Microfinance Bank Ltd.

DIRECTORS' REPORT OF HALAN MICROFINANCE BANK LIMITED TO THE MEMBERS

It is our pleasure to present, on behalf of the Board of Directors, the Audited Financial Statements of the Bank along with the Auditors' report thereon for the year ended December 31, 2024.

Economic Review

Year 2024 was characterized by a complex interplay of positive and negative economic forces. While some positive trends emerged in late 2024, including easing inflation and improved foreign reserves, challenges such as the trade deficit and potential global economic headwinds are anticipated to persist. The government of Pakistan focus is likely to remain on fiscal consolidation, managing inflation, and promoting sustainable economic growth, with the IMF program playing a significant role.

GDP growth is projected to be moderate, potentially accelerating as the impact of tighter monetary policy lessens and structural reforms take hold. However, global economic conditions and domestic political stability will be crucial factors. Inflation is expected to continue its downward trend, though achieving and maintaining single-digit inflation will likely be a key objective. Global commodity prices and domestic supply-side factors will be monitored closely. Interest rates are projected to gradually ease as inflation moderates, but the pace and extent of the reduction will depend on the SBP's assessment of economic conditions. Real interest rates are likely to remain a consideration. The PKR is projected to experience some volatility, influenced by factors such as the trade balance, foreign exchange reserves, and investor sentiment. Managing exchange rate fluctuations will be crucial for maintaining competitiveness and price stability. Remittances are expected to see stable to moderate growth, driven by both macroeconomic factors and government initiatives to facilitate inflows through formal channels. Addressing the persistent trade deficit is expected to be a key policy priority. Efforts to boost exports through diversification and value addition, while managing imports, will be crucial. Continued efforts to build and maintain healthy foreign exchange reserves are anticipated, providing a buffer against external shocks and supporting investor confidence.

Key Highlights of Halan MF Bank for 2024

In 2024, Halan Microfinance Bank underwent a transformative year marked by significant milestones and following are the key highlights.

Change of Shareholding:
The bank was previously a subsidiary of ADVANS S.A. Sicar, incorporated in Luxembourg, On March 20, 2024, MNT-Halan Pak B.V., a company registered in the Netherlands, acquired 100% shareholding of ADVANS Pakistan Microfinance Bank Limited. As a result, all shares previously held by ADVANS S.A. Sicar were transferred to MNT-Halan Pak B.V. Effective from the same date, ADVANS S.A. Sicar ceased to be the parent company of the bank.

Increase in authorized capital:
The new shareholders envision an expansion of the bank's footprint across Pakistan. To support this vision, the bank increased its authorized capital from PKR 2 billion to PKR 5 billion. This increase was made to ensure compliance with the Capital Adequacy Ratio (CAR) and Minimum Capital Requirement (MCR), as well as to facilitate future expansion plans.

Capital injection by shareholders:
In July 2024, the new shareholders injected PKR 825 million to meet regulatory requirements considering the anticipated loss for the year 2024. Furthermore, an additional PKR 600 million was injected in January 2025 to support the bank's expansion plans.

Change of Name and rebranding:
Following the acquisition by MNT-Halan Pak B.V., the bank obtained all necessary regulatory approvals to change its name. On September 16, 2024, the bank was officially renamed "Halan Microfinance Bank Limited." Simultaneously, the bank underwent a rebranding process to align with its new identity.

Development of New Core Banking Application:
The bank embarked on a significant transformation by awarding a contract for the development and implementation of a new core banking application, along with a compliance system to enhance regulatory adherence. The development and implementation were successfully completed in early January 2025, and the bank is now fully operational with its new systems.

Outreach:
Previously operating with 19 branches, the bank initiated an expansion plan under the new management. By the end of 2024, five new branches had been opened in the Sindh province. Additionally, the bank adopted a low-cost model and secured approval for 25 service centers in Sindh, which are expected to become operational in the first half of 2025.
Revamping of the Loan Disbursement Process.
The new management identified several gaps and internal control weaknesses in the loan disbursement process, particularly in credit appraisal. To address these challenges, the bank overhauled its loan disbursement framework, introducing an independent loan verification layer before disbursement. This enhancement was tested in the last quarter of 2024 and will be fully implemented in high-risk areas by 2025. Additionally, loan officers, previously engaged through third-party contracts with limited allowances, were transitioned to permanent staff positions with increased benefits to enhance motivation.

Implementation of IFRS 9:
As per the State Bank of Pakistan's (SBP) BPRD Circular No. 4 (dated October 23, 2019), and subsequent revisions, the effective date for the implementation of IFRS 9 “Financial Instruments” was set as January 1, 2024. During the year, the bank adopted a modified retrospective approach for implementing IFRS 9. Consequently, an adjustment amounting to PKR 239.950 million was recognized in the opening unappropriated profit as of January 1, 2024. Detailed disclosures of the impact of IFRS 9 adoption can be found in Note 6.25 of the annexed financial statements

Financial Review of the Bank

Halan Microfinance Bank Limited is licensed by the State Bank of Pakistan to operate as a micro finance bank in the province of Sindh, for providing microfinance services, mobilizing deposits from the public and providing credit to poor persons and microenterprises.

During the year 2024, the Bank reported a loss after tax of PKR 727.3 million, compared to a loss after tax of PKR 329.9 million recorded in 2023. This significant increase in losses was primarily attributed to several factors, including the restructuring of bank operations post-acquisition by the new management, which resulted in a contraction of the loan booking of the Bank’s primary revenue streams. The restructuring process was undertaken as part of a broader strategy to realign operations and address systemic challenges within the Bank’s processes. While necessary for long-term growth, this transition temporarily impacted revenue generation and operational stability.

Interest income during the year amounted to PKR 1,613.0 million (2023: PKR 1,726.7 million), a drop of 6.6% on YoY basis which is broadly due to decrease in the gross loan book of 20%. The interest income includes PKR 310.9 million (19% of interest earned) on investments and placements with other banks, while earnings from the loan portfolio of PKR 1,302.1 million accounted for 81% of total interest. Interest expense during the year amounted to PKR 994.9 million (2023: 844.1 million), an increase of 18% which is contributed by an increase in the deposit of 22% and the impact of higher cost of deposits with the presence of high policy rate. Non markup and interest income closed at PKR 222.5 million (2023: 246.4 million), drop of 10% due to lower disbursement as compared to last year.
Operating expenses were recorded at PKR 1,260.9 million (2023: 1,143.1 million), an increase of 10% which comes due to the impact of inflation, opening of five new branches, development of core banking applications, hiring of key executive positions, introduction of verification officer in the branches, conversion of loan officer from outsource to permanent position, fee related to the increase in the authorized capital & issuance of right shares and revamp of incentives and allowances of sales team. The bank has adopted IFRS 9 from Jan 01,2024 and the provision under ECL is charged PKR 300.1 million during the year.

The impact of the first-time adoption of IFRS 9 of PKR 239.95 million booked in the opening equity which is disclosed in the statement of changes in the equity.

The total asset base of the bank increased by 14% from last year which is broadly due to an increase in the funding from the deposit side. The bank's cash and bank balance closed at PKR 692.3 million (2023: PKR 487.9 million) an increase of 42%. Investments closed at 1,789.6 million (2023: PKR 707.3 million), an increase of over 150%, this comes due to a drop in the loan book and increase in the deposit volume. The net loans book decreased by 26% due to structural changes in the loan disbursement cycle, implementation of enhanced credit controls, and higher loan officer attrition.

The net equity of the Bank closed at PKR 502.1 million (2023: 644.4 million), the shareholders of the bank anticipated the operating loss and injected additional equity of PKR 825 million in July 2024 to support the MCR and CAR. In addition to this the shareholders also injected equity of PKR 600 million in Jan 2026 to support loan book and growth.

Future Outlook

Halan Microfinance Bank is poised for significant growth and transformation, driven by its strategic initiatives and the vision of its new shareholders. The Bank is actively working to expand its footprint across Pakistan, with plans to increase its network over 75 business units by the end of 2025. This ambitious expansion aims to enhance financial accessibility for underserved communities and strengthen the Bank's presence nationwide.

To complement these efforts, the Bank has applied for a nationwide license. Once approved by the SBP, this license will enable Halan Microfinance Bank to operate beyond its current regional boundaries, unlocking new markets and broadening its customer base. Additionally, the Bank has already received PKR 600 million in Jan 2025 an initial equity injection to support its growth and regulatory requirements, while further equity is in the pipeline, demonstrating the shareholders' strong commitment to the Bank's financial stability and ambitious plans.

Recognizing the untapped potential in the unsecured Equal Monthly Installment (EMI) market, Halan Microfinance Bank aims to capture a significant share of this segment. By leveraging innovative financial solutions, the Bank plans to address the needs of this underserved market, offering tailored products and services to meet customers' diverse requirements.

The Bank is also implementing a comprehensive digital roadmap inspired by the success of its parent company, MNT-Halan, in Egypt. This initiative includes the development of a financial super app designed to revolutionize customer experience. The app will integrate digital and in-person banking services, ensuring accessibility and convenience for all customers. This digital transformation is expected to enhance operational efficiency and support the Bank's growth strategy.

Moreover, Halan Microfinance Bank remains dedicated to fostering financial inclusion through initiative trailered made products and services to women and other sectors of the economy. It aims to empower underserved segments such as women entrepreneurs, small businesses, and the agricultural sector, contributing to Pakistan's economic development and social progress.

With these strategic initiatives, Halan Microfinance Bank is well-positioned to make a solid start in Pakistan's microfinance sector, driving innovation, inclusion, and sustainable growth in the years ahead.

Changes in the Composition of the Board of Directors.
Following the acquisition of the Bank on March 20, 2024, by MNT-Halan Pak B.V., significant changes were made to the board of directors of the bank following the acquisition.

List of directors who resigned during the year

1. Claude FALGON – Chairman
2. Steven DUCHATELLE - Director
3. Eelko BRONKHORST – Director
4. Emmanuel ARIS – Director
5. Guillaume VALENCE – Director & Chief Executive Officer

List of directors who joined during the year

1. Mounir Ikram Kamal Nakhla - Chairperson
2. Ahmed Mohsen Mohamed Soliman - Director
3. Yasir Hamid - Director
4. Andre Fotis Andre Valavanis - Director
5. Christos Stefano Argyriou – Director & Chief Executive Officer

The directors and CEO/President appointments adhere to the state bank of Pakistan Fit and Proper Test (FPT) approval process.

Board of Directors
During the period of the financial year as of December 31, 2024, the following were present on the board of the bank:

- Mounir Ikram Kamal Nakhla - Chairperson
- Ahmed Mohsen Mohamed Soliman - Director
- Yasir Hamid - Director
- Andre Fotis Andre Valavanis - Director
- Yusra Arshad Gilani - Independent Director
- Aeyesha Gulzar – Independent Director
- Christos Stefano Argyriou – Director & Chief Executive Officer

Due to the reorganization of the Board of Directors, the composition of the board sub-committees also underwent significant changes. Below is the updated composition of the sub-committees as of December 31, 2024

The detail of the Board Committees is tabulated below:

Description	Audit Committee	HR & Compensation Committee	Risk Committee
Chairperson	Aeyesha Gulzar	Yusra A Gilani	Yusra A Gilani
Member	Yusra A Gilani	Aeyesha Gulzar	Aeyesha Gulzar
Member	Yasir Hamid	Mounir Ikram Kamal Nakhla	Mounir Ikram Kamal Nakhla

Authorized Capital & Paid-up Capital
The Bank's authorized capital increased from PKR 2,060 million to PKR 5,000 million as of December 31, 2024 whereas, paid up capital was increased by issuance of right shares of PKR 825M, and the current paid up capital as of December 31, 2024 increased to PKR. 2,870 million.

Minimum Capital Requirement and CAR
The Bank met the minimum capital requirement set by the State Bank for the year ended December 31, 2024, with a capital adequacy ratio of 15.30% (2023: 15.12%), exceeding the regulatory threshold.

Credit Rating

On April 30, 2024, VIS Credit Rating Company Limited reaffirmed the bank's entity ratings at 'BBB' for medium to long-term and 'A-3' for short-term. Additionally, the outlook on these ratings has been upgraded from 'Stable' to 'Positive.

Auditors

BDO Ebrahim & Co. Chartered Accountants were appointed in the AGM April 28, 2024 auditors of the bank.

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Microfinance Bank Ltd.

Pattern of Shareholding

The Pattern of Shareholding of the Bank as at December 31, 2024, is as Follow:

No.	Shareholder	No of Shares	% Shareholding
1	MNT-Halan Pak B.V.	287,066,308	99.99%
2	Mounir Ikram Kamal Nakhla	1	Less than 0.001%
3	Andre Fotis Andre Valavanis	1	Less than 0.001%
	Total	287,066,310	100%

No. of Shareholder(s)	Shareholding from	Shareholding to	Total Shares Held
2	1	100	2
1	101	300,000,000	287,066,308
Total			287,066,310

Categories of the Shareholders

Particular	Number	Shares held	Percentage
Director(s)	2	2	Less than 0.001%
Corporate Entity	1	287,066,308	99.99%

Acknowledgement

We would like to take this opportunity to thank our valued clients, shareholders and other stakeholders for their patronage and confidence and our management and employees for their dedication and hard work.

We would also like to express our gratitude to the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan for their continued guidance and support.

Karachi: April , 2025

On behalf of the Board

Signed by:
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Christos Stefano Argyriou
Chief Executive Officer

DocuSigned by:
Mounir Nakhla
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Mounir Ikram Kamal Nakhla
Chairman of the Board

BDO

Tel: +92 21 3568 3030
Fax: +92 21 3568 4239
www.bdo.com.pk

2nd Floor, Block-C
Lakson Square, Building No.1
Sarwar Shaheed Road
Karachi-74200
Pakistan

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HALAN MICROFINANCE BANK LIMITED (FORMERLY ADVANS PAKISTAN MICROFINANCE BANK LIMITED)

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **HALAN MICROFINANCE BANK LIMITED (FORMERLY ADVANS PAKISTAN MICROFINANCE BANK LIMITED**, 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 statement of cash flows for the year then ended, including significant accounting policy 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 statement of cash flows together with the notes forming part there of conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Microfinance Institutions Ordinance, 2001 and the Companies Act, 2017 (XIX of 2017), 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 loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Emphasis of matter(s)

We draw attention to Note 15.1 of the financial statements, which discloses that the Bank has recognized a deferred tax asset based on the expectation of sufficient taxable profits in future years, as projected in its financial forecasts. The preparation of these financial projections involves management's assumptions regarding future business and economic conditions. Any significant changes in these assumptions could impact 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 Director's 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 Board of Directors for the Financial Statements

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

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

Board of Directors 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 Microfinance Institutions Ordinance, 2001 and the Companies Act, 2017 (XIX of 2017);

b) the balance sheet, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes thereon have been drawn up in conformity with Microfinance Institutions Ordinance, 2001 and the Companies Act, 2017 (XIX of 2017) 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

d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII).

The engagement partner on the audit resulting in this independent auditor's review report is Zulfikar Ali Causer.

KARACHI

DATED: APRIL 25, 2025

UDIN: AR202410067DmZTOP86z

BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS

HALAN MICROFINANCE BANK LIMITED
(FORMERLY ADVANS PAKISTAN MICROFINANCE BANK LIMITED)
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2024

	Note	2024	2023
		------------------(Rupees)	-----------------
ASSETS			
Cash and balances with treasury banks	8	317,962,346	391,139,036
Balances with other banks and microfinance bank	9	374,343,669	96,710,980
Investments	10	1,789,584,902	707,348,814
Advances	11	2,310,678,554	3,120,048,461
Property and equipment	12	213,396,409	196,370,727
Right-of-use assets	13	305,797,319	168,574,220
Intangible assets	14	5,954,054	2,455,917
Deferred tax assets	15	113,221,188	97,636,979
Other assets	16	179,605,507	125,436,862
TOTAL ASSETS		5,610,543,948	4,905,721,996
LIABILITIES			
Borrowings	17	1,094,985	182,330,181
Deposits and other accounts	18	4,615,618,531	3,776,974,691
Lease liabilities	19	333,611,054	188,391,507
Deferred grant	20	714,669	714,669
Other liabilities	21	157,423,741	112,939,808
TOTAL LIABILITIES		5,108,462,980	4,261,350,856
NET ASSETS		502,080,968	644,371,140
REPRESENTED BY			
Share capital	22	2,870,663,100	2,045,663,100
Statutory reserve		13,766,170	13,766,170
Depositor protection fund		14,446,905	8,055,042
Accumulated loss		(2,396,795,207)	(1,423,113,172)
		502,080,968	644,371,140
CONTINGENCIES AND COMMITMENTS	23		

The annexed notes 1 to 49 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER	CHIEF FINANCIAL OFFICER	CHAIRMAN	DIRECTOR	DIRECTOR
Signed by: 45D4A01B7BED4D3...	Signed by: Kaleem Raza FD1F14698E0A409...	DocuSigned by: Mounir Nakhla F9F0EA967AC24A8...	DocuSigned by: Alexandre Valavanis 3EA59AFC3F944A0...	DocuSigned by: Ahmed Moh 5DBA61B41E78401...

HALAN MICROFINANCE BANK LIMITED
(FORMERLY ADVANS PAKISTAN MICROFINANCE BANK LIMITED)
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2024

	Note	2024	(Restated) 2023
		---(Rupees)---	
Mark-up / Return / Interest earned	24	1,612,978,393	1,726,734,554
Mark-up / Return / Interest expensed	25	(994,878,520)	(844,070,305)
Net mark-up / interest income		618,099,873	882,664,249
NON MARK-UP / INTEREST INCOME			
Fee and commission income	26	153,815,292	191,281,691
Dividend income		-	-
Net gains / (losses) on derecognition of financial assets measured at amortised cost	27	72,423	(354,676)
Other income	28	68,588,072	55,461,138
Total non-markup / interest income		222,475,787	246,388,153
Total income		840,575,660	1,129,052,402
NON MARK-UP/INTEREST EXPENSES			
Operating expenses	29	(1,260,907,019)	(1,143,118,372)
Other charges	30	-	(10,536,283)
Total non-markup / interest expenses		(1,260,907,019)	(1,153,654,655)
Loss before credit loss allowance		(420,331,359)	(24,602,253)
Credit loss allowance and write offs - net	31	(300,070,900)	(299,283,981)
LOSS BEFORE TAXATION AND MINIMUM TAX DIFFERENTIAL		(720,402,259)	(323,886,234)
Minimum tax differential	32	(22,521,142)	(24,559,244)
LOSS BEFORE TAXATION		(742,923,401)	(348,445,478)
Taxation	33	15,584,211	18,575,494
LOSS AFTER TAXATION		(727,339,190)	(329,869,984)
Loss per share - Basic and Diluted	34	(2.96)	(1.61)

The annexed notes 1 to 49 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER **CHIEF FINANCIAL OFFICER** **CHAIRMAN** **DIRECTOR** **DIRECTOR**

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HALAN MICROFINANCE BANK LIMITED
(FORMERLY ADVANS PAKISTAN MICROFINANCE BANK LIMITED)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2024

	2024	2023
	----------------(Rupees)	--------------------
Loss after taxation for the year	(727,339,190)	(329,869,984)
Other comprehensive income	-	-
Total comprehensive loss for the year	(727,339,190)	(329,869,984)

The annexed notes 1 to 49 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER	CHIEF FINANCIAL OFFICER	CHAIRMAN	DIRECTOR	DIRECTOR
Signed by: 45D4A01B7BED4D3...	Signed by: Kaleem RAZA FD1F14698E0A409...	DocuSigned by: Mounir Nakhla F9F0EA967AC24A8...	DocuSigned by: Alexandre Valavanis 3EA59AFC3F944A0...	
			DocuSigned by: Ahmed Mohsen 5DBA61B41E78401...	

HALAN MICROFINANCE BANK LIMITED
(FORMERLY ADVANS PAKISTAN MICROFINANCE BANK LIMITED)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2024

	Note	Share capital	Statutory reserve	Depositor Protection fund	Accumulated Loss	Total
				(Rupees)		
Balance as at January 1, 2023		1,725,163,100	13,766,170	4,022,814	(1,089,210,960)	653,741,124
Loss after taxation for the year		-	-	-	(329,869,984)	(329,869,984)
Transferred to statutory reserve		-	-	-	-	-
Transferred to depositors' protection fund*		-	-	4,032,228	(4,032,228)	-
Other comprehensive income - net of tax		-	-	-	-	-
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	**6.25.3 (v)**				(239,950,982)	(239,950,982)
		2,045,663,100	13,766,170	8,055,042	(1,663,064,154)	404,420,158
Loss after taxation for the year		-	-	-	(727,339,190)	(727,339,190)
Transferred to statutory reserve		-	-	-	-	-
Transferred to depositors' protection fund*		-	-	6,391,863	(6,391,863)	-
Other comprehensive income - net of tax		-	-	-	-	-
Transactions with owners, recorded directly in equity						
Issue of share capital		825,000,000	-	-	-	825,000,000
Balance as at December 31, 2024		2,870,663,100	13,766,170	14,446,905	(2,396,795,207)	502,080,968

The annexed notes 1 to 49 form an integral part of these financial statements.

* As per Microfinance Institutions Ordinance 2001, the Bank is required to transfer 5% of its annual profits after taxes and profits earned on the investments of the Fund to Depositors' Protection Fund.

CHIEF EXECUTIVE OFFICER **CHIEF FINANCIAL OFFICER** **CHAIRMAN** **DIRECTOR** **DIRECTOR**

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Signed by:
Kaleem Raza
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Mounir Nakhla
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Andre Valavanis
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Ahmed Mohsen
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HALAN MICROFINANCE BANK LIMITED
(FORMERLY ADVANS PAKISTAN MICROFINANCE BANK LIMITED)
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2024

	Note	2024	2023
		----------------(Rupees)----------------	
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before taxation and minimum tax differential for the year		(720,402,259)	(323,886,234)
Adjustments:			
Depreciation on property and equipment	29	51,117,483	56,832,274
Depreciation on right-of-use assets	29	59,606,549	51,244,065
Amortization	29	2,271,259	1,636,933
Provision against non-performing advances - net		300,070,899	299,043,634
Return on investment		(1,608,527)	-
Reversal of provision against other assets		(78,168)	-
Gain disposal of Property and Equipment		(4,703,925)	(483,809)
Finance charges on leased assets	29	31,641,326	30,493,848
		438,316,896	438,766,945
Decrease / (Increase) in operating assets			
Advances		270,329,590	(86,098,262)
Others assets		(54,347,814)	34,118,333
		215,981,776	(51,979,929)
Increase in operating liabilities			
Increase in operating liabilities			
Deposits and other accounts		838,643,840	570,114,529
Borrowings - net		(181,235,196)	(127,901,865)
Other liabilities (excluding current taxation)		44,483,933	(1,561,751)
		701,892,577	440,650,913
Income tax paid		(23,385,621)	(27,398,843)
Net cash flow from operating activities		612,403,369	476,152,852
CASH FLOW FROM INVESTING ACTIVITIES			
Additions in property and equipment		(70,319,830)	(28,048,935)
Additions in intangible		(5,769,443)	(197,750)
Proceeds from sale of property and equipment		7,020,893	1,234,762
Investment made during the year		(661,910,000)	-
Net cash used in investing activities		(730,978,380)	(27,011,923)
CASH FLOW FROM FINANCING ACTIVITIES			
Issue of right share		825,000,000	320,500,000
Payments of lease obligations against right-of-use assets		(83,251,427)	(70,967,825)
Net cash flow from financing activities		741,748,573	249,532,175
Net Increase in cash and cash equivalents during the year		623,173,562	698,673,104
Cash and cash equivalents at beginning of the period	35	1,195,198,828	496,525,724
Cash and cash equivalents at end of the period	35	1,818,372,390	1,195,198,828

The annexed notes 1 to 49 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER	CHIEF FINANCIAL OFFICER	CHAIRMAN	DIRECTOR	DIRECTOR
Signed by: 45D4A01B7BED4D3...	Signed by: Kaleem Raza FD1F14698E0A409...	DocuSigned by: Mounir Nakhla F9F0EA967AC24A8...	DocuSigned by: Andre Valavanis 3EA59AFC3F944A0...	DocuSigned by: Ahmed Mohsen 5DBA61B41E78401...

HALAN MICROFINANCE BANK LIMITED
(FORMERLY ADVANS PAKISTAN MICROFINANCE BANK LIMITED)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 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 24 branches (2023 : 19 branches)spread within the province of Sindh as disclosed in note 37 to these financial statements.

1.1 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 Microfinance Bank limited signed shares sales agreement with MNT Halan Pak B.V. for the sale of 100% shares of Advans Pakistan Microfinance Bank Limited. 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 Adans Pakistan Microfinance Bank Limited held by Advans S.A. Sicar were transferred to MNT Halan Pak B.V. as a result, Adanvs 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”.

1.2 The Bank's capital (free of losses) amounted to Rs. 502.081 million as at December 31, 2024 (December 31, 2023: Rs. 644.371 million) which is above the minimum capital requirements of Rs. 500 million as at December 31, 2024.

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

2 BASIS OF PREPARATION

2.1 These financial statements have been prepared in compliance with the format for preparation of the 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 financial statements continue to be prepared on going concern basis.

3 STATEMENT OF COMPLIANCE

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

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

- Provisions of and directives issued under 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.

3.2 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.

3.3 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 6.25 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.

4 APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS TO PUBLISHED APPROVED ACCOUNTING AND

New accounting standards, amendments and IFRS interpretations that are effective for the year ended December 31, 2024

The following standards, amendments and interpretations are effective for the year ended December 31, 2024. These standards, amendments and interpretations are either not relevant to the Bank's operations or are not expected to have significant impact on the financial statements other than certain additional disclosures.

	Effective date (annual periods beginning on or after)
Amendments to IFRS 7 'Financial Instruments: Disclosures' - Supplier finance arrangements	January 01, 2024
Amendments to IFRS 16 'Leases' - Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Non-current liabilities with covenants	January 01, 2024
Amendments to IAS 7 'Statement of Cash Flows' - Supplier finance arrangements	January 01, 2024

Management reviewed the accounting policies and updates to the information disclosed in Note 6 Material accounting policies in certain instances in line with the amendments and concluded that all its accounting policies are material for disclosure.

New accounting standards, amendments and interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, amendments and interpretations are either not relevant to the Bank's operations or are not expected to have significant impact on the Bank's financial statements other than certain additional disclosures.

	Effective date (annual periods beginning on or after)
Amendments to IFRS 7 'Financial Instruments: Disclosures' - Amendments regarding the classification and measurement of financial instruments	January 01, 2026
Amendments to IFRS 9 'Financial Instruments' - Amendments regarding the classification and measurement of financial instruments	January 01, 2026
Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates' - Lack of Exchangeability	January 01, 2026
Amendments to IFRS 7 'Financial Instruments: Disclosures' - Amendments regarding nature-dependent electricity contracts that are often structured as power purchase agreements (PPAs)	January 01, 2026
Amendments to IFRS 9 'Financial Instruments' - Amendments regarding nature-dependent electricity contracts that are often structured as power purchase agreements (PPAs)	January 01, 2026
IFRS 17 Insurance Contracts	January 01, 2026

Certain annual improvements have also been made to a number of IFRSs and IASs.

IFRS 1 'First-time Adoption of International Financial Reporting Standards' has been issued by IASB effective from July 01, 2009. However, it has not been adopted yet locally by Securities and Exchange Commission of Pakistan (SECP)

IFRS 18 'Presentation and Disclosures in Financial Statements' has been issued by IASB effective from January 01, 2027. However, it has not been adopted yet locally by Securities and Exchange Commission of Pakistan (SECP).

IFRS 19 'Subsidiaries without Public Accountability: Disclosures' has been issued by IASB effective from January 01, 2027. However, it has not been adopted yet locally by Securities and Exchange Commission of Pakistan (SECP)

IFRS 17 - 'Insurance contracts' has been notified by the IASB to be effective for annual periods beginning on or after January 1, 2023. However SECP has notified the timeframe for the adoption of IFRS - 17 which will be adopted by January 01, 2026.

5 BASIS OF MEASUREMENT

5.1 Accounting convention

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

5.2 Functional and presentation currency

These financial statements have been presented in Pakistani Rupees ("Rupees" or "Rs"), which is the Bank's functional and presentation currency.

5.3 Critical accounting estimates and judgements

The preparation of financial statements in conformity with accounting and reporting standards, as applicable in Pakistan, requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Significant accounting estimates and areas where judgments were made by management in the application of accounting policies are as follows:

- Depreciation methods, residual values and useful lives of property and equipment (notes 6.4 and 12.2).
- Intangible assets valuation and amortization (notes 6.7 and 14).
- Valuation of right-of-use assets and their related lease liability (notes 6.6, 13 and 19).
- Taxation (notes 6.10, 15, 32 and 33).
- Classification of investments (notes 6.25 and 10).
- Advances (notes 6.9 and 11).
- Expected credit loss on advances (notes 6.25 and 11).

6 MATERIAL ACCOUNTING POLICIY INFORMATION

6.1 The material accounting policy and methods of computation adopted in the preparation of these financial statements are consistent with those applied in the preparation of the audited annual financial statements for the year ended December 31, 2024 except as disclosed in Notes 6.10 and 6.25.

6.2 Changes in reporting format

The SBP, vide BPRD Circular No. 2 dated February 09, 2023, specified a new format for the financial statements of banking companies. The new format has revised the disclosure requirements of the Bank for the year ended December 31, 2024, resulting in additional disclosures relating to IFRS 9 and the reclassification of Intangible Assets and Right-of-Use Assets on the face of the Statement of Financial Position, from Operating Fixed Assets. Similarly, Lease Liability has been reclassified on the face of the Statement of Financial Position from Other Liabilities, and Deferred Grant has been reclassified from capital to liabilities, respectively, in these financial statements.

6.3 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents represent cash in hand, balances held with State Bank of Pakistan, National Bank of Pakistan and with other banks in current and deposit accounts and short term highly liquid investment in Government securities with original maturity of three months or less.

6.4 Property and equipment

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is charged using the straight line method over the estimated useful lives of assets at the rates stated in note 12.1 to these financial statements. Depreciation on additions is charged from the month when the asset is available for use and on disposals up to the month preceding the month of disposal.

The assets residual values, useful lives and depreciation methods, are reviewed and adjusted, if appropriate, at each reporting date.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance cost is charged to the profit and loss account during the period in which they are incurred.

An item of fixed asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposals, if any, are determined by comparing the sale proceeds with the carrying amount of asset and are included in the profit and loss account.

6.5 Capital work in progress

All expenditure connected with specific assets incurred during installation and construction period are carried under this head. These are transferred to specific assets as and when those assets are available for use. These are carried at cost less impairment losses, if any.

6.6 Right-of-use assets and their related lease liability

6.6.1 Right-of-use assets

On initial recognition, right-of-use assets are measured at an amount equal to initial lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to be incurred to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

Right of-use assets are subsequently stated at cost less any accumulated depreciation / accumulated impairment losses and are adjusted for any remeasurement of lease liability. The remeasurement of lease liability will only occur in cases where the terms of the lease are changed during the lease tenor.

Right-of-use assets are depreciated over their expected useful lives using the straight-line method. Depreciation on additions (new leases) is charged from the month in which the leases are entered till the month of disposal.

6.6.2 Lease liability against right-of-use assets

The lease liabilities are initially measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Bank's incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. The lease liability is also remeasured to reflect any reassessment or change in lease terms. These remeasurements of lease liabilities are recognised as adjustments to the carrying amount of related right-of-use assets after the date of initial recognition.

Each lease payment is allocated between a reduction of the liability and a finance cost. The finance cost is charged to the profit and loss account as financial charges over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

6.7 Intangible assets

Intangible assets with definite useful lives are stated at cost less accumulated amortisation and accumulated impairment losses, if any. These are amortised using the straight line method over their estimated useful lives at the rate mentioned in note.

Amortisation on additions is charged from the month in which the assets are available for use while no amortisation is charged in the month in which the assets are disposed of.

The estimated useful lives and the amortisation methods are reviewed at the end of each reporting date, with the effect of any changes in the estimate being accounted for on a prospective basis.

Software and other development costs are only capitalised to the extent that future economic benefits are expected to flow to the Bank and that the cost can be measured reliably.

6.8 Impairment

The Bank assesses at the end of each reporting period whether there is any indication that property and equipment and intangible assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether these are recorded in excess of their recoverable amount. Recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in the profit and loss account.

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 recognised as income in the profit and loss account.

6.9 Advances

Advances are measured a amortised cost; these are initially measured at fair value plus incremental direct cost net of loan processing and subsequently at their amortised cost using the effective interest method.

6.10 Taxation

Income tax comprises of current tax and deferred tax.

Income tax expense is recognised in the statement of profit and loss except to the extent that it relates to items recognized in other comprehensive income or directly in equity (if any), in which case the tax amounts are recognized directly in other comprehensive income or equity.

The Institute of Chartered Accountants of Pakistan has issued IAS 12 Application Guidance on Accounting for Minimum Taxes and Final Taxes and defined two approaches for bifurcation of tax between current and minimum taxes. The Company has adopted an approach to account for current tax calculated on taxable income using the notified tax rate as an income tax and minimum tax any amount over the current tax calculated on taxable income is accounted for as excess over the current tax and is recognised as a levy as per IFRIC 21/IAS37.

6.10.1 Current

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years and tax credit, if any.

6.10.2 Deferred

Deferred tax is recognised using the balance sheet liability method, on all temporary differences arising at the reporting date between the tax base of assets and liabilities and their carrying amount for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that the future taxable profits will be available against which the assets may be utilised.

The carrying amount of deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the asset is utilised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

6.11 Provisions

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

6.12 Statutory reserve

The Bank is required under Regulation 4 of Prudential Regulations for Microfinance Banks to maintain a statutory reserve to which an appropriation equivalent to 20% of the annual after tax profit is made till such time the reserve fund equals the paid-up capital of the Microfinance Bank; thereafter, a sum of not less than 5% of its annual profit after tax is required to be appropriated.

6.13 Depositor's protection fund

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

6.14 Cash reserve

In compliance with the related regulatory requirements, the Bank is required to maintain a cash reserve equivalent to not less than 5% of its deposits (including demand deposits and time deposits with tenor of less than 1 year) in a current account opened with the State Bank of Pakistan or its agent.

6.15 Statutory liquidity requirement

In compliance with the related regulatory requirements, the Bank is required to maintain liquidity equivalent to at least 10% of its total demand and time liabilities with tenor of less than one year in 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 depositor protection fund are excluded for the purpose of determining liquidity.

6.16 Deposits

Deposits are initially recorded at the amount of proceeds received. Mark-up on deposits is accrued on a time proportion basis.

6.17 Grants

The grant related to an asset is recognised in the balance sheet when there is a reasonable certainty that it will be received and the Bank will comply with the condition(s) attached to it. Grants that compensate the Bank for expense incurred are recognised as revenue in the profit and loss account on a systematic basis in the same period in which the expenses are incurred. Grants that compensate the Bank for the cost of an asset are recognised in the profit and loss account on a systematic basis over the life of the asset.

6.18 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.

6.19 Financial instruments

6.19.1 Financial assets and financial liabilities

Financial assets and financial liabilities are recognised at the time when the Bank becomes a party to the contractual provisions of the instrument. At the time of initial recognition, all the financial assets and liabilities are measured at cost, which is the fair value of the consideration given or received for it. The financial assets and financial liabilities are subsequently measured and carried at fair value, amortised cost or cost as the case may be. Financial assets are de-recognised when the contractual right to future cash flows from the asset expires or is transferred along with the risks and rewards of the asset. Financial liabilities are de-recognised when obligation specified in the contract is discharged, cancelled or expired. Any gain or losses on de-recognition of the financial assets and liabilities are recognised in the profit and loss account.

6.19.2 Derivative financial Instruments

These are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account.

6.19.3 Off setting of financial assets and financial liabilities

Financial assets and financial liabilities are only off-set and the net amount is reported in the financial statements when there is a legally enforceable right to set-off the recognised amounts and the Bank.

intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also off-set and the net amount is reported in the financial statements.

6.20 Foreign currency transactions and translations

Foreign currency transactions are translated into Pak Rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the exchange rates prevailing at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using exchange rates at the date when the fair value was determined. Exchange gains and losses are included in the profit and loss account.

6.21 Share capital

Ordinary shares are classified as equity and are recorded at their face value.

6.22 Earnings / (loss) per share

The Bank presents basic and diluted earnings / (loss) per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS, if any, is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. There were no dilutive potential ordinary shares in issue at December 31, 2024 and December 31, 2023.

6.23 Dividend and other appropriations

Dividend and appropriation to reserves, except appropriations which are required by the law, are recorded in the period in which these are approved.

6.24 Staff retirement benefits

6.24.1 Contributory provident fund

The Bank operates an approved contributory provident fund for all employees. Monthly equal contributions are made to the fund by the Bank and the employees at the rate of 10% of basic salary.

6.25 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.

6.25.1 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.

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

6.25.2 (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).

6.25.2 (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.

6.25.2 (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.

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

6.25.3 (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.

6.25.3 (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

6.25.3 (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.

6.25.3 (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.

6.25.3 (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.

6.25.3 (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.

6.25.3 (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.

6.25.3 (h) Derecognition of financial liabilities

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

6.25.3 (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	-	(183,841,562)	2,936,206,899	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	-	(56,109,420)	53,755,908	Amortized cost
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		**352,867,939**	**-**	**(239,950,982)**	**112,916,957**	

7 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 year ended December 31, 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 year ended December 31, 2023		
	As previously reported	Re-statement effect	As Restated
	---------- Rupees ----------		
Effect on financial statements			
Minimum tax differential	-	24,559,244	24,559,244
Income tax	5,983,750	(24,559,244)	(18,575,494)
	5,983,750	-	5,983,750

	Note	2024	2023
		------------(Rupees)------------	

8 CASH AND BALANCES WITH TREASURY BANKS

	Note	2024	2023
Cash in Hand - Local currency		72,440,344	69,205,961
With State Bank of Pakistan			
- Local currency current account	8.1	245,522,002	321,933,075
- Local currency deposits account		-	-
		245,522,002	321,933,075
With National Bank of Pakistan			
- Local currency current account		-	-
- Local currency deposits account		-	-
Less: Credit loss allowance		-	-
		317,962,346	391,139,036

8.1 This includes current account maintained with SBP amounting to Rs. 225,085,624 (2023: Rs. 178,543,096) 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 AND MICROFINANCE BANK

	Note	2024	2023
In current accounts		9,164,255	1,605,682
In deposit accounts	9.1	365,179,414	95,105,298
Less: Credit loss allowance		-	-
		374,343,669	96,710,980

9.1 These include deposits with commercial banks carrying mark-up rates ranging from 13.5% to 20.5% (2023: 8.25% to 14.5%) per annum.

10 INVESTMENTS

10.1 Investments by type:

Debt instruments	Note	2024 Amortised cost	2024 Credit Loss Allowance	2024 Surplus / (Deficit)	2024 Carrying Value	2023 Amortized Cost	2023 Provision for diminution	2023 Surplus / (Deficit)	2023 Carrying Value
		(Rupees)							
Classified as Amortized cost									
-Term deposits certificate	10.2	125,000,000	-	-	125,000,000	-	-	-	-
-Market Treasury Bills	10.3	1,664,584,902	-	-	1,664,584,902	707,348,814	-	-	707,348,814
Total Investments		1,789,584,902	-	-	1,789,584,902	707,348,814	-	-	707,348,814

10.2 This represents Term Deposit Certificates purchased by the Bank from Microfinance Bank, maturing in 1 year with a yield of 18.5%.

10.3 These represent six T-bills with maturity between 9 days and 1 year. These carries yield percentages between 11.75% to 12.15% (2023: 21.33% to 21.88%).

11 ADVANCES

	Performing 2024	Performing 2023	Non Performing 2024	Non Performing 2023	Total 2024	Total 2023
	Rupees					
Micro credit						
Secured	64,313,870	94,879,771	-	101,722	64,313,870	94,981,493
Unsecured	2,339,211,151	2,973,448,775	163,023,370	158,964,781	2,502,234,521	3,132,413,556
Advances - gross	2,403,525,021	3,068,328,546	163,023,370	159,066,503	2,566,548,391	3,227,395,049
Credit loss allowance against advances						
-Stage 1	(133,204,126)	-		-	(133,204,126)	-
-Stage 2	-	-	(10,576,243)	-	(10,576,243)	-
-Stage 3	-	-	(112,089,468)	-	(112,089,468)	-
-General	-	(30,556,238)		-	-	(30,556,238)
-Specific	-	-		(76,790,350)	-	(76,790,350)
	(133,204,126)	(30,556,238)	(122,665,711)	(76,790,350)	(255,869,837)	(107,346,588)
Advances - net of credit loss allowance	2,270,320,895	3,037,772,308	40,357,659	82,276,153	2,310,678,554	3,120,048,461

	2024	2023
	------------(Rupees)------------	

11.1 Particulars of advances (gross)

	2024	2023
In local currency	2,566,548,391	3,227,395,049

11.2 Advances include Rs.163.1 million (2023: Rs. 159.5 million) which have been placed under/non-performing as detailed below:-

Category of Classification	December 31, 2024	
	Non performing loans	Credit loss allowance
	------------(Rupees)------------	
Domestic		
Other Assets Especially Mentioned (OAEM)	32,475,773	10,576,243
Substandard	26,227,416	22,519,123
Doubtful	79,136,757	67,947,608
Loss	25,183,424	21,622,737
	163,023,370	122,665,711

11.3 Particulars of credit loss allowance against advances

	2024						2023		
	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	174,707,935	6,646,101	109,834,111	(76,790,350)	(30,556,236)	183,841,561	-	-	-
Charge for the year	-	3,930,142	337,644,566	-	-	341,574,708	314,869,148	26,853,763	341,722,911
Reversals	(41,503,809)	-	-	-	-	(41,503,809)	(15,318,784)	(27,360,493)	(42,679,277)
	(41,503,809)	3,930,142	337,644,566	-	-	300,070,899	299,550,364	(506,730)	299,043,634
Amounts written off	-	-	(335,389,209)	-	-	(335,389,209)	(337,715,994)	-	(337,715,994)
Closing balance	133,204,126	10,576,243	112,089,468	-	-	255,869,837	76,790,350	30,556,236	107,346,586

11.3.1 Advances - Category of classification - Domestic

	December 31, 2024	
	Outstanding amount	Credit loss allowance held
	------------(Rupees)------------	
Performing	2,403,525,021	133,204,126
Underperforming		
Other Asset especially mentioned	32,475,773	10,576,243
Non-Performing		
Substandard	26,227,416	22,519,123
Doubtful	79,136,757	67,947,608
Loss	25,183,424	21,622,737
Total	2,566,548,391	255,869,837

	Note	2024	2023
		------------(Rupees)------------	

12 PROPERTY AND EQUIPMENT

	Note	2024	2023
Property and equipment	12.2	213,252,660	196,370,727
Capital work-in-progress	12.1	143,749	-
		213,396,409	196,370,727

12.1 Capital work-in-progress

	Note	2024	2023
Civil works	12.3	143,749	-

12.2 Property and equipment

	2024					
Property and equipment	**Leasehold Improvements**	**Furniture and fixture**	**Office and other equipment**	**Computer equipment**	**Vehicles**	**Total**
	---------- Rupees ----------					
At January 1, 2024						
Cost / Revalued amount	144,202,552	35,555,687	113,533,634	123,802,508	31,401,414	448,495,795
Accumulated depreciation	(44,145,051)	(23,884,036)	(72,139,586)	(99,560,473)	(12,395,922)	(252,125,068)
Net book value	**100,057,501**	**11,671,651**	**41,394,048**	**24,242,035**	**19,005,492**	**196,370,727**
Year ended December 2024						
Opening net book value	100,057,501	11,671,651	41,394,048	24,242,035	19,005,492	196,370,727
Additions	33,289,056	8,334,522	6,560,600	14,730,154	7,405,500	70,319,832
Disposals	-	-	-	(187,165)	(2,122,583)	(2,309,748)
Depreciation charge	(13,915,909)	(4,213,867)	(12,696,944)	(18,022,200)	(2,279,231)	(51,128,151)
Closing net book value	**119,430,648**	**15,792,306**	**35,257,704**	**20,762,824**	**22,009,178**	**213,252,660**
At December 31, 2024						
Cost / Revalued amount	177,491,608	45,138,606	120,094,235	137,939,273	34,129,940	514,793,662
Accumulated depreciation	(58,060,960)	(29,346,300)	(84,836,531)	(117,176,449)	(12,120,762)	(301,541,002)
Net book value	**119,430,648**	**15,792,306**	**35,257,704**	**20,762,825**	**22,009,178**	**213,252,660**
Rate of depreciation (percentage)	**10%**	**20%**	**20%**	**33%**	**20%**	

	2023					
	Leasehold Improvements	**Furniture and fixture**	**Office and other equipment**	**Computer equipment**	**Vehicles**	**Total**
	---------- Rupees ----------					
At January 1, 2023						
Cost / Revalued amount	134,741,026	36,715,987	107,283,752	116,023,323	31,401,414	426,165,502
Accumulated depreciation	(30,691,927)	(20,157,396)	(60,010,224)	(79,177,341)	(10,223,595)	(200,260,483)
Net book value	**104,049,099**	**16,558,591**	**47,273,528**	**36,845,982**	**21,177,819**	**225,905,019**
Year ended December 2023						
Opening net book value	104,049,099	16,558,591	47,273,528	36,845,982	21,177,819	225,905,019
Additions	9,461,526	88,092	10,492,482	8,006,835	-	28,048,935
Disposals	-	-	(611,841)	(139,138)	-	(750,979)
Depreciation charge	(13,453,124)	(4,975,032)	(15,760,121)	(20,471,644)	(2,172,327)	(56,832,248)
Closing net book value	**100,057,501**	**11,671,651**	**41,394,048**	**24,242,035**	**19,005,492**	**196,370,727**
At December 31, 2023						
Cost / Revalued amount	144,202,552	35,555,687	113,533,634	123,802,508	31,401,414	448,495,795
Accumulated depreciation	(44,145,051)	(23,884,036)	(72,139,586)	(99,560,473)	(12,395,922)	(252,125,068)
Net book value	**100,057,501**	**11,671,651**	**41,394,048**	**24,242,035**	**19,005,492**	**196,370,727**
Rate of depreciation (percentage)	**10%**	**20%**	**20%**	**33%**	**20%**	

12.3 This represent the addition in CWIP for the construction of new branches.

12.4 Fully depreciated property and equipment

	2024	2023
	------------(Rupees)------------	
Leasehold improvements	7,963,093	7,882,836
Furniture and fixtures	18,285,462	15,576,406
Office and other equipment	54,552,407	44,940,778
Computer equipment	86,436,575	65,350,634
Vehicles	1,119,245	999,745
Total	168,356,782	134,750,399

12.4.1 This represent cost of fully depreciated assets that are still in use.

13 RIGHT-OF-USE ASSETS

	2024			2023		
	Buidlings	Others (to be specified)	Total	Buidlings	Others (to be specified)	Total
	---------- Rupees ----------					
At January 1, 2023						
Cost	330,135,162	-	330,135,162	291,765,364	-	291,765,364
Accumulated Depreciation	(161,560,942)	-	(161,560,942)	(110,316,877)	-	(110,316,877)
Net Carrying amount at January 1, 2024	168,574,220	-	168,574,220	181,448,487	-	181,448,487
Additions during the year	196,829,648	-	196,829,648	38,369,798	-	38,369,798
Depreciation Charge / Disposal for the year	(59,606,549)	-	(59,606,549)	(51,244,065)	-	(51,244,065)
Net Carrying amount at December 31, 2024	305,797,319	-	305,797,319	168,574,220	-	168,574,220

	Note	2024	2023
		------------(Rupees)------------	
Amounts recognised in profit or loss			
-Depreciation expense on right of use	29	59,606,549	51,244,065
-Interest expense on lease liability	29	31,641,326	30,493,848
		91,247,875	81,737,913

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

14 INTANGIBLE ASSETS

	2024		
	Core banking application and other licenses	Computer software	Total
	-------------Rupees-----------------		
At January 1, 2024			
Cost	56,704,385	12,464,713	69,169,098
Accumulated amortization and impairment	(54,975,403)	(11,737,778)	(66,713,181)
Net book value	1,728,982	726,935	2,455,917
Year ended December, 2024			
Opening net book value	1,728,982	726,935	2,455,917
Additions:			
- developed internally	-	-	-
- directly purchased	-	5,769,443	5,769,443
	-	5,769,443	5,769,443
Amortiaation charge	(1,728,982)	(542,324)	(2,271,306)
Closing net book value	-	5,954,054	5,954,054
At December 31, 2024			
Cost	56,704,385	18,234,156	74,938,541
Accumulated amortization and impairment	(56,704,385)	(12,280,102)	(68,984,487)
Net book value	-	5,954,054	5,954,054
Rate of amortization (percentage)	25%	25%	25%
Useful life	4	4	4

	2023		
	Core banking application and other licenses	Computer software	Total
	-------------Rupees------------------		
At January 1, 2023			
Cost	56,704,385	12,266,963	68,971,348
Accumulated amortization and impairment	(54,960,819)	(10,115,429)	(65,076,248)
Net book value	1,743,566	2,151,534	3,895,100
Year ended December, 2023			
Opening net book value	1,743,566	2,151,534	3,895,100
Additions:			
- developed internally	-	-	-
- through acquisitions / purchased	-	197,750	197,750
	-	197,750	197,750
Amortization charge	(14,584)	(1,622,349)	(1,636,933)
Closing net book value	1,728,982	726,935	2,455,917
At December 31, 2023			
Cost	56,704,385	12,464,713	69,169,098
Accumulated amortization and impairment	(54,975,403)	(11,737,778)	(66,713,181)
Net book value	1,728,982	726,935	2,455,917
Rate of amortization (percentage)	25%	25%	25%
Useful life	4	4	4

	2024	2023
	------------(Rupees)------------	
14.1 Fully depreciated Intangible		
Core banking application and other licenses	9,713,635	7,837,857
Computer software	56,704,385	55,308,263
Total	66,418,020	63,146,120

14.1.1 This represent the cost of full amortized intangible assets that are still in use.

15 DEFERRED TAX ASSETS

Deferred tax comprises of deductible and taxable timing differences in respect of the following:

Deductible temporary differences arising in respect of		
- Unabsorbed tax depreciation and amortisation	105,214,016	91,620,956
- Property and equipment	8,036,152	6,137,768
	113,250,168	97,758,724
Taxable temporary differences arising due to		
- Intangible assets	(28,980)	(121,745)
	113,221,188	97,636,979

15.1 The Bank has unabsorbed tax loss of Rs. 1019.50 million (including unabsorbed tax depreciation and amortisation amounting to Rs. 362.80 million) as at December 31, 2024. The management has recognised deferred tax asset of Rs. 105.214 million (2023: Rs 91.621 million) on unabsorbed tax depreciation and amortisation. The deferred tax asset has been recorded based on the financial projections of the Bank which have been prepared by the management. The financial projections prepared by the management are based on assumptions which are linked to various variable factors such as growth in enterprise loans, expansion in gold-backed loans, microloans, productivity, growth in loan size, effective interest rate etc. expected to be achieved during the next three years.

	Note	2024	2023
		------------(Rupees)------------	
16 OTHER ASSETS			
Income / Mark-up accrued		43,393,069	92,493,555
Advances to staff	16.1	9,164,642	7,804,521
Receivable from related party	16.2	9,057,600	-
Prepayment for Rent, Insurance and Others		35,127,409	11,049,092
Advance against purchase of Core banking system	16.3	65,226,981	-
Advance taxation (payment less provision)		3,682,664	2,958,442
Accrued income on PLS savings account		2,768,082	2,797,672
Security Deposit		9,265,410	6,769,580
Others		2,823,041	1,564,000
Other assets - total		180,508,898	125,436,862
Less: Credit loss allowance held against other ass	16.4	(903,391)	-
		179,605,507	125,436,862

16.1 This include loan to employees carrying markup at KIBOR + 3%.

16.2 This represents amount receivable from Halan Wallet (Private) Limited, a related party, for reimbursement of expenses. Paid on behalf of Halan Wallet (Private) Limited.

16.3 This represents amount paid for new core banking application.

	2024	2023
	------------(Rupees)------------	
16.4 Movement in Credit loss allowance held against other assets		
Opening balance	981,559	-
Reversal for the year	(78,168)	-
Closing balance	903,391	-

	Note	2024	2023
		------------(Rupees)------------	

17 BORROWINGS

	Note	2024	2023
Secured			
Borrowings from Bank / Financial Institutions			
- Borrowings from PMIC		-	160,000,000
- Borrowings from HMBL		-	16,666,665
- Borrowings from UBL	17.1	1,094,985	5,663,516
		1,094,985	182,330,181

17.1 The Bank has obtained financing facility of Rs. 16 million from United Bank Limited (UBL) for purchase of new locally manufactured / assembled vehicles to be used by management at a rate of 1 Month KIBOR + 2.00% per annum. The tenor of the facility is 3 years from the date of each drawdown and repayment of principal in 36 equal monthly installments. This loan has been secured against custody of original excise file along with copy of registered book / card and spare key with UBL along with 1st exclusive charge against the vehicles to be registered with SECP in favor of UBL.

18 DEPOSITS AND OTHER ACCOUNTS

	2024	2023
Customers		
Current deposits	74,984,433	66,973,287
Saving deposits	1,459,995,998	906,293,628
Term deposits	3,080,638,100	2,803,707,776
	4,615,618,531	3,776,974,691
Composition of deposits		
- Individuals	3,790,675,716	2,856,280,888
- Public sector entities	824,942,815	920,693,803
	4,615,618,531	3,776,974,691

19 LEASE LIABILITIES

	2024	2023
Outstanding amount as at January, 01 2024	188,391,507	190,495,685
Additions during the year	199,129,122	38,147,154
Lease payments including interest	(85,550,901)	(69,755,161)
Interest expense	31,641,326	29,664,715
Outstanding amount at December 31, 2024	333,611,054	188,391,507

19.1 Contractual maturity of lease liabilities

	2024	2023
Short-term lease liabilities - within one year	89,517,347	60,457,760
- 1 to 5 years	352,670,804	173,552,181
- 5 to 10 years	110,066,268	66,703,541
Long-term lease liabilities	462,737,072	240,255,722
Un-accrued interest expense	(218,643,365)	(112,321,975)
Total lease liabilities	333,611,054	188,391,507

	Note	2024	2023
		------------(Rupees)------------	

20 DEFERRED GRANT

Opening balance		714,669	714,669
Closing balance		714,669	714,669

20.1 This represents grant received from the State Bank of Pakistan (SBP) vide circular letter no. 4 of 2017 in respect of financial assistance. Under the circular, the grant's utilization is subject to conducting research to develop a financing product for serving the identified sectors, developing marketing and promotion material for identified sectors and, conducting awareness sessions. The Bank was entitled to receive Rs. 1.2 million out of which equal tranches of Rs. 0.6 million were received during the year ended December 31, 2018 and December 31, 2019. The Bank performed the specified activities in the year 2018 and accordingly, recognized Rs. 0.485 million as income during the year ended December 31, 2018. Thereafter, the Bank has not undertaken the specified activities as of the reporting date.

21 OTHER LIABILITIES

	Note	2024	2023
Mark-up/ Return/ Interest payable in local currency		24,234,369	50,084,949
Accrued expenses	21.1	85,839,774	40,151,687
Payable to related parties	21.2	1,019,100	1,018,208
Withholding tax payable	21.3	43,720,039	16,670,383
Provident fund payable		2,610,459	4,926,111
Payable to EOBI		-	88,470
		157,423,741	112,939,808

21.1 This represent accruals related to head office expenses, professional charges, payable to suppliers, utilities and salaries.

21.2 Payable to Related parties

	2024	2023
Advance against shares	1,019,100	618,208
Remuneration payable	-	400,000
	1,019,100	1,018,208

21.3 This include withholding tax payable on saving accounts and salaries.

22 SHARE CAPITAL

22.1 Authorized Capital

2024	2023		2024	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

22.1.1 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.

22.2 Issued, subscribed and paid-up

2024	2023		2024	2023
(Number of shares)			---------Rupees---------	
		Ordinary shares of Rs. 10 each		
287,066,310	204,566,310	- Fully paid in cash	2,870,663,100	2,045,663,100
287,066,310	204,566,310		2,870,663,100	2,045,663,100

22.2.1 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 and the Bank issued rights shares of Rs. 825 million, equivalent to 82.5 million shares, in July 2024.

22.2.2 Subsequent to the reporting date, the Parent Company injected fresh equity by way of rights shares amounting to Rs. 600 million which was realized by the Bank on January 31, 2025. Subsequently, the Bank issued rights shares of Rs. 600 million, equivalent to 60 million shares, in February 2025.

22.2.3 Movement in issued, subscribed and paid-up share capital

	2024			2023			2024	2023
	Issued for cash	Issued as bonus shares	Total	Issued for cash	Issued as bonus shares	Total		
	(Number of shares)							
Opening	204,566,310	-	204,566,310	172,516,310	-	172,516,310	2,045,663,100	172,516,310
Shares issued during the year	82,500,000	-	82,500,000	32,050,000	-	32,050,000	825,000,000	32,050,000
	287,066,310	-	287,066,310	204,566,310	-	204,566,310	2,870,663,100	2,045,663,100

22.3 This represents shares owned by the parent Company and have been deposited in blocked account with the Central Depository Company of Pakistan Limited in terms of BPRD Circular No. 9 of 2009 and under SBP License No. MFI-012 dated June 28, 2012.

23 CONTINGENCIES AND COMMITMENTS

23.1 Detailed below are contingency primarily in the nature of tax;

23.1.1 The Bank Limited is currently contesting a tax demand of Rs. 5,202,172/-, raised under Section 161(1A) of the Income Tax Ordinance, 2001, through an appeal filed before the Commissioner Inland Revenue (Appeals). The case has been heard and is presently reserved for order. Based on the merits of the case and relevant legal provisions, management anticipates a favorable outcome. Consequently, no provision has been recognized in the financial statements at this stage, as the Bank believes that the likelihood of an outflow of economic resources remains low. The management continues to monitor the case and will reassess the position in light of any further developments.

24 MARK-UP / RETURN / INTEREST EARNED

	Note	2024	2023
		------------(Rupees)------------	
Interest / mark-up on:			
Loans and Advances	24.1	1,302,099,711	1,624,443,825
Investments	24.1	236,256,622	71,131,798
Deposits		74,622,060	31,158,931
		1,612,978,393	1,726,734,554

		Note	2024	2023
			------------(Rupees)------------	
24.1	**Interest income (calculated using effective interest rate method) recognised on:**			
	Financial assets measured at amortized cost			
	Loans and Advances		1,302,099,711	1,624,443,825
	Treasury bills		236,256,622	71,131,798
			1,538,356,333	1,695,575,623
25	**MARK-UP / RETURN / INTEREST EXPENSED**			
	Markup on Deposits		978,590,873	764,328,976
	Markup on Borrowings		16,287,647	79,741,329
			994,878,520	844,070,305
26	**FEE & COMMISSION INCOME**			
	Loan processing fee		151,479,907	190,648,464
	Other fee and commission		2,335,385	633,227
			153,815,292	191,281,691
27	**NET GAIN / LOSS ON FINANCIAL ASSETS / LIABILITIES MEASURED AT AMORTISED**			
	Gain on derecognition of financial assets measured at amortised cost		176,009	-
	Loss on derecognition of financial assets measured at amortised cost		(103,586)	(354,676)
			72,423	(354,676)
28	**OTHER INCOME**			
	Recoveries against write-offs		63,165,698	46,723,265
	Net gain on sale of fixed assets		4,703,925	483,809
	Liabilities no longer required written back		-	4,440,197
	Others	28.1	718,449	3,813,867
			68,588,072	55,461,138

28.1 This represent interest income on loan given to employee.

		Note	2024	2023
29	**OPERATING EXPENSES**			
	Salaries and other allowances	29.1	663,835,994	599,226,604
	Staff welfare		10,840,691	10,836,038
	Non executive directors' fees, allowances and other expenses		800,000	1,600,000
	Training and business development		679,461	1,177,760
	Rent, rates and taxes	29.2	24,818,910	25,191,570
	Legal and professional charges		7,924,777	7,402,103
	Utilities		66,372,522	52,402,723
	Communications		21,907,580	29,881,768
	Repairs and maintenance - others		54,771,570	38,007,169
	Repairs and maintenance - Vehicles		15,945,349	4,887,633

	Note	2024	2023
		------------(Rupees)------------	
Financial charges on lease liability against right-of-use asset		31,641,326	30,493,848
Fuel for generator		42,968,496	44,046,999
Insurance		24,591,158	18,261,988
Travelling and conveyance		30,577,757	52,063,101
Printing and stationery		11,329,770	12,750,126
Fees and subscription		44,620,196	18,544,315
Security charges		42,839,241	32,701,721
Advertisement and publicity		7,815,015	10,010,954
Auditors' remuneration	29.3	4,991,637	4,155,234
Depreciation of Property and Equipment		51,117,483	56,832,274
Depreciation of Right-of-use-asset		59,606,549	51,244,065
Amortisation of intangible assets		2,271,259	1,636,933
Bank charges		949,046	13,457,602
Office supplies		682,817	535,808
Janitorial charges		14,383,228	12,613,725
Other expenses		22,625,187	13,156,311
		1,260,907,019	1,143,118,372

29.1 Total compensation expense

	2024	2023
Salaries	288,855,434	300,575,834
Accommodation	117,511,584	71,421,921
Incentive	66,976,266	63,894,109
Utility	41,991,281	31,226,602
Special Allowance	41,233,425	28,709,631
Medical	21,424,887	16,997,352
Conveyance	53,869,229	42,318,944
Staff retirement benefits	15,300,495	12,774,897
Social benefits	9,345,525	5,314,222
Tax born by the employer	5,085,330	21,411,633
Bonus	-	2,707,276
Others	2,215,538	1,874,183
	663,808,994	599,226,604

29.2 This represents amount paid against rent fees for the Bank's executives.

29.3 Auditors' remuneration

	2024	2023
Audit fee	1,982,889	1,802,626
Half-yearly review fee	974,050	885,500
Fee for other statutory certifications	355,000	355,000
Out-of-pocket expenses	1,200,000	804,313
Sales tax	479,698	307,795
	4,991,637	4,155,234

	Note	2024	2023
		------------(Rupees)------------	

30 OTHER CHARGES

Exchange loss		-	54,839
Penalties imposed by State Bank of Pakistan		-	10,481,444
		-	10,536,283

31 CREDIT LOSS ALLOWANCE & WRITE OFFS - NET

Credit loss allowance against loans & advances		299,866,907	299,043,634
Bad debts written off		203,993	240,347
		300,070,900	299,283,981

32 MINIMUM TAX DIFFERENTIAL

Minimum tax differential		22,521,142	24,559,244

32.1 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.

33 TAXATION

Current		-	-
Deferred		(15,584,211)	(18,575,494)
		(15,584,211)	(18,575,494)

34 LOSS PER SHARE

34.1 Basic

Loss for the period	Rupees	(727,339,190)	(329,869,984)
Weighted average number of ordinary shares	Number	245,816,310	204,566,310
Basic loss per share	Rupee	(2.96)	(1.61)

34.2 Diluted

No figure for diluted (loss) / earnings per share has been presented as the Bank has not issued any convertible instrument which would have an impact on basic (loss) / earnings per share.

35 CASH AND CASH EQUIVALENTS

Cash and balances with treasury banks	8	317,962,346	391,139,036
Balances with other banks and microfinance bank	9	374,343,669	96,710,980
Investments		1,126,066,375	707,348,814
		1,818,372,390	1,195,198,828

	Note	2024	2023
		------------(Rupees)------------	

36 STAFF STRENGTH

	2024	2023
Permanent	555	391
On contract	5	147
MFB's own staff strength at the end of the year	560	538

37 NUMBER OF BRANCHES

	2024		2023	
	Branches	Service Centre	Branches	Service Centre
At the beginning of the year	19	-	19	-
Add: Opened during the year	5	-	-	-
At the end of the year	24	-	19	-

38 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	Chief Executive		Directors		Executives	
	2024	2023	2024	2023	2024	2023
	(Rupees)					
Directors' remuneration		-	800,000	1,600,000	-	-
Managerial remuneration	6,710,496	24,558,497		-	67,036,397	113,684,190
Contribution to defined contribution plan		-		-	5,638,529	10,379,113
Rent and house maintenance	-	-		-	31,414,473	44,562,943
Special allowance	-	-		-	12,565,780	17,825,137
Utilities	671,054	2,455,867		-	12,986,451	20,280,774
Medical	671,054	2,455,844		-	6,703,655	11,368,474
Conveyance allowance		-		-	-	615,213
Other benefits	5,020,614	19,900,131		-	26,959,312	60,034,061
	13,073,218	49,370,339	800,000	1,600,000	163,304,597	278,749,905
Number of persons during the year	2 *	1	2	2	29	154

The Chief Executive Officer (CEO) are provided with free use of Bank's maintained car.

* The Chief Executive Officer of the Bank changed during the year due to the acquisition.

* The current Chief Executive Officer does not receive any remuneration from the Bank.

39 RELATED PARTY TRANSACTIONS

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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:

	December 31, 2024					December 31, 2023				
	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	-	-	-	9,024,353	-	-	-	-	-	
Deposits and other accounts										
Opening balance	-	-	-	-	48,000,000	-	-	-	-	-
Received during the period / year	-	-	-	-	13,570,554	-	-	-	-	48,000,000
Withdrawn during the year					(61,570,554)		-	-	-	-
Closing balance					-		-	-	-	48,000,000
Other Liabilities										
Remuneration Payable	-	-	-	-	-	-	800,000	-	-	-
Payable to staff retirement fund	-	-	-	-	2,610,459	-	-	-	-	4,926,111
Advance Against Shares	1,019,099	-	-	-	-	618,208	-	-	-	-
Interest payable	-	-	-	-	-	-	-	-	-	-
Income										
Mark-up / Return / Interest earned										
Fee and commission income										
Dividend income	-	-	-	-	-	-	-	-	-	-
Net gain on sale of securities	-	-	-	-	-	-	-	-	-	-
Other income (to be specified if > Rs !	-	-	-	-	-	-	-	-	-	-
Expense										
Interest Expense	-	-	-	-	13,967,358	-	-	-	-	7,178,000
Remuneration expense	-	-		-	-	-	13,873,218	163,304,597	-	-
			-							
Closing balance	**1,019,099**	**-**	**-**	**9,024,353**	**16,577,817**	**618,208**	**14,673,218**	**163,304,597**	**-**	**60,104,111**

40 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	2024	2023
	----------Rupees----------	
Minimum Capital Requirement (MR):		
Paid-up capital (net of losses)	502,080,968	559,469,179
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	497,861,152	550,026,059
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	497,861,152	550,026,059
Eligible Tier 2 Capital	28,824,942	19,022,244
Total Eligible Capital (Tier 1 + Tier 2)	526,686,094	569,048,304
Risk Weighted Assets (RWAs):		
Credit risk	2,403,003,306	3,050,466,920
Operational risk	1,039,059,841	712,781,832
Total	3,442,063,147	3,763,248,752
Common Equity Tier 1 Capital Adequacy Ratio	14.46%	14.62%
Tier 1 Capital Adequacy Ratio	14.46%	14.62%
Total Capital Adequacy Ratio	15.30%	15.12%

41 CAPITAL MANAGEMENT

41.1 The objective of managing capital is to safeguard the Bank's ability to continue as a going concern, so that it could continue to provide adequate returns and benefits to stakeholders by pricing products and services commensurately with the level of risk. It is the policy of the Bank to have a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

41.2 Goals of managing capital

The goals of managing capital of the Bank are as follows:

To be an appropriately capitalised institution, as defined by the regulatory authorities and comparable to peers;

maintain strong ratings and to protect the Bank against unexpected events;

availability of adequate capital (including the quantum) at a reasonable cost so as to enable the Bank to expand; and

achieve low overall cost of capital with appropriate mix of capital elements.

41.3 Statutory minimum capital requirement and management of capital

41.3.1 As per amendments in Prudential Regulation (R-1) issued by SBP vide BPRD Circular No. 10 of 2015 dated June 03, 2015, the minimum paid up capital requirement (MCR), free of losses, for Microfinance Banks operating at provincial level is Rs. 500 million. As of December 31, 2024, the share capital of the Bank stood at Rs. 2,870.663 million (2023: Rs. 2,045.663 million) and paid up capital of the Bank free of losses is Rs. 502.080 million. Hence, the Bank is in compliance with the aforesaid requirement.

41.3.2 At present, the Bank defines capital as shareholders' equity i.e. share capital and reserves. The capital of the Bank is managed keeping in view the minimum “Capital Adequacy Ratio” as required by the Prudential Regulations for Microfinance Banks / Institutions which is 15% of risk weighted assets. The calculation of capital adequacy enables the Bank to assess the long-term financial viability. As the Bank has plans to establish a wide network of branches to conduct business therefore, it is critical that the Bank is able to continuously monitor the exposure across the entire organisation.

The Bank manages its capital structure and makes adjustments to it in the light of changes in regulatory and economic conditions. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend paid to shareholders, return capital to shareholders or issue new shares.

"As at December 31, 2024, the Bank's net equity and Capital Adequacy Ratio stood at Rs.502.080 million (2023: Rs 644.371 million) and 15.30% (2023: 15.12%) respectively as against the minimum requirement of Rs. 500 million and 15% prescribed by the SBP."

42 FINANCIAL ASSETS AND LIABILITIES

	2024							
	Effective yield / interest rate	Interest bearing					Non-interest bearing financial	Total
		Upto 6 months	Over 6 months to one year	Over 1 year up to five years	Over five years	Sub total		
		(Rupees)						
Financial assets								
Cash and balances with SBP and NBP		-	-	-	-	-	317,962,346	317,962,346
Balances with other banks and microfinance banks	13.5% - 20%	365,179,414	-	-	-	365,179,414	9,164,255	374,343,668
Treasury bills	11.75%-12.15	1,126,066,375	538,518,527	-	-	1,664,584,902	-	1,664,584,902
Term deposits certificate	18.50%		125,000,000					
Advances - net of provisions	36.5% - 51%	466,750,181	1,075,087,967	768,840,406	-	2,310,678,554	-	2,310,678,554
Other assets		-	9,164,642	-	-	9,164,642	67,307,203	76,471,845
		1,957,995,970	1,747,771,136	768,840,406	-	4,349,607,512	394,433,804	4,744,041,315
Financial liabilities								
Deposits and other accounts	12.5% - 27%	1,990,892,122	2,487,032,409	137,694,000	-	4,615,618,531		4,615,618,531
Borrowings	Kibor + 4%	1,094,985	-	-	-	1,094,985	-	1,094,985
Other liabilities		-	3,133,769	244,093,707	-	247,227,476	113,703,702	360,931,178
		1,991,987,107	2,490,166,178	381,787,707	-	4,863,940,992	113,703,702	4,977,644,694

	2023							
	Effective yield / interest rate	Interest bearing					Non-interest bearing financial	Total
		Upto 6 months	Over 6 months to one year	Over 1 year up to five years	Over five years	Sub total		
		(Rupees)						
Financial assets								
Cash and balances with SBP and NBP		-	-	-	-	-	391,139,036	391,139,036
Balances with other banks and microfinance banks	14.5% - 20.5%	802,454,112	-	-	-	802,454,112	1,605,682	804,059,794
Advances - net of provisions	36.5% - 51%	654,537,478	1,350,753,918	1,114,757,065	-	3,120,048,461	-	3,120,048,461
Other assets		-	-	-	-	-	111,429,328	111,429,328
		1,456,991,590	1,350,753,918	1,114,757,065	-	3,922,502,573	504,174,046	4,426,676,619
Financial liabilities								
Deposits and other accounts	12.5% - 23.5%	2,087,074,403	1,373,982,000	248,945,000	-	3,710,001,403	66,973,287	3,776,974,690
Borrowings	Kibor + 4%	138,950,914	42,284,267	1,095,000	-	182,330,181	-	182,330,181
Other liabilities		88,470	21,785,539	161,264,349	-	183,138,358	96,180,954	279,319,312
		2,226,113,787	1,438,051,806	411,304,349	-	4,075,469,942	163,154,241	4,238,624,183

42.1 Concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Bank's credit risk is primarily attributable to its advances including markup and balances with other banks. The credit risk on liquid fund is limited because the counterparties are banks with reasonably high credit rating. The credit quality of bank balances can be assessed with reference to external credit ratings as follows:

	Rating Agency	Short Term Rating	Long Term Rating
United Bank Limited	VIS	A1+	AAA
Habib Bank Limited	VIS	A1+	AAA
LOLC Microfinance Bank	VIS	A2	A-
Samba Bank Limited	PACRA	A1	AA
Allied Bank Limited	PACRA	A1+	AAA
Bank of Punjab	PACRA	A1+	AA+
Mobilink Microfinance Bank	PACRA	A1	A
Telenor Microfinance Bank	PACRA	A1	A
Habib Metropolitan Bank	PACRA	A1+	AA+

The Bank has an effective loan disbursement and recovery monitoring system which allows it to evaluate borrower's credit worthiness and identify potential problem loans. The Bank follows SBP provisioning policy therefore, the provision held is considered to be adequate to cover any anticipated loss that may arise due to the default of customers.

42.2 Liquidity risk

Liquidity risk represents the risk that the Bank will encounter difficulties in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial assets. At present the Bank is not exposed to this risk as there is sufficient cash placed with various commercial banks at the year end.

42.3 Market risk

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risk.

42.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Bank's interest rate exposure stems mainly from its investments in Treasury Bills, investment in term deposits certificate and balances with other banks. The Bank's interest rate exposure is low due to the short term nature of the majority of business transactions.

A change of 100 basis points in interest rates at the year end would have increased or decreased the profit for the year and shareholders equity by Rs 3.347 million (2023: Rs 3.707 million). This analysis assumes that all other variables remain constant. This analysis is performed on the same basis as for 2023.

42.3.2 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. At December 31, 2024, the Bank is not exposed to currency risk.

42.3.3 Other price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising form interest rate risk or currency risk), and whether those changes are caused by factors specific to the individual financial instrument of its issuer or factors affecting all or similar financial instruments traded in the market. However, the Bank is not currently exposed to other price risk.

43 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.

43.1 Fair value of financial assets

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

Fair value estimation:

The Bank discloses the financial instruments measured in the balance sheet at fair value in accordance with the following fair value hierarchy that reflects the significance of inputs in making the measurements. The fair value hierarchy has the following levels:

Level 1: 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).

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:

	2024			
	Level 1	**Level 2**	**Level 3**	**Total**
	----------Rupees----------			
On balance sheet financial instruments				
Financial assets - disclosed but not measured at fair value				
Investments	-	1,789,584,902	-	1,789,584,902

44 RISK MANAGEMENT FRAMEWORK

44.1 Operational Risk Management

The Bank is closely monitoring the situation and has invoked required actions to ensure safety and security of Bank staff and an uninterrupted service to the customers. The senior management of the Bank is continuously monitoring the situation and is taking timely decisions to resolve any concerns. The Bank has significantly enhanced monitoring for all cyber security risk during these times from its information security protocols. The remote work capabilities were enabled for critical staff and related risk and control measures were assessed to make sure they are fully protected using virtual private network ("VPN") connections. Further, the Bank has also ensured that its remote access systems are sufficiently resilient to any unwanted cyber attacks.

44.2 Credit Risk Management

The Risk Management function of the Bank is regularly conducting assessments of the credit portfolio to identify borrowers most likely to get affected due to changes in the business and economic environment. The Bank has further strengthened its credit review procedures in the light of Flood. The Bank is continuously reviewing the portfolio, to identify accounts susceptible to higher risk, resulting from the Flood outbreak. In response to the impact of floods on its loan portfolio, the bank has taken steps to manage its credit risk, including restructuring loans and writing off a portion of the outstanding amount. Loan restructuring allows borrowers who have been impacted by the floods to temporarily modify the terms of their loans, such as extending the repayment period to better manage their finances. Meanwhile, the write-off of debt reflects the bank's determination that a portion of its loans will not be recoverable and should be removed from its books. By taking these actions, the bank has taken steps to manage its credit risk and protect its financial stability. These changes to the loan portfolio are reflected in the bank's financial statements in relevant notes.

44.3 Liquidity Risk Management

The Asset and Liability Committee (ALCO) of the Bank is continuously monitoring the liquidity position and the Bank is confident that the liquidity buffer currently maintained is sufficient to cater to any adverse movement in the cash flow maturity profile.

45 SCHEDULE OF MATURITY DISTRIBUTION OF MARKET RATE ASSETS AND LIABILITIES

	2024				
	Total	Upto one month	Over one month upto six months	Over six months upto one year	Over one year
	(Rupees)				
Market rate assets					
Advances - net of provisions	2,310,678,654	34,694,683	432,055,598	1,075,087,967	768,840,406
Other earning assets	2,154,764,316	365,179,414	1,789,584,902	-	-
Total market rate assets	4,465,442,970	399,874,097	2,221,640,500	1,075,087,967	768,840,406
Other non-earning assets	1,186,112,933	375,980,356	3,682,664	48,685,009	716,752,951
Total assets	5,651,555,903	775,854,453	2,225,323,164	1,123,772,976	1,485,593,357
Market rate liabilities					
Deposits	4,615,618,531	1,534,980,501	455,911,621	2,487,032,409	137,694,000
Borrowings	1,094,985	380,711	714,274	-	-
Total market rate liabilities	4,616,713,516	1,535,361,212	456,625,895	2,487,032,409	137,694,000
Other non-interest bearing liabilities	491,749,466	181,395,251	6,805,613	3,133,769	300,414,832
Total liabilities	5,108,462,982	1,716,756,463	463,431,508	2,490,166,178	438,108,832

	2023				
	Total	Upto one month	Over one month upto six months	Over six months upto one year	Over one year
	(Rupees)				
Market rate assets					
Advances - net of provisions	3,120,048,461	55,259,682	599,277,796	1,350,753,918	1,114,757,065
Other earning assets	802,454,112	95,105,298	707,348,814	-	-
Total market rate assets	3,922,502,573	150,364,980	1,306,626,610	1,350,753,918	1,114,757,065
Other non-earning assets	983,219,423	499,584,393	11,343,125	484,481	471,807,423
Total assets	4,905,721,996	649,949,373	1,317,969,735	1,351,238,399	1,586,564,488
Market rate liabilities					
Deposits	3,776,974,690	998,346,914	1,155,700,776	1,373,982,000	248,945,000
Borrowings	182,330,181	57,047,358	81,903,556	42,284,267	1,095,000
Total market rate liabilities	3,959,304,871	1,055,394,272	1,237,604,332	1,416,266,267	250,040,000
Other non-interest bearing liabilities	302,045,985	109,533,405	40,375,087	21,785,539	130,351,955
Total liabilities	4,261,350,856	1,164,213,008	1,277,979,419	1,438,051,806	380,391,955

46 GENERAL

46.1 Figures have been rounded off to the nearest rupee unless otherwise specified.

47 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 financial statements.

48 EVENTS AFTER REPORTING DATE

There were no significant events after reporting date.

49 DATE OF AUTHORISATION FOR ISSUE

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

CHIEF EXECUTIVE OFFICER	CHIEF FINANCIAL OFFICER	CHAIRMAN	DIRECTOR	DIRECTOR
Signed by: 45D4A01B7BED4D3...	Signed by: Kaleem Raza FD1F14698E0A409...	DocuSigned by: Mounir Nakhle F9F0EA967AC24A8...	DocuSigned by: Andre Valavanis 3EA59AFC3F944A0...	DocuSigned by: Ahmed Mohsen 5DBA61B41E78401...