. The outstanding principal and mark-up of the loans and advances under stage 3 are classified as non-performing loans (NPLs). The unrealized interest / profit / markup / service charges on NPLs is suspended and credited to interest suspense account.

## 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.

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 11.2. 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.

#### 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. PWP

### 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 2024 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 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 Transition disclosure

The following paras set out the impact of adopting IFRS 9 on the statement of financial position, and retained earnings including the effect of replacing prior accounting policy of incurred credit loss calculations with IFRS 9's Expected Credit Loss (ECLs). A reconciliation between the carrying amounts under prior accounting policy to the balances reported under IFRS 9 as of 1 January 2024 is, as follows:

| Description | Current financial reporting framework | | Remeasurement | IFRS 9 | |
|---|---|---|---|---|---|
| | Category | Amount | | Amount | Category |
| | | (Rupees) | | | |
| **Financial Assets** | | | | | |
| Cash and balances with treasury banks | Amortized cost | 1,830,826,692 | - | 1,830,826,692 | Amortized cost |
| Balances with other MFBs / Banks / NBFIs | Amortized cost | 105,940,179 | - | 105,940,179 | Amortized cost |
| Advances | Amortized cost | 17,965,971,882 | (1,470,729,355) | 16,495,242,527 | Amortized cost |
| Investments in | | | | - | |
| Market Treausry Bills | Held for trading | 801,433,260 | | 801,433,260 | Fair value through P/L |
| Market Treausry Bills | Available for sale | 3,088,506,150 | | 3,088,506,150 | Fair value through OCI |
| Income / markup accrued | Amortized cost | 2,274,237,658 | (403,763,316) | 1,870,474,342 | Amortized cost |
| **Non-financial assets** | | | | | |
| Deferred tax asset | Deferred tax asset | 4,271,761,534 | 587,663,337 | 4,859,424,871 | Deferred tax asset |
| **Financial Liabilities** | | | | | |
| Borrowings | Amortized cost | 3,046,875,000 | - | 3,046,875,000 | Amortized cost |
| Subordinated debt | Amortized cost | 800,000,000 | - | 800,000,000 | Amortized cost |
| Deposits and other accounts | Amortized cost | 25,539,671,770 | - | 25,539,671,770 | Amortized cost |
| Markup / return / interest payable | Amortized cost | 1,504,420,587 | 31,411,286 | 1,535,831,873 | Amortized cost |
| **Total Impact of adopting IFRS 9** | | **61,229,644,712** | **(1,255,418,048)** | **59,974,226,664** | |

6.22.1 The Impact of transition to IFRS 9 on unappropriated profit as at 1 January 2024 is as follows:

| | (Rupees) |
|---|---|
| **Accumulated loss** | |
| Balance at December 31, 2023 | (4,653,579,935) |
| Impact of adopting IFRS 9 - net of related deferred tax | (1,255,418,048) |
| Restated balance at December 31, 2023 | (5,908,997,983) |

PUR

| | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|
| **7 CASH AND BALANCES WITH TREASURY BANKS** | | | |
| In hand - Local currency | | **576,839,358** | 467,133,592 |
| ***With State Bank of Pakistan in:*** | | | |
| *Local currency- current account* | | **2,827,782,793** | 1,319,028,347 |
| ***With National Bank of Pakistan in:*** | | | |
| Local currency deposit account | 7.2 | - | 23,952 |
| Local currency current account | | **4,965,688** | 44,640,801 |
| Less: Credit loss allowance | | - | - |
| | | **3,409,587,839** | **1,830,826,692** |

**7.1** These represent balances maintained with SBP and NBP to meet the minimum balance requirement equivalent to 5% (2023: 5%) as cash reserve of total of demand Liabilities" and 10% (2023: 10%) as liquidity reserve of the Bank's time and demand liabilities in accordance with the Prudential Regulations.

**7.2** These accounts carry markup at 13% to 19% (2023: 12.75% to 19.00%) per annum.

| | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|
| **8 BALANCES WITH OTHER MFBS / BANKS / NBFS** | | | |
| In Pakistan: | | | |
| -In current account | | **54,862,585** | 43,892,334 |
| -In deposit Account | 8.1 | **1,397,732,113** | 62,047,845 |
| -In term deposit account | 8.2 | **4,000,000,000** | - |
| | | **5,452,594,698** | 105,940,179 |
| Less: Credit loss allowance | | - | - |
| | | **5,452,594,698** | 105,940,179 |

**8.1** These accounts carry mark-up ranging from 13% to 20.50% (2023: 12.75% to 20.50%) per annum.

**8.2 Composition of term deposits**

| | Note | 2024 | 2023 |
|---|---|---|---|
| Pak Libiya Holding Company | | **1,000,000,000** | - |
| Mobilink Microfinance Bank Limited | | **3,000,000,000** | - |
| | 8.2.1 | **4,000,000,000** | - |

**8.2.1** These carry markup ranging from 13.50% to 13.75% (2023: Nil) and have maturities upto March 06, 2025. PUR

## 9 INVESTMENTS

| | 2024 | | | | 2023 | | | |
|---|---|---|---|---|---|---|---|---|
| | Fair value/ Amortised cost | Credit loss allowance | Surplus/ (deficit) | Carring Value | Fair value/ Amortised cost | Credit loss allowance | Surplus/ (deficit) | Carring Value |
| | ---- Rupees ---- | | | | ---- Rupees ---- | | | |
| Investments by type | | | | | | | | |
| Debt Instruments | | | | | | | | |
| Classified/ Measured as FVOCI | | | | | | | | |
| Federal Government Securities | | | | | | | | |
| Market Treasury Bill | 4,555,551,300 | - | 6,448,800 | 4,562,000,100 | 3,084,944,400 | - | 3,561,750 | 3,088,506,150 |
| Classified/ Measured as FVTPL | | | | | | | | |
| Federal Government Securities | | | | | | | | |
| Market Treasury Bill | - | - | - | - | 801,431,581 | - | 1,679 | 801,433,260 |
| Total Investments | 4,555,551,300 | - | 6,448,800 | 4,562,000,100 | 3,886,375,981 | - | 3,563,429 | 3,889,939,410 |

9.1 These carry yield rate ranging from 11.65% to 13.07% (2023: 21.00% to 21.99%) per annum and have maturities upto 13 November 2025. These securities have an aggregate face value of Rs. 4,800.00 million (2023: Rs. 4,306.24 million). This includes Rs. 482.046 million (2023: Rs. 390.82 million) maintained with SBP under depositors' protection fund to comply with the statutory liquidity requirements as set under the Prudential Regulations.

9.2 Expected Credit Loss on government securities have not been estimated due to exemption available under IFRS 9 implementation instructions issued by SBP through circular no. 3 of 2022 dated July 05, 2022.

10 **ADVANCES**

| Loan Type | Performing | | | | Non-Performing | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| | Stage 1 | | Stage 2 | | Stage 3 | | | |
| | (Rupees) | | | | | | | |
| Micro credits | | | | | | | | |
| Secured | 17,281,751,305 | 14,091,576,121 | 50,147,002 | 66,729,690 | 126,574,710 | 100,304,249 | 17,458,473,017 | 14,258,610,060 |
| Unsecured | 1,263,603,957 | 2,573,810,848 | 9,792,421 | 15,687,061 | 353,679,246 | 1,819,424,532 | 1,627,075,624 | 4,408,922,441 |
| Other advances-Staff loan | 88,688,433 | 92,409,122 | - | - | - | - | 88,688,433 | 92,409,122 |
| **Advances - gross** | 18,634,043,695 | 16,757,796,091 | 59,939,423 | 82,416,751 | 480,253,956 | 1,919,728,781 | 19,174,237,074 | 18,759,941,623 |
| Credit loss allowance against advances | | | | | | | | |
| - Stage 1 | 459,980,852 | - | - | - | - | - | 459,980,852 | - |
| - Stage 2 | - | - | 5,201,197 | - | - | - | 5,201,197 | - |
| - Stage 3 | - | - | - | - | 322,128,331 | - | 322,128,331 | - |
| - Specific | - | - | - | - | - | - | - | 584,703,156 |
| - General | - | - | - | - | - | - | - | 209,266,585 |
| | 459,980,852 | - | 5,201,197 | - | 322,128,331 | - | 787,310,380 | 793,969,741 |
| **Advances - net of credit loss allowance** | 18,174,062,843 | 16,757,796,091 | 54,738,226 | 82,416,751 | 158,125,625 | 1,919,728,781 | 18,386,926,694 | 17,965,971,882 |

10.1 **Advances - Particulars of credit loss allowance**

10.1.1 **Advances - Exposure**

| | 2024 | | | | 2023 | | | |
|---|---|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total |
| | (Rupees) | | | | (Rupees) | | | |
| Gross carrying amount | 16,757,796,091 | 82,416,751 | 1,919,728,781 | 18,759,941,623 | | | | |
| **Fair value adjustment IFRS - 09** | (11,924,077) | - | - | (11,924,077) | | | | |
| Gross carrying amount - restated | 16,745,872,014 | 82,416,751 | 1,919,728,781 | 18,748,017,546 | - | - | - | - |
| New Advances | 18,201,994,772 | 34,601,645 | 16,983,344 | 18,253,579,761 | - | - | - | - |
| Advances derecognised or repaid | (16,093,156,812) | (68,790,574) | (189,057,681) | (16,351,005,067) | - | - | - | - |
| Transfer to stage 1 | 730,312 | (730,312) | - | - | - | - | - | - |
| Transfer to stage 2 | (25,102,517) | 25,221,088 | (118,571) | - | - | - | - | - |
| Transfer to stage 3 | (124,641,180) | (3,445,145) | 128,086,325 | - | - | - | - | - |
| | 1,959,824,575 | (13,143,298) | (44,106,583) | 1,902,574,694 | - | - | - | - |
| Amounts written off / charged off | (71,652,894) | (9,334,030) | (1,395,368,242) | (1,476,355,166) | - | - | - | - |
| Closing balance | 18,634,043,695 | 59,939,423 | 480,253,956 | 19,174,237,074 | - | - | - | - |

**10.1.2 Advances - Credit loss allowance**

| Credit loss allowance opening balance | 2024 | | | | 2023 | | | |
|---|---|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total |
| | (Rupees) | | | | (Rupees) | | | |
| Gross carrying amount | 602,191,080 | 16,420,109 | 1,646,087,907 | 2,264,699,096 | - | - | - | - |
| New Advances | 230,763,697 | 179,998 | 3,427,981 | 234,371,676 | - | - | - | - |
| Advances derecognised or repaid | (186,094,333) | (9,464,952) | (26,513,456) | (222,072,741) | - | - | - | - |
| Transfer to stage 1 | 141,955 | (141,955) | - | - | - | - | - | - |
| Transfer to stage 2 | (3,221,500) | 3,221,500 | - | - | - | - | - | - |
| Transfer to stage 3 | (12,278,011) | (1,411,487) | 13,689,498 | - | - | - | - | - |
| | 29,311,808 | (7,616,896) | (9,395,977) | 12,298,935 | - | - | - | - |
| Amounts written off / charged off | (128,571,730) | (5,379,213) | (1,334,499,237) | (1,468,450,180) | - | - | - | - |
| Changes in risk parameters | (42,950,306) | 1,777,197 | 19,935,638 | (21,237,471) | | | | |
| Closing balance | 459,980,852 | 5,201,197 | 322,128,331 | 787,310,380 | - | - | - | - |

**10.1.3 Advances - Credit loss allowance details**

| | 2024 | | | | 2023 | | | |
|---|---|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total |
| | (Rupees) | | | | (Rupees) | | | |
| **Internal / extrernal rating / stage classification** | | | | | | | | |
| Outstanding gross exposure | | | | | | | | |
| Performing - Stage 1 | 18,634,043,695 | - | - | 18,634,043,695 | - | - | - | - |
| Under Performing | | | | | | | | |
| Other assets especially mentioned | | 59,939,423 | - | 59,939,423 | | | | |
| Non - Perfroming | | | | | | | | |
| Substandard | - | - | 99,216,932 | 99,216,932 | - | - | - | - |
| Doubtful | - | - | 61,505,510 | 61,505,510 | - | - | - | - |
| Loss | - | - | 319,531,514 | 319,531,514 | - | - | - | - |
| | - | - | 480,253,956 | 480,253,956 | - | - | - | - |
| Total | 18,634,043,695 | 59,939,423 | 480,253,956 | 19,174,237,074 | - | - | - | - |
| Corresponding credit loss allowance | | | | | | | | |
| Stage 1 | 459,980,852 | - | - | 459,980,852 | - | - | - | - |
| Stage 2 | - | 5,201,197 | - | 5,201,197 | - | - | - | - |
| Stage 3 | - | - | 322,128,331 | 322,128,331 | - | - | - | - |
| | 459,980,852 | 5,201,197 | 322,128,331 | 787,310,380 | - | - | - | - |

**10.2 Particulars of write offs / charge offs**

| | 2024<br>Rupees | 2023<br>Rupees |
|---|---|---|
| Against credit loss allowance | 1,468,450,180 | 1,114,378,742 |
| Directly charged to profit & loss account | 7,904,986 | 7,075,302 |
| | 1,476,355,166 | 1,121,454,044 |

PWR

| | | Note | 2024<br>Rupees | 2023<br>Rupees |
|---|---|---|---|---|
| 11 | **PROPERTY AND EQUIPMENT** | | | |
| | Capital work in progress | 11.1 | 17,624,588 | 16,700,136 |
| | Property and equipment | 11.2 | 399,029,493 | 498,128,847 |
| | | | 416,654,081 | 514,828,983 |
| 11.1 | *Capital work in progress* | | | |
| | Opening | | 16,700,136 | 40,878,034 |
| | Additions during the year | | 45,926,363 | 28,213,971 |
| | Transfers to property and equipment | | (45,001,911) | (52,391,869) |
| | Closing | 11.1.1 | 17,624,588 | 16,700,136 |
| 11.1.1 | CWIP includes: | | | |
| | Computer Equipment | | 595,427 | 2,234,737 |
| | Leashehold Improvements | | 7,714,329 | 1,175,038 |
| | Furniture and Fixture | | - | 1,096,000 |
| | Office Equipment | | - | 792,800 |
| | Intangible Assets | | 8,956,332 | 8,956,332 |
| | Advances to suppliers and contractors | 11.1.1.1 | 358,500 | 2,445,229 |
| | | | 17,624,588 | 16,700,136 |

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

11.2 *Property and equipment*

| | 2024 | | | | | |
|---|---|---|---|---|---|---|
| | Leasehold Improvements | Furniture and fixture | Computer Equipment | Office Equipment | Vehicles | Total |
| | ............ | ............ | ............ Rupees | ............ | ............ | |
| **As at 01 January 2024** | | | | | | |
| Cost | 631,079,503 | 207,156,357 | 668,686,045 | 285,805,856 | 22,173,100 | 1,814,900,861 |
| Accumulated depreciation | (389,951,656) | (134,551,582) | (590,203,683) | (180,089,875) | (21,975,218) | (1,316,772,014) |
| Net book value | 241,127,847 | 72,604,775 | 78,482,362 | 105,715,981 | 197,882 | 498,128,847 |
| **Year ended December 2024** | | | | | | |
| Opening net book value | 241,127,847 | 72,604,775 | 78,482,362 | 105,715,981 | 197,882 | 498,128,847 |
| Additions | 2,153,014 | 2,016,000 | 28,495,694 | 12,337,203 | - | 45,001,911 |
| Disposals (net) | - | (1,333,450) | (47,182) | (1,116,397) | - | (2,497,029) |
| Depreciation charge | (58,464,082) | (17,752,553) | (39,033,844) | (26,353,757) | - | (141,604,236) |
| Closing net book value | 184,816,779 | 55,534,772 | 67,897,030 | 90,583,030 | 197,882 | 399,029,493 |

PUR

| 2024 | Leasehold Improvements | Furniture and fixture | Computer Equipment | Office Equipment | Vehicles | Total |
|---|---|---|---|---|---|---|
| | ... Rupees ... | | | | | |
| **At December 31, 2024** | | | | | | |
| Cost | 633,232,517 | 204,172,149 | 664,440,383 | 293,649,577 | 20,366,100 | 1,815,860,726 |
| Accumulated depreciation | (448,415,738) | (148,637,377) | (596,543,353) | (203,066,547) | (20,168,218) | (1,416,831,233) |
| Net book value | 184,816,779 | 55,534,772 | 67,897,030 | 90,583,030 | 197,882 | 399,029,493 |
| Rate of depreciation (percentage) | 10% | 10% | 20%-33% | 10% | 25% | |

| 2023 | Leasehold Improvements | Furniture and fixture | Computer Equipment | Office Equipment | Vehicles | Total |
|---|---|---|---|---|---|---|
| | ... Rupees ... | | | | | |
| As at 01 January 2023 | | | | | | |
| Cost | 693,244,937 | 214,337,153 | 629,696,802 | 294,175,017 | 28,341,100 | 1,859,795,009 |
| Accumulated depreciation | (363,607,197) | (120,756,925) | (537,784,278) | (157,654,751) | (27,156,236) | (1,206,959,387) |
| Net book value | 329,637,740 | 93,580,228 | 91,912,524 | 136,520,266 | 1,184,864 | 652,835,622 |
| Year ended December 2023 | | | | | | |
| Opening net book value | 329,637,740 | 93,580,228 | 91,912,524 | 136,520,266 | 1,184,864 | 652,835,622 |
| Additions | 6,166,547 | 2,996,934 | 42,993,005 | 63,000 | - | 52,219,486 |
| Disposals (net) | - | (3,231,812) | (148,165) | (2,934,598) | (80,170) | (6,394,745) |
| Write Offs (net) | (26,943,780) | (9,616) | (9,719) | (41,692) | - | (27,004,807) |
| Depreciation charge | (67,732,660) | (20,730,959) | (56,265,283) | (27,890,995) | (906,812) | (173,526,709) |
| Closing net book value | 241,127,847 | 72,604,775 | 78,482,362 | 105,715,981 | 197,882 | 498,128,847 |
| At December 31, 2023 | | | | | | |
| Cost | 631,079,503 | 207,156,357 | 668,686,045 | 285,805,856 | 22,173,100 | 1,814,900,861 |
| Accumulated depreciation | (389,951,656) | (134,551,582) | (590,203,683) | (180,089,875) | (21,975,218) | (1,316,772,014) |
| Net book value | 241,127,847 | 72,604,775 | 78,482,362 | 105,715,981 | 197,882 | 498,128,847 |
| Rate of depreciation (percentage) | 10% | 10% | 20%-33% | 10% | 25% | |

11.2.1 Cost of property and equipment include cost of fully depreciated assets that are still in use amounting to Rs. 674.10 million (2023: Rs. 552.39 million).

11.2.2 Details of property and equipment disposed of during the year is disclosed in Annexure-I and forms integral part of these financial statements. PWC

## 12 RIGHT-OF-USE ASSETS

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | Buildings | Equipment | Total | Buildings | Equipment | Total |
| | Rupees | | | | | |
| **At January 1, 2024** | | | | | | |
| Cost | 1,643,884,812 | - | 1,643,884,812 | 1,695,276,001 | - | 1,695,276,001 |
| Accumulated Depreciation | (1,102,696,167) | - | (1,102,696,167) | (942,923,194) | - | (942,923,194) |
| Net Carrying amount at January 1, 2024 | 541,188,645 | - | 541,188,645 | 752,352,807 | - | 752,352,807 |
| **For the Year Movement** | | | | | | |
| Additions during the year | 306,489,847 | 38,812,247 | 345,302,094 | 88,634,386 | - | 88,634,386 |
| Deletions during the year | - | - | - | (89,401,123) | - | (89,401,123) |
| Modification of leases for the year | (2,621,489) | - | (2,621,489) | 10,940,216 | - | 10,940,216 |
| Depreciation Charge for the year | (223,478,161) | (13,584,287) | (237,062,448) | (221,337,641) | - | (221,337,641) |
| | 80,390,197 | 25,227,960 | 105,618,157 | (211,164,162) | - | (211,164,162) |
| **Net Carrying amount at December 31, 2024** | 621,578,842 | 25,227,960 | 646,806,802 | 541,188,645 | - | 541,188,645 |

## 13 INTANGIBLE ASSETS

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | Software and Licenses | Total | Software and Licenses | Total |
| | Rupees | | | |
| **At January 1, 2024** | | | | |
| Cost | 734,655,721 | 734,655,721 | 694,051,903 | 694,051,903 |
| Accumulated amortization and impairment | (579,877,284) | (579,877,284) | (524,087,244) | (524,087,244) |
| Net book value | 154,778,437 | 154,778,437 | 169,964,659 | 169,964,659 |
| **For the Year Movement** | | | | |
| Opening net book value | 154,778,437 | 154,778,437 | 169,964,659 | 169,964,659 |
| Additions: | | | | |
| - Directly purchased/Transferred from CWIP | 8,645,166 | 8,645,166 | 40,603,818 | 40,603,818 |
| Amortization charge | (45,337,172) | (45,337,172) | (55,790,040) | (55,790,040) |
| Closing net book value | 118,086,431 | 118,086,431 | 154,778,437 | 154,778,437 |
| **At December 31, 2024** | | | | |
| Cost | 743,300,887 | 743,300,887 | 734,655,721 | 734,655,721 |
| Accumulated amortization and impairment | (625,214,456) | (625,214,456) | (579,877,284) | (579,877,284) |
| Net book value | 118,086,431 | 118,086,431 | 154,778,437 | 154,778,437 |
| Rate of amortization (percentage) | 10-20% | | 10-20% | |

**13.1 The cost of fully depreciated intangibles still in use**

| | 2024 | 2023 |
|---|---|---|
| Softwares and Licenses | 486,115,248 | 444,083,249 |

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## 14 DEFERRED TAX ASSET

| | 2024 | | | | |
|---|---|---|---|---|---|
| | At Jan 1, 2024 | Impact of Adoption of IFRS 09 | Recognised in P&L A/C | Recgonised in OCI | At Dec 31, 2024 |
| *Deductible temporary differences on:* | | | | | |
| - Tax losses carried forward | 2,372,419,381 | - | 16,904,721 | - | 2,389,324,102 |
| - Minimum tax | - | - | 105,165,645 | - | 105,165,645 |
| - Post retirement employee benefits | 116,238,026 | - | (3,253,293) | (11,468,036) | 101,516,697 |
| - Accelerated tax depreciation | 15,925,104 | - | 16,869,556 | - | 32,794,660 |
| - Credit loss allowance against advances | 1,679,047,198 | 587,663,337 | (388,332,369) | - | 1,878,378,166 |
| - Lease Liabilities against ROUA | 89,521,563 | - | 8,485,138 | - | 98,006,701 |
| | 4,273,151,272 | 587,663,337 | (244,160,602) | (11,468,036) | 4,605,185,971 |
| Taxable temporary differences on: | | | | | |
| - Surplus on revaluation of investments classified as FVOCI | (1,389,083) | - | - | (1,125,950) | (2,515,033) |
| - Unrealized gain of revaluation of securities FVTPL | (655) | - | 655 | - | - |
| | (1,389,738) | - | 655 | (1,125,950) | (2,515,033) |
| | 4,271,761,534 | 587,663,337 | (244,159,947) | (12,593,986) | 4,602,670,938 |

| | 2023 | | | | |
|---|---|---|---|---|---|
| | At Jan 1, 2023 | Impact of Adoption of IFRS 09 | Recognised in P&L A/C | Recgonised in OCI | At Dec 31, 2023 |
| *Deductible temporary differences on:* | | | | | |
| - Tax losses carried forward | 1,300,352,636 | - | 1,072,066,745 | - | 2,372,419,381 |
| - Minimum tax | - | - | - | - | - |
| - Post retirement employee benefits | 107,150,186 | - | 9,143,186 | (55,346) | 116,238,026 |
| - Deficit on revaluation of investments | | | - | - | - |
| - Accelerated tax depreciation | 1,657,679 | - | 14,267,425 | - | 15,925,104 |
| - Credit loss allowance against advances | 1,637,037,662 | - | 42,009,536 | - | 1,679,047,198 |
| - Lease Liabilities against ROUA | 125,915,092 | - | (36,393,529) | - | 89,521,563 |
| | 3,172,113,255 | - | 1,101,093,363 | (55,346) | 4,273,151,272 |
| Taxable temporary differences on: | | | | | |
| - Surplus on revaluation of investments classified as FVOCI | 3,602,976 | - | - | (4,992,059) | (1,389,083) |
| - Unrealized gain of revaluation of securities FVTPL | - | - | (655) | - | (655) |
| | 3,602,976 | - | (655) | (4,992,059) | (1,389,738) |
| | 3,175,716,231 | - | 1,101,092,708 | (5,047,405) | 4,271,761,534 |

14.1 As at the year end, the Bank has recognized a net deferred tax asset amounting to Rs. 4,602.67 million (2023: Rs. 4,271.76 million) based on the business plan and financial projections duly approved by the board of directors of the Bank. The projections involve certain key assumptions underlying the estimation of future taxable profits. 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.

## 15 OTHER ASSETS

| | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|
| Income / mark-up accrued on advances | | 2,412,888,689 | 2,274,237,658 |
| Income / mark-up accrued on balance with banks | | 44,234,081 | 304,551 |
| Prepayments | | 44,285,614 | 22,973,698 |
| Security deposits | | 10,431,162 | 10,279,632 |
| Stationery and stamps on hand | | 25,495,084 | 27,467,354 |
| Advance income tax - net | 15.1 | - | 62,177,071 |
| Deferred employees benefits | | 12,752,536 | - |
| Receivable from SBP against crop insurance | | 93,069,401 | 125,673,591 |
| Others | | 122,118,438 | 72,205,270 |
| | | 2,765,275,005 | 2,595,318,825 |
| Less: Credit Loss Allowance held against other assets | 15.2 | (8,026,079) | - |
| | | 2,757,248,926 | 2,595,318,825 |

| | | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|---|
| 15.1 | **Advance income tax - net** | | | |
| | Advance income tax | | - | 149,477,587 |
| | Provision for income tax | | - | (87,300,516) |
| | | | - | 62,177,071 |
| 15.2 | Movement in credit loss Allowance held against other assets | | | |
| | Opening Balance | | - | - |
| | IFRS-09 adoption impact | | 36,099,716 | - |
| | Balance as at January 01, 2024-Restated | | 36,099,716 | - |
| | Charge for the year | | 4,508,037 | - |
| | Reversals | | (32,581,674) | - |
| | Closing Balance | | 8,026,079 | - |

## 16 BILLS PAYABLE

| | | | |
|---|---|---|---|
| In Pakistan | | 116,212,293 | 102,600,913 |

## 17 BORROWINGS

| | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|
| **Secured** | | | |
| Borrowings from bank / financial institution in Pakistan | 17.1 | - | 46,875,000 |
| **Unsecured** | | | |
| Borrowings from the State Bank of Pakistan | 17.2 | 3,000,000,000 | 3,000,000,000 |
| | | 3,000,000,000 | 3,046,875,000 |

17.1 This facility had an aggregate limit of Rs. 150 million (2023: Rs. 150 million) obtained from Allied Bank Limited carrying markup at the rate of 3 months KIBOR plus 75 bps per annum (2023: 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 20th June 2021. The facility was 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.

17.2 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, enhancing 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 (2023: 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. During the year 2024, the Bank received formal communication from the State Bank of Pakistan confirming the extension of the principal repayment period for further 5 years from June 30, 2024, to June 30, 2029.

## 18 DEPOSITS AND OTHER ACCOUNTS

| | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|
| ***Customers*** | | | |
| Current deposits | | 2,328,788,013 | 1,873,858,660 |
| Saving deposits | 18.1 | 11,443,531,646 | 8,765,932,418 |
| Fixed deposits | 18.2 | 19,439,474,180 | 13,340,808,767 |
| | | 33,211,793,839 | 23,980,599,845 |
| ***Financial Institutions*** | | | |
| Current deposits | | 27,500,573 | 17,812,225 |
| Saving deposits | 18.1 | 468,990,289 | 220,009,700 |
| Fixed deposits | 18.2 | 2,517,900,000 | 1,321,250,000 |
| | | 3,014,390,862 | 1,559,071,925 |
| **Total Deposits** | | 36,226,184,701 | 25,539,671,770 |

18.1 These carry interest rates ranging from 7.25% to 16.00% (2023: 7.25% to 23%) per annum.

18.2 These represent fixed deposits having tenure of 1 to 60 months carrying profit rates ranging from 9.50% to 24.90% (2023: 8.40% to 24.75%) per annum.

**18.3 Composition of Deposits**

| | 2024 Rupees | 2023 Rupees |
|---|---|---|
| - Individuals | **27,183,015,626** | 19,274,220,037 |
| - Government (Fedral and Provincial) | **4,150,307,550** | 1,868,428,591 |
| - Public Sector Entities | **46,899,615** | 27,681,436 |
| - Banking companies | **2,969,656,956** | 1,526,301,176 |
| - Non Banking Financial Institutions | **44,733,906** | 32,737,696 |
| - Private Sector | **1,831,571,048** | 2,810,302,834 |
| | **36,226,184,701** | 25,539,671,770 |

**18.4 Composition of Deposits**

| | 2024 Rupees | 2023 Rupees |
|---|---|---|
| - Branchless Banking | **923,118,874** | 688,309,758 |
| - Branches Deposits | **35,303,065,827** | 24,851,362,012 |
| | **36,226,184,701** | 25,539,671,770 |

18.5 Deposits include deposits from related parties amounting to Rs. 10.73 million (2023: Rs. 182.22 million).

## 19 LEASE LIABILITIES

| | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|
| Balance as at January 01 | | **770,731,115** | 1,075,212,018 |
| ***Addition during the year*** | | | |
| - Buildings | | **306,489,847** | **88,634,386** |
| - Equipments | | **38,812,247** | - |
| | | **345,302,094** | 88,634,386 |
| Modification during the Year | | **(5,820,546)** | - |
| Deletions during the year | | - | (125,820,623) |
| Interest expense during the year | **27** | **132,759,148** | 99,735,482 |
| Payment during the year | | **(344,865,776)** | (367,030,148) |
| Balance as at December 31 | | **898,106,035** | 770,731,115 |

**19.1 Contractual Maturity of Lease liabilities**

| | 2024 | 2023 |
|---|---|---|
| Short Term Lease Liabilities - within one year | - | - |
| Long Term Lease Liabilities | | |
| - 1 to 5 years | **610,964,503** | 723,054,695 |
| - 5 to 10 years | **287,141,532** | 47,676,420 |
| - More than 10 years | - | - |
| | **898,106,035** | 770,731,115 |
| Total Lease Liabilites | **898,106,035** | 770,731,115 |

| 20 SUBORDINATED DEBT | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|
| Pakistan Microfinance Investment Company (PMIC) | 20.1 | 800,000,000 | 800,000,000 |

20.1 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 with covenants associated by the lender with the said term loan.

During the year the Bank and Pakistan Microfinance Investment Company Limited (PMICL) entered into an addendum to the subordinate debt agreement whereby subject to occurrence of the Amendment Effective Date, the existing tenor of the Subordinated Term Finance Facility which is expiring on December 20, 2027 shall stand extended for a period of seven years commencing from the Amendment Effective Date. Further mark-up accrued up to the date of Amendment Effective Date shall be waived by the lender. The Amendment Effective Date has been defined as the date of the share transfer closing. Since the share transfer closing occurred subsequent to the year end, this constitute a non-adjusting event under IAS – 10 "Events after the Reporting Period", accordingly no adjustments have been made to these financial statements.

| 21 DEFERRED GRANT | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|
| Opening Balance | | - | - |
| Grant received during the year | 21.1 | - | 2,864,087 |
| Grant recognized as income during the year | | - | (2,864,087) |
| Closing Balance | | - | - |

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

| 22 OTHER LIABILITIES | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|
| Markup / return / interest payable | 22.1 | 1,525,377,795 | 1,504,420,587 |
| Accrued expenses | | 420,104,203 | 373,845,526 |
| Payable to FINCA Network Support B.V. | 22.2 | - | 253,146,364 |
| Payable to defined benefit plan | 39 | 289,704,451 | 298,046,220 |
| Income tax payable - net | 22.3 | 74,618,590 | - |
| Withholding tax payable | | 190,838,430 | 158,908,899 |
| Sundry creditors | | 807,983,080 | 120,842,883 |
| Workers' Welfare Fund | | 33,320,951 | 33,320,951 |
| | | 3,341,947,500 | 2,742,531,430 |

22.1 This includes markup payable on deposits from related parties amounting to Rs. 0.19 million (2023: Rs. 30.58 million).

22.2 This represented amount payable to a related party, Finca Network Support B.V. (FNS) 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. During the year, the Bank received confirmation from FINCA network support B.V. regarding waiver of amount payable as at September 18, 2024 under Master Shared Services Agreement.

22.3 **Income tax payable - net**

| | 2024 | 2023 |
|---|---|---|
| Advance income tax | (162,519,679) | - |
| Provision for income tax | 237,138,269 | - |
| | 74,618,590 | - |

## 23 SHARE CAPITAL

### 23.1 Authorized capital

| 2024 (Number of shares) | 2023 (Number of shares) | | 2024 Rupees | 2023 Rupees |
|---|---|---|---|---|
| **1,500,000,000** | 1,500,000,000 | Ordinary shares of Rs 10 each | **15,000,000,000** | 15,000,000,000 |

### 23.2 Issued, subscribed and paid-up share capital

| 2024 (Number of shares) | 2023 (Number of shares) | | 2024 Rupees | 2023 Rupees |
|---|---|---|---|---|
| **75,000,000** | 75,000,000 | Ordinary share of Rs. 10 each fully paid in cash | **750,000,000** | 750,000,000 |
| **559,888,711** | 559,888,711 | Ordinary share of Rs. 10 each issued at discount | **5,598,887,110** | 5,598,887,110 |
| **634,888,711** | 634,888,711 | | **6,348,887,110** | 6,348,887,110 |
| **-** | - | Discount on issue of share | **(4,089,040,293)** | (4,089,040,293) |
| **634,888,711** | 634,888,711 | | **2,259,846,817** | 2,259,846,817 |

### 23.3 Pattern of Shareholding

| 2024 (Number of shares) | 2023 (Number of shares) | | 2024 Rupees | 2023 Rupees |
|---|---|---|---|---|
| **33,119,747** | 33,119,747 | Kashf Holdings (Private) Limited | **331,197,470** | 331,197,470 |
| **30,771,739** | 30,771,739 | International Finance Corporation | **307,717,390** | 307,717,390 |
| **17,368,319** | 17,368,319 | Triodos Fair Share Fund | **173,683,190** | 173,683,190 |
| **5,130,253** | 5,130,253 | Acumen Fund | **51,302,530** | 51,302,530 |
| **548,498,653** | 548,498,653 | FINCA Microfinance Cooperatief U.A | **5,484,986,530** | 5,484,986,530 |
| **634,888,711** | 634,888,711 | | **6,348,887,110** | 6,348,887,110 |

23.4 The Bank has one class of ordinary shares which carry no right to fixed income. The shareholders are entitled to receive dividend as declared from time to time and are entitled to one vote per share at the meeting of the Bank. All shares rank equally with regards to the Bank residual assets.

23.5 Subsequent to year-end, on acquisition of the Bank by another shareholders, the shareholding pattern has changed. Refer to note 50 for details.

| 24 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|
| ***Fair Value Surplus / (Deficit) on revaluation of*** | | | |
| - FVOCI - debt | 9 | **6,448,800** | 3,561,750 |
| ***Deferred tax on surplus / (deficit) on revaluation of:*** | | | |
| - FVOCI - debt | | **(2,515,033)** | (1,389,083) |
| | | **3,933,767** | 2,172,667 |

## 25 CONTINGENCIES AND COMMITMENTS

### 25.1 Contingencies

(a) 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. In addition, default surcharge is chargeable under the Act, the amount of which is dependent on the date of payment and continues to accrue until settlement of the demand. The Bank based on advice from its tax consultants, has filed an appeal before the competent appellate authority.

(b) 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:**

(c) 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 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.

(d) During the previous 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.

### 25.2 Commitments

There are no significant commitments as at 31 December 2024 (2023: Nil).

| 26 MARK-UP / RETURN / INTEREST EARNED | 2024 Rupees | 2023 Rupees |
|---|---|---|
| Loans and advances | **6,390,874,303** | 5,292,082,882 |
| Investments | **942,677,221** | 1,010,898,232 |
| Balances with other MFBs / banks / NBFIs | **51,851,018** | 6,476,679 |
| | **7,385,402,542** | 6,309,457,793 |
| | **7,385,402,542** | 6,309,457,793 |

| | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|
| **26.1 Interest Income (calculated using effective interest rate method) recognized on:** | | | |
| Financial assets measured at amortised cost | | 6,442,725,321 | - |
| Financial assets measured at FVOCI | | 942,677,221 | - |
| | | 7,385,402,542 | - |
| **27 MARK-UP / RETURN / INTEREST EXPENSED** | | | |
| Deposits | | 5,513,900,286 | 3,926,990,025 |
| Borrowings | | 610,588,060 | 667,769,151 |
| Subordinated loan | | 124,780,851 | 199,069,591 |
| Lease liabilities | 19 | 132,759,148 | 99,735,482 |
| | | 6,382,028,345 | 4,893,564,249 |
| 27.1 Interest expense calculated using effective interest rate method | | 6,382,028,345 | - |
| **28 FEE AND COMMISSION INCOME** | | | |
| Loan processing fee - net | | 732,717,867 | 508,070,207 |
| Branchless banking income | 28.1 | 23,393,040 | 11,083,667 |
| Branch banking customer fees | | 22,580,991 | 11,408,497 |
| Overdue charges | | 142,087,613 | 44,567,206 |
| Early settlement charges | | 97,878,443 | 85,736,108 |
| Card related fees | | 9,191,132 | 10,853,770 |
| | | 1,027,849,086 | 671,719,455 |
| **28.1 Branchless banking income** | | | |
| Commission income from bill payments | | 614,348 | 655,052 |
| Fees on Payment and money transfer services | | 19,155,400 | 6,998,361 |
| Fees on cash withdrawl | | 2,862,863 | 2,890,129 |
| Others | | 760,429 | 540,125 |
| | | 23,393,040 | 11,083,667 |
| **29 GAIN / (LOSS) ON SECURITIES** | | | |
| Realised | | 129,310,801 | 1,902,818 |
| Unrealised | | - | 1,679 |
| | | 129,310,801 | 1,904,497 |
| **Realised gain on:** | | | |
| 29.1 Federal government securities | | 129,310,801 | 1,904,497 |
| 29.2 Net gain on financial assets (debt instruments) measured at FVOCI | | 129,310,801 | 1,904,497 |
| **30 OTHER INCOME** | | | |
| Gain on sale of property and equipment - net | | 1,669,537 | 1,341,373 |
| Grant income | | - | 2,864,087 |
| Gain on derecognition of leases arrangements | | 3,199,057 | 47,359,716 |
| Liabilities written back | 30.1 | 386,319,337 | - |
| Others | | 424,327 | 2,786,301 |
| | | 391,612,258 | 54,351,477 |
| **30.1 Liabilities written back** | | | |
| Finca Network Support B.V. | | 386,319,337 | - |

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## 31 OPERATING EXPENSES

| | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|
| Total compensation expense | 31.1 | 2,353,511,692 | 2,404,939,472 |
| Directors' fees and allowances | | 6,000,000 | 4,349,999 |
| Printing, stationery and periodicals | | 46,496,068 | 45,420,428 |
| Advertisement | | 104,323,899 | 81,249,024 |
| Rent, rates and taxes | | 40,790,457 | 27,743,366 |
| Office running expenses | | 72,958,084 | 53,120,854 |
| Vehicle running expenses | | 89,370,024 | 114,056,577 |
| Insurance | | 135,503,550 | 84,799,333 |
| Office security / personnel services | | 192,591,141 | 172,627,812 |
| Janitorial Services | | 53,464,360 | 46,715,868 |
| Repairs and maintenance | | 183,481,676 | 306,916,999 |
| Communication | | 90,589,140 | 98,155,690 |
| Travel and transportation | | 88,300,304 | 93,304,968 |
| Utilities | | 229,038,441 | 192,231,467 |
| IT expenses | 31.2 | 147,972,105 | 243,892,317 |
| Legal and professional charges | | 56,002,200 | 66,288,539 |
| Auditors' remuneration | 31.3 | 6,560,000 | 5,466,666 |
| Training and research | | 16,778,609 | 11,022,457 |
| Depreciation on property and equipment | 11 | 141,604,236 | 173,526,709 |
| Depreciation on right of use assets | 12 | 237,062,448 | 221,337,641 |
| Amortization on intangible assets | 13 | 45,337,172 | 55,790,040 |
| Others | | 11,645,998 | 60,666,810 |
| | | 4,349,381,604 | 4,563,623,036 |

### 31.1 Total compensation expense

| | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|
| Fees and allowances etc | | 74,839,397 | 86,368,421 |
| Managerial remuneration | | | |
| i) Fixed | | 944,989,888 | 934,499,588 |
| ii) Variable | | 447,540,297 | 490,047,895 |
| Charge for defined benefit plan | 39.6 | 102,582,918 | 91,753,302 |
| Contribution to employees provident fund | | 61,810,462 | 66,005,541 |
| Rent & house maintenance | | 376,617,692 | 374,237,196 |
| Utilities | | 87,978,820 | 88,589,542 |
| Medical | | 4,397,280 | 4,969,549 |
| Conveyance | | 34,087,185 | 36,338,798 |
| Staff insurance | | 19,054,175 | 21,921,834 |
| Staff medical insurance | | 41,398,237 | 39,268,403 |
| Employee old age benefit | | 36,803,431 | 34,119,054 |
| Mobile expense | | 23,589,213 | 25,177,111 |
| Staff relocation expense | | 16,689,020 | 16,467,497 |
| Overtime | | 3,203,539 | 3,710,075 |
| Staff motor car | | 72,598,969 | 77,552,489 |
| Recruitment related expenses | | - | 1,985,012 |
| Employee engagement expense | | 2,594,304 | 7,969,015 |
| PESSI | | 2,039,218 | 2,769,150 |
| Others | | 697,647 | 1,190,000 |
| | | 2,353,511,692 | 2,404,939,472 |

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

| | Note | 2024<br>Rupees | 2023<br>Rupees |
|---|---|---|---|
| **31.3 Auditors' remuneration** | | | |
| Annual audit | | **5,600,000** | 4,666,666 |
| Out of pocket expense | | **960,000** | 800,000 |
| | | **6,560,000** | 5,466,666 |
| **32 OTHER CHARGES** | | | |
| Penalties imposed by SBP | 32.1 | **96,000** | 4,074,100 |
| Bank charges | | **47,290,629** | 14,451,416 |
| Write-off against operating fixed assets | | **-** | 27,004,807 |
| Others | | **3,279,737** | - |
| | | **50,666,366** | 45,530,323 |

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

| | Note | 2024<br>Rupees | 2023<br>Rupees |
|---|---|---|---|
| **33 CREDIT LOSS ALLOWANCE AND WRITE OFFS - NET** | | | |
| Credit loss allowance against loans and advances | 33.1 | **(37,012,173)** | 1,045,713,841 |
| Bad debts written off directrly | | **7,904,986** | 7,075,302 |
| Recovery against advances previously written off | | **(526,883,381)** | (774,415,325) |
| | | **(555,990,568)** | 278,373,818 |
| **33.1 Credit loss allowance against loans and advances** | | | |
| - Against advances | | **(8,938,536)** | - |
| - Against other assets | | **(28,073,637)** | - |
| | | **(37,012,173)** | - |
| **34 TAXATION** | | | |
| *Current:* | | | |
| For the year | 34.1 | **105,165,645** | 87,300,516 |
| For the prior year | | **112,284,152** | - |
| | | **217,449,797** | 87,300,516 |
| *Deferred:* | | | |
| For the year | 14 | **244,159,947** | (1,101,092,708) |
| | | **461,609,744** | (1,013,792,192) |

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34.1 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.

## 35 BASIC AND DILUTED LOSS PER SHARE

| | | 2024 | 2023 |
|---|---|---|---|
| 35.1 Loss for the year | *Rupees* | (1,753,520,804) | (1,729,866,012) |
| Weighted average number of ordinary shares | *Number* | 634,888,711 | 634,888,711 |
| **Basic and diluted loss per share** | *Rupees* | (2.76) | (2.72) |

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

## 36 CASH AND CASH EQUIVALENTS

| | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|
| Cash and balances with SBP and NBP | 7 | 3,409,587,839 | 1,830,826,692 |
| Balances with other banks | 8 | 5,452,594,698 | 105,940,179 |
| | | 8,862,182,537 | 1,936,766,871 |

## 37 STAFF STRENGTH

| | 2024 | | |
|---|---|---|---|
| | Credit / Sales staff | Banking / Support staff | Total staff |
| Permanent | 666 | 632 | 1,298 |
| Contractual | 152 | 296 | 448 |
| MFB's own staff strength at the end of the year | 818 | 928 | 1,746 |

| | 2023 | | |
|---|---|---|---|
| | Credit / Sales staff | Banking / Support staff | Total staff |
| Permanent | 748 | 677 | 1,425 |
| Contractual | 389 | 187 | 576 |
| MFB's own staff strength at the end of the year | 1,137 | 864 | 2,001 |

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## 38 NUMBER OF BRANCHES

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | Branches | Sales service centre | Branches | Sales service centre |
| | No. | No. | No. | No. |
| Branches at the beginning of the year | 114 | - | 130 | 2 |
| Opened during the year | - | - | - | - |
| | 114 | - | 130 | 2 |
| Less: closed during the year | - | - | (16) | (2) |
| Branches at the end of the year | 114 | - | 114 | - |

## 39 DEFINED BENEFIT PLAN

### 39.1 General Description

As disclosed in note 6.8.2, the Bank operates a unfunded gratuity scheme for all its employees, who have completed minimum qualifying period of service. Gratuity is payable to the employees on the cessation of employment on death, retirement, resignation, or permanent disability. The normal retirement age is 60 years.

The gratuity is payable under the following policy rule:

| | |
|---|---|
| Length of service less than 3 years | Nil |
| Length of service greater than or equal to 3 years | One month's gross salary for each year of service |

### 39.2 Number of Employees under the Scheme

The number of employees covered under the following defined benefit schemes are:

| | 2024 | 2023 |
|---|---|---|
| | Numbers | Numbers |
| Gratuity scheme | 1,298 | 1,426 |

### 39.3 Principal actuarial assumptions

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

| | 2024 | 2023 |
|---|---|---|
| Discount rate used for profit and loss charge | 15.50% | 14.50% |
| Discount rate for year end obligation | 12.25% | 15.50% |
| Expected rate of salary increase | 11.25% | 14.50% |

| | 2024 | 2023 |
|---|---|---|
| 39.4 Present value of obligations | 289,704,451 | 298,046,220 |

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**39.5 Movement in payable under defined benefit schemes**

| | Note | 2024<br>Rupees | 2023<br>Rupees |
|---|---|---|---|
| Opening balance | | **298,046,220** | 274,744,067 |
| Charge for the year | 39.6.1 | **102,582,918** | 91,753,302 |
| Re-measurement gain recognised in OCI during the year | 39.6.2 | **(29,405,221)** | (158,130) |
| Benefits paid | | **(81,519,466)** | (68,293,019) |
| Closing balance | | **289,704,451** | 298,046,220 |

**39.6 Charge for defined benefit plans**

**39.6.1 Cost recognised in profit and loss**

| | 2024<br>Rupees | 2023<br>Rupees |
|---|---|---|
| Current service cost | **60,368,922** | 59,634,721 |
| Past service cost | **4,501,296** | - |
| Interest cost | **37,712,700** | 32,118,581 |
| | **102,582,918** | 91,753,302 |

**39.6.2 Re-measurements recognised in OCI during the year**

| | 2024<br>Rupees | 2023<br>Rupees |
|---|---|---|
| Loss / (gain) on obligation: | | |
| - Demographic assumptions | **-** | - |
| - Financial assumptions | **(3,061,336)** | 979,921 |
| - Experience adjustment | **(26,343,885)** | (1,138,051) |
| Total re-measurements recognised in OCI | **(29,405,221)** | (158,130) |

**39.7 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:

| | 2024<br>Rupees | 2023<br>Rupees |
|---|---|---|
| 100 bps increase in discount rate | **21,349,298** | 20,898,385 |
| 100 bps decrease in discount rate | **18,684,048** | 18,327,526 |
| 100 bps increase in expected rate of salary increase | **22,153,696** | 21,737,123 |
| 100 bps decrease in expected rate of salary increase | **19,743,217** | 19,406,213 |

**39.8 Expected charge / (reversal) for the next financial year** **87,899,959**

### 39.9 Maturity profile

The weighted average duration of the obligation is 7 years.

### 39.10 Risks associated with defined benefit plan

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.

## 40 DEFINED CONTRIBUTION PLAN

The Bank operates an approved funded contributory provident fund for all its permanent employees to which monthly contributions are made both by the Bank and the employees at the rate of 8.33% of basic salary.

| | 2024<br>Rupees | 2023<br>Rupees |
|---|---|---|
| Total Contribution | **123,620,924** | 132,011,082 |
| Number of Employees | **1,298** | 1,425 |

The following information is based on the audited financial statements of the provident fund:

| | | |
|---|---|---|
| Size of the fund - Total assets | **460,105,590** | 434,532,313 |
| Cost of investments | **439,058,570** | 409,390,020 |
| Percentage of investments made | **95%** | 94% |
| Fair value of investments | **441,347,090** | 416,636,518 |

## 41 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| Items | Non-Executives (Independent Directors) | President / CEO | Key Management Personnel | Non-Executives (Independent Directors) | President / CEO | Key Management Personnel |
| | ---------- Rupees ---------- | | | | | |
| Fees and allowances | 6,000,000 | - | - | 4,349,999 | - | - |
| Managerial remuneration | | | | | | |
| i) Fixed | - | 12,518,151 | 58,257,911 | - | 27,883,296 | 61,620,469 |
| Charge for defined benefit plan | - | 2,871,077 | 13,796,068 | - | 2,878,116 | 7,843,666 |
| Contribution to defined contribution plan | - | 967,785 | 4,415,429 | - | 2,322,684 | 4,400,337 |
| Rent and house maintenance | - | 5,007,259 | 23,303,157 | - | 11,153,316 | 24,648,183 |
| Utilities | - | 90,012 | 3,324,550 | - | - | 4,043,050 |
| Medical | - | 1,161,805 | 2,501,271 | - | 2,788,332 | 2,119,036 |
| Others | - | 12,280,740 | 28,387,927 | - | 4,135,615 | 52,451,564 |
| Total | 6,000,000 | 34,896,829 | 133,986,313 | 4,349,999 | 51,161,359 | 157,126,305 |
| Number of persons | 8 | *2 | 11 | 6 | 1 | 14 |

* Due to change in president/CEO of the Bank during the year, the amounts disclosed include compensation paid for both. PLP

## 42 FAIR VALUE MEASUREMENTS

Fair value measurement defines fair value as the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of quoted securities other than those classified as amortized cost, is based on quoted market price.

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

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since these are either short-term in nature or, in the case of customer loans and deposits, are frequently repriced.

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

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

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

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

a) **Financial instruments in level 1**

Currently, no financial instruments are classified in level 1.

b) **Financial instruments in level 2**

Financial instruments included in level 2 comprise of investment in market treasury bills.

c) **Financial instruments in level 3**

Currently, no financial instruments are classified in level 3.

The Bank's policy is to recognize transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused such transfer takes place. There were no transfers between levels 1 and 2 during the year.

The table below analyses the financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorized. Plk

| | | 2024 | | | | |
|---|---|---|---|---|---|---|
| | | Carrying amount | Fair value | | | |
| | Note | Carrying Value | Level 1 | Level 2 | Level 3 | Total |
| | | ----- Rupees ----- | | | | |
| **On-Balance sheet financial instruments** | | | | | | |
| ***Financial assets measured at fair value*** | | | | | | |
| Investments | 9 | 4,562,000,100 | - | 4,562,000,100 | - | 4,562,000,100 |

| | | 2023 | | | | |
|---|---|---|---|---|---|---|
| | | Carrying amount | Fair value | | | |
| | Note | Total | Level 1 | Level 2 | Level 3 | Total |
| | | ----- Rupees ----- | | | | |
| **On-Balance sheet financial instruments** | | | | | | |
| ***Financial assets measured at fair value*** | | | | | | |
| Investments | 9 | 3,889,939,410 | - | 3,889,939,410 | - | 3,889,939,410 |

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43 RELATED PARTY TRANSACTIONS

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.

| | 2024 | | | | | 2023 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | CEO | Key management personnel | Directors | FINCA Network Support B.V. | Kashf Foundation Provident Fund Trust | CEO | Key management personnel | Directors | FINCA Network Support B.V. | Kashf Foundation Provident Fund Trust |
| | ------------- Rupees ------------- | | | | | | | | | |
| **ADVANCES** | | | | | | | | | | |
| Opening balance | - | 8,955,961 | - | - | - | - | 8,965,729 | - | - | - |
| Addition during the year | - | 9,105,950 | - | - | - | - | 5,980,946 | - | - | - |
| Repaid during the year | - | (7,399,521) | - | - | - | - | (5,990,714) | - | - | - |
| *Closing balance* | - | 10,662,390 | - | - | - | - | 8,955,961 | - | - | - |
| **OTHER ASSETS** | | | | | | | | | | |
| Interest / mark-up accrued | - | - | - | | - | - | - | - | | - |
| **DEPOSITS AND OTHER ACCOUNTS** | | | | | | | | | | |
| Opening balance | 6,795 | 4,389,393 | 99,642 | - | 176,081,333 | 12,479 | 4,719,923 | 100,292 | - | 155,961,347 |
| Adjustment due to change in related parties - net | 99,534 | (54,272) | | | | | | | | |
| Received during the year | 38,370,036 | 225,338,627 | - | - | 37,923,276 | 37,889,271 | 167,197,736 | - | - | 370,119,966 |
| Withdrawn during the year | (38,111,731) | (219,413,578) | (668) | - | (213,996,245) | (37,894,955) | (167,528,266) | (650) | - | (350,000,000) |
| *Closing balance* | 364,634 | 10,260,170 | 98,974 | - | 8,364 | 6,795 | 4,389,393 | 99,642 | - | 176,081,333 |
| **OTHER LIABILITIES** | | | | | | | | | | |
| Markup / return / interest payable | - | 39,038 | - | - | - | - | 30,580,000 | - | - | - |
| Payable to FINCA Network Support B.V. | - | - | - | - | - | - | - | - | 253,146,364 | - |
| **TRANSACTION DURING THE YEAR** | | | | | | | | | | |
| ***Income*** | | | | | | | | | | |
| Mark-up/return/interest earned | - | 1,078,861 | - | - | - | - | 678,143 | - | - | - |
| ***Expense*** | | | | | | | | | | |
| Mark-up/return/interest expensed | - | 849,895 | - | - | 37,926,503 | - | 359,733 | - | - | 30,582,766 |
| Contribution to provident fund | 967,785 | 4,415,429 | - | - | - | 2,322,684 | 4,400,337 | - | - | - |
| IT expenses | - | - | - | 147,972,105 | - | - | - | - | 243,892,317 | - |
| Liability written back | - | - | - | 386,319,337 | - | - | - | - | - | - |

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## 44 CAPITAL ADEQUECY, LEVERAGE RATIO AND LIQUIDITY REQUIREMENTS

| | 2024<br>Rupees | 2023<br>Rupees |
|---|---|---|
| **Minimum Capital Requirement (MCR):** | | |
| Paid-up Capital (net of losses) | **(4,029,874,020)** | (1,131,855,641) |
| **Capital Adequcy Ratio (CAR):** | | |
| Eligible Common Equity Tier - 1 (CET1) Capital | **(9,236,610,721)** | (5,951,391,656) |
| Eligible Additional Tier - 1 (ADT1)) Capital | **-** | - |
| **Total Eligible Tier-1 Capital** | **(9,236,610,721)** | (5,951,391,656) |
| Eligible Tier2 capital | **-** | - |
| **Total Eligible Capital (Tier1+Tier2)** | **(9,236,610,721)** | (5,951,391,656) |
| **Risk Weighted Assets (RWAs):** | | |
| Credit Risk | **7,945,859,584** | 8,124,831,297 |
| Operational Risk | **585,624,012** | 820,086,385 |
| **Total** | **8,531,483,596** | 8,944,917,682 |
| Common Equity Tier1 Capital Adequacy Ratio | **-108.27%** | -66.53% |
| Tier1 Captial Adequcay Ratio | **-108.27%** | -66.53% |
| Total Capital Adequacy Ratio | **-108.27%** | -66.53% |

The Bank is required to maintain minimum capital of Rs. 1,000 million and capital adequecy ratio (CAR) equivalent to at least 15% of its risk weighted assets.

**44.1** Bank uses standardized approach for calculation of Credit risk weighted asset. Under this approach, the risk weighted amount of an on-balance sheet asset is determined by multiplying its current book value (including accrued interest or revaluations, and net of any specific provision or associated depreciation) by the relevant risk weight as provided by State Bank of Pakistan through BPRD Circular No. 10 of June 3, 2015.

The Bank was granted a specific relaxation by the State Bank of Pakistan (SBP) in respect of Capital Adequacy Ratio (CAR) vide letter No. BPRD(A&BLD)/FMFB/7166 dated November 11, 2024.

For the calculation of operational risk weighted assets, average positive gross income of the bank over the past three years is used. Figures for any year in which gross income is negative or zero is excluded from both numerator and denominator when calculating average.

## 45 RISK MANAGEMENT

### 45.1 Risk Management Department

Banks maintains a structured approach to risk management. The risk management department is led by the Chief Risk Officer (CRO). The Board of Directors (BoD) has authorized the department to implement and monitor a comprehensive risk management framework across the bank. The Board, via its Board Risk and Compliance Committee conducts assessments of the bank's principal risks.

### 45.1.1 Key Components of Risk Management

- Active Board/Senior Management Direction: Ensures strategic alignment and oversight of risk management.
- Robust Policies and Procedures: Provides a framework for managing risks effectively.
- Adequate Risk Measurement, Monitoring, and Management Information Systems: Enables accurate assessment and tracking of risks.
- Comprehensive Internal Controls: Ensures adherence to policies and procedures.

### 45.1.2 Risk Management Architecture

***1. Credit Risk Management Unit***
- Reviews, completes, and conducts due diligence on credit proposals initiated by branches.

***2. Credit Administration Department***
- Manages loan collateral, documentation, and disbursement aspects of the credit portfolio.
- Ensures that all legal and procedural requirements are met during the lending process.

***3. Operational Risk Management Unit***
- Focuses on identifying, assessing, and mitigating operational risks (e.g., operational issues, process gaps, system failures, human error).
- Implements controls and processes to minimize operational losses and ensure smooth business operations.

***4. Market and Liquidity Risk***
- Monitors and controls interest rate, prices, and treasury-related risks, ensuring activities are conducted within approved limits and regulatory requirements.
- Ensures sufficient liquidity to meet obligations through effective cash flow management, funding oversight, and contingency planning.

### 45.2 Credit Risk

The possibility of monetary loss to financial institutions arising due to the inability or unwillingness of a counterparty to perform a commitment as per the agreed terms and conditions, inter alia, on account of lending, trading, hedging, settlement, and other financial transactions.

Credit risk is managed through the credit policies approved by the Board; a defined credit approval mechanism; use of internal risk ratings; prescribed documentation requirements; post-disbursement administration, review, and monitoring of loans; and continuous assessment of credit worthiness of counterparties. Decisions regarding the credit portfolio are taken by the **Asset and Liability Committee (ALCO)** and **Management Risk and Compliance Committee**. The Bank is committed to the appropriate level of due diligence to ensure that credit risk is identified and analyzed diligently, ensuring that credit commitments are appropriately structured, priced (in line with market practices) and documented. The Bank has a **Credit Risk Procedural Manual** and a **Credit Policy** in place to strategize and govern the Bank's overall lending strategy.

**45.2.1 Exposure to credit risk**

| | December 31, 2024 | | December 31, 2023 | |
|---|---|---|---|---|
| | Balance as per the Statement of Financial | Maximum Exposure | Balance as per the Statement of Financial | Maximum Exposure |
| | Rupees | | | |
| Cash and balances with treasury banks | 3,409,587,839 | - | 1,830,826,692 | - |
| Balances with other MFBs / Banks / NBFIs | 5,452,594,698 | 5,452,594,698 | 105,940,179 | 105,940,179 |
| Investments | 4,562,000,100 | - | 3,889,939,410 | - |
| Advances | 18,386,926,694 | 18,386,926,694 | 18,759,941,623 | 18,759,941,623 |
| Other assets | 2,674,715,692 | 2,674,715,692 | 2,482,700,702 | 2,482,700,702 |
| | 34,485,825,023 | 26,514,237,084 | 27,069,348,606 | 21,348,582,504 |

**45.2.2 Credit ratings**

***Balances with other MFBs / Banks / NBFIs have the following credit ratings:***

| Rating | | December 31, 2024 Rupees | % | December 31, 2023 Rupees | % |
|---|---|---|---|---|---|
| A-1+ | United Bank Limited | 51,830,565 | 0.95% | 87,344,390 | 82.45% |
| A-1+ | MCB Bank Limited | 17,546,169 | 0.32% | 15,702,678 | 14.82% |
| A-1+ | Habib Bank Limited | 82,515 | 0.00% | 70,338 | 0.07% |
| A1+ | JS Bank Limited | 10,378 | 0.00% | 26,843 | 0.03% |
| A1 | Telenor Microfinance Bank | 4,502 | 0.00% | 4,377 | 0.00% |
| A-1+ | Allied Bank Limited | 136,451 | 0.00% | 77,239 | 0.07% |
| A-1 / A-1 | Mobilink Microfinance Bank Limited | 1,109,561 | 0.02% | 1,096,579 | 1.04% |
| A-1+ | Soneri Bank Limited | 1,380,091,050 | 25.31% | 77,596 | 0.07% |
| A-1+ | Bank Alfalah Limited | 1,541,490 | 0.03% | 1,340,617 | 1.27% |
| A1 | Samba Bank Limited | 159,075 | 0.00% | 133,569 | 0.13% |
| A-2 | Khushhali Bank Limited | 10,000 | 0.00% | - | 0.00% |
| A-1+ | The Bank of Punjab | 72,942 | 0.00% | 65,953 | 0.06% |
| A1+ | Pak Libya Holding Company | 1,000,000,000 | 18.34% | - | 0.00% |
| A-1 / A-1 | Mobilink Microfinance Bank Limited | 3,000,000,000 | 55.02% | - | 0.00% |
| Total balance | | 5,452,594,698 | 100% | 105,940,179 | 100% |

**45.2.2.1** Above ratings are on the basis of available ratings assigned by PACRA and VIS

**45.2.3** ***Investments in government securities***

***Credit risk by industory sector***

| | Gross investments | | Non Performing investments | | Credit Loss Allowance Booked | |
|---|---|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 | **2024** | 2023 |
| | Rupees | | | | | |
| Federal government securities | **4,562,000,100** | 3,889,939,410 | - | - | - | - |

**45.2.4** ***Advances***

***Credit risk by industory sector***

| | Gross advances | | Non Performing advances | | Credit Loss Allowance Booked | |
|---|---|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 | **2024** | 2023 |
| | Rupees | | | | | |
| Individuals | **19,174,237,074** | 18,759,941,623 | **480,253,956** | 1,919,728,781 | **787,310,380** | 793,969,741 |

**45.2.5 Concentration of credit risk:**

Credit concentration risk arises mainly due to concentration of exposures under various categories viz., industry, geography, and single / group borrower obligor. Within credit portfolio, as a prudential measure aimed at better risk management and avoidance of concentration of risks, the SBP has prescribed regulatory limits on banks' maximum exposure to single and group obligors. Within the SBP limits, the Bank has further defined limits to avoid excessive concentration of portfolio.

**45.2.6 Definition of default and cure**

*Default*

The Bank considers a financial instrument in default when:
- The instrument is considered credit-impaired(transferred to stage 3) for ECL calculations in all cases of its advances to customers, and the borrower becomes 60 days past due on its contractual payments (for general loans).

For treasury and interbank balances, default occurs when required intraday payments are not settled by the close of business, as outlined in individual agreements.

As part of the qualitative assessment, even if the 60-day threshold isn't met, the Bank considers a customer in default if any of the following events occur, indicating unlikeliness to pay:
- The borrower is deceased.
- A material decrease in the underlying collateral value where recovery is expected from the sale of the collateral.
- A covenant breach not waived by the Bank.
- Pending litigations.
- The borrower is unable to pay due to any other reason. PWC

*Cure*

A financial instrument is considered "cured" when it is reclassified out of Stage 3 (default). This occurs when none of the default criteria mentioned above are present. Critically, financial assets cannot move directly from Stage 3 to Stage 1. There is a minimum 6-month probationary period for any asset moving from Stage 2 to Stage 1. After being cured (moved out of Stage 3), the asset will be classified as Stage 2. This classification depends on the updated delinquency status at the time of the cure and an assessment of whether there has been a significant decrease in credit risk.

**45.2.7 PD estimation process**

**45.2.7.1 *Advances***

The banks entire loans and advances portfolio consist of Advances. Advances comprises agriculture, livestock, enterprise, gold and house loans . The Bank does not have credit score card model for consumer landings, therefore, the Bank used delinquency (day past due) based model for estimation of PDs. Average monthly transitions to default of relevant delinquency states were converted into current 12 months point in time PDs using statistical models. The lifetime PD is developed by applying a maturity profile to the current 12 months PD. Data from 1 January 2017 till date has been used for PD estimations.

**45.2.7.2 *Bank balances***

For bank balances and terms deposits, the Bank's market risk department analyses publicly available information such as financial information and other external data, e.g., the rating of good rating agency. PDs of external ratings are sourced from studies of international credit agencies such as S&P Global and Moody's.

**45.2.8 LGD estimation process**

The Bank segments its consumer lending products into smaller homogeneous segments, based on key characteristics that are relevant to the estimation of future cash flows. The bank calculate LGD of each segment based historical experiences of cash recoveries from defaults (including settlements), cost and time of recoveries. Effective interest rate or approximate thereof has been used to discount recoveries to date of default. Data from 1 January 2017 till date has been used for LGD estimations. For receivables from the banks, investments and nano lending, the Bank used LGD percentages prescribed under Basel Foundation – Internal Rating Based (F-IRB) approach to determine ECL under BSD Circular No. 08 dated June27, 2006 issued by SBP.

**45.2.9 Forward looking information:**

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

**45.3 Operational risk**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events.

Operational Risk Management is housed within Risk Management and comprehensive ORM and BCM frameworks are in place addressing key operational risk aspects related to people, processes, systems, and external events. The Management Risk and Compliance Committee. oversees and monitors operational risk issues and its mitigation. The bank utilizes key ORM tools, including Risk Control Self-Assessment (RCSA), Key Risk Indicators (KRIs), Risk Appetite and operational loss data, to assess the likelihood and severity of operational risks.

**45.4 Interest / mark-up rate risk**

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. The Bank's interest rate exposure is low due to the short-term nature of the majority of business transactions. Interest rate risk is also controlled through flexible credit pricing mechanism and variable deposit rates. Optimization of yield is achieved through the Bank's investment strategy which aims on attaining a balance between yield and liquidity under the strategic guidance of Assets and Liability Committee of Management (ALCO).

**45.5 Market Risk**

It is the risk arising from changes in the value of on and off-balance sheet positions of the Bank due to adverse movements in market rates or prices such as interest rates, foreign exchange rates, equity prices, credit spreads and commodity prices, resulting in a loss to earnings and capital.

The Market Risk Unit monitors the impact of price and rate movements on the Bank's portfolios and periodically reports to the Asset and Liability Committee (ALCO), which are primarily responsible for oversight of market risk. The risk management department has developed various tools for risk measurement and carries out stress tests, using both internally developed scenarios and scenarios prescribed by the regulator.

**45.6 Foreign Exchange Risk**

Foreign exchange risk arises in case of an on balance sheet / off balance sheet asset or liability position when there is adverse exchange rate movement. The Bank's exposure to this category of market risk is negligible as the Bank has no foreign currency reserves and has minimal foreign currency transaction.

**45.7 Liquidity risk**

Liquidity risk is the potential for loss to an institution arising from either its inability to meet its obligations or to fund increase in assets as they fall due without incurring unacceptable cost or losses.

The Bank's Asset and Liability Committee (ALCO) sets the overall strategy and oversees asset and liability management. Liquidity risk is monitored through several metrics, including the Cash Reserve Requirement, Statutory Liquidity Requirement, liquidity gaps, stress testing, and various liquidity ratios. Liquidity Risk Management regularly monitors these metrics, and the ALCO reviews liquidity risk monthly. PW

45.7.1 Assets & Liabilities - based on contractual maturity

| | 2024 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Upto 1 month | Over 1 to 3 months | Over 3 to 6 months | Over 6 to 12 months | Over 1 to 2 Years | Over 2 to 5 Years | Over 5 Years | Total |
| | Rupees | | | | | | | |
| ***Assets*** | | | | | | | | |
| Cash and balances with SBP and NBP | 3,409,587,839 | - | - | - | - | - | - | 3,409,587,839 |
| Balances with other banks/NBFIs/MFBs | 5,452,594,698 | - | - | - | - | - | - | 5,452,594,698 |
| Investments - net of provisions | - | 2,405,843,648 | - | 2,156,156,452 | - | - | - | 4,562,000,100 |
| Advances - net of provisions | 1,385,491,508 | 2,680,180,217 | 3,112,422,198 | 10,857,849,558 | 286,399,373 | 62,374,486 | 2,209,354 | 18,386,926,694 |
| Property and equipment | 13,703,355 | 23,688,971 | 32,944,002 | 59,340,747 | 106,199,735 | 163,037,949 | 17,739,322 | 416,654,081 |
| Right-of-use Assets | 20,940,036 | 13,329,955 | 17,291,744 | 34,760,556 | 93,094,678 | 169,027,262 | 298,362,571 | 646,806,802 |
| Intangible assets | 3,248,340 | 6,373,806 | 9,226,191 | 17,264,094 | 31,439,800 | 39,590,608 | 10,943,592 | 118,086,431 |
| Deferred tax asset | - | - | - | - | - | 4,602,670,938 | - | 4,602,670,938 |
| Other assets | 2,727,696,453 | 12,747,545 | 6,373,766 | - | - | - | 10,431,162 | 2,757,248,926 |
| | 13,013,262,229 | 5,142,164,142 | 3,178,257,901 | 13,125,371,407 | 517,133,586 | 5,036,701,243 | 339,686,001 | 40,352,576,509 |
| ***Liabilities*** | | | | | | | | |
| Bills Payable | 116,212,293 | - | - | - | - | - | - | 116,212,293 |
| Deposit and other accounts | 15,735,826,962 | 3,441,377,032 | 7,982,919,585 | 8,373,225,603 | 464,338,567 | 228,496,952 | - | 36,226,184,701 |
| Lease Liabilities | 35,065,363 | 23,244,480 | 27,725,025 | 60,470,790 | 175,660,855 | 259,725,094 | 316,214,428 | 898,106,035 |
| Borrowings including subordinated debt | - | - | - | - | - | 800,000,000 | 3,000,000,000 | 3,800,000,000 |
| Other liabilities | 2,972,071,552 | - | - | 109,141,942 | 43,455,668 | 217,278,338 | - | 3,341,947,500 |
| | 18,859,176,170 | 3,464,621,512 | 8,010,644,610 | 8,542,838,335 | 683,455,090 | 1,505,500,384 | 3,316,214,428 | 44,382,450,529 |
| **Off balance sheet** | - | - | - | - | - | - | - | - |
| | 18,859,176,170 | 3,464,621,512 | 8,010,644,610 | 8,542,838,335 | 683,455,090 | 1,505,500,384 | 3,316,214,428 | 44,382,450,529 |
| **Net Assets** | (5,845,913,941) | 1,677,542,630 | (4,832,386,709) | 4,582,533,072 | (166,321,504) | 3,531,200,859 | (2,976,528,427) | (4,029,874,020) |
| **Represented By** | | | | | | | | |
| Share capital | 2,259,846,817 | | | | | | | |
| Advance against issue of shares | - | | | | | | | |
| Statutory and general reserves | 868,881,433 | | | | | | | |
| Depositors' protection fund | 482,045,565 | | | | | | | |
| Surplus on revaluation of assets | 3,933,767 | | | | | | | |
| Accumulated losses | (7,644,581,602) | | | | | | | |
| | (4,029,874,020) | | | | | | | |

PWR

| | 2023 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Upto 1 month | Over 1 to 3 months | Over 3 to 6 months | Over 6 to 12 months | Over 1 to 2 Years | Over 2 to 5 Years | Over 5 Years | Total |
| | Rupees | | | | | | | |
| *Assets* | | | | | | | | |
| Cash and balances with SBP and NBP | 1,830,826,692 | - | - | - | - | - | - | 1,830,826,692 |
| Balances with other banks/NBFIs/MFBs | 105,940,179 | - | - | - | - | - | - | 105,940,179 |
| Investments - net of provisions | 801,433,260 | 601,420,255 | 598,604,486 | 1,888,481,409 | - | - | - | 3,889,939,410 |
| Advances - net of provisions | 1,170,480,300 | 3,706,223,483 | 5,667,607,879 | 6,888,945,693 | 325,906,954 | 198,528,101 | 8,279,472 | 17,965,971,882 |
| Property and equipment | 14,146,949 | 25,356,648 | 36,451,515 | 64,479,829 | 107,117,092 | 208,923,140 | 58,351,710 | 514,826,883 |
| Right-of-use Assets | 14,222,072 | 28,444,143 | 42,244,654 | 82,511,820 | 126,210,003 | 229,820,634 | 17,735,319 | 541,188,645 |
| Intangible assets | 4,552,191 | 8,762,578 | 12,178,880 | 21,628,146 | 33,107,416 | 59,620,402 | 14,928,924 | 154,778,537 |
| Deferred tax asset | - | - | - | 2,134,464,011 | 1,068,648,762 | 1,068,648,761 | - | 4,271,761,534 |
| Other assets | 2,493,049,923 | 20,810,616 | 8,528,235 | 62,442,049 | 181,002 | 27,364 | 10,279,636 | 2,595,318,825 |
| Total | 6,434,653,566 | 4,391,017,723 | 6,365,615,649 | 11,142,952,957 | 1,661,171,229 | 1,765,568,402 | 109,575,061 | 31,870,554,587 |
| *Liabilities* | | | | | | | | |
| Bills Payable | 102,600,913 | - | - | - | - | - | - | 102,600,913 |
| Deposit and other accounts | 12,805,979,359 | 2,557,875,650 | 3,588,493,421 | 5,635,212,622 | 556,062,426 | 396,048,292 | - | 25,539,671,770 |
| Lease Liabilities | 40,651,405 | 34,682,823 | 50,364,816 | 77,607,696 | 171,150,989 | 373,012,038 | 23,261,348 | 770,731,115 |
| Borrowings including subordinated debt | - | 9,375,000 | 3,009,375,000 | 18,750,000 | 9,375,000 | 800,000,000 | - | 3,846,875,000 |
| Other liabilities | 2,444,715,471 | - | - | 29,574,361 | 44,706,933 | 223,534,665 | - | 2,742,531,430 |
| | 15,393,947,148 | 2,601,933,473 | 6,648,233,237 | 5,761,144,679 | 781,295,348 | 1,792,594,995 | 23,261,348 | 33,002,410,228 |
| Off balance sheet | - | - | - | - | - | - | - | - |
| Total | 15,393,947,148 | 2,601,933,473 | 6,648,233,237 | 5,761,144,679 | 781,295,348 | 1,792,594,995 | 23,261,348 | 33,002,410,228 |
| Net Assets | (8,959,293,582) | 1,789,084,250 | (282,617,588) | 5,381,808,278 | 879,875,881 | (27,026,593) | 86,313,713 | (1,131,855,641) |

Represented By

| | |
|---|---|
| Share capital | 2,259,846,817 |
| Advance against issue of shares | - |
| Statutory and general reserves | 868,881,433 |
| Depositors' protection fund | 390,823,377 |
| Surplus on revaluation of assets | 2,172,667 |
| Accumulated losses | (4,653,579,935) |
| | (1,131,855,641) |

## 46 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 # | Name of the service provider | Name of service | Estimated cost of outsourcing 2024 (per annum) | Estimated cost of outsourcing 2023 (per annum) |
|---|---|---|---|---|
| | | | **Rupees** | Rupees |
| 1 | MSM Security Guards Pvt Ltd | Security guards services | **95,868,112** | 91,029,361 |
| 2 | Aqsa Security Guards Pvt Ltd | Security guards services | **83,479,978** | 50,638,215 |
| 3 | Access Security Service Pvt Ltd | Security guards services | **-** | 48,699,748 |
| 4 | Achtung Security Pvt Ltd | Security guards services | | - |
| 5 | Pheonix Armour | Security guards services | **7,981,624** | 4,198,263 |
| 6 | National Institutional Facilitation Technologies | Clearing house | **15,156,032** | 14,349,395 |
| 7 | E-Ocean Pvt Ltd | SMS alerts to clients on transactions | **42,490,414** | 35,681,575 |
| 8 | Red Communication Art | Digital marketing and advertisement | **7,011,420** | 36,636,475 |
| 9 | Lotus | Digital marketing and advertisement | **-** | 180,000 |
| 10 | AutoSoft Dynamics Pvt. Limited | Software Support & Maintenance | **114,850,173** | 75,866,452 |

## 47 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 10,611 (2023: 9,527) complaints were received by the Bank and were resolved with average resolution time of 5 days (2023: 4 days).

## 48 RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

| | 2024 | | |
|---|---|---|---|
| | Deferred grant<br>Rupees | Lease liability<br>Rupees | Total<br>Rupees |
| **Carrying amount as at December 31, 2023** | - | 770,731,115 | 770,731,115 |
| **Changes from financing cash flows:** | | | |
| Payment of lease liabilities | - | (344,865,776) | (344,865,776) |
| Grant received during the year | - | - | - |
| | - | (344,865,776) | (344,865,776) |
| **Other liability changes** | | | |
| Interest expense during the year | - | 132,759,148 | 132,759,148 |
| Additions | - | 345,302,094 | 345,302,094 |
| Modification during the Year | | (5,820,546) | (5,820,546) |
| Deletions | - | - | - |
| Amortized during the year | - | - | - |
| | - | 472,240,696 | 472,240,696 |
| **Carrying amount as at December 31, 2024** | - | 898,106,035 | 898,106,035 |

| | 2023 | | |
|---|---|---|---|
| | Deferred grant<br>Rupees | Lease liability<br>Rupees | Total<br>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 |

PLH

## 49 GENERAL

The comparative information has been re-arranged or reclassified for better comparison and presentation.

Material Reclassification as follows:

| Profit and Loss Account<br>Description of item | From | To | 2023<br>Rupees |
|---|---|---|---|
| **Inco** | | | |
| Gain / (loss) on securities | Other income | Gain / (loss) on securities | 1,904,497 |
| **Expenses** | | | |
| Credit loss allowance and write offs - net | (Provision) / reversal against non-performing advances | Credit loss allowance and write offs - net | (1,045,713,841) |
| Recovery against advances previously written off | Other income | 'Credit loss allowance and write offs - net | 774,415,325 |
| Bad debts written off directly | Bad debts written off directly | Credit loss allowance and write offs - net | (7,075,302) |

| Statement of Financial Position<br>Description of item | From | to | 2023<br>Rupees |
|---|---|---|---|
| **Asset** | | | |
| Right of use assets | Operating fixed assets | Right of use assets | 541,188,645 |
| Intangible assets | Operating fixed assets | Intangible assets | 154,778,437 |
| **Liabilities** | | | |
| Bills payable | Other liabilities | Bills payable | 102,600,913 |
| Lease liabilities | Other liabilities | Lease liabilities | 770,731,115 |
| Un- ammortised loan incremental cost | Other Assets | Un- ammortised loan incremental cost | 367,663,601 |

## 50 SUBSEQUENT EVENTS

During the year, 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 shareholders, 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 in April 2025. 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.

## 51 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 ________________.

| | | | | |
|---|---|---|---|---|
| Chief Executive Officer | Chairman | Chief Financial Officer | Director | Director |

ABHI MICROFINANCE BANK LIMITED ( formerly FINCA MICROFINANCE BANK LIMITED)
Notes to the Financial Statements
For the year ended 31 December 2024

*Annexure-I*

As refered to the the Note 11.2.2 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 | Quantity | Total Cost | ACC. DEP | NET BOOK VALUE | SALE PROCEED | GAIN/ (LOSS) | SOLD TO PARTY | DISOSAL MODE | Relationship |
|---|---|---|---|---|---|---|---|---|---|---|
| ***Motor Vehicles*** | | | | | | | | | | |
| CG 125 for VCF Project | 124,000 | 3 | 372,000 | 372,000 | - | 162,000 | 162,000 | Hammad Traders | Auction | Third Party |
| CG 125 Red | 102,500 | 14 | 1,435,000 | 1,435,000 | - | 756,000 | 756,000 | Hammad Traders | Auction | Third Party |
| Sub-total (A) | **226,500** | | **1,807,000** | **1,807,000** | **-** | **918,000** | **918,000** | | | |
| ***Office equipments*** | | | | | | | | | | |
| Cash Sorting Machine | 450,000 | 1 | 450,000 | 307,500 | 142,500 | 3,000 | (139,500) | Khan Trader | Auction | Third Party |
| UPS | 184,000 | 1 | 184,000 | 165,600 | 18,400 | 59,840 | 41,440 | Khan Trader | Auction | Third Party |
| Generator | 145,080 | 1 | 145,080 | 143,871 | 1,209 | 20,000 | 18,791 | Khan Trader | Auction | Third Party |
| Generator | 124,000 | 1 | 124,000 | 111,600 | 12,400 | 40,327 | 27,927 | Khan Trader | Auction | Third Party |
| Air Conditioner | 2,010,987 | 33 | 2,010,987 | 1,396,245 | 614,742 | 909,146 | 294,404 | Khan Trader | Auction | Third Party |
| Camera | 1,298,235 | 84 | 1,298,235 | 1,017,759 | 280,476 | 16,800 | (263,676) | Khan Trader | Auction | Third Party |
| Others | 281,180 | 13 | 281,180 | 234,510 | 46,670 | 57,642 | 10,972 | Khan Trader | Auction | Third Party |
| Sub-total (B) | **4,493,482** | | **4,493,482** | **3,377,085** | **1,116,397** | **1,106,755** | **(9,643)** | | | |
| ***Computer equipments*** | | | | | | | | | | |
| UPS Computer | 1,385,500 | 3 | 1,385,500 | 1,385,500 | - | 65,000 | 65,000 | Khan Trader | Auction | Third Party |
| Camera | 625,028 | 72 | 625,028 | 619,022 | 6,006 | 14,400 | 8,394 | Khan Trader | Auction | Third Party |
| HP EliteBook 850 G6 | 171,800 | 1 | 171,800 | 171,800 | - | 55,000 | 55,000 | Naeem Iqbal | Buy Back | Employee |
| HP EliteBook 850 G6 | 171,800 | 1 | 171,800 | 171,800 | - | 38,000 | 38,000 | Shahid Sardar | Buy Back | Employee |
| Desktops | 8,668,544 | 191 | 8,668,544 | 8,668,544 | - | 382,000 | 382,000 | Khan Trader | Auction | Third Party |
| Laptops | 2,850,355 | 46 | 2,850,355 | 2,902,359 | (52,004) | 409,572 | 461,576 | Khan Trader | Auction | Third Party |
| Others | 1,707,490 | 104 | 1,707,490 | 1,665,761 | 41,729 | 31,200 | (10,529) | Khan Trader | Auction | Third Party |
| Production Server Sun Space | 6,123,713 | 2 | 6,123,713 | 6,123,713 | - | 11,682 | 11,682 | Khan Trader | Auction | Third Party |
| Backup Server Sun Space | 5,081,391 | 1 | 5,081,391 | 5,081,391 | - | 9,693 | 9,693 | Khan Trader | Auction | Third Party |
| Switches | 1,077,132 | 19 | 1,077,132 | 1,025,681 | 51,451 | 9,500 | (41,951) | Khan Trader | Auction | Third Party |
| Sun StorageTek (Array) | 4,521,277 | 7 | 4,521,277 | 4,521,277 | - | 8,625 | 8,625 | Khan Trader | Auction | Third Party |
| Router | 357,327 | 4 | 357,327 | 357,327 | - | 4,000 | 4,000 | Khan Trader | Auction | Third Party |
| Sub-total (C) | **32,741,357** | | **32,741,357** | **32,694,175** | **47,182** | **1,038,672** | **991,490** | | | |
| ***Furniture & Fixtures*** | | | | | | | | | | |
| Strong Room Door | 435,440 | 6 | 435,440 | 344,879 | 90,561 | 166,276 | 75,715 | Khan Trader | Auction | Third Party |
| Vault Door | 208,300 | 3 | 208,300 | 115,653 | 92,647 | 102,857 | 10,210 | Khan Trader | Auction | Third Party |
| Other office furniture | 4,356,468 | 436 | 4,356,465 | 3,206,223 | 1,150,242 | 834,007 | (316,235) | Khan Trader | Auction | Third Party |
| Sub-Total (d) | **5,000,208** | | **5,000,205** | **3,666,755** | **1,333,450** | **1,103,140** | **(230,310)** | | | |
| **Grand Total(A+B+C+D)** | **42,461,547** | | **44,042,044** | **41,545,015** | **2,497,029** | **4,166,567** | **1,669,537** | | | |