NRSP MICROFINANCE BANK LIMITED
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR PERIOD ENDED JUNE 30, 2024

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INDEPENDENT AUDITORS' REVIEW REPORT

To the members of NRSP Microfinance Bank Limited

Report on review of condensed Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of NRSP Microfinance Bank Limited (the Bank) as at June 30, 2024 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, condensed interim cash flow statement and notes to the financial statements for the half year then ended (here-in-after referred to as the "condensed interim Financial Statements"). Management is responsible for the preparation and presentation of these condensed interim Financial Statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim Financial Statements based on our review. The figures for the quarters ended June 30, 2024 and June 30 2023 in the condensed Interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them as we are required to review cumulative figures.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim Financial Statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Emphasis of matters

i. Capital Adequacy Ratio

We draw attention to note 42.2 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. Deferred tax asset

We draw attention to Note 17 to the condensed interim financial statements, which describes that management has recognized deferred tax asset of Rs 3,464 million as at June 30, 2024 (December 31, 2023 Rs. 3,459). 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 conclusion is not modified in respect of these matters.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim Financial Statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the review resulting in this independent review report is Shahzad Ali.

Yousuf Adil

Chartered Accountants

Islamabad
Date: August 28, 2024
UDIN: RR202410134tDNSALc4y

NRSP MICROFINANCE BANK LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2024

	Note	(Unaudited) 30-Jun-24	(Audited) 31-Dec-23
		----------Rupees '000 ----------	
ASSETS			
Cash and balances with treasury banks	9	**8,680,196**	2,430,904
Balances with other MFBs / Banks / NBFIs	10	**6,119,693**	5,358,646
Lendings to financial institutions	11	**-**	1,022,414
Investments	12	**11,416,509**	5,605,817
Advances	13	**35,168,934**	34,532,330
Property and equipment	14	**550,040**	567,377
Right-of-use assets	15	**742,589**	694,794
Intangible assets	16	**33,779**	37,524
Deferred tax assets	17	**3,464,474**	3,459,593
Other assets	18	**1,315,644**	907,895
		67,491,858	54,617,294
LIABILITIES			
Bills payable	19	**90,013**	90,401
Borrowings	20	**7,493,780**	4,872,928
Deposits and other accounts	21	**50,470,340**	41,057,861
Lease liabilities	22	**1,001,452**	946,075
Subordinated debt	23	**2,321,098**	2,237,604
Deferred grants	24	**(879)**	288
Deferred tax liabilities		**-**	-
Other liabilities	25	**3,267,869**	3,368,656
		64,643,673	52,573,813
NET ASSETS		**2,848,185**	2,043,481
REPRESENTED BY			
Share capital / head office capital account - net		**1,498,372**	1,498,372
Advance against future issue of right shares		**1,304,296**	1,000,000
Statutory and general reserves		**1,111,028**	997,923
Depositors' protection fund		**455,152**	393,207
Surplus/ (Deficit) on revaluation of financial assets at FVOCI	26	**(8,453)**	(254)
Accumulated loss		**(1,512,210)**	(1,845,767)
		2,848,185	2,043,481

CONTINGENCIES AND COMMITMENTS 27

The annexed notes 1 to 47 form an integral part of these condensed interim financial statements.

President/Chief Executive	Chief Financial Officer	Director	Director	Director

NRSP MICROFINANCE BANK LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE PERIOD ENDED JUNE 30, 2024

	Note	Quarter Ended		Half Year Ended	
		30-Jun-24	30-Jun-23	30-Jun-24	30-Jun-23
		----------Rupees '000 ----------			
Mark-up / Return / Interest earned	28	**2,896,972**	2,608,061	**5,836,531**	4,376,231
Mark-up / Return / Interest expensed	29	**(1,837,572)**	(1,423,313)	**(3,615,396)**	(2,625,265)
Net mark-up / interest income		**1,059,400**	1,184,748	**2,221,135**	1,750,966
NON MARK-UP / INTEREST INCOME					
Fee and commission income	30	**81,914**	136,119	**154,510**	289,182
Gain / (Loss) on securities		**-**	-	**-**	-
Net gains/(loss) on derecognition of financial assets measured at amortised cost	31	**6,347**	(1,972)	**12,489**	8,973
Other income	32	**16,262**	30,704	**21,427**	45,344
Total non-markup / interest Income		**104,523**	164,851	**188,426**	343,499
Total income		**1,163,923**	1,349,599	**2,409,561**	2,094,465
NON MARK-UP / INTEREST EXPENSES					
Operating expenses	33	**(733,405)**	(796,197)	**(1,541,251)**	(1,620,133)
Workers welfare fund		**(8,982)**	(9,073)	**(8,982)**	(9,073)
Other charges	34	**(12)**	(72)	**(414)**	(72)
Total non-markup / interest expenses		**(742,399)**	(805,342)	**(1,550,647)**	(1,629,278)
Profit / (Loss) before credit loss allowance		**421,524**	544,257	**858,914**	465,187
Credit loss allowance and write offs - net	35	**(43,153)**	386,591	**(130,722)**	164,179
PROFIT BEFORE MINIMUM AND REVENUE TAXES		**378,371**	930,848	**728,192**	629,366
Minimum tax differential	36	**(64,323)**	(158,244)	**(127,513)**	(119,816)
PROFIT BEFORE TAXATION		**314,048**	772,604	**600,679**	509,550
TAXATION	37	**6,709**	(58,126)	**(35,153)**	(96,554)
PROFIT / (LOSS) AFTER TAXATION		**320,757**	714,478	**565,526**	412,996
Basic earnings / (loss) per share (Rupees)	38	**2.0**	4.8	**4.6**	2.8
Diluted earnings / (loss) per share (Rupees)	39	**2.0**	2.8	**4.6**	2.8

The annexed notes 1 to 47 form an integral part of these condensed interim financial statements.

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

NRSP MICROFINANCE BANK LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE PERIOD ENDED JUNE 30, 2024

	Quarter Ended		Half Year Ended	
	30-Jun-24	30-Jun-23	30-Jun-24	30-Jun-23
	----------Rupees '000 ----------			
Profit after taxation for the period	**320,757**	714,478	**565,526**	412,996
Other comprehensive income				
Items that may be reclassified to profit and loss account in subsequent periods:				
Movement in surplus / (deficit) on revaluation of	**(12,238)**	-	**(12,238)**	-
Related Tax	**4,039**	-	**4,039**	-
	(8,199)	-	**(8,199)**	-
Items that will not be reclassified to profit and loss account in subsequent periods:				
Remeasurement gain / (loss) on defined benefit obligations	**13,066**	(25,430)	**13,066**	(25,430)
Related Tax	**(4,312)**	7,375	**(4,312)**	7,375
Comprehensive Income transferred to equity	**8,754**	(18,055)	**8,754**	(18,055)
Total comprehensive income	**321,312**	696,423	**566,081**	394,941

The annexed notes 1 to 47 form an integral part of these condensed interim financial statements.

President/Chief Executive   Chief Financial Officer   Director   Director   Director

NRSP MICROFINANCE BANK LIMITED
CONDENSED INTERIM STATEMENT OF CHANGE IN EQUITY (UNAUDITED)
FOR THE PERIOD ENDED JUNE 30, 2024

		Capital Reserve				Revenue reserve	
	Share capital / head office capital account	Advance against issue of shares	Statutory reserve	Depositors' protection fund	Surplus/ (Deficit) on revaluation of financial assets at FVOCI	Unappropriated profit	Total
				Rupees '000			
Opening Balance as at January 1, 2023	1,498,372	-	815,767	305,381	-	(2,530,559)	88,961
Profit / (Loss) after taxation (January 31 2023)	-	-	-	-	-	412,996	412,996
Other comprehensive income / (loss) - net of tax	-	-	-	-	-	(18,055)	(18,055)
Transaction with owners							
Advance against future issue of right shares	-	1,000,000	-	-	-	-	1,000,000
Transfer to statutory reserve	-	-	82,599	-	-	(82,599)	-
Transfer to depositors' protection fund:							-
- 5% of the profit after tax for the year	-	-	-	20,650	-	(20,650)	-
- Return on investments - net of tax	-	-	-	27,239	-	-	27,239
Balance as at June 30, 2023	1,498,372	1,000,000	898,366	353,270	-	(2,238,867)	1,511,141
Profit / (loss) after taxation (December 31, 2023)	-	-	-	-	-	497,782	497,782
Other comprehensive income - net of tax	-	-	-	-	-	19,764	19,764
Transfer to statutory reserve	-		99,557	-	-	(99,557)	-
Transfer to depositors' protection fund	-		-		-	-	-
- 5% of the profit after tax for the year	-	-	-	24,889	-	(24,889)	-
- Return on investments - net of tax	-	-	-	15,048	-	-	15,048
Balance as at December 31, 2023	1,498,372	1,000,000	997,923	393,207	-	(1,845,767)	2,043,735
Opening Balance as at January 1, 2024	**1,498,372**	**1,000,000**	**997,923**	**393,207**	**-**	**(1,845,767)**	**2,043,735**
Impact of adopting IFRS 9 - net of deferred tax	**-**	**-**	**-**	**-**	**(254)**	**(81,834)**	**(82,088)**
Restated Balance as at January 1, 2024	**1,498,372**	**1,000,000**	**997,923**	**393,207**	**(254)**	**(1,927,601)**	**1,961,647**
Transaction with owners							
Advance against future issue of right shares	-	**304,296**	-	-	-	-	**304,296**
Profit / (Loss) after taxation June 30,2024	-	-	-	-	-	**565,526**	**565,526**
Other comprehensive income - net of tax						**(8,754)**	**(8,754)**
Other comprehensive income transferred to Surplus/ (Deficit) on revaluation of financial assets at FVOCI - net of tax	-	-	-	-	**(8,199)**	-	**(8,199)**
Transfer to statutory reserve	-	-	**113,105**	-	-	**(113,105)**	-
Transfer to depositors' protection fund							-
- 5% of the profit after tax for the year	-	-	-	**28,276**	-	**(28,276)**	-
- Return on investments - net of tax	-	-	-	**33,669**	-	-	**33,669**
Balance as at June 30, 2024	**1,498,372**	**1,304,296**	**1,111,028**	**455,152**	**(8,453)**	**(1,512,210)**	**2,848,185**

The annexed notes 1 to 47 form an integral part of these condensed interim financial statements.

President/Chief Executive

Chief Financial Officer

Director

Director

Director

NRSP MICROFINANCE BANK LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE PERIOD ENDED JUNE 30, 2024

	Note	Half Year Ended 30-Jun-24	30-Jun-23
		----------Rupees '000 ----------	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		**600,679**	629,366
Less: Dividend income		**-**	-
		600,679	629,366
Adjustments:			
Depreciation		**46,068**	59,951
Depreciation on right-of-use assets		**71,006**	63,950
Amortization		**6,972**	16,526
Mark-up / Return / Interest expense on lease liability against right-of-use		**71,681**	57,660
Impairment of assets		**-**	-
Credit loss allowance and write-offs	*35*	**643,905**	512,891
Loss/ (Gain) on sale / disposal of property and equipment		**3,066**	(20,125)
Finance charges on leased assets		**-**	-
Gain on sale/ redemption of securities		**(649,584)**	(213,240)
Gain on derecognition of financial assets measured at amortised cost		**(12,489)**	(8,973)
Amortization of deferred grant		**(1,801)**	(11,643)
Provision for gratuity and leave encashment		**20,084**	45,959
		198,908	502,956
		799,587	1,132,323
(Increase) / Decrease in operating assets			
Advances		**(1,239,930)**	(1,733,700)
Others assets (excluding advance taxation)		**(340,094)**	(200,342)
		(1,580,024)	(1,934,042)
Increase / (Decrease) in operating liabilities			
Bills Payable		**(388)**	(52,693)
Deposits		**9,412,479**	1,703,941
Other liabilities (excluding current taxation)		**251,448**	874,483
		9,663,539	2,525,731
Payments against off-balance sheet obligations		**-**	-
Finance cost paid on lease obligation		**(71,681)**	(57,660)
Levies/Income tax paid		**(183,457)**	(181,804)
Gratuity and leave encashment paid (including contributions)		**(66,668)**	(69,765)
Net cash flow from / (used in) operating activities		**8,561,296**	1,472,442
CASH FLOW FROM INVESTING ACTIVITIES			
Net Investments in amortised cost securities		**(747,995)**	(41,368)
Net Investments in FVOCI securities		**(4,394,572)**	(851,770)
Investments in property and equipment		**(35,962)**	(13,518)
Interest income on depositors' protection fund		**33,669**	27,239
Proceeds from sale of property and equipment		**938**	21,113
Net cash flow from / (used in) investing activities		**(5,143,922)**	(858,303)
CASH FLOW FROM FINANCING ACTIVITIES			
Payment of lease liability against right-of-use assets		**(50,935)**	(97,246)
Borrowings from financial institutions		**2,620,852**	(2,020,000)
Proceeds against future issue of right shares		**-**	1,000,000
Grants received		**634**	10,970
Net cash flow from / (used in) financing activities		**2,570,551**	(1,106,276)
Increase/(Decrease) in cash and cash equivalents		**5,987,925**	(492,137)
Cash and cash equivalents at beginning of the period		**8,811,964**	6,188,756
Cash and cash equivalents at end of the period		**14,799,889**	5,696,619

The annexed notes 1 to 47 form an integral part of these condensed interim financial statements.

President/Chief Executive	Chief Financial Officer	Director	Director	Director

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 Shalimar Avenue, Shalimar Town, Rawalpindi. 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.

2.2 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 condensed interim 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 condensed interim financial statements have been presented in Pakistani Rupees, which is the functional and presentation currency of the Bank.

3 STATEMENT OF COMPLIANCE

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

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- 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

3.2 The SBP has deferred the applicability of International Accounting Standard (IAS) 39 - 'Financial Instruments: Recognition and Measurement' and IAS 40 - 'Investment Property' for Banking Companies in Pakistan through BSD Circular Letter 10 dated 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. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars. SBP Through Circular letter No. 16 dated July 29, 2024 has deferred the requirement of calculating amortized cost of financial assets and liabilities using effective interest rates and allowed financial institutions to use previous practices for calculating amortised cost till October 01, 2024. SBP through same circular letter also deferred the requirement to recognise loss on initial recognition of subsidized staff loans till October 01, 2024 and allowed to use previous practice till effective date.

3.3 These condensed interim financial statements do not include all the information and disclosures required for the annual financial statements, and should be read in conjunction with the annual financial statements of the Bank as at December 31, 2023, which have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for financial reporting. The accounting and reporting standards as applicable in Pakistan for financial reporting comprise of: 'International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017; Provisions of and directives issued under the Microfinance Institutions Ordinance, 2001 and the Companies Act, 2017; and Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Microfinance Institution Ordinance, 2001, the Companies Act, 2017, or the directives issued by the SBP and SECP differ with the requirements of IFRS, the requirements of the Microfinance Institution Ordinance, 2001, the Companies Act, 2017 and the said directives shall prevail.

4 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

There are certain amendments to existing accounting and reporting standards that have become applicable to the Bank for accounting periods beginning on or after June 30, 2024. These are either considered to be not relevant or do not have any significant impact on these condensed interim financial

	Effective from Accounting period beginning on or after
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates	June 30, 2024
Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction.	June 30, 2024
Amendments to IAS 12 ' Income taxes' - International Tax Reform — Pillar Two Model Rules	June 30, 2024
Amendments to IFRS 16 ' Leases' -Clarification on how seller-lessee subsequently measures sale and leaseback transactions	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current along with Non-current liabilities with Covenants	January 01, 2024
Amendments to IAS 7 'Statement of Cash Flows' and 'IFRS 7 'Financial instruments disclosures' - Supplier Finance Arrangements	January 01, 2024

b) **Standards, interpretations of and amendments to accounting and reporting standards that are not yet effective**

There are certain other new amendments that are mandatory for the Bank's accounting periods beginning on or after January 01, 2024, but are considered not to be relevant or will not have significant effect on the Bank's operations and are, therefore, not detailed in these condensed interim financial statements.

	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
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 instruments	January 01, 2026

Further, the following new standards have been issued by the IASB, which are yet to be notified by the SECP for the purpose of applicability in Pakistan:

Standard	
IFRS 1	First-time Adoption of International Financial Reporting
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.

5 MATERIAL ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these condensed interim 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 and initial recognition of financial assets and financial liabilities as per IFRS 9.

5.1 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, and loan processing fee (LPF) is subtracted from, or added to, this amount. However, requirement of adding/subtracting transaction cost and LPF from financial asset/liability is deferred by SBP BPRD through circular letter no 17 of 2024 till October 01, 2024. Therefore, no impact of transaction cost or LPF is taken in the financial instruments.

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

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 loss.

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

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.

5.1.1 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.

5.1.2 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

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 41.4.

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, adjustable security deposits against Ijarah and gold ornaments 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.

5.1.3 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
- The loan facility is restructured/deferred.

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 December 31, 2018 till March 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 international credit agencies such as S&P Global and Moody's.

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, 2018 till date has been used for LGD estimations for the parties classified as default till June 30, 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)

5.2 Financial instruments (accounting policy applicable before 1 January 2024)

5.2.1 Investments

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 and rewards of ownership.

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.

5.2.2 Advances

Advances are stated net of provision for non-performing advances. Advances are classified under non-performing loans (NPLs) and the provision on such is charged as per the guidelines of Prudential Regulation for Microfinance Banks issued by the State Bank of Pakistan (SBP). Further the markup on classified advances is suspended and transferred to reserve account. On March 16, 2022 SBP AC&MFD has issued Circular No. 02 of 2022 making significant revisions to the MFB's Prudential Regulations. Following is the summary of Prudential Regulations, for classification and provisioning of advances.

Classification	Previous DPD criteria	General Loans	Housing Loans	Enterprise Loans	Enterprise Loans (Property Collateral)
Days Passed Due Based Classification (DPD)					
OAEM	30 - 59	30 - 59	90 - 179	90 - 179	90 - 179
Substandard	60 - 89	60 - 89	180 - 364	180 - 364	180 - 364
Doubtful	90 - 179	90 - 179	365 - 729	365 - 544	365 - 544
Loss	180 - 209	180 - 209	730 - 1944	545 - 1214	545 - 1944
Write off	>=210	>=210	>=1945	>=1215	>=1945
Provision Percentage					
OAEM	0%	0%	0%	10%	10%
Substandard	25%	25%	25%	25%	25%
Doubtful	50%	50%	50%	50%	50%
Loss	100%	100%	100%	100%	100%
Write off	100%	100%	100%	100%	100%
Suspension Percentage					
OAEM	0%	0%	0%	100%	100%
Substandard	100%	100%	100%	100%	100%
Doubtful	100%	100%	100%	100%	100%
Loss	100%	100%	100%	100%	100%
Write off	100%	100%	100%	100%	100%

In addition 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, a general provision is made equivalent to 1% (2022: 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 are 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 NPL shall be charged-off one month after being classified as

Housing loans:

NPL shall 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) sł

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

Islamic financing and related assets

i. 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.

ii. 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

iii. 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 instalments the proportionate share of the Bank until the title to such tangible asset is completely transferred to the customer.

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 applicable to the Company. Accordingly, the Company has adopted the following approach:

The Company 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 June 30, 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 43

5.3 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.

5.3.1 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.

6 ACCOUNTING ESTIMATES

The basis for accounting estimates adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the financial statements of the Bank for the year ended December 31, 2023 unless otherwise specified in abovementioned adoption of new accounting policies.

7 FINANCIAL RISK MANAGEMENT

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

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 placing 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 IFRS9 as of 31 December 2023 is, as follows:

Description	Note	Old financial reporting framework		Reclassification	Remeasurement	Current IFRS-9 reporting framework	
		Category	Amount			Amount	
		Rupees '000					
Financial Assets							
Cash and balances with SBP and NBP	9	Cash and balances with SBP and NBP (amortized cost)	2,419,392	11,512	-	2,430,904	Amortized cost
Balances with other Banks/ NBFIs /MFBs	10	Balances with other Banks/ NBFIs /MFBs (Amortized Cost)	5,074,304	194,372	(57)	5,268,619	Amortized cost
Lending to financial institutions	11	Lending to financial institutions (Amortized Cost)	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	2,946,912	-	-	2,946,912	Fair Value through OCI
Advances	13	Advances (Amortized Cost)	31,886,462	2,645,868	(122,084)	34,410,246	Amortized cost
Other assets	18	Income / markup accrued (amortized cost)	3,762,063	(2,854,168)	-	907,895	Amortized cost
Non-financial assets							
Deferred tax asset	17	Deferred tax asset	3,459,593	-	40,307	3,459,593	Deferred tax asset
Financial Liabilities							
Borrowings	20	Borrowings (Amortized cost)	(4,651,094)	(221,834)	-	(4,872,928)	Amortized cost
Deposits and other accounts	21	Deposits and other accounts (Amoı	(39,569,766)	(1,488,095)	-	(41,057,861)	Amortized cost
Subordinated debt	23	Subordinated-Debt (Amortized cost	(1,442,360)	(795,244)	-	(2,237,604)	Amortized cost
Other liabilities	25	Other liabilities (Amortized Cost)	(6,910,307)	3,541,650	-	(3,368,657)	Amortized cost
Total Impact of adopting IFRS 9			654,104	1,036,475	(81,834)	1,568,438	

		Note	June 30, 2024 (Un-audited)	December 31, 2023 (Audited)
9	**CASH AND BALANCES WITH TREASURY BANKS**		------------- Rupees '000-------------	
	In hand - Local currency		1,045,003	753,490
	With State Bank of Pakistan in			
	Local currency current account	9.1	6,290,873	1,009,357
	Local currency deposit account (to be specified)		-	-
			6,290,873	1,009,357
	With National Bank of Pakistan in			
	Local currency current account		32,716	18,752
	Local currency deposit account (to be specified)	9.2	1,293,290	637,793
			1,326,006	656,545
	Accrued Markup		18,314	11,512
	Less: Credit loss allowance		-	-
	Total		8,680,196	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% (2023: 5% to 6%) per annum.

		Note	June 30, 2024 (Un-audited)	December 31, 2023 (Audited)
10	**BALANCES WITH OTHER MFBs / BANKs / NBFIs**		------------- Rupees "000-------------	
	In current account	10.1	83,111	89,970
	In deposit account			
	- In Saving accounts	10.2	5,808,525	2,751,804
	- In Fixed accounts	10.3	200,000	2,322,500
			6,008,525	5,074,304
	Accrued Markup		28,114	194,372
	Less: Credit loss allowance		(57)	-
			6,119,693	5,358,646

10.1 These represent deposits with commercial banks and Islamic banks payable on demand maintained in current

10.2 These represent deposits with commercial banks and Islamic banks payable on demand carrying mark-up/profit ranging from 5% to 22% (2023: 7.25% to 22%) per annum.

10.3 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: 21% to 21.90%).

		Note	June 30, 2024 (Un-audited)	December 31, 2023 (Audited)
11	**LENDINGS TO FINANCIAL INSTITUTIONS**		------------- Rupees "000-------------	
	Call / clean money lendings	11.1	-	1,020,000
			-	1,020,000
	Accrued Markup			2,414
	Less: Credit loss allowance		-	-
	Lendings to Financial Institutions - net of credit loss allowance		-	1,022,414

11.1 These represents call money lending nil in 2024 (2023: 1,020 Million) with markup/profit rate (2023: 21.60%).

12 INVESTMENTS

12.1 Investments by type:

	Note	Unaudited 30-Jun-24 Fair Value / Amortised cost	Credit Loss Allowance	Surplus / (Deficit)	Carrying Value	Audited 31-Dec-23 Fair Value / Amortised cost	Credit Loss Allowance	Surplus / (Deficit)	Carrying Value
		Rupees in '000							
Classified as Amortised Cost									
Federal Government securities									
Pakistan Investment Bonds (PIBs)		2,879,680	-	-	2,879,680	1,839,271	-	-	1,839,271
Market treasury bills (MTBs)		558,328	-	-	558,328	504,410	-	-	504,410
Ijarah Sukuks		314,238	-	-	314,238	315,224	-	-	315,224
	12.1.2	3,752,246	-	-	3,752,246	2,658,905	-	-	2,658,905
Classified as FVOCI									
Federal Government securities									
Pakistan Investment Bonds (PIBs)		3,193,026	-	(4,543)	3,188,483	-	-	-	-
Market treasury bills (MTBs)		4,483,855	-	(8,075)	4,475,780	2,947,292	-	(380)	2,946,912
	12.1.3	7,676,881	-	(12,618)	7,664,263	2,947,292	-	(380)	2,946,912
Total investments		11,429,127	-	(12,618)	11,416,509	5,606,197	-	(380)	5,605,817

12.1.1 Investments given as collateral

	30-Jun-24	Audited 31-Dec-23
	Rupees in '000	
Pakistan Investment Bonds (PIBs)	1,500,000	500,000
Market treasury bills (MTBs)	2,183,350	602,365

12.1.2 These include securities T-Bills, ijarah sukuk and PIBs carrying mark-up/profit ranging from 17.65% to 22.67% (2023: 21.14% to 22.67%)

12.1.3 These include securities T-Bills and PIBs carrying mark-up/profit ranging from 19.99% to 22.64% (2023: 21.33% to 22.11%)

12.2 Investments - Particulars of credit loss allowance

12.2.1 Investments - Exposure

	Current Year Stage 1	Stage 2	Stage 3	Total	Audited Prior Period Stage 1	Stage 2	Stage 3	Total
	Rupees in '000							
Gross carrying amount	5,606,197	-	-	5,606,197	-	-	-	2,435,811
New Investments	5,876,368	-	-	5,876,368	-	-	-	-
Investments derecognised or repaid	(500,000)	-	-	(500,000)	-	-	-	-
Transfer to stage 1	-	-	-	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-	-	-
	5,376,368	-	-	5,376,368	-	-	-	-
Change in exposure	446,562	-	-	446,562	-	-	-	3,170,386
Closing balance	11,429,127	-	-	11,429,127	5,606,197	-	-	5,606,197

12.2.2 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 circular no. 3 of 2022 dated July 05, 2022.

12.3 The market value of securities classified as amortized cost as at June 30, 2024 amounted to Rs. 3,743.53 million (December 31, 2023: Rs. 2,712.87 million).

13 ADVANCES

Loan Type	Performing				Non Performing		Total	
	Stage 1		Stage 2		Stage 3			
	30-Jun-24	31-Dec-23	30-Jun-24	31-Dec-23	30-Jun-24	31-Dec-23	30-Jun-24	31-Dec-23
	Rupees in '000							
Micro Credits								
Secured	11,964,968	-	250,290	-	118,288	-	12,333,546	11,653,077
Unsecured	7,081,530	-	1,422,380	-	1,214,144	-	9,718,054	10,039,820
Income/Markup Accrued	2,013,177	-	470,079	-	374,591	-	2,857,847	2,645,868
Islamic financing								
Secured	6,822,024	-	100,862	-	97,034	-	7,019,920	6,673,542
Unsecured	4,668,521	-	60,203	-	267,190	-	4,995,914	5,113,707
Advances - gross	32,550,220	-	2,303,814	-	2,071,247	-	36,925,281	36,126,014
Less: Provision held								
Specific	-	-	-	-	-	-	-	(597,356)
General								
Mandatory	-	-	-	-	-	-	-	(211,741)
Additional	-	-	-	-	-	-	-	(784,587)
	-	-	-	-	-	-	-	(1,593,684)
Less: Credit loss allowance against advances								
- Stage 1	(232,087)	-	-	-	-	-	(232,087)	-
- Stage 2	-	-	(793,480)	-	-	-	(793,480)	-
- Stage 3	-	-	-	-	(730,780)	-	(730,780)	-
	(232,087)	-	(793,480)	-	(730,780)	-	(1,756,347)	-
Advances - net of credit loss allowance	32,318,133	-	1,510,334	-	1,340,467	-	35,168,934	34,532,330

13.1 Advances - Particulars of credit loss allowanc

13.1.1 Advances - Exposure

		30-Jun-24				31-Dec-23			
		Expected Credit Loss				Expected Credit Loss			
		Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
		Rupees in '000							
Opening balance		-	-	-	-	-	-	-	34,662,917
IFRS 9 impact		34,079,373	1,201,053	845,582	36,126,008	-	-	-	-
Gross carrying amount		34,079,373	1,201,053	845,582	36,126,008	-	-	-	34,662,917
New advances		16,044,949	-	-	16,044,949	-	-	-	-
Advances derecognised or repaid		(13,064,715)	(222,800)	(540,105)	(13,827,620)	-	-	-	-
Transfer to stage 1		72,351	(44,733)	(27,618)	-	-	-	-	-
Transfer to stage 2		(1,532,692)	1,534,355	(1,663)	-	-	-	-	-
Transfer to stage 3		(1,606,819)	(22,372)	1,629,191	-	-	-	-	-
		(86,926)	1,244,450	1,059,805	2,217,329	-	-	-	-
Amounts written off / charged off	10.2	(90,793)	(60,958)	(451,575)	(603,326)	-	-	-	(4,954,903)
Changes [increase/(decrease)] in exposure		(1,351,434)	(80,731)	617,435	(814,730)	-	-	-	4,824,316
Closing balance		32,550,220	2,303,814	2,071,247	36,925,281	-	-	-	34,532,330

	30-Jun-24				31-Dec-23			
13.1.2 Advances - Credit loss allowance	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
				Rupees in '000				
Opening balance	-	-	-	-	-	-	-	4,357,778
IFRS 9 impact	222,765	821,389	671,614	1,715,768	-	-	-	-
Gross carrying amount	222,765	821,389	671,614	1,715,768	-	-	-	4,357,778
New advances	106,124	-	-	106,124	-	-	-	-
Advances derecognised or repaid	(59,029)	(24,463)	(471,042)	(554,534)	-	-	-	-
Transfer to Stage 1	15,142	(4,318)	(10,824)	-	-	-	-	-
Transfer to Stage 2	(7,424)	11,238	(3,814)	-	-	-	-	-
Transfer to Stage 3	(11,744)	(1,753)	13,497	-	-	-	-	-
	43,069	(19,296)	(472,183)	(448,410)	-	-	-	-
Provision against non-performing advances charged for the year	-	-	-	-				2,190,809
Amounts written off/charged Off	(90,793)	(60,958)	(451,575)	(603,326)	-	-	-	(4,954,903)
Changes [increase/(decrease)] in exposure	57,046	52,345	982,924	1,092,315	-	-	-	-
Closing balance	232,087	793,480	730,780	1,756,347	-	-	-	1,593,684
13.1.3 Credit Loss Allowance Breakup								
Credit Loss Related to Stages	43,069	(19,296)	(472,183)	(448,410)	-	-	-	-
Credit Loss Related to Changes in exposure	57,046	52,345	982,924	1,092,315	-	-	-	-
Total Allowance	100,115	33,049	510,741	643,905	-	-	-	-
13.2 Advances - Credit loss allowance details								
Internal / External rating / stage classification								
Outstanding gross exposure					-	-	-	-
Performing - Stage 1	32,550,220	-	-	32,550,220				
Under Performing								
Other assets especially mentioned	-	1,702,139	455,722	2,157,861	-	-	-	-
Under Performing	-	601,675	-	601,675				
Non- Performing								
Substandard	-	-	289,544	289,544	-	-	-	-
Doubtful	-	-	906,219	906,219	-	-	-	-
Loss	-	-	419,762	419,762	-	-	-	-
	-	-	1,615,525	1,615,525	-	-	-	-
Total	32,550,220	2,303,814	2,071,247	36,925,281	-	-	-	-
Corresponding credit loss allowance / Provisions								
Stage 1	232,087	-	-	232,087	-	-	-	-
Stage 2	-	793,480	-	793,480	-	-	-	-
Stage 3	-	-	730,780	730,780	-	-	-	-
	232,087	793,480	730,780	1,756,347	-	-	-	-

13.3 Particulars of write offs / charge offs:

	30-Jun-24	31-Dec-23
	Rupees in '000	
Against credit loss allowance	603,326	(4,954,903)
Directly charged to profit & loss account	-	-
	603,326	(4,954,903)

		Note	June 30, 2024 (Un-audited)	December 31, 2023 (Audited)
			Rupees in '000	
14	**PROPERTY AND EQUIPMENT**			
	Capital work-in-progress	14.1	**20,772**	10,137
	Property and equipment		**529,268**	557,240
			550,040	567,377

14.1 Capital work-in-progress

Civil works	**20,772**	10,137

14.2 Additions to property and equipment

The following additions have been made to property and equipment during the period:

Capital work-in-progress	**10,635**	20,856
Furniture and fixture	**5,638**	174
Office equipment	**1,235**	13,540
Computer equipment	**15,199**	-
Vehicles-Owned	**98**	532
	22,170	14,246
Total	**32,805**	35,102

14.3 Disposal of property and equipment

The net book value of property and equipment disposed off during the period is as follows:

Furniture and fixture	**3,484**	-
Office equipment	**1**	2,181
Computer equipment	**519**	-
Vehicles-Owned	**-**	-
Total	**4,004**	2,181

15 RIGHT OF USE ASSETS

	Buildings	Vehicles	Total
	Rupees '000		
Current period			
At January 1			
Cost	**1,375,148**	**97,497**	**1,472,645**
Accumulated Depreciation	**(681,345)**	**(96,506)**	**(777,851)**
Net Carrying amount at January 1	**693,803**	**991**	**694,794**
Additions during the period	**148,648**	**426**	**149,074**
Deletions during the period	**(30,273)**	**-**	**(30,273)**
Depreciation Charge for the period	**(70,407)**	**(599)**	**(71,006)**
Net Carrying amount at June 30, 2024	**741,771**	**818**	**742,589**
Prior period			
At January 1			
Cost	1,195,827	117,532	1,313,359
Accumulated Depreciation	(549,386)	(113,747)	(663,133)
Net Carrying amount at January 1	646,441	3,785	650,226
Additions during the year	255,094	1,283	256,377
Deletions during the year	(75,773)	(220)	(75,993)
Depreciation Charge for the year	(131,959)	(3,857)	(135,816)
Net Carrying amount at December 31, 2023	693,803	991	694,794

		June 30, 2024	December 31, 2023
		(Un-audited)	(Audited)
		Rupees in '000	

16 INTANGIBLE ASSETS

	June 30, 2024	December 31, 2023
Software under development	22,259	22,259
Computer software	11,520	15,265
	33,779	37,524

16.1 Additions to intangible assets

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

	June 30, 2024	December 31, 2023
Directly purchased	3,227	-
Total	3,227	-

17 DEFERRED TAX ASSET - 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.

	June 30, 2024	December 31, 2023
Deferred tax asset arising on account of deductible temporary differences on:		
Tax losses carried forward	2,502,150	2,502,150
Post retirement employee benefits	69,218	66,576
Deficit on revaluation of investments	4,164	126
Accelerated tax depreciation	22,175	20,085
Amortization on intangible assets	1,613	1,659
Credit loss allowance against advances, off balance sheet etc.	579,595	525,916
Lease liability	330,479	312,205
Minimum Tax under section 113 C	423,060	303,605
Grants	-	95
	3,932,454	3,732,417
Deferred tax liability arising on account of taxable temporary differences on:		
Surplus on revaluation of investments	-	-
Accelerated tax depreciation	(245,054)	(229,282)
Un-realised mark-up on Government Securities	(171,761)	(14,993)
Receivable from Employees' gratuity fund	(50,875)	(28,549)
Grants	(290)	-
	(467,980)	(272,824)
	3,464,474	3,459,593

18 OTHER ASSETS

	Note	June 30, 2024	December 31, 2023
FED/Sales tax refundable		85,872	76,534
Less : Provisions held against FED/Sales tax refundable		(12,979)	(12,979)
		72,893	63,555
Advances, deposits, advance rent and other prepayments		62,112	84,081
Branch adjustment account		376,696	(511)
Insurance claims receivables		261,732	255,181
Subsidy Receivable from SBP		234,988	272,016
Bills for Collection		14,153	12,410
Receivable from Employees' Gratuity Fund		154,167	86,512
Stock-in Hand		27,364	17,988
Staff Advances		68,885	68,991
Personal advances		10,101	8,601
Operational advances		11,095	8,167
Others (to be specified, if material)		21,467	30,913
		1,315,653	907,904
Less: Credit loss allowance held against other asse	18.1	(9)	(9)
Other assets - Total		1,315,644	907,895

18.1 Credit loss allowance held against other assets

	June 30, 2024	December 31, 2023
Advances, deposits, advance rent & other prepayments	9	9

			June 30, 2024	December 31, 2023
			(Un-audited)	(Audited)
19	**BILLS PAYABLE**		Rupees in '000	
	In Pakistan		**90,013**	90,401

20	**BORROWINGS**			
	Secured			
	Borrowings from Banks / Financial Institutions in Pakistan			
	National Bank of Pakistan (Running Finance - 4,000M)	**20.1**	**4,000,000**	2,000,000
	Borrowing from BOP (Term Finance)	**20.2**	**-**	100,000
	Borrowing from Pakistan Mortgage Refinance Company Limited (Term Finance)	**20.3**	**125,664**	126,122
	National Bank of Pakistan (Running Finance - 2,500M)	**20.4**	**2,425,000**	2,424,972
	Borrowing from BOP (Running Finance)	**20.5**	**500,000**	-
	Total secured		**7,050,664**	4,651,094
	Mark-up / return / interest payable on above Borrowings		**443,116**	221,834
			7,493,780	4,872,928

20.1 The Bank entered into running finance facility agreement amounting to Rs 4,000 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 loan is 1 year, expiring at December 31, 2024.As at the period end, the facility has been availed upto Rs 4,000million (2023: 2,000 million). Primary security is T.Bills , PIBs and Government Securities.

20.2 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 instalments of Rs 100 million each commencing from June 15, 2022 and fully paid in 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.

20.3 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 instalments 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.

20.4 The Bank entered into running finance facility agreement amounting to Rs 2,425 million with National Bank of Pakistan to participate in Government's scheme of Prime Minister Youth Programme for financing under Youth Programme. 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 payable on quarterly basis. The term of the loan is from March 29, 2023 to December 31, 2024. As at the period end, the facility has been fully availed (2023: 2,424 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.

20.5 The Bank entered into running finance facility agreement amounting to Rs 2,000 million (from which Rs. 500 million is availed) with The Bank of Punjab to participate in Government's scheme of Prime Minister Youth Programme for financing under Youth Programme. The principal amount is repayable at the end of the term and carries mark-up at the rate of Three month KIBOR + 1% per annum payable on quarterly basis. The term of the loan is from May 2024 to December 31, 2024. As at the period end, the facility has been fully availed (2023: Nil).

This loan is secured against 40% against Government guarantees and 60% of the facility will be secured through PIBs/T-Bills with a 10% margin under lien and setoff in the designated IPS account maintained with BOP.

	June 30, 2024 (Un-audited)	December 31, 2023 (Audited)
21 DEPOSITS AND OTHER ACCOUNTS	**Rupees in '000**	
Customers		
Individual		
Current deposits	**6,445,163**	4,962,426
Savings deposits	**5,961,690**	5,067,196
Term deposits	**8,256,884**	9,330,680
Others	**142,597**	17,941
	20,806,334	19,378,243
Corporation / firms etc.		
Current deposits	**2,602,628**	2,307,904
Savings deposits	**10,692,781**	4,160,936
Term deposits	**12,090,832**	9,807,669
	25,386,241	16,276,509
Financial Institutions		
Current deposits	**2,671**	972
Savings deposits	**1,998,300**	2,416,300
Term deposits	**1,137,892**	1,497,741
	3,138,863	3,915,013
Mark-up / return / interest payable on Deposits	**1,138,902**	1,488,096
	50,470,340	41,057,861

22 LEASE LIABILITIES

At beginning of period / year	**946,075**	876,615
Additions during the period / year	**149,074**	148,586
Interest expense	**71,681**	127,155
Deletion due to termination of agreement	**(42,762)**	-
Payment	**(122,616)**	(206,281)
Closing balance	**1,001,452**	946,075

		Note	June 30, 2024 (Un-audited)	December 31, 2023 (Audited)
			Rupees in '000	
23	SUBORDINATED DEBT			
	KfW - Germany	23.1	672,360	672,360
	TFCs Subordinated Debt	23.2	770,000	770,000
	Mark-up / return / interest payable on Subordinated Debt		878,738	795,244
			2,321,098	2,237,604

23.1 The Bank issued unrated, unsecured, subordinated debt securities to 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 the KfW.

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 instalments 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 Loss absorbency clause.

		Note	June 30, 2024 (Un-audited)	December 31, 2023 (Audited)
			Rupees in '000	
24	DEFERRED GRANT			
	Opening balance		288	3,634
	Grant Received from			
	SBP		-	85
	KfW	24.1	634	11,518
			634	11,603
	Interest income			-
	Grant recognised as income during the year		(1,801)	(14,949)
	Closing balance		(879)	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.

			June 30, 2024 (Un-audited)	December 31, 2023 (Audited)
			Rupees in '000	
25	OTHER LIABILITIES			
	Accrued expenses		124,861	155,246
	Levy payable under Income Tax laws		12,132	68,076
	Payable to defined benefit plan		209,752	201,747
	Payable to defined contribution plan		8,228	1,935
	Charity fund balance		63	24
	Security deposits against lease		313,917	428,870
	Unearned / deferred income on Islamic financing		2,099,312	1,843,266
	Unearned / Deferred income on LPF ATM and SMS services		251,557	265,034
	Payable to the parent company	(219,031)	12,190	219,031
	Withholding tax payable		155,014	78,886
	Workers' Welfare Fund		51,713	42,731
	Insurance payable		-	22,738
	Payable to suppliers		17,064	18,873
	Payable to Banks/Fis/DFIs/NGOs		332	231
	Payable to employees' - final settlement		4,828	3,691
	Others Payables		6,906	18,277
			3,267,869	3,368,656

		Note	June 30, 2024 (Un-audited)	December 31, 2023 (Audited)
			Rupees in '000	
26	**SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS**			
	Surplus / (deficit) on revaluation of FVOCI - debt	12.1	(12,618)	(380)
	Deferred tax on surplus / (deficit) on revaluation of FVOCI - debt		4,164	126
			(8,454)	(254)

27 CONTINGENCIES AND COMMITMENTS

27.1 Contingencies

There is not any material change in the contingencies as compared to contingencies disclosed in the annual financial statements for year ended December 31, 2023, other than following;

i) The Inland Revenue authorities issued show cause notice under section 161/205 of the Ordinance for the Tax Year 2017 in order to verify withholding compliance. Requisite information was provided. The Assistant Commissioner Inland Revenue [the 'ACIR'] raised tax demand of Rs. 8.58 million on account of short deduction of tax. Major heads on which short deduction of tax was detected are salaries and wages; rent charges; printing and stationery; and other indirect expenses. NRSP Bank filed appeal before the CIR(A) which has been decided and case has been remanded back to the ACIR for denovo consideration after fulfilling all the legal requirements of the law. Remand back proceedings have not been initiated

ii) The Inland Revenue authorities issued show cause notice under section 161/205 of the Ordinance for the Tax Year 2018 in order to verify the withholding compliance. Requisite information was provided. The ACIR raised demand of Rs. 3.36 million on account of short deduction of tax. Major heads on which short deduction of tax was detected are vehicle running and maintenance; communication expenses; printing and stationery; and other indirect expanses. NRSP Bank has filed appeal before the CIR(A) against the order of the ACIR which is pending adjudication till date

iii) Assessment of NRSP Bank for the Tax Year 2016 was amended by the Additional Commissioner Inland Revenue [the "AdCIR"] whereby tax demand of Rs. 103.86 million was raised. While deciding the appeal filed by NRSP Bank, the CIR(A) has decided certain issues in favour of NRSP Bank whereas certain issues were remanded back with directions to the officer.

The AdCIR while finalizing the remand back proceedings disallowed provision against non-performing loans and advances of Rs. 19.42 million being difference of the charge for the year between provision against nonperforming loans and actual write off during the year. Further, he disallowed the previous years' refund adjustment claim of Rs. 34.30 million without assigning any reasons thereof, resultantly a tax demand of Rs. 41.10 million was raised. NRSP Bank filed appeal with the CIR(A). The CIR(A) has upheld the disallowance of the provision against non-performing loans and advances of Rs. 19.42 million and with respect to claim of refund adjustment the CIR(A) has directed the AdCIR to ascertain the amount of refund after making proper verifications and adjust the same accordingly. NRSP Bank has filed appeal before the Appellate Tribunal Inland Revenue ["ATIR"] against order of the CIR(A) which is pending adjudication till date.

In the meanwhile, the AdCIR issued another notice to further amendment the assessment for the Tax Year 2016 to charge default surcharge on account of disallowance of claim of tax refunds by NRSP Bank against its tax liability. The AdCIR accordingly charged default surcharge of Rs. 22.39 million. NRSP Bank has filed appeal before the CIR(A) against the further amended order. The appeal filed is pending adjudication with the CIR(A).

iv) The appeals pending before the CIR(A) for the Tax Years 2013, Tax Year 2014 and Tax Year 2022 stand transferred to ATIR after the promulgation of the Tax Laws Amended Act, 2024, which are pending adjudication to date.

27.2 Commitments

There are no commitment as at June 30, 2024 (December 31, 2023: Nil)

28 MARK-UP / RETURN / INTEREST EARNED	Note	June 30, 2024 (Un-audited)	June 30, 2023 (Un-audited)
		--------- Rupees '000 ---------	
Loans and advances		**3,509,835**	3,006,267
Discount on markup - modification of financial assets	28.2	**(252,196)**	(90,407)
		3,257,639	2,915,860
Investments		**649,584**	213,240
Lendings to financial institutions		**51,448**	6,918
Balances with other MFBs / banks / NBFIs		**401,827**	266,942
Markup / Return on Islamic Financing		**1,378,059**	921,889
Income From Government Subsidy Scheme	28.3	**97,974**	51,382
		5,836,531	4,376,231

28.1 Interest income (calculated using effective interest rate method) recognised on:

Financial assets measured at amortised cost;		**5,501,514**	4,320,824
Financial assets measured at FVOCI.		**335,017**	55,407
		5,836,531	4,376,231

28.2 The Bank, during the previous years, 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 This income relates to the subsidy received from the government regarding the Government's Markup Subsidy Scheme on Housing Finance and the Kamyab Pakistan Program and Prime Minister Program of the Federal Government of Pakistan.

29 MARK-UP / RETURN / INTEREST EXPENSED	Note	June 30, 2024 (Un-audited)	June 30, 2023 (Un-audited)
		--------- Rupees '000 ---------	
Deposits	29.2	**2,561,163**	1,856,858
Islamic deposits		**563,987**	273,155
Borrowings	29.3	**236,654**	283,025
Subordinated debt		**179,215**	154,568
Lease liabilities		**71,681**	57,659
Others		**2,696**	-
		3,615,396	2,625,265

29.1 Interest expense calculated using effective interest rate method

Other financial liabilities		**3,615,396**	2,625,265

29.2 Mark-up expense on deposits includes amount of Rs 152.06 million (2023: 47.48 million) in respect of deposit account balances of related parties as disclosed in note 35.

29.3 It includes an amount of Rs 179.2 million (2023: Rs 154.56 million) in respect of markup expense on subordinated loans.

		Note	June 30, 2024 (Un-audited)	June 30, 2023 (Un-audited)
			--------- Rupees '000 ---------	
30	**FEE & COMMISSION INCOME**			
	Loan processing fees		**99,546**	242,729
	Branch banking customer fees		**35,378**	28,456
	Card related fees		**11,467**	8,149
	Commission income		**8,119**	9,848
			154,510	289,182
31	**NET GAINS/(LOSS) ON DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTISED COST**			
	Gain on derecognition of financial assets measured at amortised cost		**12,489**	8,973
	loss on derecognition of financial assets measured at amortised cost		**-**	-
			12,489	8,973
32	**OTHER INCOME**			
	Gain on sale of property and equipment - net		**(3,066)**	20,125
	Grant income		**1,801**	11,643
	Income on Islamic lendings		**19,016**	7,992
	Others		**3,676**	5,584
			21,427	45,344
33	**OPERATING EXPENSES**			
	Total compensation expense		**964,179**	958,208
	Directors' fees and allowances		**3,695**	3,457
	Rent, taxes, insurance, electricity, etc.		**89,777**	78,079
	Legal and professional charges		**17,123**	100,017
	Communications	**33.1**	**66,419**	54,794
	Repairs and maintenance		**18,656**	16,460
	Stationery and printing		**24,028**	28,602
	Training & development		**3,045**	15,138
	Travelling & conveyance		**11,727**	9,628
	Fuel and power		**74,664**	68,439
	Vehicle running and maintenance		**11,528**	8,989
	Office supplies		**3,158**	2,777
	Security and Administration		**65,080**	60,229
	Advertisement and publicity		**1,511**	1,057
	Auditors' remuneration		**1,546**	2,692
	Depreciation		**46,068**	59,951
	Amortization		**6,972**	16,526
	Depreciation on ROU assets (IFRS-16)		**71,006**	63,950
	IT Related Expense		**28,363**	47,257
	Meetings and conferences		**14,162**	11,836
	Credit Guarantee Expense		**132**	160
	Others		**18,412**	11,887
			1,541,251	1,620,133

33.1 This includes verification charges of National Database and Registration Authority (NADRA) for verisys and eCIB charges of SBP.

34	**OTHER CHARGES**			
	Penalties imposed by State Bank of Pakistan		**414**	72
			414	72

		Note	June 30, 2024 (Un-audited)	June 30, 2023 (Un-audited)
35	**CREDIT LOSS ALLOWANCE & WRITE OFFS - NET**		--------- Rupees '000 ---------	
	Credit loss allowance against loans & advances	13.1.1	643,905	-
	Provision against non-performing loans and advances		-	504,218
	Bad debts written off directly		-	8,673
	Recovery of written off / charged off bad debts		(513,183)	(677,070)
			130,722	(164,179)
36	**MINIMUM TAX DIFFRENTIAL**			
	Levy	36.1	127,513	119,816

36.1 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. 127.51 million (2023: Rs. 119.81 million) represents tax liability of the Company calculated under the relevant provisions of the Income Tax Ordinance, 2001.

		Note	June 30, 2024 (Un-audited)	June 30, 2023 (Un-audited)
37	**TAXATION**		--------- Rupees '000 ---------	
	Current		-	-
	Deferred		35,153	96,554
			35,153	96,554
38	**BASIC EARNINGS/ (LOSS) PER SHARE**			
	Profit for the period (Rupees in thousands)	A	565,526	412,996
	Weighted average number of ordinary shares	B	149,837,201	149,837,201
	Basic earnings per share (Rupees)	A/B	3.77	2.76
39	**DILUTED EARNINGS/ (LOSS) PER SHARE**			
	Profit for the period (Rupees in thousands)	A	565,526	412,996
	Weighted average number of ordinary shares	B	149,837,201	149,837,201
	Basic earnings per share (Rupees)	A/B	3.77	2.76

40 FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than those classified as amortized cost, is based on quoted market price. Quoted securities classified as amortized 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 Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1:Currently, no financial instruments are classified in level 1.

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

Level 3: 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 analyses the financial and non-financial assets carried at fair values, by valuation methods. Valuation of investments is carried out as per guidelines specified by the SBP.

On balance sheet financial instruments	June 30, 2024			
	Level 1	Level 2	Level 3	Total
	(Un-audited)			
	--------- Rupees '000 ---------			
June 30, 2024				
Financial assets - measured at fair value				
Investments				
Federal Government securities				
Pakistan Investment Bonds	-	**3,188,483**	-	**3,188,483**
Market Treasury Bills	-	**4,475,780**	-	**4,475,780**
Financial assets - disclosed but not measured at fair value				
Investment				
Federal Government securities				
Pakistan Investment Bonds	-	**2,880,090**	-	**2,880,090**
Market Treasury Bills	-	**548,652**	-	**548,652**
Ijarah Sukuks	-	**314,787**	-	**314,787**
Off-balance sheet financial				
Forward agreements for lending	-	-	-	-
Forward agreements for borrowing	-	-	-	-
	-	**8,219,309**	-	**11,407,792**

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

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 Application instructions of IFRS 09

41 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. 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:

	Unaudited				Audited			
	June 30, 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	-	-	1,186,797	-	-	-	417,006	-
Other Assets								
Receivable from staff retirement fund	-	-	-	107,731	-	-	-	86,512
Receivable from parent	449	-	-	-	449	-	-	-
Deposits and other accounts								
Opening balance	59	4,256	1,184,958	-	53	5,754	1,213,311	-
Received during the period / year	1,125	99,860	1,478,820	-	6	118,780	1,514,241	-
Withdrawn during the period / year	(10)	(72,952)	(1,342,117)	-	-	(120,278)	(1,550,594)	-
Transfer in / (out) - net	1,115	26,908	136,703	-	6	(1,498)	(36,353)	-
Closing balance	1,174	31,164	1,321,661	-	59	4,256	1,176,958	-
Other liabilities								
Payable to staff retirement fund	-	-	-	209,714	-	-	-	203,682
Payable to Parent	12,190	-	-	-	219,031	-	-	-
Income								
Mark-up / return / interest earned	-	-	34,899	-	-	-	46,760	-
Expense								
Mark-up / return / interest paid	24	1,502	150,530	-	3	199	47,480	-
Operating expenses								
Remuneration	-	43,482	-	-	-	34,525	-	-
Charged for Defined Contribution	-	-	44,965	-	-	-	44,438	-
Contribution to Defined	-	-	24,472	-	-	-	27,440	-
Expense Charged in respect of Leave Encashment	-	-	22,484	-	-	-	22,218	-
Expense Charged in respect of EOBI	-	-	17,777	-	-	-	10,134	-
Actuarial Loss/(Gain)	-	-	(13,066)	-	-	-	(20,697)	-

42 CAPITAL ADEQUACY & MINIMUM CAPITAL REQUIREMENTS

	June 30, 2024	December 31, 2023
	--------- Rupees '000 ---------	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	**1,290**	653

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 June 30, 2024 stood at Rs. 1,290 billion (2023: Rs. 653 million) and is in compliance with SBP requirements.

	June 30, 2024	December 31, 2023
	--------- Rupees '000 ---------	
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	**122,856**	(1,824,584)
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	**122,856**	(1,824,584)
Eligible Tier 2 Capital	**51,194**	-
Total Eligible Capital (Tier 1 + Tier 2)	**174,050**	(1,824,584)
Risk Weighted Assets (RWAs):		
Credit risk	**30,299,932**	29,410,357
Operational risk	**906,473**	906,473
Total	**31,206,405**	30,316,830
Common Equity Tier 1 Capital Adequacy Ratio	**0.39%**	-6.02%
Tier 1 Capital Adequacy Ratio	**0.39%**	-6.02%
Capital Adequacy Ratio	**0.56%**	-6.02%

42.1 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 dated 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. Have the transitional provisions not been adopted, the Tier 1 and overall CAR would have stood at negative 3.54%.

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.

42.2 Under the requirements of BPRD Circular No. 10 dated 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 0.56 percent as at June 30, 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.

43 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 Rupees '000
Statement of Financial Position		
ASSETS	**ASSETS**	
Other Assets (accrued markup)	Cash and balances with treasury banks	11,512
	Balances with other MFBs / Banks / NBFIs	194,372
	Lendings to financial institutions	2,414
Operating Fixed Assets	Property Plant and Equipment	567,377
	Right-of-use assets	694,794
	Intangible assets	37,524
LIABILITIES	**LIABILITIES**	
Other Liabilities	Deposits and other accounts	1,488,096
	Borrowings	221,834
	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	8,973
	Credit Loss Allowance & Write Offs - net	(677,070)
Taxation current (note 5.5)	Minimum tax differential	(119,816)
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

44 ISLAMIC BANKING BUSINESS

The bank is operating with 37 (prior year: 37) Islamic banking branches at the end of the year.

	Note	June 30, 2024	December 31, 2023
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks		1,636,545	963,345
Balances with other banks		657,290	595,029
Investments	44.1	299,761	299,604
Islamic financing and related assets - net	44.2	11,649,136	11,533,838
Property and equipment		53,225	362,979
Right-of-use assets		97,147	25,839
Other assets		1,104,842	846,171
Total assets		15,497,946	14,626,805
LIABILITIES			
Bills payable		38,864	-
Deposits and other accounts	44.3	9,936,504	7,956,595
Lease liabilities		165,082	39,710
Other liabilities		2,255,561	4,062,949
		12,396,011	12,059,254
NET ASSETS		3,101,935	2,567,551
REPRESENTED BY			
Islamic banking fund		440,000	440,000
Unappropriated / Unremitted profit	44.7	2,661,935	2,127,551
		3,101,935	2,567,551
		3,101,935	2,567,551
CONTINGENCIES AND COMMITMENTS	44.4		

The profit and loss account of the Bank's Islamic banking branches for the period ended June 30, 2024 is as

	Note	June 30, 2024	June 30, 2023
		Rupees in '000	
Profit / return earned	44.5	1,481,370	994,341
Profit / return expensed	44.6	(563,987)	(273,155)
Net profit / return		917,383	721,186
Other income			
Fee and commission income		46,806	38,147
Other income		19,016	7,992
Total other income		65,822	46,139
Total income		983,205	767,325
Other expenses			
Operating expenses		(345,087)	(348,908)
Workers welfare fund		-	-
Other charges		-	-
Total other expenses		(345,087)	(348,908)
Profit / (Loss) before credit loss allowance		638,118	418,417
Credit loss allowance and write offs - net		(103,734)	(31,068)
Profit / (Loss) before taxation		534,384	387,349
Taxation		-	-
Profit / (Loss) after taxation		534,384	387,349

44.1 Investments by segments:

	June 30, 2024				December 31, 2023			
	Cost/ Amortised cost	Credit loss allowance for diminution	Surplus / (Deficit)	Carrying value	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	299,761	-	-	299,761	299,604	-	-	299,604
Total investments	299,761	-	-	299,761	299,604	-	-	299,604

44.1.1 Particulars 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 circular no. 3 of 2022 dated July 05, 2022.

44.2 Islamic financing and related assets

	June 30, 2024	December 31, 2023
	Rupees in '000	
Ijarah	710,611	1,010,138
Murabaha	8,643,911	8,971,208
Diminishing Musharaka	2,661,311	1,805,905
Gross Islamic financing and related assets	12,015,833	11,787,251
Less: Credit loss allowance against Islamic financings		
-Stage 1	(152,506)	-
-Stage 2	(7,261)	-
-Stage 3	(206,930)	-
	(366,697)	-
Provision against non-performing Islamic financing	-	(253,413)
Islamic financing and related assets - net of Credit loss allowance	11,649,136	11,533,838

	June 30, 2024	December 31, 2023
	Rupees in '000	

44.3 Deposits

	June 30, 2024	December 31, 2023
Customers		
Current deposits	**2,277,357**	2,222,015
Savings deposits	**1,748,015**	1,730,426
Term deposits	**5,559,385**	3,713,856
Profit payable	**351,747**	290,298
	9,936,504	7,956,595

44.4 There are no contingencies or commitments related to Islamic operations of the Bank as at period ended June 30, 2024 (December 31, 2023: Nil).

	June 30, 2024	December 31, 2023
	Rupees in '000	

44.5 Profit / Return Earned of Financing, Investments and Placement

	June 30, 2024	December 31, 2023
Profit earned on:		
Financing	**1,378,059**	922,121
Investments	**31,186**	24,428
Placements	**72,125**	47,792
	1,481,370	994,341

44.6 Profit on Deposits and other Dues Expensed

	June 30, 2024	December 31, 2023
Deposits and other accounts	**563,987**	273,155

44.7 Islamic banking business unappropriated profit

	June 30, 2024	December 31, 2023
Opening Balance	**2,127,551**	1,230,046
Add: Islamic banking profit for the period	**534,384**	897,505
Less: Taxation		
Closing balance	**2,661,935**	2,127,551

45 GENERAL

45.1 Account captions, as prescribed by BPRD Circular No. 03 of 2023, dated February 09, 2023, in the context of which there are no amounts, have not been reproduced in these financial statements, including for the captions of the balance sheet and profit and loss account.

45.2 The figures in these financial statements are rounded off to nearest Rupess in thousands unless otherwise statec

46 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

47 DATE OF AUTHORISATION FOR ISSUE

These financial statements were approved and authorised by the Board of Directors of the Bank in their meeting held on August 23, 2024.

President/Chief Executive	Chief Financial Officer	Director	Director	Director