HALAN MICROFINANCE BANK LIMITED
(FORMERLY ADVANS PAKISTAN MICROFINANCE BANK LIMITED)
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2024

	Note	(Un-audited) June 30, 2024	(Audited) December 31, 2023
		------------------(Rupees)	------------------
ASSETS			
Cash and balances with treasury banks	8	321,880,352	391,139,036
Balances with other banks	9	463,549,415	96,710,980
Investments	10	1,057,238,368	707,348,814
Advances	11	2,417,470,138	3,120,048,461
Property and equipment	12	172,289,591	196,370,727
Right-of-use assets	13	162,038,393	168,574,220
Intangible assets	14	1,703,055	2,455,917
Deferred tax assets	15	160,617,420	97,636,979
Other assets	16	204,238,864	125,436,862
TOTAL ASSETS		4,961,025,596	4,905,721,996
LIABILITIES			
Borrowings	17	83,593,182	182,330,181
Deposits and other accounts	18	4,401,333,346	3,776,974,691
Lease liabilities	19	181,053,244	188,391,507
Deferred grant		714,670	714,669
Other liabilities	20	138,117,563	112,939,808
TOTAL LIABILITIES		4,804,812,005	4,261,350,856
NET ASSETS		156,213,591	644,371,140
REPRESENTED BY			
Share capital	21	2,045,663,100	2,045,663,100
Statutory reserve		13,766,170	13,766,170
Depositor protection fund		10,646,939	8,055,042
Accumulated loss		(1,913,862,618)	(1,423,113,172)
		156,213,591	644,371,140
CONTINGENCIES AND COMMITMENTS	22		

The annexed notes 1 to 40 form an integral part of these condensed interim financial statements.

PRESIDENT/CHIEF EXECUTIVE **CHIEF FINANCIAL OFFICER** **DIRECTOR** **DIRECTOR** **DIRECTOR**

HALAN MICROFINANCE BANK LIMITED
(FORMERLY ADVANS PAKISTAN MICROFINANCE BANK LIMITED)
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2024

	Note	Quarter Ended		Half Year Ended	
		June 30, 2024	June 30, 2023 (Restated)	June 30, 2024	June 30, 2023 (Restated)
		---------(Rupees)---------			
Mark-up / Return / Interest earned	23	397,462,278	419,424,090	807,804,495	825,053,900
Mark-up / Return / Interest expensed	24	(249,803,959)	(201,271,140)	(498,434,048)	(367,236,635)
Net mark-up / interest income		147,658,318	218,152,950	309,370,447	457,817,265
NON MARK-UP / INTEREST INCOME					
Fee and commission income	25	40,404,749	53,275,473	67,157,825	107,228,476
Other income	26	14,052,822	9,158,459	26,816,745	18,183,660
Total non-markup / interest income		54,457,571	62,433,932	93,974,570	125,412,136
Total income		202,115,889	280,586,882	403,345,017	583,229,401
NON MARK-UP/INTEREST EXPENSES					
Administrative Expenses	27	(286,643,593)	(302,482,647)	(607,327,292)	(565,280,601)
Other charges	28	-	(354,679)	(99,274)	(454,679)
Total non-markup / interest expenses		(286,643,593)	(302,837,326)	(607,426,566)	(565,735,280)
(Loss) / profit before credit loss allowance		(84,527,704)	(22,250,444)	(204,081,549)	17,494,121
Credit loss allowance and write offs - net	29	(95,527,924)	(72,494,335)	(143,968,649)	(136,677,986)
LOSS BEFORE TAXATION AND MINIMUM TAX DIFFERENTIAL		(180,055,628)	(94,744,779)	(348,050,198)	(119,183,865)
Minimum tax differential	30	(5,492,254)	(6,028,426)	(11,301,683)	(11,880,826)
LOSS BEFORE TAXATION		(185,547,882)	(100,773,205)	(359,351,881)	(131,064,691)
Taxation	31	-	-	7,608,081	9,446,283
LOSS AFTER TAXATION		(185,547,882)	(100,773,205)	(351,743,800)	(121,618,408)
Loss per share - Basic and Diluted	32	(0.91)	(0.49)	(1.72)	(0.70)

The annexed notes 1 to 40 form an integral part of these condensed interim financial statements.

PRESIDENT/CHIEF EXECUTIVE   CHIEF FINANCIAL OFFICER   DIRECTOR   DIRECTOR   DIRECTOR

HALAN MICROFINANCE BANK LIMITED
(FORMERLY ADVANS PAKISTAN MICROFINANCE BANK LIMITED)
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2024

	Quarter Ended		Half Year Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
	(Rupees)			
Loss after taxation for the period	(185,547,882)	(100,773,205)	(351,743,800)	(121,618,408)
Other comprehensive income	-	-	-	-
Total comprehensive loss	(185,547,882)	(100,773,205)	(351,743,800)	(121,618,408)

The annexed notes 1 to 40 form an integral part of these condensed interim financial statements.

PRESIDENT/CHIEF EXECUTIVE **CHIEF FINANCIAL OFFICER** **DIRECTOR** **DIRECTOR** **DIRECTOR**

HALAN MICROFINANCE BANK LIMITED
(FORMERLY ADVANS PAKISTAN MICROFINANCE BANK LIMITED)
STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2024

	Note	Share capital	Statutory reserve	Depositor Protection fund	Accumulated Loss	Total
		-------	-------	(Rupees)	-------	-------
Opening Balance as at January 01, 2023		1,725,163,100	13,766,170	4,022,814	(1,089,210,960)	653,741,124
Loss after taxation for the period		-	-	-	(121,618,408)	(121,618,408)
Transfer to statutory reserve		-	-	937,958	(937,958)	-
Balance as at July 01, 2023		1,725,163,100	13,766,170	4,960,772	(1,211,767,326)	532,122,716
Loss after taxation for the period		-	-	-	(208,251,576)	(208,251,576)
Transfer to statutory reserve		-	-	3,094,270	(3,094,270)	-
Transactions with owners, recorded directly in equity		-	-	-	-	-
Issue of share capital		320,500,000	-	-	-	320,500,000
Balance as at January 01, 2024		2,045,663,100	13,766,170	8,055,042	(1,423,113,172)	644,371,140
Impact of initial adoption of IFRS 9	**5.2.3 (v)**				(136,413,748)	(136,413,748)
		2,045,663,100	13,766,170	8,055,042	(1,559,526,920)	507,957,392
Loss after taxation for the current period		-	-	-	(351,743,800)	(351,743,800)
Transfer to statutory reserve		-	-	2,591,897	(2,591,897)	-
Balance as at June 30, 2024		2,045,663,100	13,766,170	10,646,939	(1,913,862,618)	156,213,591

The annexed notes 1 to 40 form an integral part of these condensed interim financial statements.

PRESIDENT/CHIEF EXECUTIVE **CHIEF FINANCIAL OFFICER** **DIRECTOR** **DIRECTOR** **DIRECTOR**

HALAN MICROFINANCE BANK LIMITED
(FORMERLY ADVANS PAKISTAN MICROFINANCE BANK LIMITED)
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE PERIOD ENDED JUNE 30, 2024

	Note	June 30, 2024	June 30, 2023
		-----------------(Rupees)-----------------	
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before taxation and minimum tax differential		(348,050,198)	(119,183,865)
Adjustments:			
Depreciation on property and equipment	27	25,413,042	29,042,486
Depreciation on right-of-use assets	27	28,247,782	24,694,432
Amortization	27	752,862	836,542
Provision against non-performing advances - net		-	136,437,639
Loss on disposal of Property and Equipment		66,273	-
Finance charges on leased assets	27	14,424,496	15,318,333
		68,904,455	206,329,432
Decrease / (Increase) in operating assets			
Advances		510,792,214	(282,391,054)
Others assets (excluding advance taxation)		(79,802,800)	19,254,179
		430,989,414	(263,136,875)
Increase in operating liabilities			
Repayment of Borrowings		(98,736,999)	49,382,399
Deposits		624,358,655	451,753,173
Other liabilities (excluding current taxation)		25,177,755	28,824,019
		550,799,411	529,959,591
Income tax paid		(10,300,905)	(11,948,126)
Net cash flow from operating activities		692,342,177	342,020,157
CASH FLOW FROM INVESTING ACTIVITIES			
Additions in property and equipment		(1,419,102)	(22,283,825)
Proceeds from sale of property and equipment		20,924	-
Net cash flow used in investing activities		(1,398,178)	(22,283,825)
CASH FLOW FROM FINANCING ACTIVITIES			
Payments of lease obligations against right-of-use assets		(43,474,694)	(39,582,000)
Net cash flow used in financing activities		(43,474,694)	(39,582,000)
Increase in cash and cash equivalents		647,469,305	280,154,332
Cash and cash equivalents at beginning of the period	32	1,195,198,830	496,525,724
Cash and cash equivalents at end of the period	32	1,842,668,135	776,680,056

The annexed notes 1 to 40 form an integral part of these condensed interim financial statements.

PRESIDENT/CHIEF EXECUTIVE **CHIEF FINANCIAL OFFICER** **DIRECTOR** **DIRECTOR** **DIRECTOR**

HALAN MICROFINANCE BANK LIMITED
(FORMERLY ADVANS PAKISTAN MICROFINANCE BANK LIMITED)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2024

1 STATUS AND NATURE OF BUSINESS

Halan Microfinance Bank Limited (Formerly Advans Pakistan Microfinance Bank Limited) (the Bank) was incorporated as a public limited company under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017) on April 17, 2012 and was granted license by the State Bank of Pakistan (SBP) on June 28, 2012 to operate as a microfinance bank in the province of Sindh. The Securities and Exchange Commission of Pakistan (SECP) and the SBP granted permissions to the Bank for the commencement of business with effect from November 21, 2012 and January 04, 2013 respectively. The Bank's primary mission is to offer microfinance banking and related services to the underserved and economically disadvantaged segments of society as envisaged under the Microfinance Institutions Ordinance, 2001.

The registered office of the Bank is situated at Plot No.ST 2/A 3rd Floor Building No.3, Islamic Chamber of Commerce near Ocean Mall, Block 9 KDA Scheme 5, Clifton Karachi, Pakistan. The Bank operates through 19 branches spread within the province of Sindh.

The bank was a subsidiary of ADVANS S.A. Sicar (incorporated in Luxembourg) which held 99.99% share capital of the Bank. On August 04, 2023 ADVANS S.A. Sicar, the parent company of ADVANS Pakistan signed shares sales agreement with MNT Halan Pak B.V. for the sale of 100% shares of ADVANS Pakistan. The SBP accorded the arrangement on October 23, 2023 resulting in change of Bank’s parent entity. On March 20, 2024, MNT-Halan Pak B.V (a company registered in Netherland) acquired 100% shareholding of ADVANS Pakistan Microfinance Bank Limited. Accordingly, from March 20, 2024, 100% shares of ADVANS Pakistan held by ADVANS S.A. Sicar were transferred to MNT Halan Pak B.V. as a result, ADVANS S.A. Sicar ceased to be the parent company of the Bank. Accordingly, on September 16, 2024, the name of the Bank was changed to “Halan Microfinance Bank Limited”.

1.1 Capital Adequacy of the bank

During the current period, the Bank incurred loss before tax and minimum tax differential amounting to Rs. 348.05 million resulting in accumulated losses of Rs. 1,913.8 million (June 2023: Rs. 1,423.1 million) due to significant deterioration in Bank's obligors' ability to repay the loans whereas the overall economic condition has cumulatively played negative impact on key financial ratios of the Bank including the breach of Bank's Capital Adequacy Ratio (CAR) during the period which was required to be maintained at minimum of 15% of risk weightage assets under the Prudential Regulations for Microfinance Banks / Institutions which stood at 4.66% as at June 30, 2024 whereas, Bank’s Minimum Capital Requirement (MCR) also remained breached falling below the minimum requirement of Rs. 500 million and standing at Rs. 156.21 million as on June 30, 2024. These matters may cast significant doubt about the ability of the Bank to continue to meet its obligations and continue as a going concern.

Post acquisition, Bank's new parent company (MNT Halan Pak B.V) injected fresh equity in the Bank by way of right share amounting to Rs. 825 million in the month of June 2024 which was realized by the Bank on July 02, 2024 resulting in an increased CAR to 28.44% and also surpassing the MCR in July 2024.

Management has prepared the financial statements on going concern basis as the Bank has devised a plan with MNT Halan Pak B.V., as further detailed in note 1.2, where the MNT Halan Pak B.V. has undertaken to support the Bank to continue as going concern by way of required financial assistance and also ensuring Bank's compliance with minimum capital and CAR requirement applicable on the Bank. Accordingly, the management has concluded that no material uncertainty exists in respect of going concern and these financial statements have been prepared on going concern basis.

1.2 For the upcoming period, Bank will undertake the following steps to improve its operational efficiency.

- The bank is currently developing a core banking application, with an implementation timeline set for December 31, 2024. This new system will enable the bank to enhance its lending operations and allied banking services to ensuring more efficient and effective service delivery.

- Moreover, five new branches in Sindh will be inaugurated during fourth quarter which will help banks expand their market reach, boost revenue, enhance brand visibility, and improve customer convenience. It also diversifies risk, supports local economies, and strengthens customer relationships through increased engagement.

- Following the recent acquisition by MNT Halan, which now holds a 99.99% share, the bank will be rebranded as Halan Microfinance Bank Limited. This rebranding signifies the new ownership and represents a pivotal moment in the bank's evolution, aligning with MNT Halan's strategic goals and its commitment to expanding its presence in the financial services industry. All necessary approvals for the name change have been obtained, and the new name will be officially adopted across all platforms starting September 16, 2024.

- Bank is launching new financial products, including Salary Loans, Pension Loans, and Livestock Loans. Salary Loans will provide clients with access to funds based on their Salary, offering flexible repayment terms. Pension Loans are designed to assist retirees by leveraging their Pension income, enabling them to access funds for various needs. Livestock Loans will support persons by financing Livestock industry.

The credit rating company JCR-VIS assigned the long-term entity rating of the Bank at "BBB" and short term rating at "A-3" with postive outlook on April 30, 2024.

2 BASIS OF PREPERATION

These condensed interim financial statements have been prepared in compliance with the format for preparation of the Interim financial statements of Microfinance Banks issued by the SBP, vide its BPRD circular No. 3 dated February 9, 2023. The Company believes that there is no significant doubt on the Company's ability to continue as a going concern. Therefore, the unconsolidated financial statements continue to be prepared on going concern basis.

3 STATEMENT OF COMPLIANCE

The condensed interim financial statements of the Bank have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under Microfinance Institutions Ordinance, 2001 (the MFI Ordinance) and the Companies Act, 2017; and
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by the SBP (including Prudential Regulations for Microfinance Banks) and Securities and Exchange Commission of Pakistan (SECP).

Wherever the provisions of and directives issued under the Companies Act, 2017, Microfinance Institutions Ordinance, 2001, the Prudential Regulations for Microfinance Banks and directives issued by SBP and SECP differ with the requirements of the IFRS, the provisions of and directives issued under the Companies Act, 2017, Microfinance Institutions Ordinance, 2001, the Prudential Regulations for Microfinance Banks and directives issued by SBP and SECP shall prevail.

3.1 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 condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements of Prudential Regulation for Microfinance Banks or directives issued by SBP.

3.2 The disclosures made in these condensed interim financial statements have been limited based on International Accounting Standard 34 - "Interim Financial Reporting". Accordingly, these condensed interim financial statements do not include all the information and disclosures required for annual financial statements and should be read in conjunction with the financial statements for the year ended December 31, 2023. Comparative Statement of financial position is stated from the audited annual financial statements as of December 31, 2023, whereas comparative condensed interim profit and loss account, condensed interim other comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity are stated from unaudited condensed interim financial statements for the six months period ended June 30,

4 BASIS OF MEASUREMENT

4.1 Accounting convention

These condensed interim financial statements have been prepared under the historical cost convention.

4.2 Functional and presentation currency

These condensed interim financial statements have been presented in Pakistani Rupees, which is the Bank's functional and presentation currency:

4.3 Standards, interpretations and amendments to accounting standards that are effective in the current period

During the year, the Bank has adopted IFRS 9 as applicable in Pakistan with effect from January 01, 2024 (refer note 5.2 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 unconsolidated condensed interim financial statements.

4.4 Standards, interpretations and amendments to accounting standards that are not yet effective

There are various amendments to accounting and reporting standards as applicable in Pakistan that are not yet effective. These are not likely to have a material effect on the Bank's financial statements.

5 MATERIAL ACCOUNTING POLICIES

The material accounting policies and methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the audited annual financial statements for the year ended December 31, 2023 except as disclosed in Notes 5.1 and 5.2.

5.1 Changes in reporting format

The SBP vide BPRD Circular No. 2 dated February 09, 2023 specified the new format for interim financial statements of banking companies. The new format has revised the disclosure requirements of the Bank for the half year ended June 30, 2024 which has resulted in additional disclosures relating to IFRS 9 and reclassification of Lease liabilities and Right of use assets on the face of Statement of Financial Position out of Property and equipment and Other Liabilities, respectively in these financial statements.

5.2 IFRS 9 - Financial Instruments

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 unappropriated profit and other reserves at the beginning of the current period without restating the comparative figures.

5.2.1 Scope of IFRS 9 application

IFRS 9 has been applicable in several overseas jurisdictions at various effective dates starting from January 01, 2018. The requirements of this standard were already incorporated in the Bank’s financial statements for the jurisdictions where IFRS 9 has been adopted. The results of those overseas operations where IFRS 9is not applicable will be directly incorporated in the Bank’s financial statements as per the respective country's regulations, for the year ending December 31, 2024. As per the SBP IFRS 9 application instructions, all overseas Jurisdictions will be subject to the IFRS 9 requirements from next financial year.

Upon implementation of IFRS 9, the Banking Industry sought certain technical clarifications from SBP and also identified practical difficulties in certain areas of implementation of IFRS 9, such as valuation of unquoted equity securities, fair valuation of concessional loans, recognition of interest income/expense on financial instruments, modification accounting of financial assets and expected credit loss on foreign currency balances with SBP. The SBP vide its Circular No.16 dated July 29, 2024 has allowed temporary extension in timeline for most of the above referred matters with directions to implement IFRS 9 requirements before the end of the financial year other than valuation of unquoted equity securities which is required to be implemented from next financial year. However, the Banking Industry will continue to engage SBP on remaining matters in the coming months to have more clarity on such areas.

Except for the implementation for IFRS 9 in Pakistan, as discussed above, the Bank expects that amendments to existing accounting and reporting standards will not affect its financial statements in the period of initial application.

5.2.2 Significant differences from accounting policies applicable till December 31, 2023 before adoption of IFRS 9

5.2.2 (a) 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, the newly established measurement category fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

5.2.2 (b) Impairment of debt investments and loans and advances

The new IFRS 9 impairment requirements eliminate the previous threshold for the recognition of credit losses, i.e., it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for ECLs, and updates the loss allowance for changes in these ECLs at each reporting date to reflect changes in credit risk since initial recognition. Consequently, the holder of the financial asset needs to take into account more timely and forward-looking information in order to provide users of financial statements with useful information about the ECLs on financial instruments that are in the scope of these impairment requirements. The previous impairment requirements were based solely on Prudential regulations of SBP.

5.2.2 (c) Impairment of equity investments

Previously, investments classified as available for sale were required to be tested for impairment and if there is an objective evidence of impairment, impairment was required to be booked. Under IFRS 9 regime, no impairment is required against such investments which are carried at FVOCI as the gain or loss on remeasurement will permanently remain in OCI/Surplus on revaluation of Investments.

5.2.3 Material accounting policies applicable from January 01, 2024 as a result of adoption of IFRS 9

5.2.3 (a) Financial assets – initial recognition

Financial assets are initially recognized at fair value. When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognises the difference between the transaction price and fair value in profit and loss account. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit and loss account when the inputs become observable, or when the instrument is derecognised.

5.2.3 (b) 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
- Debt instruments at 'fair value through other comprehensive income' FVOCI
- Equity instruments at 'fair value through other comprehensive income' FVOCI
- Financial assets at 'fair value through profit or loss' FVTPL

5.2.3 (c) Financial assets at amortised cost

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.

The details of these conditions are outlined below:

i) Business model assessment

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Bank's Board/ Board Committees.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- The expected frequency, value and timing of sales are also important aspects of the Bank's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

ii) The SPPI test

As a second step of its classification process the Bank assesses the contractual terms of financial asset to identify whether they meet the SPPI test. The assessment of SPPI aims to identify whether the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding'.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset. The most significant elements of 'interest' within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de Minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

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

5.2.3 (d) 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 and foreign exchange gains and losses are recognised in the profit and loss account.

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.

5.2.3 (e) 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. Interest and dividend income or expense is recorded in net trading income according to the terms of the contract, or when the right to payment has been established.

5.2.3 (f) Financial liabilities at amortised cost

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

5.2.3 (g) Derecognition of financial assets

(i) Derecognition due to substantial modification of terms and conditions

The Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded.

The newly recognised loan is classified as Stage 1 for ECL measurement purposes, unless it is deemed to be purchased originated credit impaired. When assessing whether or not to derecognise a loan to a customer, amongst others, the Bank considers qualitative factors such as change in currency of the loan, introduction of an equity feature, change in counterparty, or if the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

The gain/(loss) on derecognition of financial asset has been calculated as the difference between the book value (including impairment) and the proceeds received.

(ii) 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.

5.2.3 (h) Derecognition of financial liabilities

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

5.2.3 (i) Impairment of financial assets

(i) Overview of the ECL principles

The adoption of IFRS 9 has fundamentally changed the Bank's loan loss impairment method by replacing the incurred loss approach of the local regulations with a forward-looking ECL approach. The Bank has been recording the allowance for expected credit losses for all loans and other debt financial assets held at amortised cost or FVOCI, together with loan commitments, letters of credit and financial guarantee contracts. Equity instruments are not subject to impairment under IFRS 9. Under the SBP's instructions, local currency credit exposures guaranteed by the Government and Government Securities are exempted from the application of ECL.

(ii) The calculation of ECLs

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

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

Stage 1: When loans are first recognised, the Bank recognises 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 (SICR), 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 with PD set Under SBP's instructions, until implementation of IFRS 9 has stabilized, Stage 3 allowance would be taken as higher of IFRS 9 ECL or provision computed under Prudential Regulations.

The staging guidelines applicable on the Bank has been adopted from State Bank of Pakistan (SBP) guidelines:

Particulars	Classification	Days due	under IFRS 9	Provision to be made
Prudential regulations for Microfinance banks	**Performing**	1-29	Stage 1	As per IFRS 9 ECL Model
	Under- Performing (OAEM)	30-59	Stage 2	
	Non - Performing			
	- Substandard	60-89	Stage 3	Which ever is higher
	- Doubtful	90-179		(a) IFRS 9 ECL
	- Loss	180 or more		(b) PR requirements

In order to align classification and provisioning requirements with enhanced loan sizes, State Bank of Pakistan (SBP) via AC & MFD circular 02 of 2022 dated March 16, 2022 has decided to revise Prudential Regulations R-8 for MFBs as under:

Regulation R-8 : Classification of Assets and provisioning requirements

Specific Provisioning

The outstanding principal and mark-up of the loans and advances, payments against which are overdue, shall be classified as Non- Performing Loans (NPL3) as prescribed below:

For General Loans

Category	Determinant	Treatment of income	provisioning to be made
Other Assets Especially mentioned (OAEM)	When markup or principal is overdue for 30 days or more but less than 60 days	NIL	No Provisioning required
Substandard	When markup or principal is overdue for 60 days or more but less than 90 days	The unrealized interest / profit / markup / service charges on NPL shall be credited to memorandum account	25% of outstanding principal net of liquid assets realizable without recourse to a court of law
Doubtful	When markup or principal is overdue for 90 days or more but less than 180 days	As above	50% of outstanding principal net of liquid assets realizable without recourse to a court of law
Loss	When markup or principal is overdue for 180 days or more	As above	100% of outstanding principal net of liquid assets realizable without recourse to a court of law

For Micro-enterprise Loans

Category	Determinant	Treatment of income	provisioning to be made
Other Assets Especially mentioned (OAEM)	When markup or principal is overdue for 90 days or more but less than 180 days	The unrealized interest / profit / markup will be kept in Memorandum Account and not to be credited to income account except when realized in cash . unrealized interest / profit / markup already taken into income account shall be reversed and kept in Memorandum Account	Provision of 10% of difference resulting from outstanding balance of principal net of asset liquid asset realizable without recourse to court of law and Forced Sales Value (FSV) of pledged stocks, plant and machinery under charge and mortgage residential , commercial and industrial properties(land and building only)
Substandard	When markup or principal is overdue for 180 days or more but less than one year from the due date		Provision of 25% of difference resulting from outstanding balance of principal net of asset liquid asset realizable without recourse to court of law and Forced Sales Value (FSV) of pledged stocks, plant and machinery under charge and mortgage residential , commercial and industrial properties(land and building only)
Doubtful	When markup or principal is overdue by one year or more but less than 18 months	As above	Provision of 50% of difference resulting from outstanding balance of principal net of asset liquid asset realizable without recourse to court of law and Forced Sales Value (FSV) of pledged stocks, plant and machinery under charge and mortgage residential , commercial and industrial properties(land and building only)
Loss	When markup or principal is overdue by 18 months or more from due date. Where inland trade bills are not adjusted within 180 days of due date	As above	Provision of 100% of difference resulting from outstanding balance of principal net of asset liquid asset realizable without recourse to court of law and Forced Sales Value (FSV) of pledged stocks, plant and machinery under charge and mortgage residential , commercial and industrial properties(land and building only)

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. The Bank considers an exposure to have significantly increased in credit risk when there is considerable deterioration in the internal rating grade for subject borrower. The Bank also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming forborne. Regardless of the change in credit grades, generally, the Bank considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. However, for certain portfolios, the Bank has rebutted 30 DPD presumption based on behavioral analysis of its borrowers.

The key elements of ECL calculations are as follows:

- **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 derecognised and is still in the portfolio. PD is estimated based on transitioning among credit states. Credit states are defined by rating classes and are based on the Bank's internal risk ratings (i.e. from 1 to 12).

Through the yearly review of the non-consumer portfolio, the Bank has drawn a yearly transition matrix of ratings to compute a count based PD over the one year horizon for the last 7 years. PDs for Non rated portfolios are calculated based on Days Past Due (DPD) bucket level for each segment separately. Where practical, they also build on information from External Rating Agencies. PDs are then adjusted for IFRS 9 ECL calculations to incorporate forward looking information.

- **The Exposure at Default (EAD)** 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.
- **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 realisation of any 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 cash, securities, letters of credit/guarantees, real estate, receivables, inventories and other non-financial assets. For IFRS 9, the Bank only considers the liquid collaterals.

The interest rate used to discount the ECLs would be based on the effective interest rate that is expected to be charged over the expected period of exposure.

When estimating the ECLs, the Bank considers three probability-weighted scenarios (a base case, a best case, and a worse case). Each of these is associated with different PDs, EADs and LGDs. These expected 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. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

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 reversals 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.

(iii) Forward looking information

The Bank formulates a base case view of the future direction of relevant economic variables and a representative range of other possible forecast scenarios and consideration of a variety of external actual and forecast information. This process involves developing three different economic scenarios, which represent macro economic inputs.

(iv) Impairment losses on financial assets

Determination of expected credit losses is a significant estimate and involves the following judgments:

- Development of ECL models, including the various formulas and the choice of inputs
- The segmentation of financial assets when their ECL is assessed on a collective basis
- The Bank's internal credit grading model based on which PDs are assigned to the individual grades
- Qualitative and quantitative indicators used as SICR triggers
- The definition of default against which parameters of ECL model such as PD, LGD and EAD are evaluated
- Selection of forward-looking macroeconomic scenarios and their probability weightings
- Determination of economic inputs, such as GDP growth and CPI

(v) Transition disclosures

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 unappropriated profit and other reserves at the beginning of the current period without restating the comparative figures. The impact on carrying amounts of the financial assets and liabilities are as following:

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with Prudential Regulations to their new measurement categories upon transition to IFRS 9 on January 01, 2024:

	Current financial reporting framework				IFRS 9 Framework	
	Category	**Carrying amount as per current accounting policy as at Dec 31, 2023**	**Reclassification**	**Remeasurement under IFRS 9**	**IFRS 9 carrying amount as at Jan 01, 2024**	**Category**
		----Rupees----				
Financial Assets						
Cash and balances with SBP and NBP	Cash and balances with SBP and NBP (amortized cost)	391,139,036	-	-	391,139,036	Amortized cost
Balances with other banks	Balances with other banks (amortized cost)	96,710,980	-	-	96,710,980	Amortized cost
Advances	Advances (amortized cost)	3,120,048,461	-	(190,939,175)	2,929,109,286	Amortized cost
Investments in Debt Securities	amortized cost	707,348,814	-	-	707,348,814	Amortized cost
Advances to staff, Income / markup accrued, Security deposit, accrued income	Advances to staff, Income / markup accrued, Security deposit, accrued income (amortized cost)	109,865,328	-	(846,935)	109,018,393	Amortized cost
Non Financial assets						
Deferred tax asset	Deferred tax asset	97,636,979	-	55,372,361	153,009,340	Deferred tax asset
Financial Liabilities						
Borrowings	Borrowings from banks / FIs	(182,330,181)	-	-	(182,330,181)	Amortized cost
Deposits and other accounts	Deposits and other accounts (Amortized cost)	(3,776,974,691)	-	-	(3,776,974,691)	Amortized cost
Other liabilities	Other liabilities (amortized cost)	(112,939,808)	-	-	(112,939,808)	Amortized cost
Total Impact of adopting IFRS 9		**450,504,918**	**-**	**(136,413,748)**	**314,091,169**	

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these condensed interim financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgment in the application of its accounting policies. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The significant judgments made by management in applying its accounting policies and the key sources of estimation uncertainty were the same as those applied to the unconsolidated financial statements of the Bank for the year ended December 31, 2023, except for the adoption of IFRS 9 w.e.f January 01, 2024. These are disclosed in Note 4.1

6.1 CHANGE IN ACCOUNTING POLICY

Accounting for taxes under the income tax ordinance, 2001 ("the ordinance") not based on the profits of the bank

Previously, sum of current tax expense calculated as per applicable tax laws, prior year tax expense and deferred tax was recorded as income tax expense.

During the year the Institute of Chartered Accountant of Pakistan has issued the guidance for accounting of minimum and final taxes through circular No. 7/2024 dated May 15, 2024 and defined following two approaches:

Approach 1: Designate the amount calculated as tax on gross amount of revenue or other basis as a levy within the scope of IFRIC 21/IAS 37 and recognize it as an operating expense. Any excess over the amount designated as a levy is then recognized as current income tax expense falling under the scope of IAS 12.

Approach 2: Designate the amount of tax calculated on taxable income using the notified tax rate as an income tax within the scope of IAS 12 'Income Taxes' and recognize it as current income tax expense. Any excess over the amount designated as income tax, is then recognized as a levy falling under the scope of IFRIC 21 / IAS 37.

During the period ended June 30, 2024, the Bank has revised its accounting policy. This change in accounting policy has been accounted for retrospectively as referred under International Accounting Standard - 8 'Accounting policies, Changes in Accounting Estimates and Errors', and the comparative financial statements have been restated.

The change has been applied retrospectively resulting in reclassifications in the statement of profit or loss.

The change do not have any impact on statement of financial position, statement of other comprehensive income, statement of changes in equity and statement of cash flows.

	For the period ended June 30, 2023		
	As previously reported	As restated	Restatement
	---Rupeees---		
Effect on statement of profit or loss (un-audited)			
Minimum tax differential	-	(11,880,826)	(11,880,826)
Income tax	2,434,543	9,446,283	11,880,826

7 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed in the financial statements for the year ended December 31, 2023.

	Note	(Un-audited) June 30, 2024	(Audited) December 31,2023
		---(Rupees)---	
8 CASH AND BALANCES WITH TREASURY BANKS			
Cash in Hand		83,243,850	69,205,961
With State Bank of Pakistan			
- Local currency current account	8.1	238,636,502	321,933,075
		321,880,352	391,139,036

8.1 This represents current account maintained with SBP to meet the requirement of maintaining a minimum balance equivalent to 5% of the Bank's time and demand liabilities in accordance with the Prudential Regulations for Microfinance Banks.

9 BALANCES WITH OTHER BANKS

In current accounts		5,716,529	1,605,682
In PLS deposit accounts	9.1	457,832,885	95,105,298
		463,549,415	96,710,980

9.1 These include deposits with commercial banks carrying mark-up rates ranging from 14.5% to 20.5% (December 31, 2023: 8.25% to 14.5%) per annum.

10 INVESTMENTS

10.1 Investments by type:

	June 30, 2024 (Un-Audited)				December 31, 2023 (Audited)			
	Amortised cost	Credit Loss Allowance	Surplus / (Deficit)	Carrying Value	Amortized Cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
	----------(Rupees)----------							
Classified as Amortized cost								
Federal Government securities								
-Market Treasury Bills	1,057,238,368	-	-	1,057,238,368	707,348,814	-	-	707,348,814
Total Investments	1,057,238,368	-	-	1,057,238,368	707,348,814	-	-	707,348,814

11 ADVANCES

	Performing		Non Performing		Total	
	(Un-Audited) June 30, 2024	(Audited) December 31, 2023	(Un-Audited) June 30, 2024	(Audited) December 31, 2023	(Un-Audited) June 30, 2024	(Audited) December 31, 2023
	----------Rupees----------					
Micro credit	2,502,094,665	3,068,328,544	210,913,987	159,066,503	2,713,008,652	3,227,395,049
Advances - gross	2,502,094,665	3,068,328,544	210,913,987	159,066,503	2,713,008,652	3,227,395,049
Credit loss allowance against advances						
-Stage 1	(146,623,151)	-	-	-	(146,623,151)	-
-Stage 2	-	-	(16,007,457)	-	(16,007,457)	-
-Stage 3	-	-	(132,907,906)	-	(132,907,906)	-
-General	-	(76,790,350)	-	-	-	(76,790,350)
-Specific	-	-	-	(30,556,238)	-	(30,556,238)
	(146,623,151)	(76,790,350)	(148,915,363)	(30,556,238)	(295,538,514)	(107,346,588)
Advances - net of credit loss allowance	2,355,471,514	2,991,538,194	61,998,624	128,510,265	2,417,470,138	3,120,048,461

	(Un-Audited) June 30, 2024	(Audited) December 31, 2023
	------------(Rupees)------------	

11.1 Particulars of advances (gross)

In local currency	2,713,008,652	3,227,395,049
	2,713,008,652	3,227,395,049

11.2 Advances include Rs.164.2 million (December 31, 2023: Rs. 159.5 million) which have been placed under non-performing / Stage 3 status as detailed below:-

Category of Classification	June 30, 2024 (Un-audited)	
	Non performing	Credit loss allowance
	------------(Rupees)------------	
Domestic		
Other Assets Especially Mentioned (OAEM)	-	14,333,938
Substandard	27,370,615	21,866,461
Doubtful	110,323,719	87,399,880
Loss	26,521,759	23,022,873
	164,216,093	132,907,906

11.3 Particulars of credit loss allowance against advances

	June 30, 2024 (Un-audited)						December 31, 2023 (Audited)		
	Stage 1	Stage 2	Stage 3	Specific	General	Total	Specific	General	Total
	-----------------(Rupees)-----------------								
Opening balance	-	-	-	76,790,350	30,556,236	107,346,586	114,955,980	31,062,966	146,018,946
Impact of adoption of IFRS 9	181,752,552	6,737,626	109,795,580	(76,790,350)	(30,556,236)	190,939,173	-	-	-
Charge for the period / year	-	9,269,830	169,876,879	-	-	179,146,709	314,869,148	26,853,763	341,722,911
Reversals	(35,129,401)	-	-	-	-	(35,129,401)	(15,318,784)	(27,360,493)	(42,679,277)
	(35,129,401)	9,269,830	169,876,879	-	-	144,017,308	299,550,364	(506,730)	299,043,634
Amounts written off	-	-	(146,764,553)	-	-	(146,764,553)	(337,715,994)	-	(337,715,994)
Closing balance	146,623,151	16,007,457	132,907,906	-	-	295,538,514	76,790,350	30,556,236	107,346,586

11.3.1 Advances - Category of classification - Domestic

	June 30, 2024 (Un-audited)	
	Outstanding amount	Credit loss allowance Held
	------------(Rupees)------------	
Performing	2,465,170,231	146,623,151
Underperforming		
Other Asset especially mentioned	83,622,328	16,007,457
Non-Performing		
Substandard	27,370,615	22,250,381
Doubtful	110,323,719	88,912,029
Loss	26,521,759	21,745,496
Total	2,713,008,652	295,538,514

	Note	(Un-Audited) June 30, 2024	(Audited) December 31,2023
		------------(Rupees)------------	

12 PROPERTY AND EQUIPMENT

Property and equipment		172,289,591	196,370,727

12.1 Additions to property and equipment

The following additions have been made to Property and Equipment during the period:

Leasehold improvements	18,500	9,461,526
Furniture and fixture	-	88,092
Office and Other Equipment	373,244	10,492,482
Computer equipment	1,027,358	8,006,835
Total	1,419,102	28,048,935

12.2 Disposal of property and equipment

The net book value of Property and Equipment disposed off during the period is as follows:

Furniture and fixture	-	1,248,392
Office and Other Equipment	-	4,242,600
Computer equipment	87,197	227,650
Total	87,197	5,718,642

13 RIGHT-OF-USE ASSETS

At January 01, 2024		
Cost	330,135,162	291,765,364
Accumulated Depreciation	(161,560,942)	(110,316,877)
Net Carrying amount at January 01, 2024	168,574,220	181,448,487
Additions during the year	21,711,955	38,369,798
Deletions during the year	-	-
Depreciation Charge for the year	(28,247,782)	(51,244,065)
Net Carrying amount at June 30, 2024	162,038,393	168,574,220

13.1 These represents Right of Use book against head office and branch premises.

14 INTANGIBLE ASSETS

Computer Software	1,703,055	2,455,917

	Note	(Un-Audited) June 30, 2024	(Audited) December 31, 2023
		------------(Rupees)------------	

14.1 Additions to intangible assets

The following additions have been made to intangible assets during the period:

Directly purchased		-	197,750
Total		-	197,750

15 DEFERRED TAX ASSETS

Deductible temporary differences on			
- Accelerated tax depreciation		96,457,704	91,620,956
- On Fixed Asset and Intangible Asset		8,787,355	6,137,768
- Credit loss allowance against advances		55,372,361	-
		160,617,420	97,758,724
Taxable temporary differences on			
-Accelerated tax depreciation Intangible Assets		-	(121,745)
		160,617,420	97,636,979

16 OTHER ASSETS

Income / Mark-up accrued		82,142,878	92,493,555
Advances to staff		3,332,106	7,804,521
Receivable from related party	16.1	2,298,585	-
Prepayment for Rent, Insurance and Others		21,385,306	11,049,092
Advance against purchase of CBS	16.2	65,226,981	-
Payment against license fee	16.3	10,869,383	-
Advance taxation		1,957,644	2,958,422
Accrued income on PLS savings account		9,074,422	2,797,672
Security Deposit		7,199,580	6,769,580
Others		1,598,914	1,564,000
Other assets - total		205,085,799	125,436,842
Less: Credit loss allowance held against other assets Advances to staff, Income / markup accrued, Security deposit and accrued income		846,935	-
		204,238,864	125,436,842

16.1 This pertains to expenses paid on behalf of Halan Wallet Private Limited.

16.2 This represents amount paid for new core banking application.

16.3 This represents license fee paid to Advans S.A against software license with applicability from July to December 2024.

	Note	June 30, 2024	December 31, 2023
		------------(Rupees)------------	

16.4 Movement in Credit loss allowance held against other asset

Opening balance		-	-
		846,935	-
Closing balance		846,935	-

17 BORROWINGS

Secured			
Borrowings from Bank / Financial Institutions			
- Borrowings from PMIC		80,000,000	160,000,000
- Borrowings from HMBL		-	16,666,665
- Borrowings from UBL		3,593,182	5,663,516
		83,593,182	182,330,181

18 DEPOSITS AND OTHER ACCOUNTS

Customers			
Current deposits		60,432,902	66,973,287
Saving deposits		1,036,092,648	906,293,628
Term deposits		3,304,807,796	2,803,707,776
		4,401,333,346	3,776,974,691

19 LEASE LIABILITIES

Outstanding amount as at January, 01 2024		188,391,507	190,495,685
Additions during the year		21,711,955	38,147,154
Lease payments including interest		(43,474,714)	(69,755,161)
Interest expense		14,424,496	29,664,715
Outstanding amount at June, 30, 2024		181,053,244	188,391,507

Disclose the interest rates used as the discounting factor; the existence and terms of renewal or purchase options and escalation clauses; restrictions imposed by lease arrangements, such as those concerning dividends, additional debt and further leasing; and any other material terms.

20 OTHER LIABILITIES

Mark-up/ Return/ Interest payable in local currency		52,079,187	50,084,949
Accrued expenses		63,782,225	40,151,687
Payable to Advans International	20.1	1,183,573	1,018,208
Withholding tax payable		18,419,597	16,670,383
Provident fund payable		2,506,562	4,926,111
Payable to EOBI		146,420	88,470
		138,117,563	112,939,808

20.1 This amount represents accrual of fee relating to IT services from Advans International.

21 SHARE CAPITAL

21.1 Authorized Capital

(Unaudited) June 30, 2024	(Audited) December 31, 2023		(Un-Audited) June 30, 2024	(Audited) December 31, 2023
(Number of shares)			-------Rupees--------	
500,000,000	206,000,000	Ordinary shares of Rs.10 each	5,000,000,000	2,060,000,000

21.1.1 During the period, in order to support the Capital Adequacy Ratio (CAR) and Minimum Capital Requirement 'Requirement (MCR) requirements, as well as to facilitate the future expansion plans of the bank, the authorized 'capital has been increased from Rs 2.060 billion to Rs 5.0 billion.

21.2 Issued, subscribed and paid-up

June 30, 2024	December 31, 2023		(Un-Audited) June 30, 2024	(Audited) December 31, 2023
(Number of shares)			--------Rupees--------	
		Ordinary shares of Rs. 10 each		
204,566,310	204,566,310	- Fully paid in cash	2,045,663,100	2,045,663,100
204,566,310	204,566,310		2,045,663,100	2,045,663,100

21.2.1 The parent company injected fresh equity by way of rights shares amounting to Rs. 825 million which was realized by the Bank on July 2, 2024. Subsequently, the bank issued rights shares totaling Rs. 825 million, equivalent to 82.5 million shares, in July 2024.

22 CONTINGENCIES AND COMMITMENTS

There were no contingencies as at June 30, 2024 and (December 31, 2023: none).

23 MARK-UP / RETURN / INTEREST EARNED

	(Un-audited) June 30, 2024	(Audited) June 30, 2023
	------------(Rupees)------------	
Loans and Advances	687,933,312	802,593,139
Investments	82,938,641	15,608,216
Deposits	36,932,541	6,852,545
	807,804,495	825,053,900

	Note	(Un-audited) June 30, 2024	(Un-Audited) June 30, 2023
		------------(Rupees)------------	

24 MARK-UP / RETURN / INTEREST EXPENSED

Markup on Deposits		484,833,659	322,612,788
Markup on Borrowings		13,600,389	44,623,847
		498,434,048	367,236,635

25 FEE & COMMISSION INCOME

Loan processing fee		58,937,947	106,215,382
Other fee and commission		8,219,878	1,013,094
		67,157,825	107,228,476

26 OTHER INCOME

Recoveries against write-offs		26,641,255	15,687,227
Recoveries from Credit Guarantee Scheme		-	2,082,433
Others		175,490	414,000
		26,816,745	18,183,660

27 OPERATING EXPENSES

Salaries and other allowances		303,606,634	271,047,367
Staff welfare		5,270,202	6,041,913
Non executive directors' fees, allowances and other expenses		799,998	799,998
Training and business development		67,011	1,059,801
Rent, rates and taxes		9,952,094	11,686,310
Legal and professional charges		3,852,637	5,424,833
Utilities		27,728,352	19,157,275
Communications		10,460,452	16,512,405
Repairs and maintenance - others		26,407,357	22,325,634
Repairs and maintenance - Vehicles		22,061,830	14,927,874
Financial charges on lease liability against right-of-use asset		14,424,496	15,318,333
Fuel for generator		22,904,663	20,834,143
Insurance		9,956,352	7,720,592
Travelling and conveyance		18,697,856	26,924,124
Printing and stationery		5,241,896	7,091,385
Fees and subscription		29,676,570	11,287,608
Security charges		17,933,595	20,060,538
Advertisement and publicity		3,476,876	8,464,080
Auditors' remuneration		2,200,532	2,000,484
Depreciation of Property and Equipment	12	25,413,042	29,042,486
Depreciation of Right-of-use-asset	13	28,247,782	24,694,432

	(Un-audited) June 30, 2024	(Audited) June 30, 2023
	------------(Rupees)------------	
Amortisation of intangible assets	752,862	836,542
Loss on disposal of property and equipment	66,273	-
Bank charges	927,604	11,042,384
Office supplies	356,037	182,750
Janitorial charges	7,511,978	6,100,152
Other expenses	9,332,311	4,697,158
	607,327,292	565,280,601

28 OTHER CHARGES

Loss on sale of investments	99,274	354,679
Penalties imposed by State Bank of Pakistan	-	100,000
	99,274	454,679

29 CREDIT LOSS ALLOWANCE & WRITE OFFS - NET

Credit loss allowance against loans & advances	(2,795,904)	240,347
Bad debts written off directly	146,764,553	136,437,639
	143,968,649	136,677,986

30 MINIMUM TAX DIFFERENTIAL

	Quarter ended (Un-audited)		Half year ended (Un-audited)	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
	------Rupees------			
Minimum tax differential	5,492,254	6,028,426	11,301,683	11,880,826
	5,492,254	6,028,426	11,301,683	11,880,826

30.1 This represent minimum tax paid under section 113 of Income Tax Ordinance (ITO, 2001), representing levy in terms of requirement of IFRIC 21 / IAS 37.

31 TAXATION

	(Un-audited) June 30, 2024	(Audited) June 30, 2023
	------------(Rupees)------------	
Current	-	-
Deferred	(7,608,081)	(9,446,283)
	(7,608,081)	(9,446,283)

	(Un-audited) June 30, 2024	(Audited) June 30, 2023
	------------(Rupees)------------	

32 BASIC LOSS PER SHARE

Loss for the period	(351,743,800)	(121,618,408)
Weighted average number of ordinary shares	204,566,310	172,516,310
Basic loss per share	(1.72)	(0.70)

There are no dilutive potential ordinary shares outstanding as at June 30, 2024 and 2023.

33 CASH AND CASH EQUIVALENTS

Cash and balances with treasury banks	321,880,352	357,725,551
Balances with other banks	463,549,415	126,464,674
Investments	1,057,238,368	292,489,831
	1,842,668,135	776,680,056

34 FAIR VALUE MEASUREMENTS

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

34.1 Fair value of financial assets

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

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

	June 30, 2024 (Un-Audited)			
	Level 1	Level 2	Level 3	Total
	--------------------------------Rupees--------------------------------			
On balance sheet financial instruments				
Financial assets - disclosed but not measured at fair value				
Investments	-	1,057,238,368	-	1,057,238,368

35.1 RELATED PARTY TRANSACTIONS

The Bank has related party transactions with its parent, subsidiaries, employee benefit plans and its directors.

Contribution to the accounts in respect of staff retirement benefits are made in accordance with terms of the contribution plan. . Other transactions are carried out as per agreed terms.

Details of transactions with related parties during the period, other than those which have been disclosed elsewhere in these financial statements are as follows:

	June 30, 2024 (Un- Audited)					December 31, 2023 (Audited)				
	Parent	**Directors**	**Key manage-ment personnel**	**Other Related Party**	**Employee Provident Fund**	**Parent**	**Directors**	**Key manage-ment personnel**	**Other Related Party**	**Employee Provident Fund**
	----------Rupees----------									
Other Assets	-	-	-	-	-	-	-	-	-	-
Other receivable	2,298,584	-	-	-	-	-	-	-	-	-
Deposits and other accounts										
Opening balance	-	-	-	-	48,000,000	-	-	-	-	-
Received during the period / year	-	-	-	-	-	-	-	-	-	48,000,000
Other Liabilities										
Remuneration Payable	-	800,000	-	-	-	-	800,000	-	-	-
Payable to staff retirement fund	-	-	-	-	2,506,562	-	-	-	-	4,926,111
Advance Against Shares	618,208	-	-	-	-	618,208	-	-	-	-
Expense										
Interest Expense	-	-	-	-	11,618,000	-	-	-	-	7,178,000
Remuneration expense			182,680,978					165,784,124		
Closing balance	2,916,792	800,000	182,680,978	-	62,124,562	618,208	800,000	165,784,124	-	60,104,111

	(Un-Audited) June 30, 2024	(Audited) December 31, 2023
	----------Rupees----------	

36 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	(Un-Audited) June 30, 2024	(Audited) December 31, 2023
Minimum Capital Requirement (MR):		
Paid-up capital (net of losses)	156,213,589	559,469,179
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	130,184,452	550,026,059
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	130,184,452	550,026,059
Eligible Tier 2 Capital	26,903,061	19,022,244
Total Eligible Capital (Tier 1 + Tier 2)	157,087,513	569,048,304
Risk Weighted Assets (RWAs):		
Credit risk	2,509,343,356	3,050,466,920
Operational risk	862,909,676	712,781,832
Total	3,372,253,032	3,763,248,752
Common Equity Tier 1 Capital Adequacy Ratio	3.86%	14.62%
Tier 1 Capital Adequacy Ratio	3.86%	14.62%
Total Capital Adequacy Ratio	4.66%	15.12%

37 GENERAL

Figures have been rounded off to the nearest thousand, unless otherwise stated.

38 CORRESPONDING FIGURE

Corresponding figure has been rearranged and reclassified, wherever necessary for the purpose and comparison and to reflect substance of transactions. There have been no significant reclassification except for those disclosed in condensed interim financial statements.

39 EVENTS AFTER REPORTING DATE

There were no significant events after reporting date except for those disclosed under note 21.2.1.

40 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on ___________ by the Board of Directors of the Company.

PRESIDENT/CHIEF EXECUTIVE CHIEF FINANCIAL OFFICER DIRECTOR DIRECTOR DIRECTOR