Riaz Ahmad & Company
Chartered Accountants

SINDH MICROFINANCE BANK LIMITED

LETTER TO THE BOARD OF DIRECTORS

FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2024

A member of Nexia International

Riaz Ahmad & Company
Chartered Accountants

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Board of Directors
Sindh Microfinance Bank Limited
Head Office, 39/F, 2nd Floor
Muhammad Ali Co-operative Housing Society (MACHS)
KARACHI

20 August 2024
Our reference: SMFBL-01-43

Gentlemen

DRAFT CONDENSED INTERIM FINANCIAL STATEMENTS OF SINDH MICROFINANCE BANK LIMITED FOR THE PERIOD ENDED 30 JUNE 2024

We are pleased to enclose four copies of the draft condensed interim financial statements of SINDH MICOFINANCE BANK LIMITED {the Bank} for the period ended 30 June 2024 duly initialed by us for identification purpose only together with our draft auditor's review report to the members. **We shall be glad to sign our report in the present or modified form after we have received:**

- the condensed interim financial statements, with or without adjustments, approved by the Board of Directors and signed on its behalf by the Chairman, President / Chief Executive Officer, Chief Financial Officer and two Directors, in accordance with the requirements of Section 34(2)(a) of the Banking Companies Ordinance 1962.

- we have seen your approval for the following transactions / adjustments and balances incorporated in these condensed interim financial statements;

		Rupees
-	Additions to operating fixed assets	8,298,000
-	Additions to intangible assets	188,005
-	Charges for penalties imposed by the State Bank of Pakistan	1,201,000
-	Deferred tax asset at the period end	23,621,114
-	Expected credit loss recorded during the period for advances	48,168,988
-	Loans directly written off during the period	3,384,781
-	**Transactions with connected persons / related parties** (disclosed in Note 30 to the condensed interim financial statements)	

- copy of minutes of Board of Directors meeting in which these condensed interim financial statements are approved;

- the signed copy of directors' report to be issued along with the enclosed condensed interim financial statements; and

- the management representation letter, signed by the Chief Executive Officer / President and Chief Financial Officer of the Bank, in line with the draft provided to the management.

02. RESPONSIBILITIES OF BOARD OF DIRECTORS AND AUDITOR IN RELATION TO THE CONDENSED INERIM FINANCIAL STATEMENTS

02.1 We have conducted the review of the enclosed condensed interim financial statements of the Bank in accordance with the International Standard on Review Engagements 2410. A review of condensed 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 the 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. Our responsibility is to express a conclusion on the condensed interim financial statements based on our review. The responsibility for preparation and presentation of condensed interim financial statements in accordance with the approved accounting standards is primarily that of the management. This includes maintenance of adequate accounting records and internal controls, the selection and application of accounting policies, safeguarding of the assets of the Bank and prevention and detection of frauds and irregularities. The review of the condensed interim financial statements does not relieve the management of its responsibilities.

02.2 We inform the Board that unless we have signed the review report to the members on these condensed interim financial statements, the same shall not be deemed to have been reviewed by us.

03. THE POLICIES HAVE BECOME OVERDUE FOR REVISION

03.1 We have noticed that the following polices and Manuals have become overdue for revision / update:

Sr. No.	Name Of Policy/ Manual	Date of last update	Reason for revision
1	Customer Complaint Policy	28 February 20	Not revised / updated since last 3 years
2	Remuneration Policy	28 February 20	Not revised / updated since last 3 years
3	Performance Evaluation Policy	21 February 17	Not revised / updated since last 3 years

03.2 We recommend the Board of Directors to approve the update of all pending policies to ensure they align with current regulations and best practices. This will enhance compliance and operational efficiency across the organization.

04. IFRS – 09 IMPLEMENTATION

04.1 During our review, we observed that the Bank's accounting policies and manuals have not been updated following the adoption of IFRS 9. This gap indicates that the current accounting practices may not fully align with the requirements of IFRS 9.

It is recommended that the Bank updates its accounting policies and manuals to align with IFRS 9. By ensuring these policies are consistent with IFRS 9, the Bank's financial accounting will accurately reflect the standard's requirements, promoting consistency and reliability in the Bank's accounting practices. This alignment will help the Bank maintain compliance with regulatory expectations and support sound financial reporting.

04.2 During our review, we observed that the Bank does not have a Board-approved business model for managing financial assets. This absence may impede the Bank's ability to accurately determine the appropriate impairment methodology under IFRS 9, potentially leading to inconsistencies in financial reporting and increased financial risks.

We recommend that the Bank develops and obtains Board approval for a comprehensive business model for managing its financial assets. This model should clearly define the objectives for holding each category of financial assets and provide a well-documented rationale for their classification. Establishing a clear and approved business model will enhance the Bank's compliance with IFRS 9 requirements, promote consistency and transparency in financial reporting, and assist in effectively mitigating associated financial risks.

05. WRITE-OFF OF DECEASED CLIENTS

05.1 During our review, we observed that the Bank currently lacks a formal, Board-approved policy specifically addressing the write-off or charge-off of loans / advances for deceased clients.

It is recommended that the Bank establishes a formal policy, approved by the Board, specifically addressing the write-off or charge-off of loans/advances for deceased clients. This policy should clearly define the conditions and criteria under which such write-offs can be executed, ensuring a consistent and transparent approach in handling these cases. Implementing this policy will help standardize the process and provide clear guidelines for the Bank's operations.

06. GENERAL

06.1 Finally, we wish to place on record our appreciation of the cooperation and courtesy extended to us by the management in accomplishing our task.

Very truly yours

SINDH MICROFINANCE BANK LIMITED

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2024

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Sindh Microfinance Bank Limited

Report on review of Condensed Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of SINDH MICROFINANCE BANK LIMITED ("the Bank") as at 30 June 2024, and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim cash flow statement, and notes to the condensed interim financial statements for the six-month period then ended (here-in-after referred to as "condensed interim financial statements"). Management is responsible for the preparation and presentation of this 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 30 June 2024 and 30 June 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.

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.

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 auditor's review report is Junaid Ashraf.

RIAZ AHMAD & COMPANY
Chartered Accountants

KARACHI
DATE:
UDIN:

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

	Note	30 June 2024 (Un-audited)	31 December 2023 (Audited)
		------------ Rupees	-------------
ASSETS			
Cash and balances with treasury banks	7	**98,291,485**	80,434,763
Balances with other MFBs / Banks / NBFIs	8	**541,266,426**	577,370,802
Lendings to financial institutions		**-**	-
Investments	9	**674,928,045**	644,408,445
Advances	10	**2,042,789,002**	1,905,854,512
Property and equipment	11	**27,238,969**	23,521,764
Right-of-use assets	12	**125,744,103**	95,510,354
Intangible assets	13	**5,454,515**	6,206,928
Deferred tax assets	14	**23,621,114**	7,254,502
Other assets	15	**116,250,124**	74,130,533
		3,655,583,783	3,414,692,603
LIABILITIES			
Bills payable		**-**	-
Borrowings	16	**588,750,000**	721,000,000
Deposits and other accounts	17	**1,484,671,632**	1,323,284,779
Lease liabilities	18	**134,156,456**	93,066,862
Subordinated debt		**-**	-
Deferred income	19	**65,260,852**	-
Deferred tax liabilities		**-**	-
Other liabilities	20	**211,518,937**	171,339,087
		2,484,357,877	2,308,690,728
NET ASSETS		**1,171,225,906**	1,106,001,875
REPRESENTED BY			
Share capital		**1,000,000,000**	1,000,000,000
Reserves		**110,272,588**	90,940,028
Unappropriated profit		**60,953,318**	15,061,847
		1,171,225,906	1,106,001,875
CONTINGENCIES AND COMMITMENTS	21		

The annexed notes 1 to 33 form an integral part of these condensed interim financial statements.

President/Chief Executive   Chief Financial Officer   Director   Director   Director

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

		Half year ended		Quarter Ended	
	Note	30 June 2024	30 June 2023	30 June 2024	30 June 2023
		------------------------ Rupees ------------------------			
Mark-up / Return / Interest earned	22	**646,369,743**	269,735,033	**330,335,456**	171,311,324
Mark-up / Return / Interest expensed	23	**(246,052,764)**	(92,297,313)	**(122,254,990)**	(50,613,464)
Net mark-up / interest income		**400,316,979**	177,437,720	**208,080,466**	120,697,860
NON MARK-UP / INTEREST INCOME		**-**	82,344,741	**-**	36,855,841
Total income		**400,316,979**	259,782,461	**208,080,466**	157,553,701
NON MARK-UP / INTEREST EXPENSES					
Operating expenses	24	**(247,627,210)**	(173,031,720)	**(122,606,189)**	(94,672,797)
Other charges	25	**(1,201,000)**	(40,000)	**(1,191,000)**	-
Total non-markup / interest expenses		**(248,828,210)**	(173,071,720)	**(123,797,189)**	(94,672,797)
Profit before credit loss allowance		**151,488,769**	86,710,741	**84,283,277**	62,880,904
Credit loss allowance and write offs - net	26	**(51,829,080)**	(41,765,987)	**(36,829,467)**	(37,210,318)
PROFIT BEFORE TAXATION		**99,659,689**	44,944,754	**47,453,810**	25,670,586
Taxation	27	**(28,399,099)**	(5,238,085)	**(23,085,986)**	228,265
PROFIT AFTER TAXATION		**71,260,590**	39,706,669	**24,367,824**	25,898,851
		------------------------ Rupees ------------------------			
Basic and dilute earnings per share	28	**0.71**	0.43	**0.24**	0.28

The annexed notes 1 to 33 form an integral part of these condensed interim financial statements.

President/Chief Executive   Chief Financial Officer   Director   Director   Director

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

	Half year ended		Quarter Ended	
	30 June 2024	30 June 2023	30 June 2024	30 June 2023
	------------------------- Rupees -------------------------			
Profit after taxation for the period	**71,260,590**	39,706,669	**24,367,824**	25,898,851
Other comprehensive income for the period	-	-	-	-
Total comprehensive income	**71,260,590**	39,706,669	**24,367,824**	25,898,851

The annexed notes 1 to 33 form an integral part of these condensed interim financial statements.

President/Chief Executive	Chief Financial Officer	Director	Director	Director

SINDH MICROFINANCE BANK LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED JUNE 30, 2024

	Share capital	Depositors' protection fund	Statutory reserve	Unappropriated profit	Total
	------------------------ Rupees ------------------------				
Opening Balance as at January 01, 2023 (audited)	750,000,000	13,078,636	52,314,542	196,979,836	1,012,373,014
Changes in equity for the half year ended June 30, 2023					
Profit for the period after taxation	-	-	-	39,706,669	39,706,669
Other comprehensive income - net of tax	-	-	-	-	-
	-	-	-	39,706,669	39,706,669
Transfer to statutory reserve	-	-	7,941,337	(7,941,337)	-
Transfer to depositors' protection fund	-	1,985,333	-	(1,985,333)	-
Transactions with owners, recorded directly in equity					
Issue of bonus shares	180,000,000	-	-	(180,000,000)	-
Balance as at June 30, 2023 (Un-audited)	**930,000,000**	**15,063,969**	**60,255,879**	**46,759,835**	**1,052,079,683**
Changes in equity for the half year ended December 31, 2023					
Profit for the period after taxation	-	-	-	51,780,615	51,780,615
Other comprehensive income - net of tax	-	-	-	(533,452)	(533,452)
	-	-	-	51,247,163	51,247,163
Transfer to statutory reserve	-	-	10,356,120	(10,356,120)	-
Transfer to depositors' protection fund	-	2,589,031	-	(2,589,031)	-
Return on investment	-	2,675,029	-	-	2,675,029
Transactions with owners, recorded directly in equity					
Issue of share capital	70,000,000	-	-	(70,000,000)	-
Balance as at December 31, 2023 (audited)	**1,000,000,000**	**20,328,029**	**70,611,999**	**15,061,847**	**1,106,001,875**
Impact of initial adoption of IFRS - 09 - ECL net of tax	-	-	-	(6,036,559)	(6,036,559)
Balance as at January 01, 2024 after adoption of IFRS - 09	**1,000,000,000**	**20,328,029**	**70,611,999**	**9,025,288**	**1,099,965,316**
Changes in equity for the half year ended June 30, 2024					
Profit for the period after taxation	-	-	-	**71,260,590**	**71,260,590**
Other comprehensive income - net of tax	-	-	-	-	-
	-	-	-	**71,260,590**	**71,260,590**
Transfer to statutory reserve	-	-	**14,252,118**	**(14,252,118)**	-
Transfer to depositors' protection fund	-	**3,563,030**	-	**(3,563,030)**	-
Return on investment - net of tax	-	**1,517,412**	-	**(1,517,412)**	-
	-	**5,080,442**	**14,252,118**	**(19,332,560)**	-
Balance as at June 30, 2024 (Un-audited)	**1,000,000,000**	**25,408,471**	**84,864,117**	**60,953,318**	**1,171,225,906**

The annexed notes 1 to 33 form an integral part of these condensed interim financial statements.

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

SINDH MICROFINANCE BANK LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2024

	Note	30 June 2024	30 June 2023
		Half year ended	
		----------- Rupees -----------	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		**99,659,689**	44,944,754
Adjustments:			
Depreciation	24	**4,580,797**	3,877,488
Depreciation of right-of-use assets	24	**16,041,283**	7,020,944
Amortization	24	**940,417**	936,472
Interest expense on lease liability	23	**10,523,344**	5,450,211
Contribution for defined benefit plan	24	**5,486,986**	2,716,903
Credit loss allowance and write-offs	26	**51,829,080**	41,765,987
		89,401,907	61,768,005
		189,061,596	106,712,759
Increase in operating assets			
Advances		**(196,089,847)**	(398,744,067)
Others assets (excluding advance taxation)		**(65,377,169)**	27,972,503
		(261,467,016)	(370,771,564)
Increase in operating liabilities			
Deposits		**161,386,853**	67,371,493
Borrowings from financial institutions		**(132,250,000)**	325,000,000
Deferred income		**65,260,852**	-
Other liabilities (excluding taxation)		**35,990,129**	7,868,265
		130,387,834	400,239,758
Income tax paid		**(14,069,272)**	(10,368,813)
Benefits paid		**(7,216,805)**	-
Net cash flow from / (used in) operating activities		**36,696,337**	125,812,140
CASH FLOW FROM INVESTING ACTIVITIES			
Investment in Federal Government Securities		**(30,629,837)**	(4,805,650)
Investment in Term deposits receipts		**-**	(37,500,000)
Purchase of operating fixed assets		**(8,298,000)**	(945,820)
Purchase of intangible assets		**(188,005)**	(394,230)
Net cash used in investing activities		**(39,115,842)**	(43,645,700)
CASH FLOW FROM FINANCING ACTIVITIES			
Payment of lease liability against right-of-use assets		**(15,708,782)**	(17,801,641)
Net cash (used in) / flow from financing activities		**(15,708,782)**	(17,801,641)
Impact of expected credit loss allowance on adoption of IFRS-09		**(127,310)**	-
Reversal of expected credit loss allowance during the period		**7,943**	-
		(119,367)	-
(Decrease)/ Increase in cash and cash equivalents		**(18,247,654)**	64,364,799
Cash and cash equivalents at beginning of the period		**657,805,565**	441,568,872
Cash and cash equivalents at end of the period		**639,557,911**	505,933,671

The annexed notes 1 to 33 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

Sindh Microfinance Bank Limited (the 'Bank') was incorporated on March 27, 2015 as a public company limited by shares under the Companies Ordinance, 1984 (repealed by Companies Act, 2017). The Bank obtained the microfinance banking license from State Bank of Pakistan on October 16, 2015, to operate in Sindh Province. Subsequently, the Bank received the certificate of commencement of microfinance banking business from Securities & Exchange Commission of Pakistan (SECP) on November 30, 2015 and the certificate of commencement of microfinance banking business from State Bank of Pakistan on April 15, 2016. The Bank's registered office is situated at 39/F, 2nd Floor, Muhammad Ali Cooperative Housing Society, Karachi. The Bank's principal business is to provide microfinance services to the poor and underserved segment of the society as envisaged in the Microfinance Institutions Ordinance, 2001.

The Bank is the wholly owned subsidiary of Sindh Bank Limited (the 'Holding Bank'). The Bank operates through branches and service centers spread within the province of Sindh, the network of branches and service centers comprise of 20 (December 31, 2023: 19) branches and 81 (December 31, 2023: 72) service centers.

2. BASIS OF PRESENTATION

2.1 STATEMENT OF COMPLIANCE

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 34 "Interim Financial Reporting" and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act 2017;

- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP as are notified under the Companies Act, 2017;

- Provisions of and directives issued under the Microfinance Ordinance, 2001 (The MFI Ordinance) 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 provisions of and directives issued under the Microfinance Institution Ordinance, 2001, the Companies Act, 2017, the Prudential Regulations of Microfinance Banks and the directives issued by the SBP and SECP differ with the requirements of IFRS, the provisions of and directives issued under the Microfinance Institution Ordinance, 2001, the Companies Act, 2017, the Prudential Regulations of Microfinance Banks and the directives issued by the SBP and SECP shall prevail.

The SBP has deferred the applicability of International Accounting Standard (IAS) 40, 'Investment Property' for banking companies through BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' on banks through its notification S.R.O 411(I)/2008 dated April 28, 2008.

The State Bank of Pakistan through BPRD Circular No. 04 of 2015 dated February 25, 2015 has deferred the applicability of Islamic Financial Accounting Standard-3 for Profit and Loss Sharing on Deposits (IFAS-3) issued by the Institute of Chartered Accountants of Pakistan (ICAP) and notified by the SECP, vide their SRO No. 571 of 2013 dated June 12, 2013 for Institutions offering Islamic Financial Services (IIFS). Accordingly, the requirements of these standards have not been considered in the preparation of these condensed interim financial statements.

In addition to the above, the SBP has recently issued BPRD Circular Letter No. 16 of 2024 dated July 29, 2024 in which certain relaxations / clarifications have been provided upon adoption of IFRS-09 which are disclosed in note 4.2 to the condensed interim financial statements.

2.1.1 The disclosures made in these condensed interim financial statements have been limited based on the format prescribed by the SBP through BPRD Circular Letter No. 03 dated February 09, 2023 and the requirements of International Accounting Standard 34, "Interim Financial Reporting". These do not include all the information and disclosures required for annual financial statements, and therefore should be read in conjunction with the annual audited financial statements of the Bank for the year ended December 31, 2023.

2.1.2 'The Bank believes that there is no significant doubt on the ability to continue as a going concern. Therefore, the condensed interim financial statements have been prepared on a going concern basis.

2.2 Standards, interpretations of and amendments to published accounting and reporting standards that are effective in the current period:

'There are certain new and amended standards, issued by International Accounting Standards Board (IASB), interpretations and amendments that have become applicable to the Bank for accounting periods beginning on or after January 01, 2024 but are considered not to be relevant or do not have any material effect on the Bank's operations and are therefore not detailed in these condensed interim financial statements except for IFRS-09 (Financial Instruments), the impact of which is disclosed under note 4.2.

2.3 Standards, interpretations of and amendments to published accounting and reporting standards that are not yet effective:

There are certain new and amended standards, issued by International Accounting Standards Board (IASB), interpretations and amendments that will become applicable to the Bank for accounting periods beginning on or after January 01, 2025 but are considered not to be relevant or will not have any material effect on the Bank's financial statements except for:

- The new standard - IFRS 18 Presentation and Disclosure in Financial Statements ("IFRS 18") which has been published in April 2024 with applicability date of January 01, 2027 by IASB. IFRS 18 is yet to be adopted in Pakistan. IFRS 18 when adopted and applicable shall impact the presentation of 'Statement of Profit and Loss Account' with certain additional disclosures in the financial statements.

- 'Amendments to IFRS-09 Financial Instruments which clarify the date of recognition and derecognition of a financial asset or financial liability including settlement of liabilities through banking instruments and channels including electronic transfers. The amendment when applied may impact the timing of recognition and derecognition of financial liabilities.

3. BASIS OF PRESENTATION

3.1 Accounting convention

These condensed interim financial statements have been prepared under the historical cost convention except for obligations in respect of defined benefit plan and lease liabilities against right of use assets, which are carried at present value.

These condensed interim financial statements have been prepared following accrual basis of accounting except for cash flow statement.

3.2 Functional and presentation currency

Items included in the condensed interim financial statements are measured using the currency of the primary economic environment in which the Bank operates. The condensed interim financial statements are presented in Pakistani Rupees which is the Bank's functional and presentation currency.

4. MATERIAL ACCOUNTING POLICIY INFORMATION

The material accounting policies applied in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the annual audited financial statements of the Bank for the year ended December 31, 2023 except for changes mentioned in notes 4.1 and 4.2.

4.1 The SBP, vide its BPRD Circular No. 03 dated February 09, 2023, issued the revised forms for the preparation of the condensed interim quarterly / half yearly financial statements of the MFBs which are applicable for quarterly / half yearly periods beginning on or after January 1, 2024 as per BPRD Circular Letter No. 07 of 2023 dated April 13, 2023. The implementation of the revised forms has resulted in certain changes to the presentation and disclosures of various elements of the condensed interim financial statements. The significant change is relating to right of use assets, intangible assets and corresponding lease liability which are now presented separately on the face of the statement of financial position. Previously, these were presented under property and equipment (earlier titled as operating fixed assets) and other liabilities respectively. There is no impact of this change on the condensed interim financial statements in terms of recognition and measurement of assets and liabilities.

The Bank has adopted the above changes in the presentation and made additional disclosures to the extent applicable to its operations and corresponding figures have been rearranged / reclassified to correspond to the current period presentation, as presented in note 30.2.

4.2 Change in accounting policy

As per SBP BPRD Circular Letter No. 07 of 2023 dated April 13, 2023, IFRS-09 is applicable on banks with effect from January 01, 2024. IFRS-09 brings fundamental changes to the accounting for financial assets and to certain aspects of accounting for financial liabilities. To determine appropriate classification and measurement category, IFRS-09 requires all financial assets, except equity instruments, to be assessed based on combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The adoption of IFRS-09 has also fundamentally changed the impairment method of financial assets with a forward-looking Expected Credit Losses ("ECL") approach.

The SBP through its BPRD Circular Letter No. 16 dated July 29, 2024 has made certain amendments and extended the timelines of SBP's IFRS-09 Application Instructions to address most of the matters raised by the banks with a direction to ensure compliance by the extended timeline.

4.2.1 Classification

Financial Assets

Under IFRS-09, existing categories of financial assets: Held for trading ("HFT"), Available for sale ("AFS"), Held to maturity ("HTM") and loans and receivables have been replaced by:

- Financial assets at fair value through profit or loss account ("FVTPL").

- Financial assets at fair value through other comprehensive income ("FVOCI").

- Financial assets at Amortised cost.

Financial Liabilities

Under IFRS-09, the accounting for financial liabilities remains largely the same as before adoption of IFRS-09 and thus financial liabilities are being carried at Amortised cost.

4.2.2 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.

Eventually, the financial assets fall under either of the following three business models:

i) Hold to Collect ("HTC") business model: Holding assets in order to collect contractual cash flows.

ii) Hold to Collect and Sell ("HTC&S") business model: Collecting contractual cash flows and selling financial assets.

iii) Other business models: Resulting in classification of financial assets as FVTPL.

4.2.3 Assessments whether contractual cash flows are solely payments of principal and interest / profit ("SPPI")

As a second step of its classification process, the Bank assesses the contractual terms of financial assets 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 / profit within a financing arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgment and considers relevant factors such as, but not limited to, the currency in which the financial asset is denominated, and the period for which the interest / profit rate is set. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with basic lending arrangement, the related financial asset is classified and measured at FVTPL.

4.2.4 Application to the Bank's financial assets

Debt based financial assets

Debt based financial assets held by the Bank include: advances, investment in federal government securities, cash and balances with treasury banks, balances with other banks, and other financial assets.

a) These are measured at Amortised cost if they meet both of the following conditions and are not designated as FVTPL.

   - the assets are held within a business model whose objective is to hold assets to collect contractual cash flows; and
   - the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest / profit on the principal amount outstanding.

The business model for these financial assets can still be HTC even when sales of these financial assets occur. However, if more than an infrequent number of sales of significant value are made, the Bank assesses whether and how the sales are consistent with the HTC objective.

b) Debt based financial assets are measured at FVOCI only if these meet both of the following conditions and are not designated as FVTPL:

   - the asset are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
   - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest / profit on the principal amount outstanding.

c) Debt based financial assets if these are held for trading purposes are classified as measured at FVTPL.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at Amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Equity based financial assets

The classification and measurement of these assets are determined based on the Bank's business model for managing the assets and the nature of the equity instruments.

a) Equity-based financial assets are measured at FVTPL unless they are irrevocably designated at FVOCI upon initial recognition. This includes equity instruments held for trading purposes or those that do not meet the criteria for FVOCI measurement.

b) Equity-based financial assets may be measured at FVOCI if the following criteria are met:

   - The Bank has made an irrevocable election at initial recognition to present changes in fair value in other comprehensive income rather than in profit or loss. This election is made on an instrument-by-instrument basis.
   - The equity instrument is not held for trading purposes.

Under this classification, dividends received from equity instruments are recognized in profit or loss, while other changes in fair value are recognized in other comprehensive income and are not reclassified to profit or loss upon derecognition.

4.2.5 Initial recognition and subsequent measurement

Financial assets and financial liabilities are recognized when the entity becomes party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognized on trade date, the date on which the Bank purchases or sells the asset. Other financial assets and liabilities like advances, lending to financial institutions, deposits etc. are recognized when funds are transferred to the account or financial institutions. However, for cases, where funds are transferred on deferred payment basis, recognition is done when underlying asset is purchased.

a) Amortised cost ("AC")

Financial assets and financial liabilities under Amortised cost category are initially recognized at fair value adjusted for directly attributable transaction cost. These are subsequently measured at Amortised cost. An expected credit loss allowance ("ECL") is recognized for financial assets in the condensed interim statement of profit and loss account. Interest income / profit / expense on these assets / liabilities are recognized in the condensed interim statement of profit and loss account. On derecognition of these financial assets and liabilities, capital gain / loss will be recognized in the condensed interim statement of profit and loss account.

b) Fair value through other comprehensive income ("FVOCI")

Financial assets under FVOCI category are initially recognized at fair value adjusted for directly attributable transaction cost. These assets are subsequently measured at fair value with changes recorded in OCI. An expected credit loss allowance ("ECL") is recognized for debt based financial assets in the condensed interim statement of profit and loss account. Interest / profit / dividend income on these assets are recognized in the condensed interim statement of profit and loss account. On derecognition of debt based financial assets, capital gain / loss will be recognized in the condensed interim statement of profit and loss account. For equity based financial assets classified as FVOCI, capital gain / loss is transferred from surplus / deficit to unappropriated profit / loss.

c) Fair value through profit or loss ("FVTPL")

Financial assets under FVTPL category are initially recognized at fair value. Transaction cost will be directly recorded in the condensed interim statement of profit and loss account. These assets are subsequently measured at fair value with changes recorded in the condensed interim statement of profit and loss account. Interest / dividend income on these assets are recognized in the condensed interim statement of profit and loss account. On derecognition of these financial assets, capital gain / loss will be recognized in the condensed interim statement of profit and loss account. An expected credit loss allowance ("ECL") is not recognized for these financial assets.

4.2.6 Derecognition

Financial assets

The Bank derecognizes a financial asset when:

- the contractual rights to the cash flows from the financial asset expire;
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
- substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Bank enters into transactions whereby it transfers assets recognized in its condensed interim statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities

The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expired. The Bank also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in the condensed interim statement of profit and loss account.

4.2.7 Expected Credit Loss ("ECL")

IFRS 9 has fundamentally changed the loan loss impairment method by replacing incurred loss approach with forward looking ECL approach. The Bank has been recording the allowance for expected credit loss for all financial assets not held at FVTPL.

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 either an individual basis or collective basis, depending on 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. Other than DPDs, the management may assess certain portfolios on subjective basis as Non-performing loans (NPL).

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

Stage 1: When loans are first recognized, the Bank recognizes an allowance based on 12mECLs. Stage 1 financial instruments also include facilities where the credit risk has improved and these have 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 includes facilities, where the credit risk has improved and the instrument has been reclassified from Stage 3.

Stage 3: For loans considered credit-impaired, the Bank recognizes the LTECLs for these loans.

The calculation of ECLs

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

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

PD — The Probability of Default (PD) is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio. The bank has computed loss rates for its advances using flow rates by observing default behaviour over the period. The flow rates have been determined using month on month movement of borrowers from one bucket to another.

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

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. It is usually expressed as a percentage of the EAD.

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

Collaterals

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. The Bank considers only those collaterals as eligible collaterals in the EAD calculation which have the following characteristics:

- History of legal certainty and enforceability
- History of enforceability and recovery

Default

The concept of "impairment" or "default" is critical to the implementation of IFRS-09 as it drives determination of risk parameters, i.e. PD, LGD and EAD.

As per BPRD Circular No. 03 of 2022 dated July 05, 2022 and BPRD Circular Letter No. 16 of 2024 dated July 29, 2024, ECL of Stage 1 and Stage 2 is calculated as per IFRS-09, while ECL of Stage 3 has been calculated based on higher of either the Prudential Regulations of Microfinance Banks or IFRS-09 at segment level.

This implies that if one facility of a counterparty becomes 60+ DPD in repaying its contractual dues or as defined in PRs, all other facilities would deem to be classified as stage 3.

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 it's entirety or a portion thereof. If the amount to be written off is greater than the accumulated loss allowance, the difference is then first treated as an addition to the allowance that is then applied to the gross carrying amount. Any subsequent recoveries are credited to credit loss expense. The Bank also follows prudential regulations of Microfinance Bank's issued by SBP for write off of it's advances. Under these PR, loans are written off after 30 days from the date of loss categorization.

4.2.8 Adoption impacts

The Bank has adopted IFRS-09 effective from January 01, 2024 with modified retrospective approach as permitted under IFRS-09. The cumulative impact of initial application of Rupees 6.04 million has been recorded as an adjustment to equity at the beginning of the current accounting period. The details of the impacts of initial application are tabulated below:

Classification under SBP regulations	Classification under IFRS 9				
	Balances as of December 31, 2023 (Audited)	Remeasurement under IFRS 9	Recognition of ECL	Balances as of January 01, 2024	IFRS 09 Category
ASSETS					
Cash and balances with treasury banks	80,434,763	-	-	80,434,763	Amortized cost
Balances with other MFBs / Banks / NBFIs	577,370,802	-	(127,310)	577,243,492	Amortized cost
Investments					
- Held-to-Maturity	644,408,445	-	(110,237)	644,298,208	Amortized cost
Advances	1,905,854,512	18,942,810	(26,544,399)	1,898,252,923	Amortized cost
Property and equipment	23,521,764	-	-	23,521,764	Outside the scope of IFRS 09
Right-of-use assets	95,510,354	-	-	95,510,354	Outside the scope of IFRS 09
Intangible assets	6,206,928	-	-	6,206,928	Outside the scope of IFRS 09
Deferred tax assets	7,254,502		2,465,637	9,720,139	Outside the scope of IFRS 09
Other assets	74,130,533	-	(663,060)	73,467,473	Amortized cost for financial assets
	3,414,692,603	**18,942,810**	**(24,979,369)**	**3,408,656,044**	
LIABILITIES					
Bills payable	-	-	-	-	Amortized cost
Borrowings	721,000,000	-	-	721,000,000	Amortized cost
Deposits and other accounts	1,323,284,779	-	-	1,323,284,779	Amortized cost
Lease liabilities	93,066,862	-	-	93,066,862	Amortized cost
Other Liabilities	171,339,087	-	-	171,339,087	Amortized cost for financial liabilities
	2,308,690,728	-	-	**2,308,690,728**	
NET ASSETS	**1,106,001,875**	**18,942,810**	**(24,979,369)**	**1,099,965,316**	
REPRESENTED BY					
Share capital - net	1,000,000,000	-	-	1,000,000,000	Outside the scope of IFRS 09
Reserves	90,940,028	-	-	90,940,028	Outside the scope of IFRS 09
Accumulated loss	15,061,847	18,942,810	(24,979,369)	9,025,288	
	1,106,001,875	**18,942,810**	**(24,979,369)**	**1,099,965,316**	

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of condensed interim financial statements in conformity with accounting and reporting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities and income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form basis of making the judgments about carrying values of assets and liabilities which are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of its revision and future periods if the revision affects both current and future periods.

The significant judgments made by the management in applying the Bank's accounting policies and the key sources of estimation were the same as those applied in the preparation of annual audited financial statements for the year ended December 31, 2023 except for matters related to adoption of IFRS-09 which have been disclosed in note 4.2 to the condensed interim financial statements.

6. FINANCIAL RISK MANAGEMENT

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

7	CASH AND BALANCES WITH TREASURY BANKS	Note	30 June 2024 (Un-audited)	31 December 2023 (Audited)
			----------- Rupees	-----------
	In hand - Local currency		**3,318,000**	1,369,645
	With State Bank of Pakistan in - Local currency current account	7.1	**85,257,227**	77,354,382
	With National Bank of Pakistan in - Local currency deposit account	7.2	**9,716,258**	1,710,736
	Less: Credit loss allowance		**-**	-
	Total		**98,291,485**	80,434,763

7.1 This represents balance held with SBP to meet the requirement of maintaining a minimum balance equivalent to 5% (December 31, 2023: 5%) and 10% (December 31, 2023: 10%) as cash & liquidity reserve of the Bank's time and demand deposits with a tenure of less than one year, in accordance with the regulations R-3A and R-3B of the Prudential Regulations for Microfinance Banks.

7.2 This represents the balance held in a saving account carrying interest at the rate of 19.50% (December 31, 2023: 20.50%) per annum.

8	BALANCES WITH OTHER MFBs / BANKs / NBFIs	Note	30 June 2024	31 December 2023
	- In current account		**4,844,601**	1,470,118
	- In deposit account	8.1	**536,541,192**	575,900,684
			541,385,793	577,370,802
	Less: Credit loss allowance		**(119,367)**	-
	Total		**541,266,426**	577,370,802

8.1 This represents the balance held in a saving accounts carrying interest at the rate ranging from 16.50% to 23.90% (December 31, 2023: 20.50% to 23.90%) per annum.

9 INVESTMENTS

9.1 Investments by type:

	Note	30 June 2024 (Un-audited)			
		Amortized cost	Credit loss allowance	Surplus / (deficit)	Carrying value
Classified as Amortized Cost					
Federal Government Securities - T Bills	9.3 - 9.5	**175,038,282**	**-**	**-**	**175,038,282**
Term deposits receipts (TDRs)	9.6	**500,000,000**	**(110,237)**	**-**	**499,889,763**
Total investments		**675,038,282**	**(110,237)**	**-**	**674,928,045**

	Note	31 December 2023 (Audited)			
		Held to maturity	Provisions for diminution	Surplus / (deficit)	Carrying value
Held to maturity					
Federal Government Securities - T Bills	9.3 - 9.5	144,408,445	-	-	144,408,445
Term deposits receipts (TDRs)	9.6	500,000,000	-	-	500,000,000
Total investments		644,408,445	-	-	644,408,445

9.2 Investments - Particulars of credit loss allowance

9.2.1 Investments - Exposure

	30 June 2024 (Un-audited)		
	Stage 1	Stage 2	Stage 3
Gross carrying amount - opening balance	**644,408,445**	**-**	**-**
New investments	**398,129,862**	**-**	**-**
Investments derecognized or repaid	**(367,500,025)**	**-**	**-**
Transfer to stage 1	**-**	**-**	**-**
Transfer to stage 2	**-**	**-**	**-**
Transfer to stage 3	**-**	**-**	**-**
	30,629,837	**-**	**-**
Amounts written off / charged off	**-**	**-**	**-**
Closing balance	**675,038,282**	**-**	**-**

9.2.2 Investments - Credit loss allowance

	30 June 2024 (Un-audited)		
	Stage 1	Stage 2	Stage 3
Credit loss allowance opening balance	-	-	-
Impact of adoption of IFRS 9	110,237	-	-
Balance as at January 01 after adoption of IFRS 9	110,237	-	-
New Investments	8,268	-	-
Investments derecognized or repaid	(8,268)	-	-
Transfer to stage 1	-	-	-
Transfer to stage 2	-	-	-
Transfer to stage 3	-	-	-
	-	-	-
Amounts written off / charged off	-	-	-
Changes in risk parameters	-	-	-
Credit loss allowance closing balance	110,237	-	-

9.2.3 Particulars of credit loss allowance against debt securities

		30 June 2024 (Un-audited)	
Category of classification		Outstanding amount	Credit loss allowance
Up to 29 days	Stage 1	675,038,282	110,237
Other assets especially mentioned	Stage 2	-	-
Non-performing	Stage 3		
Substandard		-	-
Doubtful		-	-
Loss		-	-
		675,038,282	110,237

9.3 This represents the market treasury bill held with SBP to meet the requirement of maintaining a minimum balance equivalent to 10% (December 31, 2023: 10%) as a liquidity reserve of the Bank's time and demand deposits with a tenure of less than one year, in accordance with regulation number R-3B of the Prudential Regulations for Microfinance Banks. This T-Bill has a maturity date of August 22, 2024 carrying an interest rate of 20.25% (December 31, 2023: 21.25%).

9.4 Expected credit loss on Government security 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.

9.5 The market value of T-Bills classified at amortized cost as at June 30, 2024 amounted to Rs. 174.78 million.

9.6 Term Deposit Receipts (TDRs) carry an interest rate ranging from 21% to 24.25% (December 31, 2023: 21% to 24.25%), with a maturity date up to March 11, 2025.

10 ADVANCES

Loan Type	Note	30 June 2024 (Un-audited)			
		Performing		Non Performing	Total
		Stage 1	Stage 2	Stage 3	
Micro Credits					
- Secured		5,009,263	-	-	5,009,263
- Unsecured		2,072,313,302	4,723,591	6,644,430	2,083,681,323
Staff loans		25,947,164	-	-	25,947,164
Advances - gross		2,103,269,729	4,723,591	6,644,430	2,114,637,750
Credit loss allowance against advances					
- Stage 1		(60,551,358)	-	-	(60,551,358)
- Stage 2		-	(4,694,242)	-	(4,694,242)
- Stage 3		-	-	(6,603,148)	(6,603,148)
		(60,551,358)	(4,694,242)	(6,603,148)	(71,848,748)
Advances - net of credit loss allowance		2,042,718,371	29,349	41,282	2,042,789,002

10.1 Advances - Particulars of credit loss allowance

10.1.1 Advances - Exposure

	Note	30 June 2024 (Un-audited)			
		Stage 1	Stage 2	Stage 3	Total
Gross carrying amount - opening balance		1,921,445,150	1,277,361	4,650,481	1,927,372,992
New advances		1,848,536,942	-	-	1,848,536,942
Advances derecognized or repaid		(1,652,111,749)	(94,328)	(241,018)	(1,652,447,095)
		196,425,193	(94,328)	(241,018)	196,089,847
Transfer to stage 1		-	-	-	-
Transfer to stage 2		(4,998,246)	4,998,246	-	-
Transfer to stage 3		(6,500,523)	(1,174,752)	7,675,275	-
		(11,498,769)	3,823,494	7,675,275	-
Amounts written off / charged off	10.3	(3,101,845)	(282,936)	(5,440,308)	(8,825,089)
Closing balance		2,103,269,729	4,723,591	6,644,430	2,114,637,750

10.1.2 Advances - Credit loss allowance

	Note	30 June 2024 (Un-audited)			
		Stage 1	Stage 2	Stage 3	Total
Opening balance as per provisioning		18,930,036	12,774	2,574,495	21,517,305
Impact of adoption of IFRS 9		4,192,040	1,259,186	2,150,363	7,601,589
Opening balance as at January 1 after adoption of IFRS 9		23,122,076	1,271,960	4,724,858	29,118,894
New advances		46,995,146	-	-	46,995,146
Advances derecognized or repaid		(6,383,908)	(94,520)	(308,990)	(6,787,418)
		40,611,238	(94,520)	(308,990)	40,207,728
Transfer to Stage 1		-	-	-	-
Transfer to Stage 2		(49,315)	49,315	-	-
Transfer to Stage 3		(30,796)	(1,167,453)	1,198,249	-
		(80,111)	(1,118,138)	1,198,249	-
Changes in risk parameters		-	4,917,876	6,429,339	11,347,215
Amounts written off/charged Off	10.3	(3,101,845)	(282,936)	(5,440,308)	(8,825,089)
Closing balance		60,551,358	4,694,242	6,603,148	71,848,748

10.1.3 Advances - Credit loss allowance details

	30 June 2024 (Un-audited)		
Internal / External rating / stage classification	Stage 1	Stage 2	Stage 3
Performing - Stage 1	2,103,269,729	-	-
Under Performing			
Other assets especially mentioned	-	4,723,591	-
Non- Performing			
Substandard	-	-	4,633,956
Doubtful	-	-	1,489,202
Loss	-	-	521,272
	-	-	6,644,430
Total	2,103,269,729	4,723,591	6,644,430
Corresponding credit loss allowance			
Stage 1	60,551,358	-	-
Stage 2	-	4,694,242	-
Stage 3	-	-	6,603,148
	60,551,358	4,694,242	6,603,148

10.2 Loan Type	Note	31 December 2023 (Audited) Number of loans outstanding	31 December 2023 (Audited) Amount outstanding (Rupees)
Micro Credit		74,134	1,892,188,604
Unsecured		43	6,859,500
Secured		74,177	1,899,048,104
Less: Provision held	10.2.3	-	(2,574,495)
Specific	10.2.2	-	(18,943,985)
General		-	(21,518,480)
Microcredit advances- net of provisions		74,177	1,877,529,624
Staff loans		3	28,324,888
Advances (net of provisions)		74,180	1,905,854,512

10.2.1 Category of Classification

	31 December 2023 (Audited)		
	Amount Outstanding	**Provisions Required**	**Provisions Held**
OAEM	1,277,361	-	-
Substandard	959,646	239,911	239,911
Doubtful	2,712,501	1,356,250	1,356,250
Loss	978,334	978,334	978,334
	5,927,842	2,574,495	2,574,495

10.2.2 This represents general provision equivalent to 1% of outstanding unsecured advances held in accordance with the requirements of Prudential Regulations for Microfinance Banks.

10.2.3 Particulars of provision against non-performing advances

	31 December 2023 (Audited)		
	Specific	**General**	**Total**
Opening balance	5,376,550	12,784,724	18,161,274
Charge for the year	119,267,043	6,159,261	125,426,304
Charge off	(122,069,098)	-	(122,069,098)
Closing balance	2,574,495	18,943,985	21,518,480

10.3 Particulars of write offs / charge offs:	Note	30 June 2024 (Un-audited)	31 December 2023 (Audited)
Against credit loss allowance		**5,440,308**	-
Against Provision as per prudential regulations		**-**	122,069,098
Directly charged to profit & loss account	10.3.1	**3,384,781**	4,147,372
		8,825,089	126,216,470

10.3.1 This represents write-off against unsecured micro credit advances which were not recovered due to death of loan holders.

		30 June 2024 (Un-audited)	31 December 2023 (Audited)
11	**PROPERTY AND EQUIPMENT**	----------- Rupees -----------	
	Property and equipment	**27,238,969**	23,521,764
		27,238,969	23,521,764

11.1 Additions to property and equipment

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

Property and equipment		
Office equipment	**2,896,995**	2,674,261
Office improvement	**250,520**	249,620
Furniture and fixture	**115,000**	385,181
Vehicles	**5,035,485**	-
Total	**8,298,000**	3,309,062

12 RIGHT-OF-USE ASSETS

Cost	**136,491,762**	70,209,441
Accumulated Depreciation	**(40,981,408)**	(17,103,820)
Opening net book value	**95,510,354**	53,105,621
Additions/ Remeasurements during the period / year	**46,275,032**	66,282,321
Deletions during the period / year	**-**	-
Depreciation Charge for the period / year	**(16,041,283)**	(23,877,588)
Closing net book value	**125,744,103**	95,510,354

13 INTANGIBLE ASSETS

Computer software	**5,454,515**	6,206,928
	5,454,515	6,206,928

13.1 Additions to intangible assets

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

Directly purchased	**188,005**	1,374,208
Total	**188,005**	1,374,208

14 DEFERRED TAX ASSETS

Deductible temporary differences on		
- Post retirement employee benefits	**696,000**	1,408,553
- Credit loss allowance against advances	**20,836,137**	6,240,359
- Lease finance facility	**38,905,372**	26,989,390
	60,437,509	34,638,302
Taxable temporary differences on		
- Accelerated tax amortization	**(306,891)**	(85,693)
- Accelerated tax depreciation	**(43,714)**	399,896
- Right to use assets	**(36,465,790)**	(27,698,003)
	(36,816,395)	(27,383,800)
	23,621,114	7,254,502

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		Note	30 June 2024 (Un-audited)	31 December 2023 (Audited)
			----------- Rupees	-----------
15	**OTHER ASSETS**			
	Income / Mark-up accrued in local currency - net of credit loss allowance		**105,028,325**	45,434,919
	Advances, prepayments and deposits		**11,221,799**	6,384,350
	Advance tax		**-**	22,311,264
			116,250,124	74,130,533
	Less: Credit loss allowance held against other assets		**-**	-
	Other assets - Total		**116,250,124**	74,130,533

		Note	30 June 2024	31 December 2023
16	**BORROWINGS**			
	Secured			
	Borrowing from State Bank of Pakistan - Line of credit fund	16.1	**495,000,000**	571,000,000
			495,000,000	571,000,000
	Unsecured			
	Borrowing from Pakistan Microfinance Investment Corporation	16.2	**93,750,000**	150,000,000
	Total unsecured		**93,750,000**	150,000,000
			588,750,000	721,000,000

16.1 This represents a borrowing obtained from the State Bank of Pakistan under its Line of Credit Fund Scheme. During the half-year ended June 30, 2024, the Bank secured an additional borrowing of Rs. 234 million, which was sanctioned and disbursed to the Bank in three tranches at a markup rate of six-month KIBOR minus 1%. Furthermore, the Bank repaid Rs. 310 million during the period.

16.2 This represents a borrowing from the Pakistan Microfinance Investment Company (PMIC). A total of Rs. 150 million was sanctioned, which was received during the financial year ended December 31, 2023, at a markup rate of six-month KIBOR plus 2.5%. The interest on this facility is payable quarterly, with the principal repayable in four quarterly installments by January 2025.

		Note	30 June 2024	31 December 2023
17	**DEPOSITS AND OTHER ACCOUNTS**			
	Customers			
	Current deposits		**5,113,482**	272,887
	Savings deposits	17.1	**11,632,006**	12,013,803
	Term deposits	17.2	**1,211,710,408**	973,816,000
			1,228,455,896	986,102,690
	Financial Institutions			
	Current deposits		**-**	
	Savings deposits	17.1	**256,215,736**	337,182,089
	Term deposits		**-**	
			256,215,736	337,182,089
			1,484,671,632	1,323,284,779

17.1 These are remunerative saving deposits of corporate and individual clients carrying interest rate ranging from 8.50% to 23.50% per annum (December 31, 2023: 8.00% to 23.50%).

17.2 This representative term deposits having tenure ranging from 3 months to 36 months (December 31, 2023: 3 to 36 month) carrying interest rate ranging from 16.25% to 22.85% (December 31, 2023: 14.50% to 24.00%) per annum.

	30 June 2024 (Un-audited)	31 December 2023 (Audited)
18 LEASE LIABILITIES	----------- Rupees	-----------
At beginning of period / year	**93,066,862**	35,488,237
Additions/ remeasurements during the period / year	**46,275,032**	66,282,321
Interest expense	**10,523,344**	24,838,502
Payment	**(15,708,782)**	(33,542,198)
Closing balance	**134,156,456**	93,066,862

19 DEFERRED INCOME

Opening balance	-	-
Origination fee received during the period	**92,429,250**	-
Fee recognized as income during the period	**(27,168,398)**	-
Closing balance	**65,260,852**	-

19.1 The origination fee charged by the Bank to its customers at the time of loan disbursement is being amortized over the loan term.

20 OTHER LIABILITIES

Mark-up / Return / Interest payable on borrowing	**39,606,767**	70,256,548
Mark-up / Return / Interest payable on deposits	**148,608,934**	92,138,014
Audit fee payable	**218,213**	437,938
EOBI payable	**374,080**	632,222
Withholding tax payable	**3,129,722**	965,713
Accrued expenses	**10,178,661**	1,747,683
Payable to defined benefit plan	**2,400,000**	4,857,079
Payable to defined contribution plan	**1,024,184**	296,924
Income tax payable - net of advance tax	**5,919,540**	-
Other payable	**58,836**	6,966
	211,518,937	171,339,087

21 CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments as at June 30, 2024 (December 31, 2023: Nil).

	30 June 2024 (Un-audited)	30 June 2023 (Un-audited)
22 MARK-UP / RETURN / INTEREST EARNED		
Loans and advances	**505,949,149**	233,068,528
Investments	**76,316,099**	5,924,236
Balances with other MFBs / banks / NBFIs	**64,104,495**	30,742,269
	646,369,743	269,735,033

23 MARK-UP / RETURN / INTEREST EXPENSED

Deposits	**164,441,394**	59,397,806
Borrowings	**71,088,026**	27,449,296
Lease liabilities	**10,523,344**	5,450,211
	246,052,764	92,297,313

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

24 OPERATING EXPENSES

	30 June 2024	30 June 2023
Total compensation expense	**167,604,170**	121,269,191
Contribution to defined benefit plan	**2,400,000**	2,716,903
Contribution to defined contribution plan	**3,086,986**	2,405,875
Directors' fees and allowances	**305,682**	369,690
Insurance	**12,184,061**	2,128,708
Utilities	**6,117,495**	4,114,913
IT equipment & software maintenance	**4,384,640**	3,124,094
Staff welfare	**2,725,305**	2,556,610
Fee and subscription	**5,539,466**	5,530,031
Bank charges	**2,379,246**	1,538,493
Legal and professional charges	**92,000**	72,000
Communication expenses	**2,979,198**	2,514,057
Repair and maintenance expenses	**3,426,959**	2,377,823
Printing and stationery	**4,129,409**	2,269,292
Training & development	**661,417**	657,470
Travelling & conveyance	**7,601,005**	6,485,377
Advertisement and publicity	**177,040**	98,268
Auditor's remuneration	**202,049**	274,491
Depreciation	**4,580,797**	3,877,488
Depreciation on right-of-use assets	**16,041,283**	7,020,944
Amortization	**940,417**	936,472
Others	**68,585**	693,530
	247,627,210	173,031,720

25 OTHER CHARGES

	30 June 2024	30 June 2023
Penalties imposed by State Bank of Pakistan	**1,201,000**	40,000
	1,201,000	40,000

26 CREDIT LOSS ALLOWANCE & WRITE OFFS - NET

	30 June 2024	30 June 2023
Credit loss allowance against loans & advances	**48,168,988**	-
Provision against non-performing loans and advances	**-**	40,211,002
Credit loss allowance against other assets	**283,254**	-
Reversal of credit loss allowance against balances with other banks	**(7,943)**	-
Advances written off directly	**3,384,781**	1,554,985
	51,829,080	41,765,987

27 TAXATION

	30 June 2024	30 June 2023
Current	**42,300,074**	15,471,604
Deferred	**(13,900,975)**	(10,233,519)
	28,399,099	5,238,085

28 BASIC EARNINGS PER SHARE	30 June 2024 (Un-audited)	30 June 2023 (Un-audited)
	----------- Rupees	-----------
Profit for the period	**71,260,590**	39,706,669
Weighted average number of ordinary shares	**100,000,000**	93,000,000
Basic earnings per share	**0.71**	0.43

29 FAIR VALUE MEASUREMENTS

Assets and liabilities measured at fair value in the statement of financial position are grouped into three levels of fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial instrument in level 1
Currently, no financial instruments are classified in level 1.

Financial instrument in level 2
Currently, no financial instruments are classified in level 2.

Financial instrument in level 3
Currently, no financial instruments are classified in level 3.

The fair value of assets and liabilities except for staff loan and non-performing advances, their carrying values since these assets and liabilities are either short term in nature or frequently repriced in case of customer loan and deposits.

The fair value of staff loan cannot be calculated with sufficient reliability due to the absence of current and active market for such assets and reliable data regarding market rates for similar instruments. The provision for non-performing advances is calculated in accordance with the Bank's accounting policy as stated in policy note.

30 RELATED PARTY TRANSACTIONS

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

The Bank enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

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

	30 June 2024 (Un-audited)				31 December 2023 (Audited)			
	Parent	Directors	Key management personnel	Other related parties	Parent	Directors	Key management personnel	Other related parties
	Rupees							
Balances with other banks / MFBs / DFIs								
In current accounts		-	-	-	-	-	-	-
In deposit accounts	**94,227,145**	-	-	-	50,362,645	-	-	-
	94,227,145	-	-	-	50,362,645	-	-	-
Investments								
Opening balance	-	-	-	**144,408,445**	-	-	-	54,788,274
Investment made during the period	-	-	-	**360,629,862**	-	-	-	394,152,432
Investment redeemed / disposed off during the period / year	-	-	-	**(330,000,025)**	-	-	-	(304,532,261)
Transfer in / (out) - net	-	-	-	-	-	-	-	-
Closing balance	-	-	-	**175,038,282**	-	-	-	144,408,445
Advances								
Opening balance	-	-	**28,324,888**	-	-	-	31,524,154	-
Addition during the period / year	-	-	-	-	-	-	-	-
Repaid during the period / year	-	-	**(2,377,724)**	-	-	-	(3,199,266)	-
Transfer in / (out) - net								
Closing balance	-	-	**25,947,164**	-	-	-	28,324,888	-
Credit loss allowance held against advances	-	-	-	-	-	-	-	-
Other assets								
Other receivables	-	-	-	**4,949,034**	-	-	-	1,023,848
	-	-	-	**4,949,034**	-	-	-	1,023,848
Deposits and other accounts								
Opening balance	-	-	**5,507**	-	-	-	5,507	-
Received during the period / year	-	-	-	-	-	-	-	-
Withdrawn during the period / year	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	-	-
	-	-	**5,507**	-	-	-	5,507	-
Other liabilities								
Payable to staff retirement fund	-	-	**4,857,079**	-	-	-	2,503,582	-
	-	-	**4,857,079**	-	-	-	2,503,582	-

	30 June 2024				30 June 2023			
	Parent	Directors	Key management personnel	Other related parties	Parent	Directors	Key management personnel	Other related parties
	---- Rupees ----							
Income								
Mark-up / return / interest earned	**6,916,814**	**-**	**499,386**	**-**	3,127,700	-	570,335	-
	-	**-**	**-**	**-**	-	-	-	-
Expense	**-**	**-**	**-**	**-**	-	-	-	-
Insurance premium	**-**	**-**	**-**	**12,184,061**	-	-	-	1,567,894
Insurance claims settled	**-**	**-**	**-**	**6,524,458**	-	-	-	-
Remuneration	**-**	**-**	**24,055,969**	**-**	-	-	19,933,160	-
Other	**-**	**120,000**	**2,521,000**	**-**	-	200,000	5,403,758	-
	-	**-**	**-**	**-**	-	-	-	-

31 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	30 June 2024 (Un-audited)	31 December 2023 (Audited)
	----------- Rupees -----------	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	**1,000,000,000**	1,000,000,000
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	**1,142,457,168**	1,072,212,000
Eligible Additional Tier 1 (ADT 1) Capital	**-**	-
Total Eligible Tier 1 Capital	**1,142,457,168**	1,072,212,000
Eligible Tier 2 Capital	**25,537,075**	39,272,000
Total Eligible Capital (Tier 1 + Tier 2)	**1,167,994,243**	1,111,484,000
Risk Weighted Assets (RWAs):		
Credit risk	**2,616,722,085**	2,277,653,622
Operational risk	**117,636,516**	78,486,378
Total	**2,734,358,601**	2,356,140,000
Common Equity Tier 1 Capital Adequacy Ratio	**41.78%**	45.51%
Tier 1 Capital Adequacy Ratio	**41.78%**	45.51%
Total Capital Adequacy Ratio	**42.72%**	47.17%

32 GENERAL

32.1 Comparative information has been reclassified, rearranged or additionally incorporated in these interim financial statements for the purposes of better presentation.

32.2 The Bank has not restated comparative information for 2023 for financial instruments in the scope of IFRS 9. Therefore, the comparative information for 2023 is reported under previous local regulatory requirements and is not comparable with the information presented for 2024.

32.3 The effect of reclassification, rearrangement, restatement in the comparative information presented in these condensed interim financial statements due to adoption of revised forms for the preparation of condensed interim financial statements as mentioned in note 4.1 is as follows:

Description of item	Nature	Amount	From	To
Right-of-use assets	Asset	95,510,354	Operating fixed assets	Right-of-use assets
Intangible assets	Asset	6,206,928	Operating fixed assets	Intangible assets
Lease liabilities	Liability	93,066,862	Other liabilities	Lease liabilities

32.4 Amounts in these condensed interim financial statements have been rounded off to the nearest rupee except stated otherwise.

33 DATE OF AUTORIZATION

These condensed interim financial statements were authorized for issue on ______________ by the Board of Directors of the Bank.

President/Chief Executive	Chief Financial Officer	Director	Director	Director