YOUSUF ADIL
PACE ALIGNED ...

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**INDEPENDENT AUDITORS' REPORT**
**To the members of NRSP Microfinance Bank Limited**
**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the annexed financial statements of NRSP Microfinance Bank Limited (the Bank), which comprise the balance sheet as at December 31, 2024, and profit or loss account, statement of comprehensive income, the statement of changes in equity, the cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the accompanying statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017) and Microfinance Institutions Ordinance, 2001, 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 profit, the comprehensive income, the changes in equity and its cash flows for the year then ended.

**Basis for Opinion**

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

**Emphasis of Matter**

i. We draw attention to note 48.2 to the financial statements, which describe the Bank's status of compliance with the regulatory Capital Adequacy Ratio requirements and management's plan to address the deficiency.

ii. We draw attention to note 17 to the financial statements, which describes that management has recognized net deferred tax asset of Rs. 3,211 million as at December 31, 2024 (December 31, 2023: Rs. 3,459 million). Based on financial projections for future years, approved by the Board, the management believes that, the Bank will be able to realize the deferred tax asset. The preparation of projections involves management's assumptions regarding future business and economic conditions and therefore any significant change in such assumptions or actual outcome that is different from assumptions may have an effect on the recoverability of the deferred tax asset in future.

Our opinion is not modified in respect of these matter.

**Information Other than the Financial Statements and Auditor's Report Thereon**

Management is responsible for the other information. The other information comprises the annual 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 Companies Act, 2017 (XIX of 2017) and Microfinance Institutions Ordinance, 2001, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

**Auditor's Responsibilities for the Audit of the Financial 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 controls 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 controls.

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

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

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

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

**Report on Other Legal and Regulatory Requirements**

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

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

b) the Balance Sheet, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) 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) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

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

Yousuf Adil

**Chartered Accountants**
Islamabad

**Date:** March 18, 2025
**UDIN:** AR202410134COsWDR5fE

**NRSP MICROFINANCE BANK LIMITED**
**BALANCE SHEET**
**AS AT DECEMBER 31, 2024**

| | *Note* | 31-Dec-24 | 31-Dec-23 |
|---|---|---|---|
| | | Rupees in '000 | |
| **ASSETS** | | | |
| Cash and balances with treasury banks | 9 | **5,892,288** | 2,430,904 |
| Balances with other MFBs / Banks / NBFIs | 10 | **3,938,347** | 5,358,646 |
| Lendings to financial institutions | 11 | **3,101,072** | 1,022,414 |
| Investments | 12 | **120,110,978** | 5,605,817 |
| Advances | 13 | **37,170,324** | 34,330,489 |
| Property and equipment | 14 | **568,665** | 567,377 |
| Right-of-use assets | 15 | **622,772** | 694,794 |
| Intangible assets | 16 | **28,203** | 37,524 |
| Deferred tax assets | 17 | **3,211,739** | 3,459,593 |
| Other assets | 18 | **2,596,909** | 1,110,501 |
| | | **177,241,297** | 54,618,059 |
| **LIABILITIES** | | | |
| Bills payable | 19 | **53,036** | 90,401 |
| Borrowings | 20 | **112,182,676** | 4,872,928 |
| Deposits and other accounts | 21 | **55,000,504** | 41,057,861 |
| Lease liabilities | 22 | **894,018** | 946,075 |
| Subordinated debt | 23 | **2,391,879** | 2,237,604 |
| Deferred grants | 24 | **85** | 288 |
| Deferred tax liabilities | | **-** | - |
| Other liabilities | 25 | **3,161,860** | 3,369,421 |
| | | **173,684,058** | 52,574,578 |
| **NET ASSETS** | | **3,557,239** | 2,043,481 |
| **REPRESENTED BY** | | | |
| Share capital | | **1,498,372** | 1,498,372 |
| Advance against future issue of right shares | | **1,304,296** | 1,000,000 |
| Statutory reserves | | **1,242,975** | 997,923 |
| Depositors' protection fund | | **533,542** | 393,207 |
| Surplus/ (Deficit) on revaluation of assets | 26 | **28,558** | (254) |
| Unappropriated profit / loss | | **(1,050,504)** | (1,845,767) |
| | | **3,557,239** | 2,043,481 |

**CONTINGENCIES AND COMMITMENTS** 27

The annexed notes 1 to 53 form an integral part of these financial statements.

| President/Chief Executive | Chief Financial Officer | Director | Director | Director |
|---|---|---|---|---|

**NRSP MICROFINANCE BANK LIMITED**
**PROFIT AND LOSS ACCOUNT**
**FOR THE YEAR ENDED DECEMBER 31, 2024**

| | Note | Dec-24 | Dec-23 |
|---|---|---|---|
| | | Rupees in '000 | |
| Mark-up / Return / Interest earned | 28 | **12,519,840** | 9,803,959 |
| Mark-up / Return / Interest expensed | 29 | **(8,334,067)** | (5,747,646) |
| **Net mark-up / interest income** | | **4,185,773** | 4,056,313 |
| **NON MARK-UP / INTEREST INCOME** | | | |
| Fee and commission income | 30 | **187,432** | 471,688 |
| Dividend Income | | **-** | - |
| Gain / (Loss) on securities | | **-** | - |
| Net gains/(loss) on derecognition of financial assets measured at amortised cost | | **-** | - |
| Other income | 31 | **110,701** | 77,697 |
| **Total non-markup / interest Income** | | **298,133** | 549,385 |
| **Total income** | | **4,483,906** | 4,605,698 |
| **NON MARK-UP / INTEREST EXPENSES** | | | |
| Operating expenses | 32 | **(3,285,546)** | (3,394,241) |
| Workers welfare fund | | **(8,982)** | (6,237) |
| Other charges | 33 | **(1,050)** | (92) |
| Total non-markup / interest expenses | | **(3,295,578)** | (3,400,570) |
| **Profit / (Loss) before credit loss allowance** | | **1,188,328** | 1,205,128 |
| Credit loss allowance and write offs - net | 34 | **681,784** | (219,085) |
| Other income / expense items (to be specified) | | **-** | - |
| **PROFIT / (LOSS) BEFORE MINIMUM AND REVENUE TAX** | | **1,870,112** | 986,043 |
| Minimum tax differential | 35 | **(350,274)** | (173,449) |
| **PROFIT / (LOSS) BEFORE TAXATION** | | **1,519,838** | 812,594 |
| Taxation | 36 | **(294,580)** | 98,184 |
| **PROFIT / (LOSS) AFTER TAXATION** | | **1,225,258** | 910,778 |
| **Basic earnings / (loss) per share** | 37 | **8.18** | 6.08 |
| **Diluted earnings / (loss) per share** | 38 | **8.18** | 6.08 |

The annexed notes 1 to 53 form an integral part of these financial statements.

President/Chief Executive | Chief Financial Officer | Director | Director | Director

**NRSP MICROFINANCE BANK LIMITED**
**STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED DECEMBER 31, 2024**

| | Note | Dec-24 | Dec-23 |
|---|---|---|---|
| | | Rupees in '000 | |
| Profit after taxation for the period | | **1,225,258** | 910,778 |
| **Other comprehensive income** | | | |
| **Items that may be reclassified to profit and loss account in subsequent periods:** | | | |
| Effect of translation of net investment in foreign branches | | **-** | - |
| Movement in surplus / (deficit) on revaluation of investments - net of tax | | **28,813** | (255) |
| Others (to be specified) | | **-** | - |
| | | **28,813** | (255) |
| **Items that will not be reclassified to profit and loss account in subsequent periods:** | | | |
| Remeasurement gain / (loss) on defined benefit obligations | | **(62,448)** | 2,408 |
| Related tax impact | | **20,608** | (698) |
| | | **(41,840)** | 1,710 |
| **Total comprehensive income** | | **1,267,098** | 909,068 |

The annexed notes 1 to 53 form an integral part of these financial statements.

**President/Chief Executive** | **Chief Financial Officer** | **Director** | **Director** | **Director**

NRSP MICROFINANCE BANK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED ON DECEMBER 31, 2024

| | Share Capital | Advance against Issue of Shares | Capital reserves | | Revenue reserve | Reserves | Total |
|---|---|---|---|---|---|---|---|
| | | | Statutory Reserves | Depositors' protection Fund | Unappropriated Profit | Surplus/(Deficit) on revaluation of Investments | |
| | Rupees in '000 | | | | | | |
| Opening Balance as at January 01,2023 | 1,498,372 | - | 815,767 | 305,381 | (2,530,559) | - | 88,961 |
| **Profit / (Loss) after taxation (January 31 2023)** | - | - | - | - | 910,778 | - | 910,778 |
| Other comprehensive income - net of tax | - | - | - | - | 1,710 | - | 1,710 |
| Other comprehensive income transferred to Fair value reserve of | - | - | - | - | - | (255) | (255) |
| financial assets at FVOCI - net of tax | - | - | - | - | - | - | - |
| **Transactions with owners** | | | | | | | - |
| Advance against future issue of right shares | - | 1,000,000 | - | - | - | - | 1,000,000 |
| Transfer to statutory reserve | - | - | 182,156 | - | (182,156) | - | - |
| Transfer to depositors' protection fund | | | | | | | |
| - 5% of the profit after tax for the year | - | - | - | 45,539 | (45,539) | - | - |
| - Return on investments - net of tax | - | - | - | 42,287 | - | - | 42,287 |
| **Balance as at December 31, 2023** | **1,498,372** | **1,000,000** | **997,923** | **393,207** | **(1,845,766)** | **(255)** | **2,043,481** |
| **Opening Balance as at January 1, 2024** | **1,498,372** | **1,000,000** | **997,923** | **393,207** | **(1,845,766)** | **(255)** | **2,043,481** |
| Impact of adopting IFRS 9 - net of deferred tax | - | - | - | - | (81,841) | - | (81,841) |
| **Restated Balance as at January 1, 2024** | **1,498,372** | **1,000,000** | **997,923** | **393,207** | **(1,927,607)** | **(255)** | **1,961,640** |
| **Transaction with owners** | | | | | | | |
| Advance against future issue of right shares | - | 304,296 | - | - | - | - | 304,296 |
| **Profit /(Loss) after Taxation December 31, 2024** | - | - | - | - | 1,225,258 | - | 1,225,258 |
| Other comprehensive income - net of tax | - | - | - | - | - | - | - |
| Other comprehensive income | - | - | - | - | (41,840) | 28,813 | (13,027) |
| related tax impact | - | - | - | - | - | - | - |
| Transfer to statutory reserve | - | - | 245,052 | - | (245,052) | - | - |
| Transfer to depositors' protection fund | - | - | - | - | - | - | - |
| - 5% of the profit after tax for the year | - | - | - | 61,263 | (61,263) | - | - |
| - Return on investments - net of tax | - | - | - | 79,072 | - | - | 79,072 |
| **Closing Balance as at December 31, 2024** | **1,498,372** | **1,304,296** | **1,242,975** | **533,542** | **(1,050,504)** | **28,558** | **3,557,239** |

The annexed notes 1 to 53 form an integral part of these financial statements.

President/Chief Executive | Chief Financial Officer | Director | Director | Director

**NRSP MICROFINANCE BANK LIMITED**
**CASH FLOW STATEMENT**
**FOR THE YEAR ENDED ON DECEMBER 31, 2024**

| | Note | Dec-24 | Dec-23 |
|---|---|---|---|
| | | Rupees in '000 | |
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | |
| Profit/(Loss) before taxation | | 1,870,112 | 986,043 |
| Less: Dividend income | | - | - |
| | | 1,870,112 | 986,043 |
| Adjustments: | | | |
| Depreciation | | 88,722 | 112,629 |
| Depreciation on right-of-use assets | | 130,785 | 131,959 |
| Amortization | | 12,548 | 23,433 |
| Mark-up / Return / Interest expense on lease liability against right-of-use | | 127,181 | 127,155 |
| Credit loss allowance and write-offs | 34 | 633,397 | 2,192,409 |
| Loss/ (Gain) on sale / disposal of property and equipment | | (823) | (19,418) |
| Gain on sale/ redemption of securities | | (1,870,320) | (515,534) |
| Loss on Termination of Leased Agreements | | (11,304) | (24,247) |
| Fair value adjustment on financial instruments | | 166,684 | - |
| Amortization of deferred grant | | (83,682) | (14,949) |
| Provision for gratuity and leave encashment | | 103,157 | 109,129 |
| | | (703,655) | 2,122,566 |
| (Increase) / Decrease in operating assets | | | |
| Lendings to financial institutions | | - | (2,414) |
| Advances | | (3,712,946) | (6,051,040) |
| Others assets (excluding advance taxation) | | (1,515,558) | (771,940) |
| | | (5,228,504) | (6,825,394) |
| Increase / (Decrease) in operating liabilities | | | |
| Bills Payable | | (37,365) | (28,360) |
| Deposits | | 13,942,643 | 7,125,611 |
| Other liabilities (excluding current taxation) | | (191,151) | 1,960,168 |
| | | 13,714,127 | 9,057,419 |
| Payments against off-balance sheet obligations | | - | - |
| Finance cost paid on lease obligation | | (127,181) | (127,155) |
| Income tax paid | | (439,105) | (212,310) |
| Gratuity and leave ensachment paid (including contributions) | | (184,982) | (195,757) |
| | | (751,268) | (535,222) |
| ***Net cash flow from / (used in) operating activities*** | | 8,900,812 | 4,805,412 |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | | |
| Net Investments in amortised cost securities | | (2,941,502) | 181,300 |
| Net Investments in FVOCI Securities | | (109,735,963) | (2,836,152) |
| Dividends received | | - | - |
| Investments in property and equipment | | (99,351) | (41,095) |
| Interest income on depositors' protection fund | | 79,072 | 42,287 |
| Proceeds from sale of property and equipment | | 6,937 | 28,213 |
| Others (to be specified) | | - | - |
| *Net cash flow from / (used in) investing activities* | | (112,690,807) | (2,625,447) |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | | |
| Payment of lease liability against right-of-use assets | | (99,517) | (74,483) |
| Proceeds against future issue of right shares | | - | 1,000,000 |
| Grants received | | 83,479 | 11,604 |
| Borrowings from financial institutions | | 107,925,776 | (493,878) |
| *Net cash flow from / (used in) financing activities* | | 107,909,738 | 443,243 |
| **Increase/(Decrease) in cash and cash equivalents** | | 4,119,743 | 2,623,208 |
| Cash and cash equivalents at beginning of the period | 39 | 8,811,964 | 6,188,756 |
| Cash and cash equivalents at end of the period | | 12,931,707 | 8,811,964 |

The annexed notes 1 to 53 form an integral part of these financial statements.

President/Chief Executive | Chairman | Chief Financial Officer | Director | Director

**NRSP MICROFINANCE BANK LIMITED**
**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED ON DECEMBER 31, 2024**

## 1 STATUS AND NATURE OF BUSINESS

NRSP Microfinance Bank Limited (the Bank) was incorporated in Pakistan on October 22, 2008 as a public limited company under the Companies Ordinance, 1984. The Bank obtained license from the State Bank of Pakistan (SBP) on February 18, 2009 to operate, on nationwide basis, as a microfinance bank under Microfinance Institutions Ordinance, 2001. Certificate of commencement of business was issued by the Securities and Exchange Commission of Pakistan (SECP) on February 8, 2011 and certificate of commencement of business from SBP was received on February 28, 2011.

The Bank was established to mobilize funds for providing microfinance banking and related services to low income and underserved segment of society for mitigating poverty through providing access to financial markets at micro level.

The Bank's registered office is situated at 7th Floor, UBL Tower, Jinnah Avenue, Blue Area, Islamabad and principal place of business is situated at University Road, Bahawalpur. The Bank is operating 133 branches (2023: 133) as at the year end including 37 (2023: 37) Islamic branches.

National Rural Support Programme (NRSP) is holding company of the Bank which holds 57.40% (2023: 57.40%) shares of the Bank.

## 2 BASIS OF PRESENTATION

**2.1** These financial statements have been presented in accordance with the requirements of Banking Policy & Regulations Department (BPRD) Circular No. 03 of 2023 dated February 09, 2023 issued by the State Bank of Pakistan (SBP).

The financial results of the Islamic Microfinance Division (IMD) of the Bank have been consolidated in these financial statements for reporting purpose, after eliminating inter-branch transactions/balances. Key figures of the IMD, derived from the related accounting records of the Bank, are disclosed as Annexure-II to these financial statements for disclosure purpose only to comply with the requirements of the license issued by the SBP to the Bank to commence Islamic microfinance operations. Further, the IMD results are to be separately reported upon for Shariah Compliance by the Shariah Advisor of the Bank as required by the SBP in conditions prescribed for the Bank to commence Islamic Microfinance operations.

## 3 Basis of measurement

a) These financial statements have been prepared under the historical cost convention except for certain investments carried at fair value and recognition of certain staff retirement benefits, liabilities against assets subject to finance lease which are stated at present value.

b) These financial statements have been prepared in compliance with the format as prescribed under the Banking Policy & Regulations Department Circular No. 3 dated February 09, 2023 issued by the SBP. These financial statements have been presented in Pakistani Rupees, which is the functional and presentation currency of the Bank.

## 4 STATEMENT OF COMPLIANCE

**4.1** These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for Banks/DFIs/MFIs. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS Standards) issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) as are adopted by SBP;
- Provisions of and directives issued under the Companies Act, 2017 and the Microfinance Institutions Ordinance, 2001; and

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

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

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

**4.2** 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 August 26, 2002 till further instructions. Further, the SECP has deferred the applicability of IAS 40 - 'Investment Property' and IFRS 7 - 'Financial Instruments: Disclosures' through its notification S.R.O 633(I)/2014 dated July 10, 2014. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements.

**4.3** In accordance with the implementation of IFRS 9 as per BPRD Circular Letter No. 16 of 2024, the Bank has adopted the Effective Interest Rate (EIR) method for recognizing interest income on financial assets starting from October 1, 2024. This method, which is in line with the requirements of IFRS 9, ensures that interest income is recognized in a manner that reflects the true economic return on financial assets over their respective terms. The Bank has updated its accounting policies to align with this approach, ensuring that the recognition of interest income on financial assets is consistent with the EIR method.

## 5 AMENDMENTS TO THE PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE EFFECTIVE IN THE CURRENT PERIOD

### a) Standards, interpretations of and amendments to accounting and reporting standards that are effective in the current period

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

- Amendments to IFRS 16 ' Leases' -Clarification on how seller-lessee subsequently measures sale and leaseback transactions
- Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current along with Non-current liabilities with Convenants
- Amendments to IAS 7 'Statement of Cash Flows' and 'IFRS 7 'Financial instruments disclosures' - Supplier Finance Arrangements

## 6 STANDARDS, INTERPRETATIONS OF THE AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following standard and amendments are effective for accounting periods, beginning on or after the date mentioned against each of them. These amendments 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 from Accounting period beginning on or after** |
|---|---|
| Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates' - Clarification on how entity accounts when there is long term lack of Exchangeability | January 01, 2025 |

| | Effective from Accounting period beginning on or after |
|---|---|
| IFRS 17 – Insurance Contracts (including the June 2020 and December 2021 Amendments to IFRS 17) | January 01, 2026 |
| Amendments IFRS 9 'Financial Instruments' and IFRS 7 'Financial instruments disclosures' - Classification and measurement of financial | January 01, 2026 |
| Annual Improvements to IFRS Accounting Standards (related to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 | January 01, 2026 |
| Amendments IFRS 9 'Financial Instruments' and IFRS 7 'Financial instruments disclosures' - Contracts Referencing Nature-dependent Electricity | January 01, 2026 |

Other than the aforesaid amendments, IASB has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

IFRS 1: First-time Adoption of International Financial Reporting Standards

IFRS 18: Presentation and Disclosures in Financial Statements

IFRS 19: Subsidiaries without Public Accountability: Disclosures

The Bank expects that the adoption of the above standards will have no material effect on the Bank's financial statements, in the period of initial application.

## 7 MATERIAL ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these financial statements are the same as those applied in the preparation of the annual financial statements for the year ended December 31, 2023 except for accounting for minimum and final taxes, recognition and measurement of financial instruments as per IFRS 9.

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

**a) Date of recognition**

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognized on the trade date, i.e., the date on which the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades, i.e., purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognized when funds are transferred to the customers' accounts. The Bank recognizes balances due to customers when funds are transferred to the Bank.

**b) Initial measurement of financial instruments**

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value , except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount.

**c) Measurement categories of financial assets and liabilities**

From 1 January 2024, the Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:
• Amortized cost
• Fair value though Other comprehensive income (FVOCI), and
• Fair value through profit and loss (FVTPL)

The Bank classifies and measures its derivative and trading portfolio at FVPL. The Bank may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortized cost or at FVPL when they are held for trading and derivative instruments or the fair value designation is applied.

**d) Financial assets and liabilities**

**Due from banks, Loans and advances to customers and investments**

From 1 January 2024, the Bank measures Due from banks, Loans and advances to customers and Investments at amortized cost 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.

***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 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
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)

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 'best case' scenarios into account. If cash flows after initial recognition are realized 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.

**The SPPI test**

As a second step of its classification process the Bank assesses the contractual terms of the financial asset to identify whether they meet the SPPI test.

'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 (for example, if there are repayments of principal or amortization of the premium/discount).

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 FVPL.

**e) Debt instruments at FVOCI**

The Bank applies the new category under IFRS 9 of debt instruments measured at FVOCI 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 .

These instruments largely comprise assets that had previously been classified as financial investments available-for-sale. FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in OCI. Interest income and foreign exchange gains and losses are recognized in profit or loss in the same manner as for financial assets measured at amortized cost. Where the Bank holds more than one investment in the same security, they are deemed to be disposed of on a first–in first–out basis. On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to profit or

**f) Equity instruments at FVOCI**

Upon initial recognition, the Bank occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognized in profit or loss as other operating income when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

**g) Debt issued and other borrowed funds**

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium on issued funds, and costs that are an integral part of the EIR.

**7.1.1 Derecognition of financial assets and liabilities**

**a) Derecognition for substantial modification of Financial assets**

The Bank derecognizes 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 recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI.

For financial liabilities, the Bank considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent. For financial assets, this assessment is based on qualitative factors.

**b) Derecognition other than for substantial modification Financial assets**

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

**c) Financial liabilities**

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

**d) Reclassification of financial assets and liabilities**

From 1 January 2024, the Bank does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Bank acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified. The Bank did not reclassify any of its financial assets or liabilities in 2024.

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

**a) Overview of the ECL principles**

IFRS 9 has fundamentally changed the Bank's loan loss impairment method by replacing incurred loss approach with a forward-looking ECL approach. From January 01, 2024, the Bank has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. Equity instruments are not subject to impairment under IFRS 9.

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

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

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

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

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

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

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

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

**b) The calculation of ECLs**

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

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

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

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

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

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

The mechanics of the ECL method are summarized below:

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

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

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

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

**c) Debt instruments measured at fair value through OCI**

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 amortized cost is recognized in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognized in OCI is recycled to the profit and loss upon derecognition of the assets.

**d) Purchased or originated credit impaired financial assets (POCI)**

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

**e) Forward looking information**

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

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Detailed information about these inputs is explained in note 7.1.3

**f) Credit enhancements: collateral**

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

Eligible collateral are those which has i) legal certainly and enforceability, and ii) history of forcibility and recovery. The bank consider cash and cash equivalents, security deposit against ijarah and gold as eligible collaterals and EAD of relevant facilities are reduced by the amount of eligible collateral.

**g) Write-offs**

Financial assets are written off either partially or in their entirety only when the Bank has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense. the Bank also follows Prudential regulations issued by SBP for write off of its advances. Under these PR loans are written off after 30 days from the date of loss categorization.

h) **ECL on government guaranteed credit exposure**

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

i) **Two track approach for stage 3 loans**

As per instructions issued by SBP, the bank used two track approach for ECL assessment on stage 3 loans. As per this approach the bank calculated provision /ECL both under Prudential Regulations (PRs) issued by SBP for microfinance banks and IFRS 9 and higher amount has been taken and final ECL.

**7.1.3 Credit risk management**

Credit risk arises from the potential that an obligor is either unwilling to perform on an obligation or its ability is impaired resulting in economic loss to the Bank. The Bank takes necessary measures to control such risk by monitoring credit exposures, limiting transactions with specific counter parties with increased likelihood of default and continually assessing the creditworthiness of counter parties.

a) **Definition of default and cure**

The Bank considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations, advances to customers when the borrower becomes 60 days past due for general loans, 90 days past due for enterprise loans and 180 days past dues for housing loans on its contractual payments. The Bank considers treasury and interbank balances defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

As a part of a qualitative assessment of whether a customer is in default, the Bank also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- The borrower is deceased
- A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral
- A covenant breach not waived by the Bank
- the borrower is unable to pay due to any other reason

It is the Bank's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated delinquency, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition. However, no financial assets is directly classified from stage 3 to stage 1.

b) **PD estimation process**

**Consumer lending**

The banks entire loans and advances portfolio consist of consumer lending. Consumer lending comprises agriculture, livestock, enterprise, general, gold, house and Islamic loans . The Bank does not have credit score card model for consumer landings, therefore, the Bank used delinquency (day past due) based model for estimation of PDs. Average monthly transitions to default of relevant delinquency states were converted into current 12 months point in time PDs using statistical models. The lifetime PD is developed by applying a maturity profile to the current 12 months PD. Data from January 01, 2020 till December 31, 2024 has been used for PD estimations.

**Bank balances**

For bank balances and terms deposits, the Bank's credit risk department analyses publicly available information such as financial information and other external data, e.g., the rating of good rating agency. PDs of external ratings are sourced from studies of renounced credit agencies such as PACRA and VIS.

c) **LGD estimation process**

The Bank segments its consumer lending products into smaller homogeneous segments, based on key characteristics that are relevant to the estimation of future cash flows. The bank calculate LGD of each segment based historical experiences of cash recoveries from defaults (including settlements), cost and time of recoveries. one year set back is maintained for calculation of LGD for defaults, which means parties which are classified as default till end of last year are taken in to the calculation of LGD. Effective interest rate or approximate there of has been used to discount recoveries to date of default. Data from December 31, 2019 till date has been used for LGD estimations for the parties classified as default till December 31, 2023. For receivables from the banks and investments, the Bank used LGD percentages prescribed under Basel Foundation – Internal Rating Based (F-IRB) approach to determine ECL under BSD Circular No. 08 dated June

**d) Forward looking information:**

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

## 7.2 Accounting for minimum taxes and final taxes

The guide was issued by Institute of Chartered Accountants of Pakistan (ICAP) in May 2024 '*IAS 12 Application Guidance on Accounting for Minimum taxes and Final taxes' (the guide).*

In view of the clarifications from ICAP, it has been established that minimum tax and final taxes do not meet the criteria of income tax expense as per IAS 12 hence it should be accounted for under IFRIC 21 'Levies' and IAS 37 *'Provisions, Contingent Liabilities and Contingent Assets'.*

The guide issued by ICAP provides approaches to account for minimum and final regime taxes according to the facts and circumstances as applicabl to the Company. Accordingly, the Company has adopted the following approach:

The Compnay designate the amount calculated on taxable income using the notified tax rate as an income tax within the scope of IAS 12 'Income Taxes' and recognise it as current income tax expense. Any excess over the amount designated as income tax, is then recognised as a levy falling under the scope of IFRIC 21 "Levies"/IAS 37" Provisions, Contingent Liabilities and Contingent Assets".

Therefore, the effective rate of income tax is equal to the enacted rate of income tax.

Similarly, any amount deducted as final taxes will be classified as a levy in the statement of profit or loss and there would be no deferred tax liability / (asset) recognised in case of final taxes.

Super tax charged to entities as per provisions of Income Tax Ordinance, 2001, will be classified as either 'Income Tax' or 'levy' in accordance with guide stated in preceding paragraphs of this guide [i.e. if super tax calculation is based on taxable profits as defined in IAS 12, then, such super tax shall be recognised as 'income tax' otherwise such super tax shall qualify for recognition as 'levy' as per IFRIC 21 / IAS 37].

Advance taxes paid under any section of the Income Tax Ordinance, 2001, except minimum taxes paid under section 113, which are termed as levy as per the above guide will be classified as 'prepaid assets'.

The above changes have been accounted for in these financial statements as per the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. The adoption of this policy did not result in re-statement of financial statements since deferred tax liability recognised in the year ended December 31, 2023 was already at average rate and the application of this guide did not result any material differences except for reclassifications which are presented note 47.

### 7.2.1 Levy

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:

- Those outflows of resources that are within the scope of other standards.
- Fines or other penalties that are imposed for breaches of the legislation.

In these financial statements, levy includes minimum taxes differential, if any, final taxes and super taxes which are based on other than taxable profits. The corresponding advance tax paid, except for minimum taxes under section 113, which are treated as levy are recognised in prepaid assets as 'prepaid levies'.

a) **Revenue taxes**

Revenue taxes includes amount representing excess of :

a)minimum tax paid under section 113 over income tax determined on income streams taxable at general rate of taxation and;

b)minimum tax withheld / collected / paid or computed over tax liability computed on (related income tax streams taxable at general rate of tax), is not adjustable against tax liability of subsequent tax years.

Amount over income tax determined on income streams taxable at general rate of taxation shall be treated as revenue taxes.

The company determines, based on expected future taxable profits, that excess paid under section 113 by the entity over and above its tax liability (on income stream(s) taxable at general rate of taxation) is expected to be realized in subsequent tax years, then, such excess shall be recorded as deferred tax asset adjustable against tax liability for subsequent tax years. This shall be recognized as 'deferred tax asset' for the reason that it represents unused tax credit as it can be adjusted only against tax liability (of subsequent tax years) arising on taxable income subject to general rate of taxation. Such an asset shall be subject to requirements contained in IAS 12 'Income Tax'.

b) **Final Taxes**

Final taxes includes tax charged / withheld / paid on certain income streams under various provisions of Income Tax Ordinance, 2001 (Ordinance). Final tax is charged / computed under the Ordinance, without reference to income chargeable to tax at the general rate of tax and final tax computed / withheld or paid for a tax year is construed as final tax liability for the related stream of Income under the Ordinance.

Final tax paid is considered to be full and final discharge of the tax liability for the Company for a tax year related to that income stream.

### 7.2.2 Taxation / Revenue Taxes / Final Taxes

a) **Current**

Provision for current taxation is based on taxable income at the enacted / corporate tax rate after taking into account tax credits and rebates available, if any, as per the Income Tax Ordinance, 2001.

b) **Deferred**

Deferred tax is provided using the liability method for all temporary differences at the reporting date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes after considering, the average effective rate of tax / enacted tax rate.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax asset is recognised for all deductible temporary differences and carried forward unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilised.

Deferred tax assets and liabilities are measured at enacted tax rate that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

### 7.3 Cash and cash equivalents

Cash and cash equivalents represent cash in hand, balances held with State Bank of Pakistan (SBP) and National Bank of Pakistan (NBP), balances held with other banks/ Non-Banking Financial Institutions (NBFIs) / Microfinance Banks (MFBs) and call money lendings carried at cost.

### 7.4 Financial instruments (policy applicable before adoption of IFRS 9)

Financial assets and liabilities are recognized when the Bank becomes a party to the contractual provisions of the instrument. These are derecognized when the Bank ceases to be the party to the contractual provisions of the instrument.

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

Other particular recognition methods adopted by the Bank are disclosed in the individual policy statements associated with each item of financial instruments.

**a) Financial Assets**

Financial assets are cash and balances with SBP and NBP, balances with other banks, lending to financial institutions, investments, advances and other receivables. Advances are stated at their nominal value as reduced by appropriate provisions against non-performing advances, while other financial assets excluding investments are stated at cost. Investments are recognized as per note 7.4.

**b) Financial liabilities**

Financial liabilities are classified according to the substance of the contractual arrangement entered into. Financial liabilities include borrowings and other liabilities which are stated at their nominal value. Financial charges are accounted for on accrual basis.

Any gain or loss on the recognition and de-recognition of the financial assets and liabilities is included in the net profit and loss for the year in which it arises.

**c) Derivative financial instruments**

Derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value using 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.

### 7.5 Sale and repurchase agreements

Securities sold under repurchase agreement (repo) are retained in the financial statements as investments and a liability for consideration received is included in borrowings. Conversely, consideration for securities purchased under resale agreement (reverse repo) are included in lendings to financial institutions. The difference between sale and repurchase / purchase and resale price is recognized as mark-up / return expensed and earned respectively on a time proportion basis as the case may be. Repo and reverse repo balances are reflected under borrowings from and lendings to financial institutions respectively.

### 7.6 Investments (policy applicable before adoption of IFRS 9)

In previous years, before applicability of new accounting policies consequent to adoption of IFRS 9 as detailed in note 7.1, all purchase and sale of investments that require delivery within the time frame established by regulation or market convention are recognized at the trade date, which is the date the Bank commits to purchase or sell the investment. All investments are derecognized when the right to receive economic benefits from the investments has expired or has been transferred or the Bank has transferred substantially all the risks

Investments are classified into following categories:

**a) Held for trading**

These represent securities acquired with the intention to trade by taking advantage of short-term market / interest rate movements. These securities are required to be disposed off within 90 days from the date of their acquisition. After initial measurement, these are marked to market and surplus / deficit arising on revaluation of 'held for trading' investments is taken to profit and loss account in accordance with the requirements prescribed by SBP.

**b) Held to maturity**

Investments with fixed maturity, where management has both the intent and the ability to hold till maturity, are classified as held to maturity. Subsequent to initial recognition at cost, these investments are measured at amortized cost, less provision for impairment in value, if any, and amortized cost is calculated taking into account effective interest rate method. Profit on held to maturity investments is recognized on a time proportion basis taking into account the effective yield on the investments.

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

**c) Available for sale**

Investments which may be sold in response to need for liquidity or changes in interest rates, exchange rates or equity prices are classified as available for sale. Available for sale investments are initially recognized at cost and subsequently measured at fair value. Profit on available-for-sale investments is recognized on a time proportion basis taking into account the effective yield on the investments.

The surplus / (deficit) arising on revaluation of available for sale investments is kept in "surplus/(deficit) on revaluation of assets" through statement of comprehensive income. The surplus/(deficit) arising on these investments is taken to profit and loss account, when actually realized upon disposal of the investment.

### 7.7 Advances

Advances are stated net of expected credit loss allowance (2023: net of provision for non-performing advances). Advances are classified under non-performing loans (NPLs) and the provision on such was charged as per the guidelines of Prudential Regulation for Microfinance Banks issued by the State Bank of Pakistan (SBP) in previous year. In current year, ECL allowance is calculated based on the Bank's policies and estimation and higher of ECL calculated and provision as per prudential regulation is charged to income and expenditure. Further the markup on classified advances is suspended and transferred to reserve account. Following is the summary of Prudential Regulations, for classification and provisioning of advances.

| **Classification** | **General Loans** | **Housing Loans** | **Enterprise Loans** | **Enterprise Loans (Property Collateral)** |
|---|---|---|---|---|
| **Days Passed Due Based** | | | | |
| OAEM | 30 - 59 | 90 - 179 | 90 - 179 | 90 - 179 |
| Substandard | 60 - 89 | 180 - 364 | 180 - 364 | 180 - 364 |
| Doubtful | 90 - 179 | 365 - 729 | 365 - 544 | 365 - 544 |
| Loss | 180 - 209 | 730 - 1944 | 545 - 1214 | 545 - 1944 |
| Write off | >=210 | >=1945 | >=1215 | >=1945 |
| **Provision Percentage** | | | | |
| OAEM | 0% | 0% | 10% | 10% |
| Substandard | 25% | 25% | 25% | 25% |
| Doubtful | 50% | 50% | 50% | 50% |
| Loss | 100% | 100% | 100% | 100% |
| Write off | 100% | 100% | 100% | 100% |
| **Suspension Percentage** | | | | |
| OAEM | 0% | 0% | 100% | 100% |
| Substandard | 100% | 100% | 100% | 100% |
| Doubtful | 100% | 100% | 100% | 100% |
| Loss | 100% | 100% | 100% | 100% |
| Write off | 100% | 100% | 100% | 100% |
| **Objective calssification/staging as per IFRS 9** | | | | |
| Stage 1 | 1 - 29 | 1 - 59 | 1 - 59 | 1 - 59 |
| Stage 2 | 30 - 59 | 60 - 179 | 60 - 89 | 60 - 89 |
| Stage 3 | >= 60 | >= 180 | >= 90 | >= 90 |

**Other provision under PRs requirements and policies**

In previous years the Bank maintains a watch list of all overdue accounts before they are classified in terms of objective (time-based) criteria. However, such accounts are not treated as non-performing for the purpose of classification/ provisioning.

In accordance with the Regulations, the Bank maintains specific provision of outstanding principal net of cash collaterals and Gold (ornaments and bullion) realizable without recourse to a Court of Law on the rates mentioned above.

In addition to above in previous years, a general provision was made equivalent to 1% of the net outstanding balance (advances net of specific provisions) in accordance with the requirement of the Regulations. However, where the loans/advances have been secured against gold and/or other liquid assets, the general provisioning against outstanding amount net of such security shall be required.

General and specific provisions were charged to the profit and loss account in the period in which they occur.

Non-performing loans/advances are written off as per the following criteria:

| | |
|---|---|
| **General/Unsecured loans:** | NPL shall be charged-off one month after being classified as "Loss". |
| **Housing loans:** | NPL shall be charged-off one month after 05 years from the date of classification of financing. |
| **Microenterprise loans:** | NPL secured against Mortgaged residential, commercial, and industrial properties (Land & Building only) shall be charged off, one month after 05 years from date of classification.<br>All other NPLs shall be charged off one month after 03 years from the date of |

Charge off shall in no way extinguish the MFB's right of recovery of such loans.

### 7.7.1 Islamic financing and related assets

**a) Murabaha**

Receivable under Murabaha financing represent cost price plus an agreed markup on sale arrangement. Markup income in recognized on straight line basis over the tenure of financing period.

**b) Ijarah**

Ijarah financing represent arrangements whereby the Bank (being the owner of assets) transfers its usufruct to its customers for an agreed period at an agreed consideration. Assets leased out under Ijarah are stated at cost less accumulated depreciation and accumulated impairment losses, if any. These assets are depreciated over the term of the Ijarah financing. Ijarah income is recognized on an accrual basis.

**c) Diminishing Musharaka**

Diminishing Musharaka (DM) is a form of co-ownership in which Bank and the customer share the ownership of a tangible asset in an agreed proportion and customer undertakes to buy in periodic installments the proportionate share of the Bank until the title to such tangible asset is completely transferred to the customer.

### 7.8 Operating fixed assets

**a) Capital work-in-progress**

Capital work-in-progress is stated at cost less accumulated impairment losses, if any, and is transferred to the respective item of operating fixed assets when available for intended use.

**b) Property and equipment**

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset and the costs of dismantling and removing the items and restoring the site on which they are located, if any. Property and equipment are recognized 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. Subsequent expenditure is capitalized only when it increases the future economic benefit embodied in the specific asset to which it relates. Carrying amount of the replaced component is derecognized. All other repair and maintenance are charged to profit and loss account.

Depreciation is charged on the straight line at rates specified in note 14.2 to the financial statements, so as to write off the cost of assets over their estimated useful lives. Depreciation is charged from the month when asset was available for use till month of disposal.

Gains and losses arising on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amounts of fixed asset. Net gain is recognized within other income while net loss is recognized in administrative expenses in the profit and loss account.

c) **Intangible assets**

An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the Bank and that the cost of such asset can also be measured reliably. These are stated at cost less accumulated amortization and impairment losses, if any.

Intangible assets comprise of computer software and related applications. Intangible assets are amortized over their estimated useful lives at rate specified in note 16.1 to the financial statements. Subsequent expenditure is capitalized only when it increases the future economic benefit embodied in the specific asset to which it relates. All other expenditure is recognized in profit and loss account as incurred.

d) **Right-of-use assets and their related lease liability**

**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 into. No depreciation is charged in the month in which the leases mature or are terminated.

**Lease liability against right-of-use assets**

The lease liabilities are initially measured as the present value of the remaining lease payments, discounted using the Bank's incremental weighted average 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 Finance cost over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

## 7.9 Impairment

### a) Non - financial assets

The carrying amounts of the Bank's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is determined.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in profit and loss account. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss recognized in prior years is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

### b) Financial Assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events has a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in profit and loss account.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in profit and loss account.

## 7.10 Taxation

Income tax expense comprises of current and deferred tax. Income tax expense is recognized in the profit and loss account except to the extent that it relates to items recognized directly in equity or below equity/ other comprehensive income in which case it is recognized in equity or below equity/ other comprehensive income.

Management periodically evaluates positions taken in tax returns, with respect to situations in which applicable tax regulation is subject to legal interpretation and decisions of superior appellate fora, and accordingly establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities. Instances where the Bank's view differs from the view taken by the income tax department at the assessment stage, the amounts are shown as contingent liabilities.

### Current

Current tax is the tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, taking into account tax credits, rebates and tax losses, if any, and any adjustment to tax payable in respect of previous years.

As these special purpose financial statements cover a different period than the Bank's normal financial year i.e. calendar year, thus the financial results are split on the basis of the respective tax periods and the tax provisions applicable thereto have been considered for calculating current tax.

**Deferred**

Deferred tax is accounted for on all major taxable temporary differences between the carrying amounts of assets for financial reporting purposes and their tax base. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. At each balance sheet date, the bank reassesses the carrying amount and the unrecognized amount of deferred tax assets.

Deferred tax assets and liabilities are calculated at the rate that are expected to apply for the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantially enacted till the balance sheet date. Deferred tax, on revaluation of investments, if any, is recognized as an adjustment to surplus/ (deficit) arising on such revaluation.

### 7.11 Employee benefits

The main features of the schemes operated by the Bank for its employees are as follows:

**a) Defined benefit plan**

i) Employees' gratuity fund

The Bank operates an approved funded gratuity fund for all its regular employees. The cost of providing benefits under the plan is determined using the projected unit credit actuarial valuation method. Estimate is made on the basis of expected period of service of employees, expected increase in salary, discount rate and other demographic assumptions. Six or more months of service is counted as one full year. Qualifying service period is two years. Gratuity is paid to employee upon leaving the bank's service and is calculated on basis of last drawn gross salary multiplied with numbers of years of service with the bank.

The most recent valuation for defined benefit plan was carried out as at December 31, 2024 by an independent actuary using the projected unit credit method. Actuarial gains and losses arising due to changes in defined benefit obligations are recognized immediately in other comprehensive income in order for the net asset or liability recognized in the balance sheet to reflect the full value of plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets is calculated by applying the discount rate to the net defined benefit liability or asset.

ii) Accumulated compensated absences

The Bank provides compensated absences to all its regular employees who are entitled to accumulate the unutilized privilege leaves up to 90 days (2023: 90 days). Provision for expected cost of accumulated compensated absences is charged to profit and loss account on the basis of actuarial valuations. The most recent valuation for defined benefit plan was carried out as at December 31, 2024 by an independent actuary using the projected unit credit method.

**b) Defined contribution plan**

The Bank operates an approved defined contribution provident fund for all permanent employees. Equal monthly contributions at the rate of 10% of basic salary are made by the employees and by the Bank to the fund.

### 7.12 Reserves

a) Statutory reserve

In compliance with the Regulations, the Bank is required to maintain a statutory reserve to which an appropriation equivalent to 20% of the profit after tax is to be made till such time the reserve fund equals the paid up capital of the Bank. Thereafter, the contribution is to be reduced to 5% of the annual profit after tax.

b) Depositors' protection fund (DPF)

The Bank is required under the Microfinance Institutions Ordinance, 2001 to contribute 5% of annual after tax profit to DPF. Further, profits earned on investments of the fund are credited to DPF for the purpose of providing security or guarantee to specified persons for depositing money in the bank.

c) 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 or its agent.

d) 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.

## 7.13 Grants

Grants that compensate the Bank for the cost of an asset are initially recognized in the balance sheet as deferred income when grant is received or there is reasonable assurance that it will be received and that the Bank will comply with the conditions attached to it and are charged to the profit and loss account as other operating income on a systematic basis over the useful life of the asset. Grants that compensate the Bank for expenses are initially recognized as deferred income or receivable, depending upon the nature of grant arrangement and are recognized as income in the profit and loss account on a systematic basis in the same period in which the related expenses are incurred.

## 7.14 Earnings per share

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

## 7.15 Revenue recognition

### a) Markup / return / interest earned on advances

Markup / income / return / service charges on advances is recognized on accrual / time proportion basis using effective interest rate method at the Bank's prevailing interest rates for the respective loan products. Markup/ income on advances is collected with loan instalments. Due but unpaid service charges / income are accrued on overdue advances for period up to 30 days. After 30 days, overdue advances are classified as non-performing and recognition of unpaid service charges / income ceases. Further, accrued markup on non-performing advances are reversed and credited to suspense account. Subsequently, markup recoverable on non-performing advances is recognized on a receipt basis in accordance with the requirements of the Regulations. Application processing fee is recognized as income when service is performed.

| **Classification** | **DPD Criteria** | | | |
|---|---|---|---|---|
| **Days passed due based classification (DPD)** | **General loans** | **Housing loans** | **Enterprise loans** | **Enterprise l (Propert colletral** |
| OAEM | 30-59 | 90-179 | 90-179 | 90-179 |
| Substandard | 60-89 | 180-364 | 180-364 | 180-364 |
| Doubtful | 90-179 | 365-729 | 365-544 | 365-544 |
| Loss | 180-209 | 730-1944 | 545-1214 | 545-194 |
| Write Off | =>210 | =>1945 | =>1215 | =>1945 |
| **Suspension Percentage** | | | | |
| OAEM | 0% | 0% | 100% | 100% |
| Substandard | 100% | 100% | 100% | 100% |
| Doubtful | 100% | 100% | 100% | 100% |
| Loss | 100% | 100% | 100% | 100% |
| Write Off | 100% | 100% | 100% | 100% |

### b) Income from investments

Mark-up / return on investments is recognized on time proportion basis using effective interest method. Where debt securities are purchased at premium or discount, the related premiums or discounts are amortized through the profit and loss account over the remaining period of maturity of said investment.

Gain or loss on sale of securities is accounted for in the period in which the sale occurs.

**c) Fee, commission and brokerage income**

Fee, commission and brokerage income is recognized in the profit and loss to the extent of services rendered. Any advance payments received from customers for which services are yet to be rendered by the Bank, are recognized as contract liability in the financial statements.

**d) Income on inter bank deposits**

Income from interbank deposits in saving accounts are recognized in the profit and loss account using the effective interest method.

### 7.16 Borrowing costs

Borrowing costs are recognized as an expense in the period in which they are incurred except where such costs relate to the acquisition, construction or production of a qualifying asset in which case such costs are capitalized as part of the cost of that asset. Borrowing cost includes exchange differences arising from foreign currency borrowings to the extent these are regarded as an adjustment to borrowing costs.

### 7.17 Off-setting

Financial assets and financial liabilities and tax assets and tax 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 recognized amount and the Bank intends either to settle on net basis or to realize 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.

### 7.18 Foreign currencies translation

Transactions in foreign currencies are translated into Pak Rupee at exchange rate on the date of transaction. All monetary assets and liabilities in foreign currencies are translated into Pak Rupee at the rate of exchange approximating those ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit and loss account.

### 7.19 Provisions

A provision is recognized when, and only when, the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

### 7.20 Dividend distribution and appropriation

Dividends (including bonus dividend) and other appropriations (except appropriations which are required by law) are recognized in the period in which these are approved.

## 8. Transition Disclosures

8.1 The following paras set out he impact of adopting IFRS9 on the statement of financial position,and retained earnings including the effect of replacing prior accounting policy of incurred credit loss calculations with IFRS9's Expected Credit Loss(ECLs). A reconciliation between the carrying amounts under prior accounting policy to the balances reported under IFRS 9 as of 31 December 2023 is, as follows:

| Description | Note | Old financial reporting framework | | Reclassification | Remeasurement | Current IFRS-9 reporting framework | |
|---|---|---|---|---|---|---|---|
| | | Category | Amount | | | Amount | Category |
| | | | Rupees"000" | | | | |
| **Financial Assets** | | | | | | | |
| Cash and balances with SBP and NBP | 9 | Cash and balances with SBP and NBP (Held til maturity) | 2,419,392 | 11,512 | - | 2,430,904 | Amortized cost |
| Balances with other Banks/ NBFIs /MFBs | 10 | Balances with other Banks/ NBFIs /MFBs (Held til maturity) | 5,164,274 | 194,373 | (57) | 5,358,590 | Amortized cost |
| Lending to financial institutions | 11 | Lending to financial institutions (Held til maturity) | 1,020,000 | 2,414 | - | 1,022,414 | Amortized cost |
| Investments in Debt | 12 | Held-to-Maturity | 2,658,905 | - | - | 2,658,905 | Amortized Cost |
| | | Available for Sale | 2,946,913 | | - | 2,946,913 | Fair Value OCI |
| Advances | 13 | Advances (held til maturity) | 31,886,462 | 2,677,624 | (122,085) | 34,442,001 | Amortized cost |
| Other assets | 18 | Income / markup accrued (amortized cost) | 3,762,063 | (2,652,324) | (9) | 1,109,730 | Amortized cost |
| **Non-financial assets** | | | | | | | |
| Deferred tax asset | 17 | Deferred tax asset | 3,459,593 | - | 40,310 | 3,499,903 | Deferred tax asset |
| **Financial Liabilities** | | | | | | | |
| Borrowings | 20 | Borrowings (Held til maturity) | (4,651,094) | (221,834) | - | (4,872,928) | Amortized cost |
| Deposits and other accounts | 21 | Deposits and other accounts (Held til maturity) | (39,569,766) | (1,488,095) | - | (41,057,861) | Amortized cost |
| Subordinated debt | 23 | Subordinated-Debt (Held til maturity) | (1,442,360) | (795,245) | - | (2,237,605) | Amortized cost |
| Other liabilities | 25 | Other liabilities (Held til maturity) | (6,910,307) | 2,271,575 | - | (4,638,732) | Amortized cost |
| **Total Impact of adopting IFRS 9** | | | 744,075 | - | (81,841) | 662,234 | |

8.1.1 The Impact of transition to IFRS 9 on unappropriated profit and revaluation of investment as at 1 January 2024 is as follows:

| | Rs. in 000' |
|---|---|
| **Unappropriated profit** | |
| Balance at December 31, 2023 | (1,845,766) |
| Impact of adopting IFRS 9 - net of related deferred tax | (81,841) |
| Restated balance at December 31, 2023 | (1,927,607) |

## 9 CASH AND BALANCES WITH TREASURY BANKS

| | Note | 31-Dec-24 | 31-Dec-23 |
|---|---|---|---|
| | | Rupees in '000 | |
| In hand - Local currency | | **898,615** | 753,490 |
| Balance With State Bank of Pakistan in | | | |
| Local currency current account | 9.1 | **3,558,410** | 1,009,357 |
| Local currency deposit account | | **-** | - |
| | | **3,558,410** | 1,009,357 |
| Balance With National Bank of Pakistan in | | | |
| Local currency current account | | **15,611** | 18,752 |
| Local currency deposit account (to be specified) | 9.2 | **1,397,363** | 637,793 |
| | | **1,412,974** | 656,545 |
| Accrued Markup on Balances With NBP | | **22,289** | 11,512 |
| Less: Credit loss allowance | | **-** | - |
| Total | | **5,892,288** | 2,430,904 |

**9.1** This represents balance maintained with SBP to comply with requirements of Prudential Regulations for Microfinance Banks to maintain minimum cash reserve equivalent to not less than 5% (2023: 5%) of the Bank's demand deposits and time deposits with tenor of less than one year.

**9.2** These represent deposits with National Bank of Pakistan payable on demand carrying mark-up/profit ranging from 5% to 18.75% (2023: 5% to 6%) per annum.

## 10 BALANCES WITH OTHER MFBs/BANKs/NBFIs

| | Note | 31-Dec-24 | 31-Dec-23 |
|---|---|---|---|
| | | Rupees in '000 | |
| - In current account | 10.1 | **40,987** | 89,970 |
| - In deposit account | 10.2 | **3,592,124** | 2,751,804 |
| - In Fixed accounts | 10.3 | **200,000** | 2,322,500 |
| | | **3,833,111** | 5,164,274 |
| Accrued Markup | | **105,293** | 194,372 |
| Less: Credit loss allowance | | **(57)** | - |
| | | **3,938,347** | 5,358,646 |

**10** These represent deposits with commercial banks and Islamic banks payable on demand maintained in current account.

**10** These represent deposits with commercial banks and Islamic banks payable on demand carrying mark-up/profit ranging from 5% to 22% (2023: 5% to 21%) per annum.

**10** Fixed deposits represent an amount of Rs 200 Million (2023: Rs 2,322 million) that carries mark-up/profit at the rate of 24% (2023: 17.4% to 22.7%).

| 11 | LENDINGS TO FINANCIAL INSTITUTIONS | Note | 31-Dec-24 | 31-Dec-23 |
|---|---|---|---|---|
| | | | Rupees in '000 | |
| | Call / clean money lendings | | 3,100,000 | 1,020,000 |
| | Reverse repo agreements | | - | - |
| | Income / mark-up accrued on Lending to FIs | | 1,072 | 2,414 |
| | | | 3,101,072 | 1,022,414 |
| | Less: Credit loss allowance | | - | - |
| | | 11.1 | 3,101,072 | 1,022,414 |

**11.1** These represents call money lending 3,101 million in 2024 (2023: 1,020 Million) with markup/profit rate ranging from 12% to 13.4% (2023: 21.60%). ECL is not recorded as these are 100% secured against eligible collaterals.

## 12 INVESTMENTS

### 12.1 Investments by type:

| | 31-Dec-24 | | | | 31-Dec-23 | | | |
|---|---|---|---|---|---|---|---|---|
| | Fair Value / Amortised cost | Credit Loss Allowance | Surplus / (Deficit) | Carrying Value | Fair Value / Amortised cost | Credit Loss Allowance | Surplus / (Deficit) | Carrying Value |
| | Rupees in '000 | | | | | | | |
| **Classified as Amortised Cost** | | | | | | | | |
| ***Federal Government securities(Note 12.1.1)*** | | | | | | | | |
| Pakistan Investment Bonds (PIBs) | 1,034,162 | - | - | 1,034,162 | 1,839,271 | - | - | 1,839,271 |
| Market Treasury Bills (MTBs) | 3,378,163 | - | - | 3,378,163 | 504,410 | - | - | 504,410 |
| Ijarah Sukuks | 1,856,237 | - | - | 1,856,237 | 315,224 | - | - | 315,224 |
| | **6,268,562** | **-** | **-** | **6,268,562** | **2,658,905** | **-** | **-** | **2,658,905** |
| **Classified as FVOCI** | | | | | | | | |
| ***Federal Government securities(Note 12.1.2)*** | | | | | | | | |
| Pakistan Investment Bonds (PIBs) | 104,252,575 | - | 31,943 | 104,284,518 | - | - | - | - |
| Market Treasury Bills (MTBs) | 7,816,583 | - | 5,265 | 7,821,848 | 2,947,292 | - | (380) | 2,946,912 |
| Ijarah Sukuks | 1,730,634 | - | 5,416 | 1,736,050 | - | - | - | - |
| | **113,799,792** | **-** | **42,624** | **113,842,416** | **2,947,292** | **-** | **(380)** | **2,946,912** |
| **Total investments** | **120,068,354** | **-** | **42,624** | **120,110,978** | **5,606,197** | **-** | **(380)** | **5,605,817** |

**12.1.1** These include securities held in Held-to-maturity T-Bills B71and PIBs carrying mark-up/profit ranging from 11.85% to 15.57% (2023: 21.84% to 23.39%).

**12.1.2** These include securities held in Avaiable-for Sale T-Bills and PIBs carrying mark-up/profit ranging from 11.82% to 15.57% (2023: 21.33% to 22.11%).

**12.1.3** Ijarah Sukuk securities held in Available-for-Sale carry mark up at the rate of 14.05% to 14.15% (2023: 14.85% to 22.67%) per anum.

**12.1.4** Ijarah Sukuk securities held in Held- to- maturity carry mark up at the rate of 12.72% to 18.99% (2023: 14.85% to 22.67%) per anum and are due to mature in 2025.

### 12.2 Investments - Particlurs of credit loss allowance

| 12.2.1 Investments - Exposure | 31-Dec-24 | | | | 31-Dec-23 | | |
|---|---|---|---|---|---|---|---|
| | IFRS 9 classification | | | | Prudential Regulations classification | | |
| | Stage 1 | Stage 2 | Stage 3 | Total | Performing | Non-performing | Total |
| | Rupees in '000 | | | | | | |
| Gross carrying amount | 5,606,197 | - | - | 5,606,197 | 2,435,811 | - | 2,435,811 |
| New Investments | 105,876,368 | - | - | 105,876,368 | 4,786,563 | - | 4,786,563 |
| Investments derecognised or repaid | (500,000) | - | - | (500,000) | (1,621,422) | - | (1,621,422) |
| Transfer between stages | - | - | - | - | - | - | - |
| | 105,376,368 | - | - | 105,376,368 | 3,165,141 | - | 3,165,141 |
| Amounts written off / charged off | - | - | - | - | - | - | - |
| Change in exposure | 9,085,789 | - | - | 9,085,789 | 5,245 | - | 5,245 |
| Closing balance | 120,068,354 | - | - | 120,068,354 | 5,606,197 | - | 5,606,197 |

**12.2.2** Expected credit loss on Government securities have not been estimated due to exemption available under IFRS 9 instructions issued by SBP through BPRD circular no. 3 of 2022 dated July 05, 2022

| 12.3 Investments given as collateral | 31-Dec-24 | 31-Dec-23 |
|---|---|---|
| | Rupees in '000 | |
| Pakistan Investment Bond (PIBs) | 101,500,000 | 500,000 |
| Market Treasury Bills (MTBs) | 2,183,350 | 602,365 |

## 13 ADVANCES

| | Performing | | | | Non Performing | | Total | |
|---|---|---|---|---|---|---|---|---|
| | Stage 1 | | Stage 2 | | Stage 3 | | | |
| | 31-Dec-24 | 31-Dec-23 | 31-Dec-24 | 31-Dec-23 | 31-Dec-24 | 31-Dec-23 | 31-Dec-24 | 31-Dec-23 |
| | Rupees in '000 | | | | | | | |
| **Micro Credits-CMD** | | | | | | | | |
| Secured | 15,138,994 | - | 95,484 | - | 52,693 | - | 15,287,171 | 11,653,075 |
| Unsecured | 8,607,977 | - | 400,259 | - | 503,858 | - | 9,512,094 | 10,039,820 |
| Income/Markup Accrued | 1,777,901 | - | 2,213 | - | - | - | 1,780,114 | 962,338 |
| **Islamic financing** | | | | | | | | |
| Secured | 5,311,507 | - | 87,738 | - | 162,849 | - | 5,562,094 | 6,673,544 |
| Unsecured | 3,741,046 | - | 41,923 | - | 300,999 | - | 4,083,968 | 5,113,707 |
| Income/Markup Accrued | 2,462,678 | - | 50,239 | - | - | - | 2,512,917 | 1,481,689 |
| **Fair value / EIR impact (note 13.4)** | (625,475) | - | (1,086) | - | (1,876) | - | (628,437) | - |
| **Advances - Gross** | 36,414,628 | - | 676,770 | - | 1,018,523 | - | 38,109,921 | 35,924,173 |
| Less: Provision held | | | | | | | | |
| Specific | - | - | - | - | - | - | - | (597,356) |
| General | | | | | | | | |
| Mandatory | - | - | - | - | - | - | - | (211,741) |
| Additional | - | - | - | - | - | - | - | (784,587) |
| | - | - | - | - | - | - | - | (1,593,684) |
| Less: Credit loss allowance against advances | | | | | | | | |
| - Stage 1 | (180,876) | - | - | - | - | - | (180,876) | - |
| - Stage 2 | - | - | (139,669) | - | - | - | (139,669) | - |
| - Stage 3 | - | - | - | - | (619,052) | - | (619,052) | - |
| | (180,876) | - | (139,669) | - | (619,052) | - | (939,597) | - |
| **Advances - Net of Credit Loss Allowance** | 36,233,752 | - | 537,101 | - | 399,471 | - | 37,170,324 | 34,330,489 |

### 13.1 Advances - Particlurs of Credit Loss Allowance

#### 13.1.1 Advances - Exposure

| | 31-Dec-24 IFRS 9 classification | | | | 31-Dec-23 Prudential Regulations Classification | | |
|---|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Total | Performing | Non-performing | Total |
| | Rupees in '000 | | | | Rupees in '000 | | |
| Opening balance | - | - | - | - | 29,494,269 | 5,168,648 | 34,662,917 |
| IFRS 9 impact | 34,863,960 | 416,466 | 845,582 | 36,126,008 | - | - | - |
| Gross carrying amount | 34,863,960 | 416,466 | 845,582 | 36,126,008 | 29,494,269 | 5,168,648 | 34,662,917 |
| New advances | 29,611,304 | - | - | 29,611,304 | - | - | - |
| Advances derecognised or repaid | (22,936,901) | (357,754) | (608,891) | (23,903,546) | - | - | - |
| Transfer to stage 1 | 34,343 | (22,073) | (12,270) | - | - | - | - |
| Transfer to stage 2 | (469,203) | 471,853 | (2,650) | - | - | - | - |
| Transfer to stage 3 | (897,126) | (19,208) | 916,334 | - | - | - | - |
| | 5,342,417 | 72,818 | 292,523 | 5,707,758 | - | - | - |
| Amounts Written off / Charged off | (232,177) | (35,066) | (1,080,046) | (1,347,289) | - | (4,954,903) | (4,954,903) |
| Changes [increase/(decrease)] in exposure | (3,559,572) | 222,552 | 960,464 | (2,376,556) | 5,213,264 | 1,002,895 | 6,216,159 |
| **Closing balance** | 36,414,628 | 676,770 | 1,018,523 | 38,109,921 | 34,707,533 | 1,216,640 | 35,924,173 |

| | 31-Dec-24 IFRS 9 classification | | | | 31-Dec-23 Prudential Regulations Classification | | |
|---|---|---|---|---|---|---|---|
| 13.1.2 Credit Loss Allowance of Advances | Stage 1 | Stage 2 | Stage 3 | Total | Performing | Non-performing | Total |
| | Rupees in '000 | | | | | Rupees in '000 | |
| Opening balance | - | - | - | - | 201,120 | 4,156,658 | 4,357,778 |
| IFRS 9 impact | 222,765 | 821,389 | 671,614 | 1,715,768 | - | - | - |
| Credit loss allowance opening balance | 222,765 | 821,389 | 671,614 | 1,715,768 | 201,120 | 4,156,658 | 4,357,778 |
| New advances | 105,244 | - | - | 105,244 | - | - | - |
| Advances derecognised or repaid | (112,972) | (32,862) | (522,619) | (668,453) | - | - | - |
| Transfer to Stage 1 | 5,445 | (1,069) | (4,376) | - | - | - | - |
| Transfer to Stage 2 | (2,733) | 6,280 | (3,547) | - | - | - | - |
| Transfer to Stage 3 | (12,649) | (1,501) | 14,150 | - | - | - | - |
| | (17,665) | (29,152) | (516,392) | (563,209) | - | - | - |
| Changes [increase/(decrease)] in exposure | 207,953 | (617,502) | 1,543,876 | 1,134,327 | - | - | - |
| Provision against non-performing advances charged for the year | - | - | - | - | 795,208 | 1,395,601 | 2,190,809 |
| Amounts written off/charged Off | (232,177) | (35,066) | (1,080,046) | (1,347,289) | - | (4,954,903) | (4,954,903) |
| **Closing balance** | 180,876 | 139,669 | 619,052 | 939,597 | 996,328 | 597,356 | 1,593,684 |
| **13.1.3 Credit Loss Allowance Breakup** | | | | | | | |
| Credit Loss Related to Stages | (17,665) | (29,152) | (516,392) | (563,209) | - | - | - |
| Credit Loss Related to Changes in exposure | 207,953 | (617,502) | 1,543,876 | 1,134,327 | - | - | - |
| Provision against non-performing advances | - | - | - | - | 795,208 | 1,395,601 | 2,190,809 |
| **Total Allowance** | 190,288 | (646,654) | 1,027,484 | 571,118 | 795,208 | 1,395,601 | 2,190,809 |
| **13.2 Advances and Related Credit Loss Allowance Details** | | | | | | | |
| **Internal / Extrernal rating / stage classification** | | | | | | | |
| **Outstanding gross exposure** | | | | | | | |
| **Performing - Stage 1** | 36,414,628 | - | - | 36,414,628 | 34,707,533 | - | 34,707,533 |
| **Under Performing** | | | | | | | - |
| Other assets especially mentioned | - | 365,914 | | 365,914 | - | 399,489 | 399,489 |
| Under Performing | - | 310,856 | - | 310,856 | - | - | - |
| **Non- Perfroming** | | | | | | | - |
| Other assets especially mentioned | - | - | 114,540 | 114,540 | | | |
| Substandard | - | - | 441,773 | 441,773 | - | 128,110 | 128,110 |
| Doubtful | - | - | 147,032 | 147,032 | - | 172,261 | 172,261 |
| Loss | - | - | 315,178 | 315,178 | - | 516,780 | 516,780 |
| | | | 1,018,523 | 1,018,523 | - | 817,151 | 817,151 |
| **Total** | 36,414,628 | 676,770 | 1,018,523 | 38,109,921 | 34,707,533 | 1,216,640 | 35,924,173 |
| **Corresponding Credit Loss Allowance/Provisions** | | | | | | | |
| Stage 1 | 180,876 | - | - | 180,876 | - | - | - |
| Stage 2 | - | 139,669 | - | 139,669 | - | - | - |
| Stage 3 | - | - | 619,052 | 619,052 | - | - | - |
| General provision | - | - | - | - | 996,328 | - | 996,328 |
| Specific provision | - | - | - | - | - | 597,356 | 597,356 |
| | 180,876 | 139,669 | 619,052 | 939,597 | 996,328 | 597,356 | 1,593,684 |

| | | 31-Dec-24 | 31-Dec-23 |
|---|---|---|---|
| | | Rupees in '000 | |
| 13.3 | **Particulars of write offs / charge offs:** | | |
| | Against credit loss allowance | 1,347,289 | 4,954,903 |
| | Directly charged to profit & loss account | - | 1,599 |
| | | 1,347,289 | 4,956,502 |
| 13.4 | **Fair value/ EIR impact** | | |
| | Openning | - | - |
| | Recognised during the year | 1,265,260 | - |
| | Unwinding during the year | (816,732) | - |
| | Loan processing fee | 179,909 | - |
| | **Closing** | 628,437 | - |

**13.4.1** During the year, in accordance with the implementation of IFRS 9 as outlined in BPRD Circular Letter No. 16 of 2024, the Bank has adopted the Effective Interest Rate (EIR) method for recognizing interest income on financial assets, effective from October 1, 2024.

The original EIR has been calculated by discounting the estimated future cash flows at the date of disbursement, including loan processing fees and transaction costs. For loans disbursed under Government subsidy schemes, the market rate has been applied. However, for standard loans, the market rate has not been used in the EIR assessment.

In the case of staff loans, the Bank determined the rates based on market rates for similar products offered to external customers. However, based on management's assessment, the impact of such adjustments is not material and, as a result, has not been reflected in the financial statements.

The overall impact of modification accounting on the financial statements at initial recognition amounts to Rs. 1,265 million. The EIR method has been applied prospectively, in line with relaxation allowed under BPRD Circular letter No. 16 of 2024 and the provisions of IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors.

| | | | 31-Dec-24 | 31-Dec-23 |
|---|---|---|---|---|
| | | | ----------- Rupees ----------- | |
| 14 | **PROPERTY AND EQUIPMENT** | | | |
| | Capital work-in-progress | 14.1 | 3,714 | 10,137 |
| | Property and equipment | 14.2 | 564,951 | 557,240 |
| | | | 568,665 | 567,377 |
| 14.1 | **Capital work-in-progress** | | | |
| | Civil works | | 3,714 | 10,137 |
| | | | 3,714 | 10,137 |

**14.2** ***Property and equipment***

| | December 31, 2024 | | | | | |
|---|---|---|---|---|---|---|
| | Freehold land | Furniture and Fixtures | Office Equipment | Computer Equipment | Vehicle-Owned | Total |
| **At January 1, 2024** | Rupees in '000 | | | | | |
| Cost | 253,420 | 483,759 | 282,576 | 549,270 | 103,164 | 1,672,189 |
| Accumulated depreciation | - | (300,329) | (275,955) | (448,805) | (89,860) | (1,114,949) |
| Net book value | 253,420 | 183,430 | 6,621 | 100,465 | 13,304 | 557,240 |
| **Year Ended December 31, 2024** | | | | | | |
| Opening net book value | 253,420 | 183,430 | 6,621 | 100,465 | 13,304 | 557,240 |
| Additions/Transfers from CWIP | - | 41,943 | 7,172 | 52,250 | 1,182 | 102,547 |
| Disposals/ write offs (Net Book value) | - | (5,166) | (8) | (706) | (87) | (5,967) |
| Depreciation charge | - | (41,780) | (4,640) | (37,570) | (4,732) | (88,722) |
| Other disposals/ write offs | - | - | - | (189) | 42 | (147) |
| Closing net book value | 253,420 | 178,427 | 9,145 | 114,250 | 9,709 | 564,951 |
| **At December 31, 2024** | | | | | | |
| Cost / Revalued amount | 253,420 | 525,702 | 289,748 | 601,520 | 104,346 | 1,774,736 |
| Accumulated depreciation | - | (347,275) | (280,603) | (487,270) | (94,637) | (1,209,785) |
| Net book value | 253,420 | 178,427 | 9,145 | 114,250 | 9,709 | 564,951 |
| Rate of depreciation | - | 10% | 20% | 33.33% | 20% | |

| | December 31, 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Freehold land | Furniture and Fixtures | Office Equipment | Computer Equipment | Vehicle-Owned | Total |
| **At January 1, 2023** | Rupees in '000 | | | | | |
| Cost | 253,420 | 502,170 | 288,305 | 540,665 | 96,992 | 1,681,552 |
| Accumulated depreciation | - | (267,206) | (267,191) | (422,821) | (84,154) | (1,041,372) |
| Net book value | 253,420 | 234,964 | 21,114 | 117,844 | 12,838 | 640,180 |
| **Year Ended December 31, 2023** | | | | | | |
| Opening net book value | 253,420 | 234,964 | 21,114 | 117,844 | 12,838 | 640,180 |
| Additions/Transfers from CWIP | - | 929 | 546 | 21,622 | 11,309 | 34,406 |
| Disposals/ write offs (Net Book Value) | - | (19,339) | (6,275) | (13,018) | (5,137) | (43,769) |
| Depreciation charge | - | (45,388) | (15,012) | (38,038) | (10,333) | (108,771) |
| Disposals/ write offs | - | 12,265 | 6,248 | 12,054 | 4,627 | 35,194 |
| Closing net book value | 253,420 | 183,431 | 6,621 | 100,464 | 13,304 | 557,240 |
| **At December 31, 2023** | | | | | | |
| Cost | 253,420 | 503,099 | 288,851 | 562,287 | 108,301 | 1,715,958 |
| Accumulated depreciation | - | (319,668) | (282,230) | (461,823) | (94,997) | (1,158,718) |
| Net book value | 253,420 | 183,431 | 6,621 | 100,464 | 13,304 | 557,240 |
| Rate of depreciation | - | 10% | 20% | 33.33% | 20% | |

**14.2.1** Cost of fully depreciated property and equipment that are still in use is Rs 1,232.08 million (2023: Rs 802.43million).

**14.2.2** As required by BSD Circular No 11 of 2003, details of property and equipment disposed off during the year is disclosed in Annexure-I and forms integral part of these financial statements.

## 15 RIGHT OF USE ASSETS

| | 31-Dec-24 | | | | 31-Dec-23 | | | |
|---|---|---|---|---|---|---|---|---|
| | Buidlings | Equipments | Vehicles | Total | Buidlings | Equipments | Vehicles | Total |
| | ------------ Rupees '000 ---------- | | | | ------------ Rupees '000 ---------- | | | |
| **At January 01, 2024** | | | | | | | | |
| Cost | 1,375,148 | - | 97,497 | 1,472,645 | 1,195,827 | - | 117,532 | 1,313,359 |
| Accumulated Depreciation | (681,345) | - | (96,506) | (777,851) | (549,386) | - | (113,747) | (663,133) |
| Net Carrying amount | 693,803 | - | 991 | 694,794 | 646,441 | - | 3,785 | 650,226 |
| ***For the Year Movement*** | | | | | | | | |
| Additions during the year | 126,566 | 42,942 | - | 169,508 | 255,094 | - | 1,283 | 256,377 |
| Deletions during the year | (110,745) | - | - | (110,745) | (75,773) | - | (220) | (75,993) |
| Depreciation Charge for the year | (125,097) | (4,697) | (991) | (130,785) | (131,959) | - | (3,857) | (135,816) |
| | (109,277) | 38,245 | (991) | (72,022) | 47,362 | - | (2,794) | 44,568 |
| **Net Carrying amount at December 31, 2024** | 584,526 | 38,245 | - | 622,772 | 693,803 | - | 991 | 694,794 |

## 16 INTANGIBLE ASSETS

| | Note | December 31, 2024 | December 31, 2023 |
|---|---|---|---|
| | | ------------ Rupees '000 ---------- | |
| Computer software and licences | 16.1 | 28,203 | 15,265 |
| Development in progress | | - | 22,259 |
| | | 28,203 | 37,524 |

| | December 31, 2024 | | December 31, 2023 | |
|---|---|---|---|---|
| | ------------ Rupees '000 ---------- | | | |
| | Computer software and licences | Total | Computer software and licences | Total |
| **16.1 At January 01,** | | | | |
| Cost | 438,793 | 438,793 | 436,905 | 436,905 |
| Accumulated amortization and impairment | (423,529) | (423,529) | (400,096) | (400,096) |
| Net book value | 15,264 | 15,264 | 36,809 | 36,809 |
| ***For the Year Movement*** | | | | |
| Opening net book value | 15,264 | 15,264 | 36,809 | 36,809 |
| *Additions:* | | | | |
| - Directly Purchased/Transfers from CWIP | 25,487 | 25,487 | 1,888 | 1,888 |
| Disposals (Cost) | - | - | - | - |
| Amortization charge | (12,548) | (12,548) | (23,433) | (23,433) |
| Disposals/Write off (Accumulated Amortization) | - | - | - | - |
| Closing net book value | 28,203 | 28,203 | 15,264 | 15,264 |
| **At December 31,** | | | | |
| Cost | 464,280 | 464,280 | 438,793 | 438,793 |
| Accumulated amortization and impairment | (436,077) | (436,077) | (423,529) | (423,529) |
| Net book value | 28,203 | 28,203 | 15,264 | 15,264 |
| Rate of amortization | 33.33% | | 33.33% | |
| Useful life | Over the Term | | | |

**16.2** Cost of fully amortized intangible assets that are still in use is Rs 383.85 million (2023: Rs 372.71 million).

### 17 DEFERRED TAX ASSETS - NET

Bank recognise deferred tax asset only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Based on financial projections for future years, approved by the Board, the management believes that, the Bank will be able to realize the deferred tax asset. The preparation of projections involves management's assumptions regarding future business and economic conditions and therefore any significant change in such assumptions or actual outcome that is different from assumptions may have an effect on the recoverability of the deferred tax asset in future.

| | Note | January 1 | Recognised in opening accumulated losses (note 8) | Recognised in P&L A/C | Recognised in OCI | December 31 |
|---|---|---|---|---|---|---|
| **For year ended December 31, 2024** | | | | | | |
| **Deferred tax asset arising on account of deductible temporary differences on** | | | | Rupees in '000 | | |
| Tax losses carried forward | | 2,502,150 | - | (255,286) | - | 2,246,864 |
| Post retirement employee benefits | | 66,576 | - | (22,918) | 20,608 | 64,266 |
| Accelerated tax depreciation | | 20,085 | - | (1,137) | - | 18,948 |
| Credit loss allowance against advances, off balance sheet etc. | | 525,916 | 40,310 | (235,604) | - | 330,622 |
| Lease liability | | 312,205 | - | (17,179) | - | 295,026 |
| Minimum tax | | 303,605 | - | 290,615 | - | 594,220 |
| Grants | | 95 | - | (67) | - | 28 |
| | | 3,730,632 | 40,310 | (241,576) | 20,608 | 3,549,974 |
| **Deferred tax liability arising on account of taxable temporary differences on:** | | | | | | |
| Fair value adjustment | | - | - | 55,006 | - | 55,006 |
| Deficit on revaluation of investments | | 126 | - | - | (14,192) | (14,066) |
| Amortization on intangible assets | | 1,659 | - | (443) | - | 1,216 |
| Accelerated tax depreciation | | (229,282) | - | 23,767 | - | (205,515) |
| Un-realised mark-up on Government Securities | | (14,993) | - | (127,251) | - | (142,244) |
| Receivable from Employees' gratuity fund | | (28,549) | - | (4,083) | - | (32,632) |
| | | (271,039) | - | (53,004) | (14,192) | (338,235) |
| | | 3,459,593 | 40,310 | (294,580) | 6,416 | 3,211,739 |
| **For year ended December 31, 2023** | | | | | | |
| **Deferred tax asset arising on account of deductible temporary differences on** | | | | | | |
| Tax losses carried forward | | 1,690,189 | - | 811,961 | - | 2,502,150 |
| Post retirement employee benefits | | - | - | 65,878 | 698 | 66,576 |
| Deficit on revaluation of investments | | - | - | - | 126 | 126 |
| Accelerated tax depreciation | | 16,874 | - | 3,211 | - | 20,085 |
| Amortization on intangible assets | | - | - | 1,659 | - | 1,659 |
| Credit loss allowance against advances, off balance sheet etc. | | 1,438,067 | - | (912,151) | - | 525,916 |
| Lease liability | | 289,283 | - | 22,922 | - | 312,205 |
| Minimum tax | | 144,590 | - | 159,015 | - | 303,605 |
| Grants | | 1,199 | - | (1,104) | - | 95 |
| | | 3,580,202 | - | 151,391 | 824 | 3,732,417 |
| **Deferred tax liability arising on account of taxable temporary differences on:** | | | | | | |
| Accelerated tax depreciation | | (214,574) | - | (14,708) | - | (229,282) |
| Un-realised mark-up on Government Securities | | (3,188) | - | (11,805) | - | (14,993) |
| Receivable from Employees' gratuity fund | | - | - | (28,549) | - | (28,549) |
| Amortization of Intangible assets | | (458) | - | 458 | - | - |
| | | (218,220) | - | (54,604) | - | (272,824) |
| | | 3,361,982 | - | 96,787 | 824 | 3,459,593 |

| | | Note | 31-Dec-24 | 31-Dec-23 |
|---|---|---|---|---|
| | | | Rupees in '000 | |
| 18 | **OTHER ASSETS** | | | |
| | Advances, deposits, advance rent and other prepayments | | **97,732** | 84,081 |
| | Advance Income Tax | | **97,286** | - |
| | Advance Sales Tax/FED | | **110,928** | 76,531 |
| | Less : Provisions held against Advance Tax | | **(12,979)** | (12,979) |
| | Remittances | | **695,000** | 254 |
| | Insurance claims receivables | | **247,169** | 255,181 |
| | Insurance Premium Subsidy Receiveable from SBP | | **186,502** | 272,016 |
| | Markup Subsidy Receiveable from SBP | | **607,346** | 201,844 |
| | Bills for Collection | | **296,461** | 12,410 |
| | Receivable from Employees' Gratuity Fund Trust | | **98,886** | 86,512 |
| | Stock-in Hand | | **37,750** | 17,988 |
| | Staff Loans and Advances | | **74,874** | 68,991 |
| | Personal advances | | **10,997** | 8,601 |
| | Operational advances | | **9,974** | 8,167 |
| | Others (to be specified, if material) | | **101,271** | 30,913 |
| | | | **2,659,197** | 1,110,510 |
| | Less: Credit loss allowance held against other assets | | **(62,288)** | (9) |
| | Other assets - net of credit loss allowance | | **2,596,909** | 1,110,501 |
| 18.1 | **Credit loss allowance held against other assets** | | | |
| | Openning | | **9** | 9 |
| | Charged during the year | | **62,279** | - |
| | | | **62,288** | **9** |
| 19 | **BILLS PAYABLE** | | | |
| | In Pakistan | | **53,036** | 90,401 |
| 20 | **BORROWINGS** | | | |
| | **Secured** | | | |
| | Borrowings from National Bank of Pakistan - Term Finance | 20.1 | **100,000,000** | - |
| | Borrowings from National Bank of Pakistan-Running Finance | 20.2 | **11,424,996** | 4,424,972 |
| | Borrowings from BOP-Term Finance | 20.3 | **-** | 100,000 |
| | Borrowings from BOP-Running Finance | 20.5 | **500,000** | - |
| | Borrowings from Pakistan Mortgage Refinance Company Ltd-Term Finance | 20.4 | **124,143** | 126,122 |
| | **Total-secured Borrowing** | | **112,049,139** | 4,651,094 |
| | **Mark-up Payable on above Borrowings** | | | |
| | Mark-Up Payable on Borrowings from NBP - Term finance | | **72,927** | - |
| | Mark-Up Payable on Borrowings from NBP | | **522,190** | 220,588 |
| | Mark-Up Payable on Borrowings from BOP | | **129** | 1,201 |
| | Mark-Up Paybale on Borrowings from Pakistan Mortgage Refinance Company Ltd | | **44** | 45 |
| | | | **595,290** | 221,834 |
| | **EIR impact** | 20.6 | | |
| | Openning | | **-** | - |
| | Recognised during the year | | **(1,345,772)** | - |
| | Unwinding during the year | | **884,019** | - |
| | | | **(461,753)** | - |
| | ***Total*** | | **112,182,676** | 4,872,928 |

**20.1** The Bank entered into a loan agreement amounting to Rs 150 billion with National Bank of Pakistan. The facility was provided to NRSP MFB for Capital Support .At year end bank has availed facility of Rs. 100 billion. The principal amount is repayable on 31 March 2025. The facility is secured against Pakistan Investment Bonds(PIBs). Markup is charged at 3 month KIBOR+0.7% (2023: Nill)

This loan is secured against a investment in Pakistan Investment Bond (PIBs) of Rs. 100 billion.

**20.2** The Bank entered into running finance facility agreement amounting to Rs 1,142 million with National Bank of Pakistan to participate in Government's scheme of PMYB&ALS. The principal amount is repayable at the end of the term and carries mark-up at the rate of Three month KIBOR + 0.5% per annum on un-utilized amount of financing. The term of the loan is 1 year commencing from December 18, 2023. As at the period end, the facility has been fully availed (2023: 4,424 million).

This loan is secured against a demand promissory note and a first pari passu charge on the present and future current assets of the Bank with 25% margin. The charge is on 50% facility amount and 50% is secured through Government of Pakistan.

**20.3** The Bank entered into a loan agreement amounting to Rs 500 million with The Bank of Punjab to finance its operations. The principal amount is repayable in five equal semi-annual installments of Rs 100 million each commencing from June 15, 2022 and culminated June 2024. Markup is chargeable at the rate of six months KIBOR+1.5% per annum payable on semi-annual basis.

This loan is secured against a demand promissory note and a first pari passu charge on the present and future current assets of the Bank with 25% margin.

**20.4** The Bank entered into a loan agreement amounting to Rs 500 million with Pakistan Mortgage Refinance Company Limited to participate into Government Mark-up Subsidy Scheme and Credit Guarantee Scheme. The principal amount is repayable in 32 quarterly installments commencing from September 30, 2023 and culminating in June 30, 2031. Markup rate is fixed for first five years at 6.50% and for next five years at 8.50%.

This loan is secured through a first pari passu charge on the present and future current assets of the Bank with 25% margin.

**20.5** The Bank entered into running finance facility agreement amounting to Rs 500 million with The Bank of Punjab to finance its operations. The principal amount is repayable at the end of the term and carries mark-up at the rate of Three month KIBOR + 1.25% per annum payable on quarterly basis. The term of the loan is 1 year commencing from January 22, 2020 and is renewed every year. As at the year end, the facility has been repaid (2023: Nil).

This loan is secured against a demand promissory note and a hypothecated First pari passu charge on the present and future current assets of the Bank with 25% margin.

**20.6** This represents fair value adjustment on the below market rate borrowings received from Banks under Prime Minister Youth Programme. This adjustment is taken as a result of applicability of Effective Interest Rate method (EIR method) in accordance with the instructions as outlined in BPRD Circular Letter No. 16 of 2024. The overall impact of modification accounting on the financial statements related to borrowings amounts to Rs. 1,345 million. The EIR method has been applied prospectively, in line with relaxation allowed under BPRD Circular letter No. 16 of 2024 and the provisions of IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors.

| | Note | 31-Dec-24 | 31-Dec-23 |
|---|---|---|---|
| | | Rupees in '000 | |
| **21 DEPOSITS AND OTHER ACCOUNTS** | | | |
| **Individual Customers** | | | |
| Current deposits | | **8,693,876** | 4,962,426 |
| Savings deposits | | **6,929,778** | 5,067,196 |
| Term deposits | | **8,893,736** | 9,330,680 |
| Others | | **171,570** | 17,941 |
| | | **24,688,960** | 19,378,243 |
| **Financial Institutions** | | | |
| Current deposits | | **4,382** | 2,307,904 |
| Savings deposits | | **1,478,324** | 4,160,936 |
| Term deposits | | **3,222,175** | 9,807,669 |
| | | **4,704,881** | 16,276,509 |
| **Corporation / firms etc.** | | | |
| Current deposits | | **2,353,654** | 972 |
| Savings deposits | | **7,376,584** | 2,416,300 |
| Term deposits | | **14,139,020** | 1,497,741 |
| | | **23,869,258** | 3,915,013 |
| **Mark-up/Return /Interest Payable on Deposits** | | **1,737,405** | 1,488,096 |
| | | **55,000,504** | 41,057,861 |

| | Note | 31-Dec-24 | 31-Dec-23 |
|---|---|---|---|
| | | Rupees in '000 | |

**21.1 Composition of deposits**

| | | | |
|---|---|---|---|
| **Branches** | | | |
| Individuals | | 24,688,960 | 19,378,244 |
| Government (Federal and Provincial) | | 11,454,189 | 7,630,181 |
| Public sector entities | | 5,719,259 | 4,379,662 |
| Banking companies | | - | - |
| Non-banking financial institutions | | 4,714,289 | 4,218,696 |
| Private sector | | 8,423,807 | 5,451,079 |
| | | 55,000,504 | 41,057,861 |

**21.2** Composition of deposit

| | | |
|---|---|---|
| - Branchless Banking | 4,255,357 | 35,517 |
| - Branches | 48,836,172 | 39,534,249 |

## 22 LEASE LIABILITIES

| | | |
|---|---|---|
| At beginning of period / year | 946,075 | 876,615 |
| Additions during the period / year | 47,460 | 148,586 |
| Interest expense | 127,181 | 127,155 |
| Payment | (226,698) | (206,281) |
| **Closing balance** | 894,018 | 946,075 |

**22.1 Contactual maturity of lease laibilities**

| | | |
|---|---|---|
| Short-term lease liabilities - within one year | 110,464 | 764,324 |
| Long-term lease liabilities | | |
| - 1 to 5 years | 783,554 | 181,751 |
| Total lease liabilities | 894,018 | 946,075 |

## 23 SUBORDINATED DEBT

| | Note | | |
|---|---|---|---|
| Subordinated Debt-KfW (Germany) | 23.1 | 672,360 | 672,360 |
| Subordinated Debt-TFCs | 23.2 | 770,000 | 770,000 |
| Mark-Up Payable on Subordinated Debt-KfW | | 916,136 | 750,322 |
| Mark-Up Payable on Subordinated Debt-TFCs | | 33,383 | 44,922 |
| | | 2,391,879 | 2,237,604 |

**23.1** The Bank entered into a loan agreement with KfW - Germany, on December 29, 2014 for an amount of EURO 6 million. The loan is intended to be availed as TIER-II subordinated debt for inclusion in the Bank's Supplementary Capital. The amount was translated into local currency at the exchange rate of Rs.112.06 and sub-ordinated debt of Rs 672,360,000 was recorded in the financial statements. Loan carries interest at rate of KIBOR + 3.5% per annum. Principal amount and interest is repayable in a bullet payment at the end of loan term by converting the principal and accrued markup into EUROs at the exchange rate prevalent as at June 30, 2023 which is now extended till June 30, 2025. All foreign currency risks in connection with the transaction rest with

**23.2** This represents Rated, Unsecured, subordinated and privately placed Tier II Term Finance Certificates of worth Rs.100,000/- each fully subscribed on July 09, 2021 to improve the Capital Adequacy Ratio at the rate of 3 Month KIBOR plus 3% per annum. The issue is for a period of 7 years from the date of subscription and will mature on July 09, 2028. The issue has assigned preliminary rating of single "A-" (Single "A minus"). The principal amount of issue TFC will be redeemed in four (4) equal quarterly installments during the last year of the issue. The Subordinated Debt agreement has a call option exercisable after obtaining written approval of SBP at any point on or after a period of 5 years from the issue date. The issue has Lock in and Lock absorbency clause.

## 24 DEFERRED GRANT

| | Note | 31-Dec-24 | 31-Dec-23 |
|---|---|---|---|
| | | Rupees in '000 | |
| Opening balance | | **288** | 3,634 |
| Grant Received During the Year-KfW | 24.1 | **2,967** | 11,604 |
| Grant Recognised as Income During the Year | | **(3,170)** | (14,950) |
| Recognized on loans under government schemes | 20.6 | | |
| Fair value impact at initial recognition | | **1,345,772** | - |
| Recognized during the year on corresponding expense | | **(1,265,260)** | - |
| Grant recognized on lending | | **(80,512)** | - |
| **Closing balance** | | **85** | 288 |

**24.1** This represents grant received under an agreement with KfW-Germany through Economic Affairs Division of Government of Pakistan for the purpose of institutional strengthening, to develop and strengthen its overall strategy and planning process, internal procedures, banking functions, product offerings and staff capacities of the Bank.

## 25 OTHER LIABILITIES

| | Note | 31-Dec-24 | 31-Dec-23 |
|---|---|---|---|
| | | Rupees in '000 | |
| Accrued expenses | | **116,710** | 155,246 |
| Current taxation | | **-** | 68,076 |
| Payable to defined benefit plan | | **194,744** | 201,747 |
| Payable to defined contribution plan | | **6,900** | 1,935 |
| Payable to employees' - final settlement | | **70,685** | 3,691 |
| Branch adjustment account | | **300,919** | 765 |
| Charity fund balance | | **23** | 24 |
| Security deposits against Ijarah | | **216,581** | 428,870 |
| Unearned / deferred income on Islamic financing | | **1,850,888** | 1,843,266 |
| Unearned / Deferred income on LPF ATM and SMS services | | **34,202** | 265,034 |
| Payable to the parent company | | **105,916** | 219,031 |
| Withholding tax payable | | **141,239** | 78,886 |
| Workers' Welfare Fund | | **51,713** | 42,731 |
| Insurance payable | | **19,607** | 22,738 |
| Payable to suppliers | | **28,325** | 18,873 |
| Payable to Banks/Fis/DFIs/NGOs | | **289** | 231 |
| Others | | **23,119** | 18,277 |
| | | **3,161,860** | 3,369,421 |

## 26 Share Capital

### 26.1 Authorized capital

| Dec-24 | Dec-23 | | Dec-24 | Dec-23 |
|---|---|---|---|---|
| ---------------Number | ----------------- | | ---------------Rupees | ----------------- |
| **1,000,000,000** | 300,000,000 | Ordinary shares of Rs. 10 each | **10,000,000,000** | 3,000,000,000 |

### 26.2 Issued, subscribed and paid-up capital

| Dec-24 | Dec-23 | | Dec-24 | Dec-23 |
|---|---|---|---|---|
| ---------------Number | ----------------- | | ---------------Rupees | ----------------- |
| **149,837,201** | 149,837,201 | Ordinary shares of Rs 10 each fully paid in cash | **1,498,372,010** | 1,498,372,010 |

### 26.3 The shareholders of the Bank are as follows:

| | | | | |
|---|---|---|---|---|
| **85,999,550** | 85,999,550 | NRSP | **859,995,500** | 859,995,500 |
| **24,000,000** | 24,000,000 | International Finance Corporation | **240,000,000** | 240,000,000 |
| **16,000,000** | 16,000,000 | Acumen Fund USA | **160,000,000** | 160,000,000 |
| **23,837,201** | 23,837,201 | PROPARCO France | **238,372,010** | 238,372,010 |
| **150** | 150 | Mr. Shoaib Sultan | **1,500** | 1,500 |
| **150** | 150 | Mr. Fazalulllah Qureshi | **1,500** | 1,500 |
| **150** | 150 | Dr. Rashid Bajwa | **1,500** | 1,500 |
| **149,837,201** | 149,837,201 | | **1,498,372,010** | 1,498,372,010 |

| | Note | 31-Dec-24 | 31-Dec-23 |
|---|---|---|---|
| **26 SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS** | | **Rupees in '000** | |
| Surplus / (deficit) on revaluation of | | | |
| - FVOCI - debt | 12.1 | **42,624** | (380) |
| - Property | | - | - |
| | | **42,624** | (380) |
| Deferred tax on surplus / (deficit) on revaluation of: | | | |
| - FVOCI - debt | | **(14,066)** | 126 |
| - Property | | - | - |
| | | **(14,066)** | 125 |
| | | **28,558** | (255) |

## 27 CONTINGENCIES AND COMMITMENTS

| | Note | 31-Dec-24 | 31-Dec-23 |
|---|---|---|---|
| **Other contingent liabilities** | 27.1 | - | - |
| | | - | - |

### 27.1 Other contingent liabilities

i) The income tax assessment for the tax year 2016 was amended by the ADCIR whereby net tax demand of Rs 103.86 million was raised. while deciding the appeal filed by NRSP Bank the CIR (A) decided certain issues in favour of NRSP Bank whereas certain issues were remanded back with directions to officer. The ADCIR while finalizing the remand back proceedings disallowed provision against non- performing loans and advances of Rs. 19.42 million being the difference of the charge for the year towards provision against non- performing loans and actual write off against the aforesaid provision. Further, he also disallowed the refund adjustment claim of Rs. 34.30 million from previous years against demand of TY 2016 without assigning any reason thereof, resultantly aggregate tax demand of Rs. 41.10 million was raised.

The hearing of appeal have been concluded and the CIR(A) has upheld the disallowance of the provision against non-performing loans advances of Rs. 19.42 million and with respect to refund adjustment aggregating Rs. 34.30 million the CIR(A) has directed the assessing officer to ascertain the amount of refundable after making proper verifications and adjusting the same. Later on, the ADCIR issued notice for further amendment of assessment for the TY2016 on account of adjustment of tax refunds by NRSP Bank against tax demand and charged default surcharge of Rs. 22.39 million. As a result of final amendment, the aggregate tax demand of Rs. 63.49 million was raised. The NRSP Bank filed appeal before CIR(A) against the order of the ADCIR. The CIR(A) has upheld the decision of CIR regarding to the Provision and referred back the refund for verification to CIR. Being aggrieved the Bank has filed an appeal before ATIR against the order of CIR(A) which is pending for adjudication.

ii) The income tax assessment for the tax year 2018 was amended by the Assessing Officer Inland Revenue, whereby tax demand of Rs 52.30 million was raised. Major issues on which assessment was amended include disallowing the difference between provision against non-performing loans and actual write-offs against the aforesaid provision, partial disallowance of accounting gain on sale of assets, disallowance of charge for employees' leave encashment scheme and disallowance for foreign tax credit. Being aggrieved with the decision of the ADCIR, the Bank has filed appeal with the Commissioner Inland Revenue (Appeals) [CIR(A)] which has been decided against order of the Bank. The Bank has filed appeal before the ATIR against order of CIR(A) which is pending adjudication till date. Further, the contingent liability involved is only Rs. 27m as the remaining liability pertains to the provision against non performing loans the effect of which is already taken while recording the tax liability in accounts.

iii) Tax authorities of the Punjab Revenue Authority (PRA) have passed the Order in Original NO NRSP/2020 dated February 03, 2020 whereby demand for Punjab Sales Tax amounting to Rs 86.40 million and penalty of Rs 86.40 million have been raised for alleged inadmissible claim of input tax credit without apportionment between taxable services i.e. fee, commission and brokerage income and non-taxable services i.e. mark-up receipts during the financial years 2012, 2013, 2014, 2015 and 2018. The Bank has preferred appeal against the order along with stay application before the Commissioner (Appeals) PRA which has deleted the penalty of Rs. 86.4 million and raised demand of Rs. 86.4 million. The Bank has filed an appeal before ATIR against the order of Commissioner Appeal which is pending till date.

iv) The Inland Revenue authorities have concluded the tax audit proceedings initiated under section 177 of the Ordinance for the Tax Year 2015. The Inland Revenue authorities accepted the stance of NRSP Bank on most of the issues; however, expenses on account of training, meeting & conferences, markup, provision against non-performing loans and actuarial loss on employee's retirement benefit were partially disallowed thereby raising tax demand of Rs. 8.55million. The NRSP Bank being aggrieved with the decision filed appeal before CIR(A). The CIR(A) has decided the case against the Bank and passed the order dated Jan 17, 2022. The Bank has file an appeal before ATIR against the order of CIR(A) which is pending adjudication to date.

v) Assessments of NRSP Bank for the Tax Year 2013 was amended by the Additional Commissioner Inland Revenue [the 'ADCIR'] thereby raising aggregate tax demand of Rs. 362.34 million. The Commissioner Inland Revenue (Appeal) ["CIR(A)"] decided the appeals in favor of NRSP Bank, annulled the assessment orders and remanded back the cases to the ADCIR for re-assessment. The decision of the CIR(A) was unclear on the interpretation of the word annullment vis-à-vis remand back of the assessment, hence NRSP Bank filed appeals with the Appellate Tribunal Inland Revenue ["ATIR"]. The ATIR has directed the CIR(A) to reconsider the matter after providing proper opportunity to the NRSP Bank. The appeal was transferred to ATIR after the promulgation of the Tax Laws Amended Act, 2024. The ATIR after hearing of the appeal remanded the case to the taxation officer for denovo proceedings after fulfilling all the legal requirements of the law for the year under appeal. Remand back proceedings have not been initiated yet.

vi) Sindh Sales Tax Authorities issued show- cause Notice whereby it was observed that NRSP Bank had not discharge its due sales tax liability of Rs. 17.67 million in the province of Sindh during the tax period January 2015 to December 2015. Against the Notice comprehensive response was filed. The Notice culminated into passing the OIO dated 04 August 2023 through which Sindh sales tax demand of Rs 0.47 million along with penalty of Rs 0.02 million was raised. NRSP Bank has challenged the OIO before the Commissioner Appeal Sind Revenue Board ["CA(SRB)"], hearing of the appeal has been concluded however the appellate order is awaited.

vii) Bank has unadjusted balance of input tax of approximately Rs.25.958 million pertaining to the tax periods March 2017 to December 2019 which the bank has not been able to claim after implementation of STRIVE software on the web portal of PRA. The Bank has taken up the matter with the PRA Tax Authorities seeking their approval for adjustment/ refund of the said amount however the matter is pending approval.

viii) The Inland Revenue authorities issued show cause notice under section 161/205 of the Ordinance for the Tax Year 2017 in order to verify the withholding compliance. Requisite information was provided. The ACIR has raised demand of Rs. 4.96 million on account of short deduction of tax along with the surcharge of Rs. 3.6million. Major heads on which short deduction of tax was detected are rent charges; salary & wages; printing & stationary; fixed assets; and mark-up on deposit; communication; meeting & conference etc. The NRSP Bank has filed appeal against the decision of CIR. The CIR(A) has remanded back the case to CIR with direction to issue fresh order after affording proper opportunity of being heard to the NRSP Bank.

ix) Assessment of NRSP Bank for TY-2022 was amended by the ADCIR whereby net demand of Rs. 362.7 million was raised. Major issues under amendment proceeding is disallowance of provision for non-performing loan/advances. Being aggrieved with the order of ADCIR, NRSP Bank has filed an appeal with CIR(A) which is pending adjudication to date.

x) The Inland Revenue authorities issued show cause notice under section 161/205 of the Ordinance for the Tax Year 2016 in order to verify the withholding compliance. Requisite information was provided. The ACIR has raised demand of Rs. 45.62 million on account of short deduction of tax. Major heads on which short deduction of tax was detected are vehicle running and maintenance; rent charges; fixed assets; and mark-up on deposit. The NRSP Bank filed rectification application to allow tax credit on mark up on deposit and rent which was earlier not considered by the ACIR while computing the tax demand, the rectification application of the NRSP Bank is partially accepted and total demand under this order was rectified to Rs. 14.09 million. NRSP Bank filed appeal before CIR (A) which has been decided against NRSP Bank. NRSP Bank has filed appeal before the ATI R against order of the CIR(A). The ATIR after hearing of the appeal has vacated the order of ACIR and CIR(A) and remanded the case to the taxation officer for denovo proceedings after fulfilling all the legal requirements of the law for the year under appeal. Remand back proceedings has been finalized and order of Rs. 9 million along with the surcharge of Rs. 7 million has been ordered by CIR. Being aggrieved, the Bank has filed appeal to CIR (A) against the decision of CIR which is pending adjudication till date.

xi) Tax authorities of the Punjab Revenue Authority (PRA) have passed the Order in Original No. ENF-IV, UNIT13/22/2023 dated Nov 13, 2023 whereby demand for Punjab Sales Tax amounting to Rs 697.5 million and penalty of Rs 34.87 million have been raised for alleged short payment of Sales tax and Sales tax withholding for the year 2019, 2020, 2021 and 2022. The Bank has preferred appeal against the order along with stay application before the Commissioner (Appeals) PRA which has annulled the order the remanded back the case to Commissioner. The Bank has also got the stay from Honorable Lahore High Court. The Bank has also paid Rs. 30million against order in order to avoid recovery from authority.

| 28 | MARK-UP / RETURN / INTEREST EARNED | Note | 31-Dec-24 | 31-Dec-23 |
|---|---|---|---|---|
| | | | Rupees in '000 | |
| | Markup Earned on Conventional Advances | | **6,248,813** | 6,750,988 |
| | Markup Discounted on Conventional Advances | 28.2 | **(917,720)** | (522,280) |
| | Loan processing fee (EIR impact) | | **224,225** | - |
| | | | **5,555,318** | 6,228,708 |
| | Investments | | **1,870,320** | 515,534 |
| | Lendings to financial institutions | | **196,470** | 47,099 |
| | Balances with other MFBs / banks / NBFIs | | **790,619** | 735,413 |
| | Employees' Loans | | **11,463** | 12,006 |
| | Profit Earned on Islamic Finaning | | **3,025,452** | 2,170,659 |
| | Profit Discounted on Islamic Finaning | | **(68,802)** | (33,701) |
| | Income From Government Subsidy Scheme | 28.3 | **1,139,000** | 128,122 |
| | | | **12,519,840** | 9,803,840 |

| 28.1 | Interest income (calculated using effective interest rate method) recognised on: | | |
|---|---|---|---|
| | Financial assets measured at amortised cost; | **11,317,675** | 9,692,700 |
| | Financial assets measured at FVOCI. | **1,202,165** | 111,140 |
| | | **12,519,840** | 9,803,840 |

**28.2** The Bank, during the last year, adopted a policy to waive off the markup for overdue period to improve recovery from its customers and to reduce the potential loss in the future. This amount relates to the waiver provided to customers in this regard.

| 28.3 | Income From Government Subsidy Scheme | Note | 31-Dec-24 | 31-Dec-23 |
|---|---|---|---|---|
| | | | Rupees in '000 | |
| | Markup received from Government | 28.3.1 | **322,268** | 128,122 |
| | Unwinding of fairvalue adjustment | 13.4 | **816,732** | - |
| | | | **1,139,000** | 128,122 |

**28.3.1** This income relates to the markup received from the government regarding the Government's Markup Subsidy Scheme for eligible borrowers on Housing Finance, Kamyab Pakistan Program and Prime Minister Program of the Federal Government of Pakistan.

| 29 | MARK-UP / RETURN / INTEREST EXPENSED | Note | 31-Dec-24 | 31-Dec-23 |
|---|---|---|---|---|
| | | | Rupees in '000 | |
| | Deposits | | **5,265,069** | 4,198,066 |
| | Islamic deposits | | **1,313,316** | 719,712 |
| | Borrowings | 29.1 | **1,280,463** | 355,149 |
| | Subordinated debt | | **342,494** | 344,954 |
| | Lease liabilities | | **127,181** | 127,155 |
| | Others | | **5,544** | 2,610 |
| | | 29.2 | **8,334,067** | 5,747,646 |

**29.1 Borrowings**

Borrowings include facilities utilized under government subsisdy schemes for disbursement of loans to eligible persons. As per the arrangement, no markup is payable on the amounts so disbursed to eligible person. As a result, fairvlaue impact based on market rate has been determined and related expense on borrowings is recognised on effective interest rates based on normal borrowing rate. resultant markup expense on borrowings is as follows;

| | | Note | 31-Dec-24 | 31-Dec-23 |
|---|---|---|---|---|
| | Markup on borrowings at coupon rate | | **396,444** | 344,954 |
| | Unwinding of fairvalue adjustment | 20.6 | **884,019** | - |
| | | | **1,280,463** | 344,954 |

| 29.2 | Interest expense calculated using effective interest rate method | | |
|---|---|---|---|
| | Other financial liabilities | **8,334,067** | 5,747,646 |
| | | **8,334,067** | 5,747,646 |

| | | Note | 31-Dec-24 | 31-Dec-23 |
|---|---|---|---|---|
| | | | Rupees in '000 | |

## 30 FEE & COMMISSION INCOME

| | | | |
|---|---|---|---|
| Loan processing fees | | - | 367,068 |
| Branch banking customer fees | | 92,699 | 83,357 |
| Branchless banking Income | | 72,755 | - |
| Card related fees | | 19,891 | 14,830 |
| Commission income | | 2,087 | 6,433 |
| | | 187,432 | 471,688 |

## 31 OTHER INCOME

| | | | |
|---|---|---|---|
| Gain on sale of property and equipment - net | | 823 | 19,418 |
| Fair value adjustment on financial instruments | 31.1 | - | - |
| Grant income | | 83,682 | 14,949 |
| Gain on termination of lease | | 11,304 | 24,247 |
| Other miscellenous Income | | 14,892 | 19,083 |
| | | 110,701 | 77,697 |

## 31.1 Fair value adjustment on financial instruments

| | | | |
|---|---|---|---|
| On financial assets | 13.4 | (1,265,260) | - |
| Grant recognised correponding to fair value adjustment | 20.6 | 1,265,260 | - |
| | | - | - |

## 32 OPERATING EXPENSES

| | | | |
|---|---|---|---|
| Total compensation expense | 32.1 | 2,056,464 | 2,044,616 |
| Directors' fees and allowances | | 6,905 | 6,068 |
| Rent, taxes, insurance, electricity, etc. | | 226,905 | 195,547 |
| Legal and professional charges | | 27,172 | 127,657 |
| Communications | | 139,327 | 118,265 |
| Repairs and maintenance | | 29,490 | 28,753 |
| Stationery and printing | | 42,272 | 54,528 |
| Training & development | | 7,449 | 18,355 |
| Travelling & conveyance | | 24,521 | 20,191 |
| Fuel and power | | 142,420 | 156,910 |
| Vehicle running and maintenance | | 22,485 | 21,846 |
| Office supplies | | 6,617 | 5,710 |
| Security and Administration | | 136,194 | 121,590 |
| Advertisement and publicity | | 3,150 | 1,979 |
| Donations | | 135 | 418 |
| Auditors' remuneration | | 7,593 | 5,851 |
| Depreciation | | 88,722 | 112,629 |
| Amortization | | 12,548 | 23,433 |
| Depreciation on ROU asset | | 130,785 | 131,959 |
| IT Related Expense | | 106,567 | 138,962 |
| Meetings and conferences | | 33,424 | 27,393 |
| Credit Guarentee Expense | | 283 | 294 |
| Others | | 34,118 | 31,167 |
| | | 3,285,546 | 3,394,121 |

| 32.1 Total compensation expense | Note | 31-Dec-24 | 31-Dec-23 |
|---|---|---|---|
| | | Rupees in '000 | |
| **Fees and allowances** | | | |
| Managerial remuneration | | | |
| i) Fixed | | **1,623,336** | 1,597,690 |
| Charge for defined benefit plan | | **91,631** | 109,040 |
| Contribution to defined contribution Plan | | **85,408** | 75,021 |
| Mobility Allowance | | **24** | - |
| Disbursement Incentive | | **27,742** | 9,134 |
| Medical | | **14,488** | 15,538 |
| Vehicle Maintance Allowance | | **25** | 46 |
| Overtime | | **3** | - |
| Deposit Incentive | | **172,821** | 175,565 |
| Staff Performance Reward | | **147** | 160 |
| Honorarium Reward | | **638** | 193 |
| Staff funeral benefit | | **60** | 90 |
| Recovery Incentive | | **40,141** | 62,127 |
| Grand total | | **2,056,464** | 2,044,616 |

**32.2 Auditors' remuneration**

| | | | |
|---|---|---|---|
| Annual audit | | **1,198** | 1,089 |
| Interim review | | **605** | 556 |
| Special purpose financial statements and group reporting | | **1,683** | 1,547 |
| Special certifications etc. | | **3,652** | 2,359 |
| Out of pocket expenses | | **455** | 300 |
| | | **7,593** | 5,851 |

## 33 OTHER CHARGES

| | | | |
|---|---|---|---|
| Penalties imposed by State Bank of Pakistan | | **1,050** | 92 |
| | | **1,050** | 92 |

## 34 CREDIT LOSS ALLOWANCE & WRITE OFFS - NET

| | | | |
|---|---|---|---|
| Credit loss allowance against loans & advances | 13.1 | **571,118** | 2,190,809 |
| Bad debts written off directly | | **-** | 1,600 |
| Principal Recovery of written off / charged off bad debts | | **(745,169)** | (464,801) |
| Markup Recovery of written off / charged off bad debts | | **(570,012)** | (1,508,523) |
| Credit loss allowance held against other assets | | **62,279** | - |
| | | **(681,784)** | 219,085 |

## 35 MINIMUM TAX DIFFRENTIAL

| | | | |
|---|---|---|---|
| Levy | 35.1 | **350,274** | 173,449 |

35.1 This represents portion of minimum tax paid under section 113 C and 5AA of Income Tax Ordinance (ITO, 2001), representing levy in terms of requirements of IFRIC 21/IAS 37. The aggregate of minimum / final tax and income tax, amounting to Rs. 644.85 million (2023: Rs. 75.26 million) represents tax liability of the Company calculated under the relevant provisions of the Income Tax Ordinance, 2001.

| 36 TAXATION | 31-Dec-24 | 31-Dec-23 |
|---|---|---|
| | Rupees in '000 | |
| Current | - | - |
| Deferred | **294,580** | (98,184) |
| | **294,580** | (98,184) |

| | | 31-Dec-24 % age | 31-Dec-23 % age |
|---|---|---|---|
| 36.1 | ***Relationship between tax expense and accounting profit*** | | |
| | Applicable tax rate % | **33.00** | 33.00 |
| | Effect of change in rate | - | - |
| | Income charged at different tax rate | **(0.44)** | (0.29) |
| | Penalties | **0.019** | 0.003 |
| | Remeasurement | **(4.38)** | (23.40) |
| | Super tax | - | - |
| | Prior year tax due to NPLs | - | - |
| | Others | **(8.82)** | (1.68) |
| | **Average effective tax rate %** | **19.38** | 7.63 |

| | | Note | 31-Dec-24 | 31-Dec-23 |
|---|---|---|---|---|
| | | | Rupees in '000 | |
| 37 | **BASIC EARNINGS/ (LOSS) PER SHARE** | | | |
| | Profit for the period | | **1,225,258** | 910,778 |
| | Weighted average number of ordinary shares | | **149,837,201** | 149,837,201 |
| | Basic earnings per share (Amount in Rupees) | | **8.18** | 6.08 |
| 38 | **DILUTED EARNINGS/ (LOSS) PER SHARE** | | | |
| | Profit for the period | | **1,225,258** | 910,778 |
| | Weighted average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares) | | **149,837,201** | 149,837,201 |
| | Diluted earnings per share (Amount in Rupees) | | **8.18** | 6.08 |
| 39 | **CASH AND CASH EQUIVALENTS** | | | |
| | Cash and balances with SBP and NBP | | **5,892,288** | 2,430,904 |
| | Balances with other banks / NBFIs / MFBS | | **3,938,347** | 5,358,646 |
| | Call money lendings | | **3,101,072** | 1,022,414 |
| | | | **12,931,707** | 8,811,964 |

| | | 31-Dec-24 | 31-Dec-23 |
|---|---|---|---|
| | | ------------- Number ------------- | |
| 40 | **STAFF STRENGTH** | | |
| | **Domestic** | | |
| | Permanent | **1,510** | 1,679 |
| | On contract | **766** | 626 |
| | Staff strength at the end of the year | **2,276** | 2,305 |
| 41 | **NUMBER OF BRANCHES** | | |
| | As at January 01, | **133** | 145 |
| | Opened during the year | - | - |
| | Closed during the year | - | (12) |
| | At the end of the year | **133** | 133 |

41.1 These include 37 (2023: 37) branches of the Bank's Islamic Microfinance Division.

## 42 DEFINED BENEFIT PLAN

### 42.1 General description

As explained in note 7.11 (a) the bank operates defined benefit plan(grautity and compensated absences) for all its regular employees who are entitled for these benefits.

### 42.2 Number of Employees under the scheme

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

| | 31-Dec-24 | 31-Dec-23 |
|---|---|---|
| | ------------- Number ------------- | |
| Gratuity fund | 2,016 | 2,106 |
| Leave Encashment Scheme | 2,016 | 2,106 |

**42.3 Principal actuarial assumptions**

**a) Employees' gratuity fund**

The latest actuarial valuation was carried out at December 31, 2024 on the basis of which, amounts recognised in financial statements in respect of employees' gratuity fund as at December 31, 2024 are as

| | 31-Dec-24 | 31-Dec-23 |
|---|---|---|
| | ------------- Per Annum ------------- | |
| Discount rate - per annum | **15.50%** | 14.50% |
| Discount rate used for year end obligation | **12.25%** | 15.50% |
| Expected rate of increase in salaries - per annum | **11.75%** | 14.50% |
| Mortality rate | **SLIC 2001 - 2005** | |
| Average number of leaves accumulated - per annum | **15 days** | 15 days |
| Average expected remaining working life of employees | **8 years** | 7 years |

| | 31-Dec-24 | 31-Dec-23 |
|---|---|---|
| **i) Reconciliation of (receivable from) / payable to defined benefit plans** | Rupees in '000 | |
| Present value of defined benefit obligation | **478,881** | 440,697 |
| Fair value of plan assets | **(614,862)** | (576,854) |
| Benefits due but not paid | **37,095** | 49,646 |
| Balance Sheet Liability | **(98,886)** | (86,511) |

**ii) Movement in defined benefit obligations**

| | | |
|---|---|---|
| Opening defined benefit obligation | **440,697** | 483,720 |
| Current service cost for the year | **75,741** | 78,416 |
| Past Service Cost (Credit) | **-** | (14,675) |
| Interest cost for the year | **59,415** | 61,508 |
| Adjustment for opening payables | **215** | - |
| Benefits due but not paid | **(30,659)** | (59,125) |
| Benefits paid during the year | **(84,087)** | (99,191) |
| Remeasurements: | **-** | - |
| Actuarial (gains)/losses from changes in demographic assumptions | **-** | 7,262 |
| Actuarial (gains)/losses from changes in financial assumptions | **16,989** | 312 |
| Experience adjustments | **571** | (17,531) |
| Closing defined benefit obligation | **478,882** | 440,696 |

**iii) Movement in fair value of plan assets**

| | | |
|---|---|---|
| Opening fair value of plan assets | **576,854** | 507,397 |
| Interest income on plan assets | **82,896** | 77,006 |
| Return on plan assets, excluding interest income | **(44,888)** | (7,549) |
| Closing fair value of plan assets | **614,862** | 576,854 |

**iv) Movement in (receivable) / payable under defined benefit scheme**

| | | |
|---|---|---|
| Opening defined benefit obligation | **(86,512)** | 9,463 |
| Amounts recognized in the profit and loss account | **52,260** | 48,243 |
| Remeasurements chargeable in other comprehensive Income | **62,448** | (2,408) |
| Contributions | **-** | - |
| Benefits paid directly by the bank | **(127,083)** | (141,810) |
| Closing defined benefit obligation | **(98,887)** | (86,512) |

| | | 31-Dec-24 | 31-Dec-23 |
|---|---|---|---|
| v) | **Charge for defined benefit plan** | Rupees in '000 | |
| | **Cost recognised in profit and loss** | | |
| | Current service cost | 75,741 | 78,416 |
| | Past Service Cost | - | (14,675) |
| | Interest cost | 59,415 | 61,508 |
| | Expected return on plan assets | (82,896) | (77,006) |
| | | 52,260 | 48,243 |
| | **Re-measurements recognised in OCI during the year** | | |
| | Actuarial (gains)/losses from changes in demographic assumptions | - | 7,262 |
| | Actuarial (gains)/losses from changes in financial assumptions | 16,989 | 312 |
| | Experience adjustments | 571 | (17,531) |
| | Return on plan assets, excluding interest income | 44,888 | 7,549 |
| | | 62,448 | (2,408) |
| vi) | **Components of plan assets** | | |
| | Term deposits with banks | 540,736 | 425,000 |
| | Accrued income on deposit with banks | 74,126 | 80,089 |
| | Saving deposits with banks | - | 176,134 |
| | | 614,862 | 681,223 |
| vii) | **Sensitivity Analysis** | | |
| | 1% increase in discount rate | 444,512 | 29,670 |
| | 1% decrease in discount rate | 518,793 | 34,240 |
| | 1 % increase in expected rate of salary increase | 518,603 | 34,240 |
| | 1 % decrease in expected rate of salary increase | 444,080 | 30,157 |

viii) **Expected contributions to be paid to the funds in the next financial year**

The Bank contributes to the gratuity fund according to the actuary's advice. Contribution to the fund is made by the Bank as per requirements. Currently Fair value of plan assets exceeds present value of defined benefit obligation by PKR 99 million.

| | | | |
|---|---|---|---|
| ix) | **Expected charge / (reversal) for the next financial year** | 62,887 | 50,980 |

x) **Maturity profile**

The weighted average duration of the obligation is 8 years.

b) **Accumulated compensated absences**

All employees of the bank are entitled to earned leaves of thirty days every year. Earned leaves can be accumulated upto fifteen days each year upto a maximum of ninety days. Unutilized leaves are encashed on basis of gross salary upon leaving the service with the Bank. Amount recognised in the financial statements in respect of accumulated compensated absences on basis of actuarial valuation as at December, 2024 are as

| | | 31-Dec-24 | 31-Dec-23 |
|---|---|---|---|
| i) | **Reconciliation of (receivable from) / payable to defined benefit plans** | Rupees in '000 | |
| | Present value of defined benefit obligation | 176,489 | 176,617 |
| | Benefits due but not paid | 18,255 | 25,130 |
| | Balance Sheet Liability | 194,744 | 201,747 |
| ii) | **Movement in defined benefit obligations** | | |
| | Opening defined benefit obligation | 176,617 | 178,535 |
| | Current service cost for the year | 18,485 | 20,514 |
| | Adjustment for opening payables | 1,288 | 47 |
| | Interest cost for the year | 23,321 | 21,331 |
| | Benefits due but not paid | (14,400) | (17,306) |
| | Benefits paid during the year | (36,624) | (45,499) |
| | Remeasurements: | 0 | - |
| | Remeasurements: actuarial (gains)/losses from changes in demographic ass | - | 5,685 |
| | Remeasurements: actuarial (gains)/losses from changes in financial assump | 5,654 | 680 |
| | Remeasurements: experience adjustments | 2,148 | 12,630 |
| | Closing defined benefit obligation | 176,489 | 176,617 |

| | | 31-Dec-24 | 31-Dec-23 |
|---|---|---|---|
| iii) | **Movement in (receivable) / payable under defined benefit scheme** | **Rupees in '000** | |
| | Opening defined benefit obligation | **201,747** | 194,807 |
| | Amounts recognized in the profit and loss account | **50,897** | 60,886 |
| | Adjustment for last year payable | **(1,288)** | (47) |
| | Benefits paid directly by the bank | **(56,612)** | (53,899) |
| | Closing defined benefit obligation | **194,744** | 201,747 |
| iv) | **Charge for defined benefit plan** | | |
| | **Cost recognised in profit and loss** | | |
| | Current service cost | **18,485** | 20,514 |
| | Adjustment for opening payables | **1,288** | 47 |
| | (Gains)/Losses arising from PVDBO | **7802** | 18,995 |
| | Interest cost | **23,321** | 21,331 |
| | Expense Charged to P&L | **50,896** | 60,887 |
| v) | **Sensitivity Analysis** | | |
| | 1% increase in discount rate | **165,046** | 10,523 |
| | 1% decrease in discount rate | **189,762** | 12,710 |
| | 1 % increase in expected rate of salary increase | **189,698** | 12,109 |
| | 1 % decrease in expected rate of salary increase | **164,902** | 11,255 |

**42.4 Funding policy**

The Bank endeavors to ensure that liabilities under the employee benefit scheme are covered by the assets of the Fund on any valuation date, based on actuarial assumptions

**42.5 *Significant risk associated with the staff retirement benefit schemes.***

**42.5.1 Final Salary Risk**

The risk that the final salary at the time of cessation of service is greater than what we assumed. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.

**42.5.2 Mortality Risk**

The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

**42.5.3 Withdrawal Risk**

The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk

**42.5.3 Investment Risk**

The risk of the investment underperforming and being not sufficient to meet the liabilities

**43 Defined contribution plan**

The bank operates a recognised provident fund for all its regular employees for which equal monthly contributions are made both by the Bank and the employees to the fund at the rate of 10% of basic salary of the employee. Payments are made to the employees as specified in the rules of the fund.

The total amount contributed by the the Employee and the Bank is Rs. 98.15 million

## 44 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

| Items | December 31, 2024 Non-Executives (Independent Directors) | December 31, 2024 President / CEO | December 31, 2024 Key Management Personnel | December 31, 2023 Non-Executives (Independent Directors) | December 31, 2023 President / CEO | December 31, 2023 Key Management Personnel |
|---|---|---|---|---|---|---|
| | ---------- Rupees 000 ---------- | | | | | |
| Fees and allowances | | | | | | |
| Managerial remuneration | | | | | | |
| i) Fixed | 6,905 | 10,836 | 212,671 | 6,068 | 7,854 | 188,661 |
| ii) Variable | - | - | - | - | - | - |
| a) Bonus/ Incentive | - | 53 | 146,008 | - | - | - |
| Charge for defined benefit plan | - | 1,491 | 32,044 | - | 1,052 | 26,918 |
| Contribution to defined contribution plan | - | 1,084 | 16,339 | - | 785 | 16,530 |
| Rent & house maintenance | - | 4,876 | 95,702 | - | 3,534 | 84,897 |
| Utilities | - | 1,084 | 21,267 | - | 785 | 18,866 |
| Medical | - | 7 | 3,808 | - | 63 | 4,502 |
| Conveyance | - | 1,084 | 21,267 | - | 785 | 18,866 |
| Leave encashment | - | 736 | 14,232 | - | 522 | 12,641 |
| Other Allowance | - | 180 | 26,926 | - | 2,047 | 17,428 |
| Total | 6,905 | 21,431 | 590,264 | 6,068 | 17,427 | 389,309 |
| Number of persons | 7 | 1 | 215 | 7 | 1 | 203 |

**44.1** The President / Chief Executive Officer is provided with the Bank's owned and maintained car in accordance with their entitlement as per rules of the Bank.

## 45 FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than those classified as amotised cost, is based on quoted market price. Quoted securities classified as amortised cost are carried at 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.

Fair value of fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The expected credit loss allowance of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in note 13.1 to these financial statements.

Fair value of remaining financial assets and liabilities except fixed term loans, staff loans, non-performing advances and fixed term deposits is not significantly different from the carrying amounts since assets and liabilities are either short term in nature or are frequently repriced in the case of customer loans and deposits.

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

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

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). Investment in federal government securities (market treasury bills, sukuks and Pakistan invstment bonds) are classified in level 2.

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs). Financial instruments included in level 3 comprise of derivative financial assets.

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

The table below analyzes 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:

| December 31, 2024 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | | Rupees in '000 | | |
| **On balance sheet financial instruments** | | | | |
| **Financial assets - measured at fair value** | | | | |
| Investments in Federal Government securities | | | | |
| Pakistan Investment Bonds | - | 104,284,518 | - | 104,284,518 |
| Market Teasury Bills | - | 7,821,848 | - | 7,821,848 |
| Ijarah Sukuks | - | 1,736,050 | - | 1,736,050 |
| **Financial assets - disclosed but not measured at fair value** | | | | |
| Investment in Federal Government securities | | | | |
| Pakistan Investment Bonds | - | 1,034,162 | - | 1,034,162 |
| Market Teasury Bills | - | 3,378,163 | - | 3,378,163 |
| Ijarah Sukuks | - | - | - | 1,856,237 |
| | - | 118,254,741 | - | 120,110,978 |
| **Off-balance sheet financial** | - | - | - | - |
| Forward agreements for lending | - | - | - | - |
| Forward agreements for borrowing | - | - | - | - |

## 46 BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The Bank is a subsidiary of National Rural Support Program (NRSP) which holds 57.4% share capital of the Bank. Therefore, all subsidiaries and associated undertakings of NRSP are related parties of the Bank. Other related parties include staff retirement benefits, directors, key management personnel which include CEO and Head of Departments (HOD's) and entities under common directorship. Remuneration to directors and executives is disclosed in note 44 to these financial statements. All transactions involving related parties are subject to the approval of the Board of Directors. The bank enters into transaction with related parties on agreed basis. Significant transactions with the related parties other than those referred to in the foregoing entered into during the year are as follows:

| | December 31, 2024 | | | | December 31, 2023 | | | |
|---|---|---|---|---|---|---|---|---|
| | Parent | Key management personnel | Associates | Other Related Parties | Parent | Key management personnel | Associates | Other Related Parties |
| | ................(Rupees in '000')........... | | | | | | | |
| **Balances with other banks / MFBs / DFIs** | | | | | | | | |
| In deposit accounts | - | - | 7,750 | - | - | - | - | - |
| **Other Assets** | | | | | | | | |
| Receivable from staff retirement fund | - | - | - | 167,089 | - | - | - | 86,512 |
| Receivable from Proparco | - | - | - | 19,951 | - | - | - | - |
| Receivable from parent | 659 | - | - | - | 448,563 | - | - | - |
| **Deposits and other accounts** | | | | | | | | |
| Opening balance | 59 | 4,256 | 9,268 | 1,175,690 | 53 | 5,754 | 29,011 | 1,184,300 |
| Received during the period / year | 1,175 | 316,037 | 345,147 | 1,293,743 | 6 | 118,780 | 312,437 | 1,201,804 |
| Withdrawn during the period / year | (10) | (285,182) | (350,194) | (1,248,402) | - | (120,278) | (332,180) | (1,218,414) |
| Transfer in / (out) - net | 1,165 | 30,855 | (5,047) | 45,341 | 6 | (1,498) | (19,743) | (16,610) |
| Closing balance | 1,224 | 35,111 | 4,221 | 1,221,031 | 59 | 4,256 | 9,268 | 1,167,690 |
| **Other liabilities** | | | | | | | | |
| Payable to staff retirement fund | - | - | - | 211,188 | - | - | - | 203,682 |
| Payable to Parent | 106,575 | - | - | - | 219,031 | - | - | - |
| **RELATED PARTY TRANSACTIONS** | | | | | | | | |
| **Income** | | | | | | | | |
| Mark-up / return / interest earned | - | - | 74,201 | - | - | - | 46,760 | - |
| **Expense** | | | | | | | | |
| Mark-up / return / interest paid | 85 | 4,764 | 203 | 151,923 | 3 | 199 | 4,834 | 42,646 |
| Operating expenses | | | | | | | | |
| Remuneration | - | 116,326 | - | - | - | 34,525 | - | - |
| Charged for Defined Contribution Grauity Fund | - | - | - | 92,662 | - | - | - | 44,438 |
| Contribution to Defined Contribution Provident Fund | - | - | - | 38,229 | - | - | - | 27,440 |
| Expense Charged in respect of Leave Encashment | - | - | - | 49,079 | - | - | - | 22,218 |
| Expense Charged in respect of EOBI | - | - | - | 36,329 | - | - | - | 10,134 |
| Actuarial Loss/(Gain) | - | - | - | (62,448) | - | - | - | (20,697) |

## 47 CORRESPONDING FIGURES

### a) Adoption of new format for preparation of financial statements

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

Consequent to adoption and applicability of abovementioned new format, the following figures have been rearranged / reclassified in current year to enhance the understanding of disclosure.

| From | To | Amount in Rs '000 |
|---|---|---|
| **Statement of Financial Position** | | |
| **ASSETS** | **ASSETS** | |
| | Cash and balances with treasury banks | 11,512 |
| Other Assets (accrued markup) | Balances with other MFBs / Banks / NBFIs | 194,372 |
| | Markup accrued on advances | 2,444,027 |
| | Lendings to financial institutions | 2,414 |
| | Property Plant and Equipment | 567,377 |
| Operating Fixed Assets | Right-of-use assets | 694,794 |
| | Intangible assets | 37,524 |
| **LIABILITIES** | **LIABILITIES** | |
| | Deposits and other accounts | 1,488,096 |
| | Borrowings | 221,834 |
| Other Liabilites | Bills Payable | 90,401 |
| | Lease liabilities | 946,075 |
| | Subordinate Debt | 795,244 |
| **Profit and loss account** | | |
| **Other Income** | | |
| Other Income | Net Gain/ Loss on termination of lease agreements | 24,247 |
| | Credit Loss Allowance & Write Offs - net | 219,085 |
| Taxation current note 7.2 | Minimum tax differential | (173,449) |
| **Cash flow statement** | | |
| *As at January 01, 2024* | | |
| (Increase) / Decrease in operating assets Other assets | Cash and cash equivalents at beginning of the period | 208,298 |

## 48 CAPITAL ADEQUACY & MINIMUM CAPITAL REQUIREMENTS

| | 31-Dec-24 | 31-Dec-23 |
|---|---|---|
| | Rupees in '000 | |
| **Minimum Capital Requirement (MCR):** | | |
| Paid-up capital (net of losses) | **1,752,165** | 652,605 |

The Bank's policy is to maintain a strong capital base to maintain investor, depositor, creditor and market confidence and to sustain future development of the business, while providing adequate returns to shareholders.

The SBP, through BPRD Circular No. 10 dated June 3, 2015, has required Microfinance Banks to maintain a minimum paid-up capital of Rs. 1,000 million (net of accumulated losses). The paid-up capital (net of accumulated losses)of the Bank as at December 31, 2024 stood at Rs. 1.752 billion (2023: Rs. 652 million) and is in compliance with SBP requirements (2023: Non-compliant with SBP requirements).

| | 31-Dec-24 | 31-Dec-23 |
|---|---|---|
| **Capital Adequacy Ratio (CAR):** | | |
| Eligible Common Equity Tier 1 (CET 1) Capital | **213,447** | (1,824,584) |
| Eligible Additional Tier 1 (ADT 1) Capital | - | - |
| Total Eligible Tier 1 Capital | **213,447** | (1,824,584) |
| Eligible Tier 2 Capital | **88,943** | - |
| Total Eligible Capital (Tier 1 + Tier 2) | **302,390** | (1,824,584) |
| Risk Weighted Assets (RWAs): | | |
| Credit risk | **30,236,699** | 29,410,356 |
| Operational risk | **906,473** | 906,473 |
| Total | **31,143,172** | 30,316,829 |
| Common Equity Tier 1 Capital Adequacy Ratio | **0.69%** | -6.02% |
| Total Capital Adequacy Ratio | **0.97%** | -6.02% |

**48.1** Bank uses standardized approach for calculation of Credit risk weighted asset. Under this approach, the risk weighted amount of an on-balance sheet asset is determined by multiplying its current book value (including accrued interest or revaluations, and net of any specific provision or associated depreciation) by the relevant risk weight as provided by State Bank of Pakistan through BPRD Circular No. 10 of June 3, 2015. The bank is using transitional provisions as provided in IFRS 9 application instructions through BPRD Circular No. 03 of 2022 dated July 05, 2022 for absorption of impact of expected credit loss allowance after implementation of IFRS 9. Had the transitional provisions not been adopted, the Tier 1 and overall CAR would have stood at negative 0.82%.

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

Gross Income (GI) is defined as the sum of net interest income and net non-interest income and is arrived at before accounting for: (i) provisions (including those for credit impairment), (ii) operating expenses (including fee in respect of outsourced activities), (iii) realized profits/ losses from the sale of securities, (iv) extra ordinary items/ windfalls, and (v) income from insurance.

**48.2** Under the requirements of BPRD Circular No. 10 of June 3, 2015, the Bank is required to maintain the Capital Adequacy Ratio of at least 15% of its risk weighted assets, however, its CAR stood at 0.97 percent as at December 31, 2024 which is non-compliance of minimum regulatory CAR threshold.

To address the shortfall, the parent company has placed a share deposit money of Rupees one Billion which shall be converted to share capital ensuing the completion of regulatory requirements. The parent company also provided its approval for conversion of balance payable to share deposit money amounting to Rs. 304 million. The Bank has also devised business plan in collaboration with the Parent Company to seek additional equity injection of over Rupees 2,000 million for foreseeable future so that regulatory CAR threshold is maintained and the Bank achieves growth and profitability. Furthermore, shareholders of the Bank have provided their in principle approval for issuance of right shares amounting to Rs. 3,500 million and authorised the Board to undertake necessary action for such right issue in due course. The Parent Company has also confirmed its commitment for equity injection and unconditional financial support to the Bank. The management believes that in view of above measures, financial health of the Bank shall be improved and accordingly the Bank will be able to comply with requirement for maintenance of minimum regulatory CAR threshold.

## 49 FINANCIAL RISK MANAGEMENT

### 49.1 Risk Management Department

NRSP maintains a structured, strong, and well-governed approach to risk management. The risk management and credit department is led by the Head of Risk Department. The Board of Directors (BoD) has authorized the department to implement and monitor a comprehensive risk management framework across the bank. The Board, via its Board Risk Management and Compliance Committee conducts robust assessments of the bank's principal risks.

### 49.2 Credit Risk

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

Credit risk is managed through the credit policies approved by the Board; a well-defined credit approval mechanism; use of internal risk ratings; prescribed documentation requirements; post-disbursement administration, review, and monitoring of laons; and continuous assessment of credit worthiness of counterparties. Decisions regarding the credit portfolio are taken mainly by the Central Credit Forum.The Bank is committed to the appropriate level of due diligence to ensure that credit risk is identifed and analysed diligently, ensuring that credit commitments are appropriately structured, priced (in line with market practices) and documented. NRSP has a Credit Operational Manual and a Credit Policy in place to strategize and govern the Bank's overall lending strategy.

#### 49.2.1 Definition of default and cure

As detailed in note 7.1.3, the Bank considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations, advances to customers when the borrower becomes 60 days past due for general loans, 90 days past due for enterprise loans and 180 days past dues for housing loans on its contractual payments. The Bank considers treasury and interbank balances defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

As a part of a qualitative assessment of whether a customer is in default, the Bank also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- The borrower is deceased
- A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral
- A covenant breach not waived by the Bank
- the borrower is unable to pay due to any other reason

It is the Bank's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated delinquency, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition. However, no financial assets is directly classified from stage 3 to stage 1.

#### 49.2.2 PD estimation process

a) ***Consumer lending***

The banks entire loans and advances portfolio consist of consumer lending. Consumer lending comprises agriculture, livestock, enterprise, general, gold, house and Islamic loans . The Bank does not have credit score card model for consumer landings, therefore, the Bank used delinquency (day past due) based model for estimation of PDs. Average monthly transitions to default of relevant delinquency states were converted into current 12 months point in time PDs using statistical models. The lifetime PD is developed by applying a maturity profile to the current 12 months PD. Data from January 01, 2020 till December 31, 2024 has been used for PD estimations.

b) ***Bank balances***

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

| December 31, 2023 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | | Rupees in '000 | | |
| **On balance sheet financial instruments** | | | | |
| **Financial assets - measured at fair value** | | | | |
| Investments | | | | |
| Federal Government securities | | | | |
| Market Teasury Bills | - | 2,946,912 | - | 2,946,912 |
| **Financial assets - disclosed but not measured at fair value** | | | | |
| Investment | | | | |
| Federal Government securities | | | | |
| Pakistan Investment Bonds | - | 1,839,271 | - | 1,839,271 |
| Market Teasury Bills | - | 504,410 | - | 504,410 |
| Ijarah Sukuks | - | - | - | 315,224 |
| | - | 5,290,593 | - | 5,605,817 |
| **Off-balance sheet financial** | - | - | - | - |
| Forward agreements for lending | - | - | - | - |
| Forward agreements for borrowing | - | - | - | - |

**Valuation techniques and inputs used in determination of fair values**

| Item | Valuation techniques and inputs used |
|---|---|
| Market treasury bills and Pakistan Investment bonds | Fair value of investment in market treasury bills is determined based on the rates / prices sourced from PKRV/PKFRV as per SBP |

c) **LGD estimation process**

The Bank segments its consumer lending products into smaller homogeneous segments, based on key characteristics that are relevant to the estimation of future cash flows. The bank calculate LGD of each segment based historical experiences of cash recoveries from defaults (including settlements), cost and time of recoveries. one year set back is maintained for calculation of LGD for defaults, which means parties which are classified as default till end of last year are taken in to the calculation of LGD. Effective interest rate or approximate there of has been used to discount recoveries to date of default. Data from January 01, 2020 till date has been used for LGD estimations for the parties classified as default till December 31, 2023. For receivables from the banks and investments, the Bank used LGD percentages prescribed under Basel Foundation – Internal Rating Based (F-IRB) approach to determine ECL under BSD Circular No. 08 dated June 27, 2006 issued by SBP.

d) **Forward looking information:**

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

### 49.3 Operational risk

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

Operational Risk Management is housed within Risk Management and a comprehensive ORM, BCM and Outsorcing Risk Management Framework is in place addressing key operational risk aspects related to people, processes, systems, and external events. A Steering Committee oversees and monitors operational risk issues and its mitigation. The bank utilizes key ORM tools, including Risk Control Self-Assessment (RCSA), Key Risk Indicators (KRIs), Risk Appetite and operational loss data, to assess the likelihood and severity of operational risks. Stress testing is employed to proactively evaluate potential impacts. RCSA exercises are conducted regularly across the bank, and operational risk reports are submitted to senior management.

### 49.3 Interest / mark-up rate risk

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

### 49.4 Market Risk

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

The Market Risk Unit monitors the impact of price and rate movements on the Bank's portfolios and periodically reports to the Asset and Liability Committee (ALCO), which are primarily responsible for oversight of market risk. The risk management department has developed various tools for risk measurement and its mitigation thereof, including Value at Risk (VaR), Duration, Price Value of a Basis Point (PVBP) and, Re-pricing Gaps. In addition, the carries out stress tests, using both internally developed scenarios and scenarios prescribed by the regulator.

### 49.5 Foreign Exchange Risk

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

### 49.6 Liquidity risk

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

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

### 49.7 Assets and liabilities - based on contractual maturity

| | December 31, 2024 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Total | Upto 1 Month | Over 1 to 3Months | Over 3 to 6 Months | Over 6 to 12 Months | Over 1 to 2 years | Over 2 to 5 years | Over 5 Years |
| | ------------- Rupees '000 ------------- | | | | | | | |
| ***Assets*** | | | | | | | | |
| Cash and balances with treasury banks | 5,892,288 | 5,892,288 | - | - | - | - | - | - |
| Balances with other MFBs / Banks / NBFI | 3,938,347 | 3,738,347 | 200,000 | - | - | - | - | - |
| Lending to financial institutions | 3,101,072 | 3,101,072 | - | - | - | - | - | - |
| Investments | 120,110,978 | - | 102,020,923 | 10,042,297 | 6,311,704 | 1,367,078 | 368,976 | - |
| Advances | 37,170,324 | 1,976,160 | 2,398,723 | 7,433,021 | 9,471,558 | 5,821,533 | 7,164,723 | 2,904,606 |
| Property and equipment | 568,665 | 14,562 | 22,134 | 34,512 | 69,023.88 | 126,209 | 48,804 | 253,420 |
| Right-of-use assets | 622,772 | 1,007 | 1,545 | 2,812 | 5,941 | 27,876 | 207,761 | 375,830 |
| Intangible assets | 28,203 | - | 844 | 1,075 | 1,008 | 25,276 | - | - |
| Deferred tax asset | 3,211,739 | - | - | - | - | - | 3,211,739 | - |
| Other assets | 2,596,909 | 2,522,035 | - | - | 74,874 | - | - | - |
| | 177,241,297 | 17,245,471 | 104,644,169 | 17,513,717 | 15,934,109 | 7,367,972 | 11,002,003 | 3,533,856 |
| ***Liabilities*** | | | | | | | | |
| Bills Payable | 53,036 | 53,036 | - | - | - | - | - | - |
| Borrowings | 112,182,676 | 12,550,586 | 99,632,090 | - | - | - | - | - |
| Deposits and other accounts | 55,000,504 | 28,678,255 | 4,056,506 | 7,786,401 | 11,592,924 | 851,591 | 297,423 | 1,737,405 |
| Lease Liabilities | 894,018 | 19,086 | 37,629 | 55,504 | 106,572 | 28,939 | 453,219 | 193,069 |
| Deferred grants | 85 | 85 | - | - | - | - | - | - |
| Other liabilities | 3,161,860 | 817,121 | 310,905 | 331,472 | 224,718 | 653,063 | 681,531 | 143,049 |
| | 173,684,058 | 42,151,552 | 104,807,130 | 9,761,873 | 11,924,214 | 1,533,593 | 1,432,173 | 2,073,523 |
| **Net assets** | 3,557,239 | (24,906,081) | (162,960) | 7,751,844 | 4,009,895 | 5,834,379 | 9,569,830 | 1,460,333 |

***Represented by :***

| | |
|---|---|
| Share capital | 1,498,372 |
| Advance Against Issue of Shares | 1,304,296 |
| Statutory reserve | 1,242,975 |
| Depositors' protection fund | 533,542 |
| Surplus / (Deficit) On Fair Value Of Asset: | 28,558 |
| Unappropriated profit | (1,050,504) |
| | 3,557,239 |

December 31, 2023

| | Total | Upto 1 Month | Over 1 to 3Months | Over 3 to 6 Months | Over 6 to 12 Months | Over 1 to 2 years | Over 2 to 5 years | Over 5 Years |
|---|---|---|---|---|---|---|---|---|
| | ------------- Rupees '000 ------------- | | | | | | | |
| ***Assets*** | | | | | | | | |
| Cash and balances with treasury banks | 2,430,904 | 2,430,904 | - | - | - | - | - | - |
| Balances with other MFBs / Banks / NBFI | 5,358,646 | 3,036,146 | 2,322,500 | - | - | - | - | - |
| Lending to financial institutions | 1,022,414 | 1,022,414 | - | - | - | - | - | - |
| Investments | 5,605,817 | 1,961 | 459,495 | 4,829,137 | 315,224 | - | - | - |
| Advances | 34,331,133 | 994,946 | 8,036,652 | 5,571,031 | 10,370,699 | 6,913,533 | 2,444,272 | - |
| Property and equipment | 590,627 | 88,594 | 177,188 | 88,594 | 129,938.00 | 9,450 | 96,863 | - |
| Right-of-use assets | 693,803 | 69,380 | 152,637 | 104,070 | 7,632 | 138,761 | 76,318 | 145,005 |
| Intangible assets | 15,265 | - | 1,679 | 2,442 | 2,595 | 8,548 | - | - |
| Deferred tax asset | 3,459,593 | - | - | - | - | - | - | 3,459,593 |
| Other assets | 1,106,380 | 885,104 | - | - | 221,276 | - | - | - |
| | 54,614,582 | 8,529,449 | 11,150,151 | 10,595,274 | 11,047,364 | 7,070,292 | 2,617,453 | 3,604,598 |
| ***Liabilities*** | | | | | | | | |
| Bills Payable | 90,401 | 63,280.00 | 27,120.00 | - | - | - | - | - |
| Borrowings | 4,872,927 | 4,746,761 | 126,166 | - | - | - | - | - |
| Deposits and other accounts | 41,058,632 | 11,644,432 | 1,858,516 | 16,078,267 | 2,699,467 | 697,997 | 8,079,953 | - |
| Lease Liabilities | 946,075 | 6,669 | 34,763 | 46,827 | 514,689 | 343,127 | - | - |
| Subordinated debt | 2,237,604 | - | - | - | - | 2,237,604 | - | - |
| Deferred grants | 288 | 288 | - | - | - | - | - | - |
| Other liabilities | 3,365,176 | 2,019,105 | 673,035 | 605,732 | 67,304 | - | - | - |
| | 52,571,103 | 18,480,535 | 2,719,600 | 16,730,826 | 3,281,460 | 3,278,728 | 8,079,953 | - |
| **Net assets** | 2,043,479 | (9,951,086) | 8,430,551 | - 6,135,552 | 7,765,904 | 3,791,564 | - 5,462,500 | 3,604,598 |
| ***Represented by :*** | | | | | | | | |
| Share capital | 1,498,372 | | | | | | | |
| Advance Against Issue of Shares | 1,000,000 | | | | | | | |
| Statutory reserve | 997,923 | | | | | | | |
| Depositors' protection fund | 393,207 | | | | | | | |
| Surplus / (Deficit) On Fair Value Of Asset: | (254) | | | | | | | |
| Unappropriated profit | (1,845,767) | | | | | | | |
| | 2,043,481 | | | | | | | |

## 50 ISLAMIC BANKING BUSINESS

The bank is operating with 37 (2023: 37) Islamic banking branches.

| | Note | 31-Dec-24 | 31-Dec-23 |
|---|---|---|---|
| | | Rupees in '000 | |
| **ASSETS** | | | |
| Cash and balances with treasury banks | | **1,777,743** | 963,345 |
| Balances with other banks | | **626,815** | 595,029 |
| Due from financial institutions | | - | - |
| Investments | 50.1 | **3,499,535** | 299,604 |
| Islamic financing and related assets - net | 50.2 | **11,816,522** | 11,533,838 |
| Property and equipment | | **62,457** | 60,463 |
| Right-of-use assets | | **337,617** | 328,355 |
| Other assets | | **1,253,857** | 846,171 |
| **Total assets** | | **19,374,546** | 14,626,805 |
| **LIABILITIES** | | | |
| Bills payable | | **18,816** | 48,199 |
| Due to financial institutions | | - | - |
| Deposits and other accounts | 50.6 | **12,862,582** | 7,666,297 |
| Due to head office | | **20,689** | 1,264,935 |
| Lease liabilities | | **389,821** | 389,821 |
| Charity | | **25** | 26 |
| Other liabilities | | **2,172,002** | 2,689,976 |
| | | **15,463,935** | 12,059,254 |
| **NET ASSETS** | | **3,910,611** | 2,567,551 |
| **REPRESENTED BY** | | | |
| Islamic banking fund | | **440,000** | 440,000 |
| Unappropriated profit | 50.8 | **3,470,611** | 2,127,551 |
| | | **3,910,611** | 2,567,551 |
| **CONTINGENCIES AND COMMITMENTS** | 50.9 | | |

The profit and loss account of the Bank's Islamic banking branches for the period ended December 31, 2024 is as follows:

| | Note | 31-Dec-24 | 31-Dec-23 |
|---|---|---|---|
| | | Rupees in '000 | |
| Profit / return earned | 50.10 | **3,291,306** | 2,314,142 |
| Profit / return expensed | 50.11 | **1,273,657** | 719,712 |
| Net profit / return | | **2,017,649** | 1,594,430 |
| Other income | | | |
| Fee and commission income | | **85,212** | 74,098 |
| Dividend income | | - | - |
| Gain / (Loss) on securities | | - | - |
| Other income | | **61,445** | 17,963 |
| Total other income | | **146,656** | **92,061** |
| Total income | | **2,164,305** | 1,686,491 |
| Other expenses | | | |
| Operating expenses | | **711,642** | 704,228 |
| Workers welfare fund | | - | - |
| Other charges | | **162** | 736 |
| Total other expenses | | **711,804** | 704,964 |
| Profit / (Loss) before credit loss allowance | | **1,452,501** | 981,527 |
| Credit loss allowance and write offs - net | | **109,441** | 84,023 |
| Profit before taxation | | **1,343,060** | 897,504 |
| Taxation | | - | - |
| Profit after taxation | | **1,343,060** | 897,504 |

| 50.1 Investments by segments: | 31-Dec-24 Cost/ Amortised cost | Credit loss allowance for diminution | Surplus / (Deficit) | Carrying value | 31-Dec-23 Cost /Amortised cost | Credit loss allowance for diminution | Surplus / (Deficit) | Carrying value |
|---|---|---|---|---|---|---|---|---|
| | | | | 'Rupees in '000 | | | | |
| **Debt Instruments** | | | | | | | | |
| **Classified / Measured at amortised cost** | | | | | | | | |
| Federal Government securities | | | | | | | | |
| -Ijarah Sukuks | **1,856,237** | - | - | **1,856,237** | 299,604 | - | - | 299,604 |
| | **1,856,237** | - | - | **1,856,237** | 299,604 | - | - | 299,604 |
| **Classified / Measured at FVOCI** | | | | | | | | |
| Federal Government securities | | | | | | | | |
| -Ijarah Sukuks | **1,730,634** | - | **5,416** | **1,736,050** | - | - | - | - |
| | **1,730,634** | - | **5,416** | **1,736,050** | - | - | - | - |
| **Total investments** | **3,586,871** | - | **5,416** | **3,592,287** | 299,604 | - | - | 299,604 |

For Investments in associates give details in respect of individual entities specifying percentage of holding and country of incorporation alongwith details regarding assets, liabilities, revenue, profit after taxation and total comprehensive income of these entities.

**50.1.1 Particlurs of credit loss allowance**

Expected credit loss on Government securities have not been estimated due to exemption available under IFRS 9 instructions issued by SBP through BPRD circular no. 3 of 2022 dated July 05, 2022

| | 31-Dec-24 | 31-Dec-23 |
|---|---|---|
| | Rupees in '000 | |
| **50.2 Islamic financing and related assets** | | |
| Ijarah | **476,452** | 1,010,138 |
| Murabaha | **8,589,780** | 8,971,208 |
| Diminishing Musharaka | **3,092,747** | 1,805,905 |
| Gross Islamic financing and related assets | **12,158,979** | 11,787,251 |
| | | |
| Less: Credit loss allowance against Islamic financings | | |
| -Stage 1 | **71,971** | - |
| -Stage 2 | **12,851** | - |
| -Stage 3 | **257,635** | - |
| | **342,457** | - |
| | | |
| General and Specific Provision on Islamic financings | - | 253,413 |
| | | |
| Islamic financing and related assets - net of Credit loss allowance | **11,816,522** | 11,533,838 |

50.3 **Ijarah**

| | Cost | | | Depreciation | | | Book Value as at December 31 |
|---|---|---|---|---|---|---|---|
| | As at Jan 01 | Additions / (deletions) | As at Dec 31 | As at Jan 01 | Charge for the year | As at Dec 31 | |
| | Rupees in '000 | | | | | | |
| **December 31, 2024** | | | | | | | |
| Plant & machinery | - | - | - | - | - | - | - |
| Vehicles | 1,342 | 718,107 | 719,449 | 332 | 242,665 | 242,997 | 476,452 |
| Equipment | - | - | - | - | - | - | - |
| Total | 1,342 | 718,107 | 719,449 | 332 | 242,665 | 242,997 | 476,452 |
| **December 31, 2023** | | | | | | | |
| Plant & machinery | - | - | - | - | - | - | - |
| Vehicles | 1,669,644 | (327,821) | 1,341,822 | 380,702 | (49,017) | 331,685 | 1,010,138 |
| Equipment | - | - | - | - | - | - | - |
| Total | 1,669,644 | (327,821) | 1,341,822 | 380,702 | (49,017) | 331,685 | 1,010,138 |

**Future Ijarah payments receivable**

| | Current | | | | Prior | | | |
|---|---|---|---|---|---|---|---|---|
| | Not later than 1 year | Later than 1 year& less than 5 years | Over Five years | Total | Not later than 1 year | Later than 1 year& less than 5 years | Over Five years | Total |
| | Rupees in '000 | | | | | | | |
| **Ijarah rental receivables** | 89,534 | 161,287 | - | 250,820 | 5,292,737 | 5,572,094 | 97,303 | 10,962,134 |

| | | Note | 31-Dec-24 | 31-Dec-23 |
|---|---|---|---|---|
| | | | Rupees in '000 | |
| **50.4** | **Murabaha** | | | |
| | Murabaha financing | **50.4.1** | 8,589,780 | 8,971,208 |
| **50.4.1** | Murabaha receivable - gross | **50.4.2** | 6,271,582 | 6,621,269 |
| | Less: Deferred murabaha income | **50.4.4** | 2,318,198 | 2,349,939 |
| | Profit receivable shown in other assets | | - | - |
| | Murabaha financings | | 8,589,780 | 8,971,208 |
| **50.4.2** | The movement in Murabaha financing during the year is as follows: | | | |
| | Opening balance | | 6,621,269 | 4,542,711 |
| | Sales during the year | | 4,802,658 | 6,050,240 |
| | Adjusted during the year | | (5,152,345) | (3,971,682) |
| | Closing balance | | 6,271,582 | 6,621,269 |

| | Note | 31-Dec-24 | 31-Dec-23 |
|---|---|---|---|
| | | Rupees in '000 | |
| **50.4.3** Murabaha sale price | | 6,447,002 | 8,730,016 |
| Murabaha purchase price | | 4,802,658 | 6,050,240 |
| | | 1,644,344 | 2,679,776 |
| **50.4.4** Deferred murabaha income | | | |
| Opening balance | | 2,349,939 | 1,158,451 |
| Arising during the year | | 1,644,344 | 2,679,776 |
| Less: Recognised during the year | | (1,676,085) | (1,488,288) |
| Closing balance | | 2,318,198 | 2,349,939 |

**50.6 Deposits**

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | In local currency | In foreign currencies | Total | In local currency | In foreign currencies | Total |
| | Rupees in '000 | | | | | |
| **Customers** | | | | | | |
| Current deposits | **1,145,355** | - | **1,145,355** | 2,089,755 | - | 2,089,755 |
| Savings deposits | **1,801,456** | - | **1,801,456** | 1,170,185 | - | 1,170,185 |
| Term deposits | **1,596,042** | - | **1,596,042** | 1,589,288 | - | 1,589,288 |
| Others | **18,819** | - | **18,819** | - | - | - |
| | **4,561,671** | - | **4,561,671** | 4,849,228 | - | 4,849,228 |
| **Financial institutions** | | | | | | |
| Current deposits | **40** | - | **40** | 186 | - | 186 |
| Savings deposits | **113,447** | - | **113,447** | 44,002 | - | 44,002 |
| Term deposits | **107,675** | - | **107,675** | 170,000 | - | 170,000 |
| | **221,162** | - | **221,162** | 214,188 | - | 214,188 |
| **Firms/ Corporations** | | | | | | |
| Current deposits | **1,050,369** | - | **1,050,369** | 1,063 | - | 1,063 |
| Savings deposits | **1,979,886** | - | **1,979,886** | 647,250 | - | 647,250 |
| Term deposits | **4,539,559** | - | **4,539,559** | 1,954,568 | - | 1,954,568 |
| | **7,569,814** | - | **7,569,814** | 2,602,881 | - | 2,602,881 |
| **Mark-up/Return /Interest Payable on Deposits** | **509,934** | - | **509,934** | 58,709 | - | 58,709 |
| | **12,862,582** | - | **12,862,582** | 7,725,006 | - | 7,725,006 |

| | 31-Dec-24 | 31-Dec-23 |
|---|---|---|
| **50.7 Composition of deposits** | Rupees in '000 | |
| Individuals | 4,561,671 | 4,849,228 |
| Banking companies | 221,162 | 214,188 |
| Private sector | 7,569,814 | 7,725,006 |

| | | 31-Dec-24 | 31-Dec-23 |
|---|---|---|---|
| | | Rupees in '000 | |
| **50.8** | **Charity fund** | | |
| | Opening balance | **26** | 9 |
| | **Additions during the period** | | |
| | Received from customers on account of delayed payment | **61,072** | 49,432 |
| | **Profit on charity saving account** | **61,072** | 49,432 |
| | **Payments / utilization during the period** | | |
| | Education | **-** | - |
| | Others | **(61,073)** | (49,415) |
| | | **(61,073)** | (49,415) |
| | Closing balance | **25** | 26 |
| **50.9** | **Islamic banking business unappropriated profit** | | |
| | Opening balance | **2,127,551** | 1,230,046 |
| | Add: Islamic banking profit for the period | **1,343,060** | 897,505 |
| | Less: Transferred / Remitted to head office | | - |
| | Closing balance | **3,470,611** | 2,127,551 |
| **50.10** | **CONTINGENCIES AND COMMITMENTS** | | |
| | Contingencies and commitments | **-** | - |
| **50.11** | **Profit / Return Earned of Financing, Investments and Placement** | | |
| | **Profit earned on:** | | |
| | Financing | **3,025,974** | 2,171,176 |
| | Investments | **333,712** | 176,667 |
| | Profit Waived off on Islamic Products | **(68,380)** | (33,701) |
| | | **3,291,306** | 2,314,142 |
| **50.12** | **Profit on Deposits and other Dues Expensed** | | |
| | Deposits and other accounts | **1,273,657** | 719,712 |
| | Inter Branch Transfer pricing | | - |
| | | **1,273,657** | **719,712** |

### 50.13 IFRS 9 impact

Had the financial instruments been initially recognised and subsequently measured on the requirement of IFRS 9, the Islamic financing and related assets - net and Profit / return earned would have been Rs. 10,932 million and Rs. 2,884 million respectively. Furthermore, other liabilities, profit before tax, profit after tax and resultant unappropriated profit would have been decreased by Rs. 2,067 million, Rs. 141 million, Rs. 118 million and Rs. 118 million, respectively.

### 50.14 Pool management

NRSP Islamic Microfinance Division (IMD) is operating General pool to manage profit distribution.

FEATURES OF GENERAL POOL AND SPECIAL POOL

In this pool, all forms of deposits are accepted on a Mudaraba basis, applicable to various asset types and income generated from these assets. Certificates may also be issued for a specified duration. The deposits collected in this pool are allocated to Islamic assets, including Murabaha, Ijarah, Musharaka, Islamic Sukuks, and any other Shariah-compliant investments that have received approval from the Shariah Advisor. Deposits can be made through all NRSP Islamic branches.

There is no minimum deposit requirement to participate in profit sharing; however, a nominal minimum amount may be necessary to establish an account. Profit payments are made monthly, quarterly, or semi-annually for investments ranging from three months to three years, with profit calculated based on the daily average balance for the month. Early termination of deposits is permitted, subject to profit adjustments.

All direct administrative expenses of the General Pool are shared with depositors, although equity holders may choose to cover all or part of these expenses. Provisions created for non-performing financing and declines in investment value, as mandated by prudential regulations and other directives from the State Bank of Pakistan, are not charged to the PLS deposits as expenses. However, income reversals resulting from asset classification and losses from actual write-offs are considered expenses of the pool.

According to the Bank's policy, weightages are announced three days prior to the beginning of each month. The Mudarib share for the current period amounts of Rs.754, 887,051/- representing 36.6% of distributable income. The Mudarib share allocated to depositors as gift (Hiba) during this period totals Rs.64, 401,364/- which is 7.9% of the distributable income. The profit rate earned and the profit rate distributed to depositors for the current period are 26.24% and 17.96%, respectively.

## 51 General

**51.1** Account captions as prescribed by BPRD circular no. 3 of 2023 dated February 09, 2023, in the context of which there are no amounts, have not been reproduced in these financial statement, except for the captions of the balance sheet and profit and loss account.

**51.2** Corresponding figures have been rearranged and reclassified for more appropriate presentation where necessary including resultant changes from adoption of new format of financial statements.

**51.3** The figures in the financial statements are rounded off to the nearest thousand rupees.

## 52 EVENTS AFTER THE REPORTING DATE

## 53 DATE OF AUTHORISATION FOR ISSUE

The financial statements were approved and authorised by the Board of Directors of the Bank in their meeting held on March 4, 2025.

| President/Chief Executive | Chief Financial Officer | Director | Director | Director |
|---|---|---|---|---|