LOLC MICROFINANCE BANK LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2024

	Note	September 30, 2024 (Un-audited)	December 31, 2023 (Audited)
		-------- Rupees --------	
ASSETS			
Cash and balances with treasury banks	6	(400,524,978)	111,791,460
Balances with other banks	7	1,679,518,704	1,215,416,065
Lendings to financial institutions		-	-
Investments	8	377,841,026	412,266,887
Advances	9	3,934,903,133	3,825,025,311
Property and equipment	10	166,972,882	150,021,898
Right-of-use assets	11	206,198,405	223,046,081
Intangible assets	12	20,733,212	14,664,791
Deferred tax assets	13	314,854,032	316,556,555
Other assets	14	235,063,483	402,275,152
		6,535,559,899	6,671,064,200
LIABILITIES			
Bills payable		-	-
Borrowings	15	-	1,982,284,483
Deposits and other accounts	16	3,880,900,631	928,919,543
Lease liabilities	17	247,742,217	251,940,707
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities	18	604,723,259	620,847,813
		4,733,366,107	3,783,992,546
NET ASSETS		1,802,193,792	2,887,071,654
REPRESENTED BY			
Share capital		3,220,000,000	3,220,000,000
Reserves		183,178,511	182,705,584
Surplus on revaluation of assets - net of tax	19	616,939	201,558
Unappropriated loss		(1,601,601,658)	(515,835,488)
		1,802,193,792	2,887,071,654
CONTINGENCIES AND COMMITMENTS	20		

The annexed notes 1 to 37 form an integral part of these condensed interim financial statements (un-audited).

President	Chief Financial Officer	Director	Director	Director

LOLC MICROFINANCE BANK LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2024

		Quarter Ended		Period Ended	
	Note	September, 30 2024	September, 30 2023	September, 30 2024	September, 30 2023
		Rupees			
Mark-up / Return / Interest earned	21	515,213,061	573,940,985	1,506,762,955	1,768,067,866
Mark-up / Return / Interest expensed	22	(210,504,490)	(178,164,931)	(563,676,091)	(507,616,786)
Net mark-up / interest income		304,708,571	395,776,054	943,086,864	1,260,451,080
NON MARK-UP / INTEREST INCOME					
Fee and commission income	23	27,372,144	26,594,677	116,847,649	129,924,422
Dividend income		-	-	-	-
Foreign exchange income / (loss)		-	-	-	-
Income / (Loss) from derivatives		-	-	-	-
Gain / (Loss) on securities		-	-	-	-
Net gains/(loss) on derecognition of financial assets measured at amortised cost		-	-	-	-
Other income	24	6,070,225	16,091,581	21,512,856	50,912,240
Total non-markup / interest income / (loss)		33,442,369	42,686,258	138,360,505	180,836,662
Total income		338,150,940	438,462,312	1,081,447,369	1,441,287,742
NON MARK-UP/INTEREST EXPENSES					
Operating expenses	25	417,123,576	391,279,936	1,291,087,988	1,138,239,495
Workers welfare fund		-	-	-	-
Other charges	26	60,000	-	2,776,000	-
Total non-markup / interest expenses		417,183,576	391,279,936	1,293,863,988	1,138,239,495
(Loss) / Profit before credit loss allowance		(79,032,636)	47,182,376	(212,416,619)	303,048,247
Credit loss allowance and write offs - net	27	(149,163,252)	(210,932,523)	(532,877,771)	(716,042,078)
LOSS BEFORE LEVIES AND TAXATION		(228,195,888)	(163,750,147)	(745,294,390)	(412,993,831)
Levies	28	-	-	(14,597,524)	(17,178,390)
LOSS BEFORE TAXATION		(228,195,888)	(163,750,147)	(759,891,914)	(430,172,221)
Taxation	29	-	-	2,214,859	60,361,973
LOSS AFTER TAXATION		(228,195,888)	(163,750,147)	(757,677,055)	(369,810,248)
Basic loss per share	30	(0.99)	(0.71)	(3.28)	(1.60)
Diluted loss per share	30	(0.99)	(0.71)	(3.28)	(1.60)

The annexed notes 1 to 37 form an integral part of these condensed interim financial statements (un-audited).

President **Chief Financial Officer** **Director** **Director** **Director**

LOLC MICROFINANCE BANK LIMITED
CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2024

	Quarter Ended		Period Ended	
	September, 30 2024	September, 30 2023	September, 30 2024	September, 30 2023
	Rupees			
Loss after taxation for the period	(228,195,888)	(163,750,147)	(757,677,055)	(369,810,248)
Other comprehensive loss				
Items that may be reclassified to profit and loss account in subsequent periods:				
Movement in surplus on revaluation of investments	-	-	415,381	89,441
Related tax impact	-	-		(25,938)
Movement in surplus on revaluation of investments - net of tax	-	-	415,381	63,503
Items that will not be reclassified to profit and loss account in subsequent periods:				
Remeasurement of defined benefit obligation	-	-	9,175,453	-
Related tax impact	-	-		-
Remeasurement of defined benefit obligation - net of tax	-	-	9,175,453	-
Total comprehensive loss for the year	(228,195,888)	(163,750,147)	(748,086,221)	(369,746,745)

The annexed notes 1 to 37 form an integral part of these condensed interim financial statements (un-audited).

President **Chief Financial Officer** **Director** **Director** **Director**

LOLC MICROFINANCE BANK LIMITED
CONDENSED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2024

	Share capital	Share premium	Statutory reserve	Depositors' Protection Fund	Accumulated losses	Surplus on revaluation of investments	Total
	------	------	------	Rupees	------	------	------
Balance as at January 01, 2023 (Audited)	2,308,300,000	52,041,600	98,175,982	30,353,389	36,248,928	89,441	2,525,209,340
Profit after taxation for the half year ended June 30, 2023	-	-	-	-	(206,060,101)	-	(206,060,101)
Other comprehensive income for the half year ended June 30, 2023	-	-	-	-	-	(25,938)	(25,938)
Total comprehensive income for the half year ended June 30, 2023	-	-	-	-	(206,060,101)	(25,938)	(206,086,039)
Transfer to Depositors' Protection Fund							
- 5% of the profit after tax	-	-	-	-	-	-	-
- return on investment - net of tax	-	-	-	1,510,346	-	-	1,510,346
	-	-	-	1,510,346	-		1,510,346
Balance as at June 30, 2023 (Un-Audited)	2,308,300,000	52,041,600	98,175,982	31,863,735	(169,811,173)	63,503	2,320,633,647
Profit after taxation for the half year ended December 31, 2023	-	-	-	-	(355,320,229)	-	(355,320,229)
Other comprehensive income for the half year ended December 31, 2023	-	-	-	-	9,295,914	138,055	9,433,969
Total comprehensive income for the half year ended December 31, 2023	-	-	-	-	(346,024,315)	138,055	(345,886,260)
Transfer to Depositors' Protection Fund							
- 5% of the profit after tax	-	-		-	-		-
- return on investment - net of tax	-	-		624,267	-		624,267
	-	-	-	624,267	-		624,267
Transactions with owners, recorded directly in equity							
Increase in share capital	911,700,000	-	-	-	-	-	911,700,000
Balance as at December 31, 2023 (Audited)	3,220,000,000	52,041,600	98,175,982	32,488,002	(515,835,488)	201,558	2,887,071,654
Impact of adoption of IFRS-9 (Note 3.3.2)	-	-	-	-	(337,264,568)	-	(337,264,568)
Adjusted Balance as at December 31, 2023	3,220,000,000	52,041,600	98,175,982	32,488,002	(853,100,056)	201,558	2,549,807,086
Profit after taxation for the period ended September 30, 2024	-	-	-	-	(757,677,055)	-	(757,677,055)
Other comprehensive income for the period ended September 30, 2024	-	-	-	-	9,175,453	415,381	9,590,834
Total comprehensive income for the period ended September 30, 2024	-	-	-	-	(748,501,602)	415,381	(748,086,221)
Transfer to Depositors' Protection Fund							
- 5% of the profit after tax	-	-	-	-	-	-	-
- return on investment - net of tax	-	-	-	472,927	-	-	472,927
			-	472,927	-	-	472,927
Balance as at September 30, 2024 (Un-Audited)	3,220,000,000	52,041,600	98,175,982	32,960,929	(1,601,601,658)	616,939	1,802,193,792

The annexed notes 1 to 37 form an integral part of these condensed interim financial statements (un-audited).

President	Chief Financial Officer	Director	Director	Director

LOLC MICROFINANCE BANK LIMITED
CONDENSED STATEMENT OF CASH FLOWS (UN-AUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2024

	Note	September 30, 2024 (Un-audited)	September 30, 2023 (Audited)
		- - - - - - - - Rupees - - - - - - - -	
CASH FLOW FROM OPERATING ACTIVITIES			
Operating profit before working capital changes	31	(184,901,738)	(164,164,194)
(Increase / Decrease in operating assets)			
Advances		(929,644,520)	1,298,773,259
Other assets (excluding advance taxation)		198,281,428	(160,707,404)
		(731,363,092)	1,138,065,855
(Increase /Decrease in operating liabilities)			
Deposit and other accounts		2,951,981,088	(1,848,196,173)
Other liabilities		(16,900,744)	(76,359,496)
		2,935,080,344	(1,924,555,669)
		2,018,815,514	(950,654,008)
Levies / Income Tax Paid		(41,303,658)	(28,149,202)
Gratuity and leave encashment paid (including contribution)		(18,661,397)	(4,138,548)
		(59,965,055)	(32,287,750)
Net cash used in operating activites		1,958,850,459	(982,941,758)
CASH FLOW FROM INVESTING ACTIVITES			
Net investment in classified as amortised cost		29,285,686	(171,769,418)
Net investment in classified as FVOCI		5,361,113	-
Rent paid against lease obligation		(41,178,061)	(21,748,715)
Investment in operating fixed assets		(30,922,289)	(131,927,250)
Investment in intangible assets		(6,545,157)	(12,465,176)
Sales proceeds of property and equipments disposed off		19,218,933	-
Net cash generated from / (used in) investing activities		- 24,779,775	(337,910,559)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Borrowing from SBP		(1,982,284,483)	-
Issue of Shares			911,700,000
Net cash used in financing activities		(1,982,284,483)	911,700,000
Decrease in cash and cash equivalents		(48,213,799)	(409,152,317)
Cash and cash equivalent at the beginning of the period		1,327,207,525	1,215,575,513
Cash and cash equivalent at the end of the period	32	1,278,993,726	806,423,196

The annexed notes 1 to 37 form an integral part of these condensed interim financial statements (un-audited)

President	Chief Financial Officer	Director	Director	Director

1 STATUS AND NATURE OF BUSINESS

LOLC Microfinance bank Limited formerly Pak Oman Microfinance bank Limited (the bank) was incorporated on 09 March 2006 as a public limited company under Companies Ordinance, 1984 (Repealed with the enactment of the Companies Act, 2017 on 30 May 2017) and was granted license by the State bank of Pakistan (SBP) on 12 April 2006. The bank received certificate of commencement of business on 06 May 2006, effective from 08 May 2006. The bank's principal business is to provide microfinance services to the poor and under served segment of the society as envisaged under the Microfinance Institutions Ordinance, 2001. The company is subsidiary of LOLC Asia (Private) Limited and LOLC PLC is a ultimate parent.

The registered office of the bank is situated at 20-C, Khayaban-e-Nishat, Ittehad Commercial Area, Phase-VI, DHA, Karachi, Pakistan. As at 30 June 2024, the bank has 83 branches (2023: 62) in operation in all provinces of Pakistan, and Azad Jammu & Kashmir other than Gilgit Baltistan, including the Federal Capital Islamabad and is licensed to operate nationwide. The Head office of the bank is situated at Park View Plaza, Bearing No. CB-6300, near Royal Palace Hotel, Jhelum Road, Rawalpindi.

In the year 2016, the Board of Directors of the bank entered into an agreement with LOLC PLC, the Parent Company, who in lieu of the agreement acquired the majority of the stake (50.1%) in the bank. As per the signed agreement dated February 3, 2017, the existing shareholders retained their shareholdings while new 115,648,000 shares were issued (equal to the existing issued and paid up capital) at an offer price of Rs.10.5 each (face value of Rs.10 each).

In the year 2021, the Board of Directors of the bank again entered into an agreement with LOLC PLC, the Parent Company, who in lieu of the agreement acquired the remaining of the stake (49.9%) in the bank. As per the signed agreement dated October 26, 2021, LOLC Asia Private Limited has acquired 33% shareholding from Ministry of Finance Sultanate of Oman and 17% from Pak Oman investment Company Limited at an agreed price of PKR 10.5 per share. The shares have been transferred on the name of the LOLC Asia Private Limited, the Parent Company on February 24, 2022.

Name of the bank has been changed from Pak Oman Microfinance bank Limited to LOLC Microfinance bank Limited with the approvals from SECP vide their document B 048901 dated October 10, 2022 and SBP vide their letter No. BPRD (LD-01) / 2022 -12317 dated December 12, 2022. Therefore, the bank shall be known as LOLC Microfinance bank Limited effective from January 01, 2023.

JCR-VIS has determined the bank's medium to long-term rating as 'A-' and the short-term rating as 'A-2'.

2 BASIS OF PRESENTATION

2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. Accounting and reporting standards applicable in Pakistan comprise of:

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

- Provisions of and directives issued under The Microfinance Institutions Ordinance, 2001 (the MFI Ordinance) and the Companies Act, 2017; and
- Directives issued by the SBP and the Securities and Exchange Commission of Pakistan (SECP).

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

SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for banking Companies through BSD Circular No. 10 dated August 26, 2002. Moreover, SECP has deferred applicability of IFRS 7 'Financial Instruments: Disclosures' on banks through SRO 411(1)/2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these condensed interim financial statements (un-audited).

The disclosures made in these condensed interim financial statements (un-audited) have been limited based on the format prescribed by the SBP vide BPRD Circular Letter No. 3 dated February 9, 2023 and IAS 34, Interim Financial Reporting.

2.2 The condensed interim financial statements does not include all the disclosures required in the annual audited financial statements, and should be read in conjunction with the financial statements (audited) of the bank for the year ended December 31, 2023, except for IFRS 9 Financial Instruments adopted w.e.f January 1, 2024.

3 MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policy information related to preparation of these condensed interim financials statements (un-audited) are consistent with those applied in preparation of annual audited financials statements (audited) of the bank for the year ended December 31, 2023 except for the adoption of IFRS 9 Financial Instruments w.e.f January 1, 2024 and levy as per IFRIC 21 / IAS 37.

3.1 Standards, Interpretations and amendments to published approved accounting standards that are effective in the Current Period

Durning the period, there are certain new and amended standards, interpretations and amendments that are became effective. However, these are considered either not to be relevant or not to have material effect on the financial statements of the bank and therefore are not disclosed.

3.2 Standards, interpretations of and amendments to published approved accounting standards that are not yet effective

There are certain new and amended standards, interpretations and amendments to the existing accounting and reporting standards that are not effective to the current period. The bank expects that the adoption of the same will not effect the financial statements in the period of initial application.

3.3 Changes in accounting policies and transition disclosures

3.3.1 Impact of IFRIC 31 / IAS 37

During the year, the Company changed its accounting policy of recognizing the portion of income tax paid or payable for the year under the Income Tax Ordinance, 2001, not based on the taxable profits of the Company, as a Levy under IFRIC-21/IAS-37 instead of the current income tax for the year under IAS-12.

The management believes that the new policy provides reliable and more relevant information to the users of the financial statements.

The change in accounting policy has been accounted for retrospectively in accordance with International Accounting Standard 8: “Accounting Policies, Changes in Accounting Estimates and Errors". There is, however, no material impact on the financial statements of the prior years.

Levy

Minimum tax, final tax and super-tax not based on taxable profits are recognised as a levy in the statement of profit or loss. The amount calculated on taxable income using the notified tax rate is recognised as current income tax expense for the year in statement of profit or loss under the scope of IAS 12. Any excess of expected income tax paid or payable for the year under the Income Tax Ordinance, 2001 over the amount designated as current income tax for the year, is then recognised as a levy falling under the scope of IFRIC 21 / IAS 37. Minimum tax under Section (113) of the Income Tax Ordinance, 2001 is chargeable at rate of 1.25% of turnover of the company and adjustable against normal tax in subsequent three tax years.

If any excess paid expected to be realized in subsequent tax years, then such excess shall be recognised as 'deferred tax asset' adjustable against tax liability for subsequent tax years.

3.3.2 Impact of IFRS 9 - Financial Instruments

As permitted by the transitional provisions of IFRS 9, the bank has opted for modified retrospective approach and has not restated comparative figures. Any adjustments to the carrying amount of financial assets and liabilities at the date of transition were recognised in the opening retained earnings at the beginning of current year without restating the comparative figures.

The adoption of IFRS 9 has resulted in changes in the accounting policies for recognition, classification and measurements of financial assets, financial liabilities and Impairment of financial assets, IFRS 9 also significantly amends other standards dealing with the financial instruments such as IFRS 7 financial instrument disclosures.

3.3.3 The key changes to bank's accounting policies resulting from its adoption of IFRS-9 are summarized below.

a) Classification of Financial Assets

The bank classifies its financial assets into the following categories.

- At Fair Value through Profit and loss (FVPL);
- At Fair value through other comprehensive Income (FVOCI);
- At amortised cost;

Classification of Equity Instruments

Equity securities that are trading in active market and are held for trading purposes will be classified as FVPL. Equities securities that are not held for trading purpose will be classified as FVOCI; however, gain and losses from the sale of securities classified as FVOCI will not be recycled through profit and loss account. The classification decision is made based on a case by case basis at the time of purchase is documented and is irrevocable.

Classification of Other Financial Assets

Financial assets other then equity will be classified based on their cash flow characteristics and business model assessment.

a. **Amortised Cost:** These will be classified as amortised cost if the objective is to held the asset only for collecting contractual cash flows (principal and interest).

b. **FOVCI:** These will be classified as FVOCI if the objective is to collect contractual cash flows (principal and interest) and also to potentially sell the same depending on market conditions. Any unrealised profit and loss on debt instruments classified through FVOCI is reflected in other comprehensive income and is recycled through profit and loss account with the investment is sold.

c. **FVPL:** This include financial assets:
- which are not classified either at amortised cost or FVOCI.
- Which do not have fixed maturity.

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 FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Subsequent Measurement

Equity and debt securities classified as FVPL

Securities other then unlisted equity securities, are subsequently measured at fair value. Changes in fair value of these securities are taken to profit and loss account.

Changes in the value of unlisted equity securities carried at lower of cost or break up value are taken to the profits and loss account.

Equity and debt securities classified as FVOCI

Securities, other then unlisted equity securities, are subsequently measured at fair value. Changes in the fair value of these securities are recorded in OCI. When a debt security is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified form equity to profit and loss account. When an equity security is derecognised, gain or loss previously recognised in OCI are not recycled through profit and loss account but are transferred directly to retain earnings.

Changes in the value of unlisted equity securities, carried out at lower of cost or break up value are recorded in OCI. When these are derecognised, gain or loss previous recognised in OCI are not recycled through profit and loss account but are directly transferred to retained earnings.

Other Financial Assets Classified at Amortised Cost

Other financial assets initially classified at amortised cost continue to be subsequently measured at amortised cost.

b) Classification of Financial Liabilities

Financial liabilities are either classified as FVPL, when they are held for trading purposes, or at amortised cost. Financial liabilities classified through FVPL are measured at fair value.

Financial liabilities classified at amortised cost are initially recorded at fair value and subsequently measured using the effective interest rate method.

c) Derecognition of financial assets and liabilities

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 recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage I 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 an it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability or greater than, ten percent. For finäncial assetsi this assessment is based on qualitative factors.

Derecognition other than for substantial modification Financial assets

A financial asset (ort where applicable, a part of a financial asset) is derecognised when the rights receive cash flows from the financial asset have expired. The bank also recognizes the financial asset if it has both transferred the financial asset end the transfer qualifies for derecogntion.

Financial liabilities

A financial liability is derecognised 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 recognised in profit or loss.

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 off or terminates a business line. Financial liabilities are never reclassified. The8ank did not reclassify any of its financial assets or liabilities in 2024.

d) Impairment of financial assets (Polity applicable from I January 2024)

i) 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 toss 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 results 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 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 recognised, 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 recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

ii) 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 ate 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 derecognised 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 (EAD) is an estimate of the exposure at a future default date, taking into account expected changes the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract of 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 the legal right to call it earlier, Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that ae accounted for as an 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.

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.

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

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.

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.

Two track approach forestage 3 loans

As per instructions issued by SBP, the bank used two track approach for ECL assessment: on stage a 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.

iii) 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.

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.

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 sate 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 assets 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.

iv) PD estimation process

The banks entire loans and advances portfolio consist of consumer fending. Consumer lending comprises agriculture, livestock, enterprise, general, gold, house and Islamic loans. The bank does not have credit score card model for consumer lending's,. 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.

v) 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.

vi) 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).

e) Transitional Impact

The bank has adopted IFRS 9 in accordance with the application instructions from 1st January 2024, using the modified retrospective approach and has not restated comparatives for the 2023 reporting period and the difference in carrying amount of financial asset and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings as at 1st January 2024 as permitted under specific transitional provision in the standard.

Measurement of Expected Credit Loss allowances

The measurement of ECL allowance for the financial assets measured at amortised cost and at FVOCI is derived using complex models with significant assumptions about future economic conditions and credit behaviour.

A number of significant judgments are applied the accounting requirements for measuring the ECL, such as

- Choosing appropriate models and assumptions for the measurement of ECL.
- Establishing groups of similar financial assets for the purpose of measuring ECL.
- Establishing the number and relevant weightages of forward-looking macroeconomic scenarios for
- Determining whether an asset shows a significant increase in credit risk.

f) Advances

These are stated at cost net of provisions, which are determined based on the higher of Prudential Regulations (the Regulations) for Microfinance banks issued by SBP and IFRS-9, with the amount charged to profit or loss account. Advances are written off according to the Prudential Regulations or when there is no realistic prospect of recovery. These regulations prescribe a time based criteria for classification of non-performing advances in to following categories:

a) Other Assets Especially Mentioned (OAEM)

These are advances in arrears (payment / instalments overdue) of 30 days or more but less than 60 days.

b) Substandard

These are advances in arrears (payment / instalments overdue) for 60 days or more but less than 90 days.

c) Doubtful

These are advances in arrears (payment / instalments overdue) for 90 days or more but less than 180 days.

d) Loss

These are advances in arrears (payment / instalments overdue) for 180 days or more.

In addition the bank maintains a watch list of all accounts delinquent by 5 - 29 days. 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 for potential loan losses for all non-performing advances as follows:

OAEM	10% of outstanding principal of only Micro Enterprise loans net of cash collaterals and gold (ornaments and bullion) realizable without recourse to a Court of Law.
Substandard	25% of outstanding principal net of cash collaterals and gold (ornaments and bullion) realizable without recourse to a Court of Law.
Doubtful	50% of outstanding principal net of cash collaterals and gold (ornaments and bullion) realizable without recourse to a Court of Law.
Loss	100% of outstanding principal net of cash collaterals and gold (ornaments and bullion) realizable without recourse to a Court of Law.

In addition, a general provision is made in accordance with the requirements of the Prudential Regulations for Microfinance banks issued by SBP equivalent to 1% of the net outstanding balance (advances net of specific provisions) for potential loan losses.

Non-performing advances are written off one month after the loan is classified as "Loss". However, the bank continues its efforts for recovery of the written off balances.

Under exceptional circumstances management reschedules repayment terms for clients who have suffered catastrophic events and who appear willing and able to fully repay their loans. The classification made as per the Regulation is not changed due to such rescheduling.

3.3.4 Reconciliation of Statement of financial position balances for existing local regulations to

The following table reconciles the carrying amount of financial assets, from their previous measurement category in accordance with the existing local regulations to their new measurement categories upon transition to IFRS 9 January 01, 2024.

Classification under IFRS 9						
	As per previous accounting policy	At FVOCI	At FVPL	At Amortised Cost	Remeasurement under IFRS 9	As per IFRS 9
	Carrying amount as at January 1, 2024					Carrying amount as at January 1, 2024
Cash and cash equivalents	1,327,207,525	-	-	1,327,207,525		1,327,207,525
Advances	3,825,025,311			3,825,025,311	(337,264,568)	3,487,760,743
Investment in financial assets						
Available for sale	412,266,887	-	25,194,443	387,072,444		412,266,887
Other Assets	402,275,152	-	-	402,275,152		402,275,152
Other Liabilities	620,847,813	-	-	620,847,813		620,847,813

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for accounting estimates adopted in the preparation of these condensed interim financial statements are the same as that applied in the preparation of the audited annual financial statements for the year ended December 31, 2023.

5 FINANCIAL RISK MANAGEMENT

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

		Note		September 30, 2024 (Un-audited)	December 31, 2023 (Audited)
				- - - - - - - - Rupees - - - - - - - -	
6	**CASH AND BALANCES WITH TREASURY BANKS**				
	In hand				
	- local currency			140,681,001	44,434,583
	Balance with State Bank of Pakistan (SBP)				
	Local currency current account	6.1	-	541,205,979	67,356,877
	Less: Credit loss allowance			-	-
			-	400,524,978	111,791,460

6.1 This represents current accounts maintained with SBP to meet the minimum balance requirement equivalent to 5% as cash reserve of Bank's demand and time deposits with tenor of less than 1 year in accordance with the Prudential Regulations.

		Note	September 30, 2024 (Un-audited)	December 31, 2023 (Audited)
			- - - - - - - - Rupees - - - - - - - -	
7	**BALANCES WITH OTHER BANKS**			
	In Pakistan			
	- in current accounts		258,448,491	129,650,354
	- in deposit accounts	7.1	1,421,070,213	1,085,765,711
			1,679,518,704	1,215,416,065

7.1 These represents deposits with commercial banks carrying mark-up at rates ranging from 17% to 22% per annum (2023: 20.5% to 23.5% per annum).

8 INVESTMENTS

Investment by Type	September 30, 2024 (Un-audited)				December 31, 2023 (Audited)			
	Fair Value / Amortised Cost	Credit Loss Allowance	Surplus / (Deficit)	Carring Value	Cost / Amortised Cost	Provision for diminution	Surplus / (Deficit)	Carring Value
	Rupees				Rupees			
Classified as Amortised Cost								
Federal Government Securities								
Market treasury bills	317,786,758	-	-	317,786,758	187,072,444	-	-	187,072,444
Term deposit receipts (TDRs)	40,000,000	-	-	40,000,000	200,000,000	-		200,000,000
	357,786,758	-	-	357,786,758	387,072,444	-	-	387,072,444
Classified as FVOCI								
Term finance certificates (TFCs)	5,882,055	(5,882,055)	-	-	5,882,055	(5,882,055)	-	-
Sukuk	29,638,887	(10,000,000)	415,381	20,054,268	35,000,000	(10,000,000)	194,443	25,194,443
	35,520,942	(15,882,055)		20,054,268	40,882,055	(15,882,055)	194,443	25,194,443
Total Investments	393,307,700	(15,882,055)	-	377,841,026	427,954,499	(15,882,055)	194,443	412,266,887

	June 30, 2024 (Un-audited)	December 31, 2023 (Audited)
	Rupees	
8.1 Investments given as collateral	-	-

8.2 Investments - Particlurs of credit loss allowance

	September 30, 2024 (Un-audited)				December 31, 2023 (Audited)			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	Rupees				Rupees			
8.2.1 Investments - Exposure								
Gross carrying amount	412,072,444	-	15,882,055	427,954,499	-	-	-	327,914,205
New Investments	83,082,898	-	-	83,082,898	-	-	-	387,072,444
Investments derecognised or repaid	(387,689,383)	-	-	(387,689,383)	-	-	-	- 287,032,150
Transfer to stage 1	-		-	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-	-	-
	(304,606,485)	-	-	(304,606,485)	-	-	-	100,040,294
Amounts written off / charged off	-	-	-	-	-	-	-	-
Closing balance	107,465,959	-	15,882,055	123,348,014	-	-	-	427,954,499
8.2.2 Investments - Credit loss allowance								
Credit loss allowance Opening balance	-	-	15,882,055	15,882,055	-	-	-	15,882,055
New Investments	-	-	-	-	-	-	-	-
Investments derecognised or repaid	-	-	-	-	-	-	-	-
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	-	-	15,882,055	15,882,055	-	-	-	15,882,055

8.3 Particulars of credit loss allowance against debt securities

	September 30, 2024 (Un-audited)		December 31, 2023 (Audited)	
	NPL	Credit loss allowance	NPL	Credit loss allowance
	Rupees		Rupees	
Domestic				
Stage 1	-	-	-	-
Stage 2	-	-	-	-
Stage 3	15,882,055	15,882,055	-	-
	15,882,055	15,882,055	-	-

9 ADVANCES

Loan Type	Performing				Non Performing		Total	
	Stage 1		Stage 2		Stage 3			
	(Un-audited) September 30, 2024	(Audited) December 31, 2023	(Un-audited) September 30, 2024	(Audited) December 31, 2023	(Un-audited) September 30, 2024	(Audited) December 31, 2023	(Un-audited) September 30, 2024	(Audited) December 31, 2023
	-------- Rupees --------		-------- Rupees --------		-------- Rupees --------		-------- Rupees --------	
Microcredits								
Secured	1,121,535,185	229,463,731	20,553,686	2,169,319	18,350,540	2,353,904	1,160,439,411	233,986,954
Un-Secured	2,007,628,062	3,026,727,719	409,530,464	177,529,929	657,016,375	643,588,413	3,074,174,901	3,847,846,061
Staff Loan	33,191,275	56,854,569	-	-	-	-	33,191,275	56,854,569
Advances - gross	3,162,354,522	3,313,046,019	430,084,150	179,699,248	675,366,915	645,942,317	4,267,805,587	4,138,687,584
Credit loss allowance against advances								
Stage 1	70,007,621	-	-	-	-	-	70,007,621	-
Stage 2	-	-	33,083,335	-	-	-	33,083,335	-
Stage 3	-	-	-	-	229,811,498	-	229,811,498	-
Specific provision	-	-	-	-	-	276,298,600	-	276,298,600
General provision	-	37,363,673	-	-	-	-	-	37,363,673
	70,007,621	37,363,673	33,083,335	-	229,811,498	276,298,600	332,902,454	313,662,273
Advances - net of credit loss allowance	3,092,346,901	3,275,682,346	397,000,815	179,699,248	445,555,417	369,643,717	3,934,903,133	3,825,025,311

9.1 Advances - Particlurs of credit loss allowance

9.1.1 Advances - Exposure

	September 30, 2024 (Un-audited)				December 31, 2023 (Audited)			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	------------------ Rupees ------------------				------------------ Rupees ------------------			
Gross carrying amount	3,295,349,977	194,736,633	740,385,825	4,230,472,435	-	-	-	5,493,901,167
New advances	2,418,679,085	190,257,770	73,692,561	2,682,629,416	-	-	-	3,650,247,033
Advances derecognised or repaid	(1,889,649,358)	(189,562,683)	210,886,360	(1,868,325,681)	-	-	-	(4,133,321,280)
Transfer to stage 1	(697,695,240)	236,531,365	399,219,978	(61,943,897)	-	-	-	-
Transfer to stage 2	2,061,688	(2,586,975)	35,869,578	35,344,291	-	-	-	-
Transfer to stage 3	417,095	708,040	(166,584,798)	(165,459,663)	-	-	-	-
	- 166,186,730	235,347,517	553,083,679	622,244,466	-	-	-	(483,074,247)
Amounts written off / charged off	-	-	(618,102,589)	(618,102,589)	-	-	-	(872,139,336)
Closing balance	3,129,163,247	430,084,150	675,366,915	4,234,614,312	-	-	-	4,138,687,584

-

					December 31, 2023 (Audited)			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	----------------- **Rupees** -----------------				----------------- **Rupees** -----------------			
9.1.2 Advances - Credit loss allowance								
Opening balance	174,083,352	26,230,275	328,656,641	528,970,268	-	-	-	233,543,582
New advances	45,654,456	10,239,957	24,405,337	80,299,750	-	-	-	-
Advances derecognised or repaid	(125,214,837)	(25,413,079)	417,352,122	266,724,206	-	-	-	-
Transfer to Stage 1	(24,679,352)	22,327,176	129,390,716	127,038,540	-	-	-	-
Transfer to Stage 2	153,845	(408,598)	12,385,894	12,131,141	-	-	-	-
Transfer to Stage 3	10,157	107,604	(64,276,623)	(64,158,862)	-	-	-	-
Specific	-	-	-	-	-	-	-	1,018,328,224
General	-	-	-	-	-	-	-	(66,070,027)
	- 104,075,731	6,853,060	519,257,446	422,034,775	-	-	-	952,258,197
Amounts written off/charged Off	-	-	(618,102,589)	(618,102,589)	-	-	-	(872,139,336)
Changes in risk parameters	-	-	-	-	-	-	-	-
Closing balance	70,007,621	33,083,335	229,811,498	332,902,454	-	-	-	313,662,443
9.2 Credit loss allowance details								
Outstanding gross exposure								
Performing - Stage 1	3,162,354,522	-	-	3,162,354,522	-	-	-	3,343,798,604
Under Performing - Stage 2								
Other assets especially mentioned	-	430,084,150		430,084,150	-	-	-	196,810,525
Non- Perfroming - Stage 3								
Substandard	-	-	297,758,082	297,758,082	-	-	-	231,111,527
Doubtful	-	-	276,154,049	276,154,049	-	-	-	305,787,440
Loss	-	-	101,454,784	101,454,784	-	-	-	61,179,488
	-	-	675,366,915	675,366,915	-	-	-	598,078,455
	3,162,354,522	430,084,150	675,366,915	4,267,805,587	-	-	-	4,138,687,584
Corresponding credit loss allowance								
Stage 1	70,007,621	-	-	70,007,621	-	-	-	-
Stage 2	-	33,083,335	-	33,083,335	-	-	-	-
Stage 3	-	-	229,811,498	229,811,498	-	-	-	-
Specific	-	-	-	-	-	-	-	276,298,600
General	-	-	-	-	-	-	-	37,363,673
	70,007,621	33,083,335	229,811,498	332,902,454	-	-	-	313,662,273

	September 30, 2024 (Un-audited)	December 31, 2023 (Audited)
	-------- **Rupees** --------	
9.3 Particulars of write offs		
Against provision	618,102,589	872,139,336
Directly charged to profit or loss account	1,000,000	17,027,897
	619,102,589	889,167,233

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

10 PROPERTY AND EQUIPMENT

Property and equipment	166,972,882	150,021,898

10.1 Additions to property and equipment

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

Leasehold improvements (Building's fixtures)	6,761,709	16,252,784
Office equipment	20,226,891	12,406,285
Furniture and fixture	2,396,440	10,980,224
Computers	1,537,249	9,317,604
	30,922,289	48,956,897

10.2 Disposal of property and equipment

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

Furniture and fixture	-	62,500
Computers	-	90,000
Vehicles	9,083,850	2,718,559
	9,083,850	2,871,059

11 RIGHT-OF-USE ASSETS

Opening balance		
Cost	335,981,347	242,376,399
Accumulated Depreciation	(112,935,266)	(75,724,323)
Net Carrying amount	223,046,081	166,652,076
Additions during the period	4,626,381	34,842,747
Deletions during the period	-	-
Depreciation Charge for the period	(21,474,057)	(37,210,943)
Reassessment during the period		58,762,201
Closing balance	206,198,405	223,046,081

12 INTANGIBLE ASSETS

Computer software	20,733,212	14,664,791

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

12.1 Additions to intangible assets

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

Directly purchased	6,545,157	14,639,464

12.2 Disposals of intangible assets

The net book value of intangible assets disposed off during the period is as follows:

Directly purchased	-	-

13 DEFERRED TAX ASSETS

Deductible temporary differences on		
- Tax losses carried forward	120,117,896	162,791,514
- Post retirement employee benefits	10,188,206	31,347,682
- Accelerated tax depreciation against operating fixed	6,354,955	10,845,538
- Credit loss allowance against advances	141,011,498	90,962,059
- Credit loss allowance against investments	4,605,796	4,605,796
- Investments	8,804,723	9,504,017
- Minimum tax under section 113	14,541,984	-
- lease obligation	69,844,978	73,062,805
	375,470,036	383,119,411
Taxable temporary differences on		
- Surplus on revaluation of investments	743,206	1,879,492
- Accelerated tax depreciation against right-of-use assets	59,872,798	64,683,364
	60,616,004	66,562,856
	314,854,032	316,556,555

14 OTHER ASSETS

Income / Mark-up accrued in local currency - net of credit loss allowance	51,362,480	311,194,637
Advances, deposits, advance rent and other prepayments	105,816,204	46,562,335
Advance taxation / refundable taxes	70,836,294	39,766,535
Others	7,048,505	4,751,645
	235,063,483	402,275,152
Less: Credit loss allowance held against other	-	-
	235,063,483	402,275,152

		Note	September 30, 2024 (Un-audited)	December 31, 2023 (Audited)
			-------- Rupees --------	
15	**BORROWINGS**			
	Unsecured			
	Borrowing from State Bank of Pakistan	15.1	-	1,982,284,483

15.1 This represents Line of Credit facility carrying interest at 6 month KIBOR minus 100 bps and is repayable in September 2024.

		Note	September 30, 2024 (Un-audited)	December 31, 2023 (Audited)
			-------- Rupees --------	
16	**DEPOSITS AND OTHER ACCOUNTS**			
	Customers			
	Current deposits		20,728,671	13,977,430
	Savings deposits		5,701,471	280,343
	Term deposits		3,854,470,489	914,661,770
			3,880,900,631	928,919,543
	Financial Institutions		-	-
			3,880,900,631	928,919,543
17	**LEASE OBLIGATION**			
	Balance as at January 1,		251,940,708	231,543,125
	Additions during the period		4,626,381	34,842,747
	Interest expense		32,353,189	41,402,799
	Payment		(41,178,061)	(55,847,964)
	Balance as at June 30,		247,742,217	251,940,707
18	**OTHER LIABILITIES**			
	Mark-up / Return / Interest payable in local currency		132,890,861	246,456,507
	Accrued expenses		105,980,996	72,584,876
	Payable to shareholders	18.1	305,292,189	244,483,136
	Payable to defined benefit plan		36,145,690	26,076,164
	Advance from customer		13,209,915	3,910,823
	Withholding taxes payable		7,148,879	569,633
	Provision for compensated absences		1,166,927	4,878,925
	Sales taxes		2,341,665	4,640,431
	Provision for leave fare assistance		545,337	6,126,675
	Security Deposit		800	11,120,643
			604,723,259	620,847,813

18.1 This majorly represents amount payable to LOLC Technology Services Limited.

		September 30, 2024 (Un-audited)	December 31, 2023 (Audited)
		- - - - - - - - Rupees - - - - - - - -	
19	**SURPLUS ON REVALUATION OF ASSETS - NET OF TAX**		
	Surplus / (deficit) on revaluation of		
	- FVOCI - debt	813,931	283,885
	Deferred tax on surplus / (deficit) on revaluation of:		
	- FVOCI - debt	(236,040)	(82,327)
		577,891	201,558

20 CONTINGENCIES AND COMMITMENTS

20.1 Contingencies

The Company has no contingencies as at June 30, 2024 (2023: nil).

20.2 Commitments

The Company has no commitments as at June 30, 2024 (2023: nil).

		September 30, 2024 (Un-audited)	September 30, 2023 (Un-audited)
		- - - - - - - - Rupees - - - - - - - -	
21	**MARK-UP RETURN/ INTEREST EARNED**		
	Interest / mark-up on:		
	Loans and advances	1,336,580,424	1,647,777,466
	Investments	59,431,069	54,047,908
	Balances with other banks	110,751,462	66,242,492
		1,506,762,955	1,768,067,866
21.1	Interest income (calculated using effective interest rate method) recognised on:		
	Financial assets measured at amortised cost	3,910,207	-
22	**MARK-UP / RETURN / INTEREST EXPENSED**		
	Deposits	317,613,525	221,614,541
	Borrowings	213,709,377	270,165,354
	Lease liabilities	32,353,189	15,836,891
		563,676,091	507,616,786
22.1	Interest expense calculated using effective interest rate method		
	Finance cost on borrowings from SBP	213,709,377	270,165,354

		Note	September 30, 2024 (Un-audited)	September 30, 2023 (Un-audited)
			- - - - - - - - Rupees	- - - - - - - -
23	**FEE AND COMMISSION INCOME**			
	Loan processing fees		74,982,336	79,583,820
	Overdue interest		41,757,176	50,340,602
	Miscellaneous Income		108,137	-
			116,847,649	129,924,422
24	**OTHER INCOME**			
	Gain on disposal of fixed assets		10,135,083	-
	Moratorium income		11,377,773	32,748,488
	Miscellaneous Income		-	18,163,752
			21,512,856	50,912,240
25	**ADMINISTRATIVE EXPENSES**			
	Salaries, allowances etc.		748,615,133	634,813,491
	Bonus to employees		30,000,000	4,000,000
	Contribution to defined contribution plan		16,300,285	12,539,660
	Charge for defined benefit plan		12,337,607	11,300,000
	Charge for leave fare assistance		24,852	277,910
	Non-executive directors' allowances and other expenses		200,000	400,000
	Training		5,413,429	1,595,115
	Rent, rates and taxes		40,297,832	38,086,116
	Legal and professional charges		5,608,296	13,015,332
	Utilities		25,521,162	18,991,744
	Communications		44,656,791	43,676,038
	Fusion expenses		56,733,223	60,298,505
	Repairs and maintenance		6,462,931	12,743,453
	Vehicle running		5,055,640	5,860,507
	Insurance		32,105,697	37,028,207
	Travel and transportation		21,333,692	16,369,702
	Stationery and printing		11,175,019	14,530,273
	IT supplies and software		25,769,831	29,739,751
	Office supplies		7,376,158	3,505,289
	Fees and subscription		9,077,320	16,048,703
	Advertisement and business promotions		23,502,519	19,586,611
	Auditors' remuneration	25.1	2,082,800	459,162
	Depreciation on property and equipment		43,094,854	42,817,233
	Depreciation on right-of-use assets		32,498,127	40,872,670
	Amortisation of intangible assets		8,844,066	7,579,452
	Bank charges		3,887,029	3,675,970
	Security expense		40,787,381	21,490,048
	Kitchen expenses		7,163,308	5,784,989

	September 30, 2024 (Un-audited)	September 30, 2023 (Un-audited)
	- - - - - - - - Rupees	- - - - - - - -
Entertainment expenses	6,709,257	2,314,826
Medical staff	70,821	67,107
Archiving	3,474,849	2,074,524
Other expenses	14,908,079	16,697,107
	1,291,087,988	1,138,239,495

25.1 Auditors' remuneration

Audit services		
Audit fee	1,546,700	255,250
Out of pocket expenses	536,100	203,912
	2,082,800	459,162

26 OTHER CHARGES

Penalties imposed by State Bank of Pakistan	2,776,000	-

27 CREDIT LOSS ALLOWANCE AND WRITE OFFS - NET

Credit loss allowance against loans & advances	650,520,252	773,685,296
Bad debts written off directly	1,000,000	-
Recovery of written off / charged off bad debts	(118,642,481)	(57,643,218)
	532,877,771	716,042,078

28 LEVIES

Minimum tax differential	14,597,524	17,178,390

28.1 The company has paid minimum tax under Section (113) of the Income Tax Ordinance, 2001 against which deferred tax asset has been recorded as it is expected to be realized in subsequent tax years.

	September 30, 2024 (Un-audited)	September 30, 2023 (Un-audited)
	- - - - - - - - Rupees - - - - - - - -	

29 TAXATION

For the year		
- current	-	-
- deferred	(2,214,859)	60,361,973
	(2,214,859)	60,361,973
For prior year		
- current	-	-
- deferred	-	-
	-	-
	(2,214,859)	60,361,973

29.1 The Finance Act 2007 had introduced amendments to the Income Tax Ordinance, 2001, through which income of Microfinance Banks has been conditionally exempted from tax for five years commencing 1 January 2008 under clause 66 (viii) of Part I of the Second Schedule. However, the Finance Act 2007 had also introduced the Seventh Schedule to the Income Tax Ordinance, 2001 which is applicable to Banking Companies. Under Rule 8 of the Seventh Schedule, no exemptions of the Second Schedule are to apply to Banking Companies. The exemption of Clause 66 (viii) therefore appears to be overruled by Rule 8 of the Seventh Schedule. However, based on the opinion of the Bank's lawyer, the Bank continues to prepare and submit its tax returns as a microfinance institution and does not follow the Seventh Schedule.

	September 30, 2024 (Un-audited)	September 30, 2023 (Un-audited)

30 LOSS PER SHARE - BASIC AND

Loss after taxation (Rupees)	(757,677,055)	(369,810,248)
Weighted average number of ordinary shares (Numbers)	230,830,000	230,830,000
Earnings per share - basic and diluted (Rupees)	(3.28)	(1.60)

	September 30, 2024 (Un-audited)	September 30, 2023 (Un-audited)
	- - - - - - - - Rupees - - - - - - - -	

31 OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES

Loss before levies and taxation	(745,294,390)	(412,993,831)
Adjustments for non cash charges:		
Depreciation on property and equipment	43,094,854	42,817,233
Depreciation on right-of-use assets	32,498,127	40,872,670
Amortisation of intangible assets	8,844,066	5,458,194

	September 30, 2024 (Un-audited)	September 30, 2023 (Un-audited)
	- - - - - - - - Rupees	- - - - - - - -
Credit loss allowance and write-offs	422,034,775	119,727,079
Gain on disposal of fixed assets	(10,135,083)	-
Finance cost on lease obligations	32,353,189	15,836,891
Contribution to defined contribution plan	16,300,285	12,539,660
Provision for gratuity	12,337,607	11,300,000
Reversal of refundable tax	3,039,980	-
Provison for leave fare assistance	24,852	277,910
	560,392,652	248,829,637
	(184,901,738)	(164,164,194)

32 CASH AND CASH EQUIVALENTS

Cash and balances with treasury banks	- 400,524,978	130,711,106
Balances with other banks	1,679,518,704	675,712,090
	1,278,993,726	806,423,196

33 FAIR VALUE MEASUREMENT

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.

The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

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

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

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

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

	September 30, 2024 (Un-audited)			
	Level 1	Level 2	Level 3	Total
	- - - - - - - - - - - Rupees - - - - - - - - - - -			
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investmnents				
- Non-Government debt securities	20,054,268	-	-	20,054,268
	20,054,268	-	-	20,054,268
Financial assets - disclosed but not measured at fair value				
Investmnents				
- Federal Government Securities	-	317,786,758	-	317,786,758
- Non-Government debt securities	-	40,000,000	-	40,000,000
	-	357,786,758	-	357,786,758
Off-balance sheet financial instruments - measured at fair value	-	-	-	-
	20,054,268	357,786,758	-	377,841,026

	December 31, 2023 (Audited)			
	Level 1	Level 2	Level 3	Total
	- - - - - - - - - - - Rupees - - - - - - - - - - -			
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investmnents				
- Non-Government debt securities	25,194,443	-	-	25,194,443
	25,194,443	-	-	25,194,443
Financial assets - disclosed but not measured at fair value				
Investmnents				
- Federal Government Securities	-	187,072,444	-	187,072,444
- Non-Government debt securities	-	200,000,000	-	200,000,000
	-	387,072,444	-	387,072,444
Off-balance sheet financial instruments - measured at fair value	-	-	-	-
	25,194,443	387,072,444	-	412,266,887

34 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	September 30, 2024 (Un-audited)	December 31, 2023 (Audited)
	-------- Rupees --------	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	1,618,398,342	2,704,164,512

As per amendments on Prudential Regulations (R-1) issued vide BPRD Circular No. 10 of 2015 dated June 03, 2015, the minimum paid up capital requirement (MCR), free of losses for Microfinance Banks operating at national level is Rs. 1,000 million.

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

	September 30, 2024 (Un-audited)	December 31, 2023 (Audited)
	-------- Rupees --------	
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	1,378,254,163	2,477,000,000
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	1,378,254,163	2,477,000,000
Eligible Tier 2 Capital	32,960,929	70,000,000
Total Eligible Capital (Tier 1 + Tier 2)	1,411,215,092	2,547,000,000
Risk Weighted Assets (RWAs):	4,668,000,000	5,307,000,000
Common Equity Tier 1 Capital Adequacy Ratio	29.53%	46.67%
Tier 1 Capital Adequacy Ratio	29.53%	46.67%
Total Capital Adequacy Ratio	30.23%	47.99%

At present, the Bank defines capital as shareholders' equity i.e. share capital and reserves. The capital of the Bank is managed keeping in view the minimum “Capital Adequacy Ratio” (15%) required by the Prudential Regulations for Microfinance Banks / Institutions. The adequacy of the capital is tested with reference to the risk-weighted assets of the Bank. The calculation of capital adequacy enables the Bank to assess the long-term soundness. As the Bank conducts business on a wide area network basis, it is critical that it is able to continuously monitor the exposure across the entire organisation.

35. GENERAL

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

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

Where there are no amounts to be disclosed in the account captions as prescribed by BSD Circular No. 3 dated February 9, 2023 issued by the State Bank of Pakistan (SBP) in respect of forms of financial statements for Microfinance Institutions / Banks, these captions have not been reproduced in these financial statements except for the statement of financial position and profit and loss account.

36. CORRESPONDING FIGURES

Corresponding figures have been re-arranged and re-classified, wherever considered necessary, for better presentation and classification. Following major reclassification has been made during the year.

Reclassified from	Reclassified to	2023 Amount Rs.
Current income tax	Minimum tax differential	17,178,390
Operating fixed assets	Property and equipment	150,021,898
Operating fixed assets	Right-of-use assets	223,046,081
Operating fixed assets	Intangible assets	14,664,791

37. DATE OF AUTHORISATION

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

President	Chief Financial Officer	Director	Director	Director