U MICROFINANCE BANK LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

A F FERGUSON Co

INDEPENDENT AUDITOR'S REPORT

To the members of U Microfinance Bank Limited
Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of U Microfinance Bank Limited (the Bank), which comprise the balance sheet as at December 31, 2023, profit and loss account, the statement of comprehensive income , the statement of changes in equity, cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, the statement of comprehensive income, the statement of changes in equity and cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), Microfinance Institutions Ordinance, 2001 and the directives issued by the State Bank of Pakistan (SBP) in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at December 31, 2023 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

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

Management is responsible for the other information. The other information comprises the information included in the directors' report but does not include the financial statements and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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KARACHI LAHORE ISLAMABAD

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

b) the balance sheet, profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017), Microfinance Institutions Ordinance, 2001 and the directives issued by the State Bank of Pakistan and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Banks's business; and

d) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Other Matter

The financial statements of the Bank for the year ended December 31, 2022 were audited by another auditor who expressed an unmodified opinion on those statements on March 15, 2023.

The engagement partner on the audit resulting in this independent auditor's report is Mr. JehanZeb Amin.

A.F.Ferguson & Co.

Chartered Accountants
Islamabad
Date: April 30, 2024
UDIN: AR202310083Tpkj8ISXr

U MICROFINANCE BANK LIMITED
BALANCE SHEET
AS AT DECEMBER 31, 2023

	Note	December 31, 2023	December 31, 2022 (Restated)	January 1, 2022 (Restated)
		Rupees		
ASSETS				
Cash and balances with SBP and NBP	8	**5,900,415,270**	8,114,433,385	3,799,932,689
Balances with other banks / NFBIs / MFBs	9	**974,798,377**	614,055,064	6,242,036,451
Lending to financial institutions	10	**454,522,065**	6,587,370,250	-
Investments - net of provision	11	**51,690,774,064**	137,330,941,405	47,079,964,876
Advances - net of provision	12	**82,087,559,684**	55,029,764,562	39,255,788,864
Operating fixed assets	13	**7,274,639,768**	4,717,912,587	2,901,212,099
Other assets	14	**7,857,792,771**	2,257,560,339	1,216,435,390
Deferred tax asset - net	15	**3,725,213,611**	3,796,634,819	1,538,064,813
Total Assets		**159,965,715,611**	218,448,672,411	102,033,435,182
LIABILITIES				
Deposits and other accounts	16	**105,796,974,921**	92,200,411,122	55,439,112,632
Borrowings	17	**40,914,742,145**	115,134,682,263	36,850,628,369
Subordinated debt	18	**2,628,131,761**	2,834,717,863	1,799,400,447
Other liabilities	19	**4,795,658,184**	4,366,961,128	2,961,433,050
Total liabilities		**154,135,507,011**	214,536,772,376	97,050,574,498
Net assets		**5,830,208,600**	3,911,900,035	4,982,860,684
REPRESENTED BY				
Share capital	20	**5,085,714,290**	5,085,714,290	4,085,714,290
Discount on issue of share capital		**(25,714,290)**	(25,714,290)	(25,714,290)
Advance against issue of shares		**1,600,000,000**	-	1,000,000,000
Statutory and general reserve		**783,163,849**	633,083,649	633,083,649
Depositors' protection fund		**250,351,806**	182,619,010	162,449,002
Unappropriated loss		**(1,920,006,977)**	(2,024,533,104)	(951,436,136)
		5,773,508,678	3,851,169,555	4,904,096,515
Deficit on revaluation of assets	21	**(39,197,997)**	(2,014,787)	(22,936,548)
Deferred grants	22	**95,897,919**	62,745,267	101,700,717
Total capital		**5,830,208,600**	3,911,900,035	4,982,860,684

MEMORANDUM / OFF-BALANCE SHEET ITEMS 23

The annexed notes from 1 to 44 form an integral part of these financial statements.

President / Chief Executive **Chairman** **Director** **Director**

U MICROFINANCE BANK LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2023

	Note	2023	2022 (Restated)
		---------------- Rupees ----------------	
Mark-up / return / interest earned	24	34,816,278,439	18,662,454,685
Mark-up / return / interest expensed	25	(32,548,238,504)	(14,738,214,707)
Net mark-up / return / interest income		2,268,039,935	3,924,239,979
Provision against non-performing loans and advances	12.5	593,482,363	(2,390,707,941)
Provision for diminution in the value of investments	11.6	16,848,158	(16,953,035)
Bad debts written off directly - net of insurance recoveries	12.4	(97,738,271)	(453,495,303)
		512,592,250	(2,861,156,279)
Net mark-up / return / interest income after provisions		2,780,632,185	1,063,083,700
NON MARK-UP / NON INTEREST INCOME			
Fee, commission and brokerage income	26	1,901,699,403	1,361,224,108
Dividend income		3,157,662,288	1,242,807,579
Other income - net	27	918,414,252	696,789,217
Total non mark-up/ non interest income		5,977,775,943	3,300,820,903
NON MARK-UP/ NON INTEREST EXPENSES			
Administrative expenses	28	(9,852,201,279)	(6,624,349,069)
Other charges	29	(4,933,500)	(10,297,850)
Total non mark-up/ non interest expenses		(9,857,134,779)	(6,634,646,919)
		(1,098,726,651)	(2,270,742,316)
Extra ordinary / unusual items		-	-
LOSS BEFORE TAXATION		(1,098,726,651)	(2,270,742,316)
Taxation - Current	30	(682,182,409)	(850,322,952)
Prior year	30	448,183,642	31,693,787
Deferred	30	2,083,126,417	2,213,722,658
		1,849,127,650	1,395,093,493
PROFIT / (LOSS) AFTER TAXATION		750,400,999	(875,648,823)
Unappropriated profit brought forward - restated		(2,024,533,104)	(951,436,136)
Less: Other comprehensive loss		(14,556,882)	(2,162,145)
Profit / (loss) available for appropriation		(1,288,688,987)	(1,829,247,104)
APPROPRIATIONS			
Transfer to:			
Statutory reserve		(150,080,200)	-
Contribution to depositors' protection fund		(37,520,050)	-
Issue of dividend @ Rs 0.71 per ordinary share and Rs 1.57 per preference share		(443,717,740)	(195,286,000)
		(631,317,990)	(195,286,000)
Unappropriated loss carried forward		(1,920,006,977)	(2,024,533,104)
Earnings / (loss) per share - basic	31	1.46	(2.63)
Earnings / (loss) per share - diluted	31	1.05	(1.33)

The annexed notes from 1 to 44 form an integral part of these financial statements.

President/ Chief Executive | **Chairman** | **Director** | **Director**

U MICROFINANCE BANK LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023

	Note	2023	2022 (Restated)
		Rupees	
PROFIT / (LOSS) AFTER TAXATION		750,400,999	(875,648,823)
Other comprehensive (loss) / income			
Items that will not be reclassified to profit and loss account:			
Remeasurement loss on defined benefit obligation	14.5	(23,863,742)	(3,227,082)
Related tax impact		9,306,860	1,064,937
		(14,556,882)	(2,162,145)
Total Comprehensive income / (loss) for the year transferred to equity		735,844,117	(877,810,968)
Components of comprehensive income for the year not transferred to equity:			
Items that will be subsequently reclassified through profit and loss account :			
(Deficit) / Surplus on revaluation of assets transferred to profit and loss	21	(61,251,867)	9,244,225
Related tax impact		24,068,657	(3,050,594)
		(37,183,210)	6,193,631
Impact of reversal of deficit on revaluation of investments held at fair value through other comprehensive income due to change in classification		-	265,693,780
Total comprehensive income / (loss) for the year		698,660,907	(605,923,557)

The annexed notes from 1 to 44 form an integral part of these financial statements.

President/ Chief Executive | Chairman | Director | Director

U MICROFINANCE BANK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023

	Share capital	Discount on issue of share capital	Advance against issue of shares	Capital reserves: Statutory reserve	Capital reserves: Depositors' protection fund	Revenue reserve: Unappropriated profit	Total
	Rupees						
Balance as at December 31, 2021 - as previously reported	**4,085,714,290**	**(25,714,290)**	**1,000,000,000**	**633,083,649**	**158,270,912**	**(816,063,377)**	**5,035,291,184**
Effect of restatement	-	-	-	-	4,178,090	(135,372,759)	(131,194,669)
Balance as at December 31, 2021 - restated	4,085,714,290	(25,714,290)	1,000,000,000	633,083,649	162,449,002	(951,436,136)	4,904,096,515
Loss for the year - restated	-	-	-	-	-	(875,648,823)	(875,648,823)
Other comprehensive loss for the year	-	-	-	-	-	(2,162,145)	(2,162,145)
Total comprehensive income for the year	-			-	-	(877,810,968)	(877,810,968)
Transfer to statutory reserve	-	-	-	-	-	-	-
Transfer to depositors' protection fund							
- 5% of the profit after tax for the year	-	-	-	-	-	-	-
- Return on investments - net of tax	-	-	-	-	20,170,008	-	20,170,008
Transactions with owners, recorded directly in equity contributions and distributions							
Issue of dividend @ Rs 0.32 per ordinary share and Rs 0.95 per preference share	-	-	-	-	-	(195,286,000)	(195,286,000)
Additional Tier-1 Capital TFCs	1,000,000,000		(1,000,000,000)	-	-	-	-
Balance as at December 31, 2022 - restated	5,085,714,290	(25,714,290)	-	633,083,649	182,619,010	(2,024,533,104)	3,851,169,555
Balance as at January 01, 2023 - restated	**5,085,714,290**	**(25,714,290)**	**-**	**633,083,649**	**182,619,010**	**(2,024,533,104)**	**3,851,169,555**
Profit for the year	-	-	-	-	-	**750,400,999**	**750,400,999**
Other comprehensive loss for the year	-	-	-	-	-	**(14,556,882)**	**(14,556,882)**
Total comprehensive income for the year	-	-	-	-	-	**735,844,117**	**735,844,117**
Transfer to statutory reserve	-	-	-	**150,080,200**	-	**(150,080,200)**	-
Transfer to depositors' protection fund							
- 5% of the profit after tax for the year	-	-	-	-	**37,520,050**	**(37,520,050)**	-
- Return on investments - net of tax	-	-	-	-	**30,212,746**	-	**30,212,746**
Transactions with owners, recorded directly in equity contributions and distributions							
Issue of dividend @ Re 0.71 per ordinary share and Rs 1.57 per preference share	-	-	-	-	-	**(443,717,740)**	**(443,717,740)**
Advance against issue of shares	-	-	**1,600,000,000**	-	-	-	**1,600,000,000**
Balance as at December 31, 2023	**5,085,714,290**	**(25,714,290)**	**1,600,000,000**	**783,163,849**	**250,351,806**	**(1,920,006,977)**	**5,773,508,678**

The annexed notes from 1 to 44 form an integral part of these financial statements.

President/ Chief Executive | Chairman | Director | Director

U MICROFINANCE BANK LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2023

	Note	2023	2022 (Restated)
		---------- Rupees ----------	
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before taxation		(1,098,726,651)	(2,270,742,316)
Less : Transfer to depositors protection fund		(37,520,050)	-
		(1,136,246,701)	(2,270,742,316)
Adjustments for non-cash changes			
Depreciation on property and equipment	13.2	637,405,705	487,269,106
Unwinding of interest on employee loans		(76,404,858)	-
Amortization of intangible assets	13.3	127,498,776	64,555,968
Provision against non-performing advances	12.5	(593,482,363)	2,390,707,941
Advances directly written-off - net of insurance recoveries	12.4	97,738,271	453,495,303
Credit loss allowance against investments	11.6	(16,848,158)	16,953,035
Gain / (loss) on sale of fixed assets	27	4,108,241	(829,285)
Loss on initial recognition of interest free loans		387,302,022	-
Capital loss on investments	27	234,020,686	155,180,766
Depreciation of ROU Asset	13.4	635,445,694	422,029,014
Interest expense on lease liability	25	378,952,457	270,436,600
Amortization of deferred grant	27	(31,902,043)	(38,955,449)
Grant income	27	(1,043,430,467)	(262,722,613)
Provision for Workers welfare fund	29	-	-
Provision for gratuity	14.5	82,896,770	57,203,735
		823,300,733	4,015,324,121
(Increase) / decrease in operating assets			
Lending to financial institutions		6,132,848,185	(6,587,370,250)
Advances		(26,562,051,030)	(18,618,178,942)
Disbursement of advances to employees during the year		(994,163,311)	
Other assets (excluding taxes receivable)		(126,470,306)	(775,285,373)
		(21,549,836,462)	(25,980,834,565)
Increase / (decrease) in operating liabilities			
Deposits		13,596,563,799	36,761,298,490
Other liabilities (excluding gratuity and finance lease)		(277,139,283)	287,640,388
		13,319,424,516	37,048,938,878
Changes in margin accounts held against performance guarantee contracts		(5,200,000)	(2,000,000)
Repayment against advances to employee		248,767,250	-
Taxes paid		(2,174,985,603)	(818,629,165)
Contributions to gratuity fund		(90,478,362)	(80,568,301)
Net cash flow from operating activities		(10,565,254,630)	11,911,488,653
CASH FLOW FROM INVESTING ACTIVITIES			
Net investment in available-for-sale securities		50,421,465,554	(47,117,858,476)
Investment in operating fixed assets		(2,620,395,822)	(1,259,842,271)
Sale proceeds from operating fixed assets disposed-off		12,799,996	11,301,120
Net cash flow from/ (used in) investing activities		47,813,869,728	(48,366,399,627)

	Note	2023	2022 (Restated)
		---------------- Rupees ----------------	
CASH FLOW FROM FINANCING ACTIVITIES			
Payments of subordinated loan		**(206,586,103)**	1,035,317,416
Borrowings - net		**(74,219,940,120)**	78,284,053,894
Deferred grant received		**65,054,695**	-
Payments of lease obligations		**(909,910,820)**	(690,328,955)
Advance against issue of shares		**1,600,000,000**	-
Dividend paid		**(443,717,740)**	(195,286,000)
Net cash flow (used in) financing activities		**(74,115,100,088)**	78,433,756,355
Increase in cash and cash equivalents		**(36,866,484,989)**	41,978,845,381
Cash and cash equivalents at the beginning of the year		**51,847,565,518**	9,868,720,137
Cash and cash equivalents at the end of the year	32	**14,981,080,529**	51,847,565,518

The annexed notes from 1 to 44 form an integral part of these financial statements.

President/ Chief Executive **Chairman** **Director** **Director**

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

1 STATUS AND NATURE OF BUSINESS

On August 30, 2012, Pakistan Telecommunication Company Limited (PTCL) acquired 100% shareholding of Rozgar Microfinance Bank Limited, incorporated in Karachi on October 29, 2003 under the Companies Ordinance, 1984 (repealed by Companies Act, 2017), and its name was changed to U Microfinance Bank Limited (the Bank) with effect from December 07, 2012. The Bank was granted license by State Bank of Pakistan (SBP) on February 01, 2013 for commencement of nationwide microfinance banking operations.

On July 11, 2013, approval for the nationwide commercial launch of Branchless Banking Services (BBS) was received from SBP. The Bank commenced commercial operations of BBS on July 23, 2013.

The Bank's principal business objective is to assist in stimulating progress, prosperity and social peace in society through creation of income generating opportunities for the small entrepreneur and advancing microcredits as per SBP guidelines and the Microfinance Instituitions Ordinance, 2001 by way of various facilities offered by the Bank including livestock loans, housing loans, general loans, salary loans, solar financing etc. The Bank also provides branchless banking services. Further, the Bank has also obtained SBP approval for offering Islamic modes of financing and is presently offering Murabaha, Salam and Diminishing Musharika facilities. The Bank's head office and the principal place of business is located at F-7 Markaz, Islamabad, Pakistan.

The bank is a 100% subsidiary of PTCL which holds 408,571,429 (2022: 408,571,429) fully paid ordinary shares of Rs. 10 each and 100,000,000 (2022: 100,000,000) fully paid preference shares of Rs 10 each. Further, during the year the Bank has also received Rs. 1,600,000,0000 from PTCL on account of advance against issue of shares.

2 BASIS OF PRESENTATION

2.1 These financial statements have been presented in accordance with the requirements of Banking Supervision Department (BSD) Circular No. 11 dated December 30, 2003 issued by the State Bank of Pakistan (SBP) and specific SBP communciation with bank on necessary disclosures with respect to IFRS - 09.

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

3 STATEMENT OF COMPLIANCE

3.1 These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for Microfinance Institutions (MFIs). The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by Institute of Chartered Accountants of Pakistan (ICAP) as notified under Companies Act, 2017;
- Provisions of and directives issued under the Microfinance Institutions Ordinance, 2001 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) as well as Bank's specific communication with SBP on specific matters and the directives issued by the Securities and Exchange Commission of Pakistan (SECP);

Wherever the requirements of the Microfinance Institutions Ordinance, 2001, the Companies Act, 2017, or the directives issued by the SBP and the SECP differ with the requirements of the IFRSs or IFASs, the requirements of the Microfinance Institutions Ordinance, 2001, the Companies Act, 2017, and said directives shall prevail.

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

The SBP has deferred the applicability of International Accounting Standard (IAS) 39 'Financial Instruments Recognition and Measurement and IAS 40- Investment Property for Banking Companies in Pakistan through BSD Circular Letter 10 dated August 26, 2002 till further instructions. Further, the SECP has deferred the applicability of IAS 40 'Investment Property and IFRS 7 'Financial Instruments. Disclosures through its notification S.RO 633(1)/2014 dated July 10, 2014. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

4 NEW AND REVISED STANDARDS AND INTERPRETATIONS

4.1 There are certain new standards, interpretations and amendments to existing accounting and reporting standards that have become applicable to the Bank for accounting periods beginning on or after January 1, 2023. These are considered either not to be relevant or not to have any significant effect on the Bank's financial statements.

4.2 Following standards have been issued by the International Accounting Standards Board (IASB), which are yet to be notified or declared exempt by the Securities and Exchange Commission of Pakistan (SECP) as at December 31, 2023 for the purpose of their applicability in Pakistan:

IFRS 1	First Time Adoption of International Financial Reporting Standards
IFRS S1	General Requirements for Disclosure of Sustainability-related Financial Information
IFRS S2	Climate-related disclosures
IFRIC 12	Service concession arrangements

4.3 Following standards and amendments to published accounting standards will be effective in future periods and have not been early adopted by the Bank.

		Effective date (annual reporting periods beginning on or after)
IAS 1	Non current liabilities with covenants (Amendments)	January 1, 2024
IAS 7	Statement of Cash Flows (Amendments)	January 1, 2024
IFRS 7	Financial Instruments: Disclosures (Amendments)	January 1, 2024
IFRS 16	Sale and lease back (Amendments)	January 1, 2024
IAS 21	Lack of exchangeability (Amendments)	January 1, 2025
IFRS 17	Insurance Contracts	January 1, 2026

The management does not anticipate early adoption of above standards and amendments and is currently evaluating the impact of adopting these standards.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments / estimates and associated assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These judgments / estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the estimates about carrying value of assets and liabilities that 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. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have significant effect on the amounts recognized in the financial statements are discussed in following paragraphs:

(a) Classification and valuation of investments (notes 7.4, 11 and 21);
(b) Expected credit losses on advances (notes 7.1, 12, 39.2.1, 39.2.2, 39.2.3 and 39.2.4)
(c) Accounting for employees defined benefit plan (notes 7.10.3 and 14.5);
(d) lease liability and related right-of-use assets under IFRS 16 (notes 7.6.1, 7.7, 13.4, 19.3 and 19.4)
(e) depreciation / amortisation of fixed assets and intangible assets (notes 7.6.1, 7.6.3, 13.2, 13.3 and 28);
(f) Contingent assets and liabilities, provisions against off balance sheet obligations (note 23)
(g) Assumption and estimation in recognition of provision for taxation (current and prior years) and deferred taxation (notes 7.8, 15 and 30);

6 BASIS OF MEASUREMENT

6.1 Accounting convention

These financial statements have been prepared under the historical cost convention except for the following:

(a) obligation in respect of staff retirement benefit has been carried at present value of defined benefit obligation in accordance with the requirements of IAS - 19;

(b) certain advances disbursed at lower than market rate have been carried at fair value in accordance with the requirements of IFRS - 9;

(c) Advances to employees disbursed at interest free or lower than market rate have been carried at fair value in accordance with the requirements of IFRS - 9;

(d) Certain borrowings obtained at lower than market rate have been carried at fair value in accordance with the requirements of IFRS - 9;

(e) Certain investments classified as FVOCI and FVPL are carried at fair value in accordance with the requirements of IFRS - 9;

(f) Lease liability and related right-of-use assets which have been carried at their present value in accordance with the requirements of IFRS - 16;

(g) Grant receivable which has been carried at their present value in accordance with the requirements of IFRS - 9.

6.2 Functional and presentation currency

These financial statements are presented in Pakistan Rupees (Rupees), which is the Bank's functional currency. All financial information presented has been rounded to the nearest of Rupees, unless otherwise stated.

7 MATERIAL ACCOUNTING POLICIES

The material accounting policies followed in preparation of these financial statements are set out below:

7.1 Financial assets and financial liabilities

Financial assets and financial liabilities are recognised when the entity becomes party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade date, the date on which the Bank commits to purchase or sell the asset.

Financial instruments – initial recognition

All financial assets are initially recognised on the trade date, i.e. the date at which the Bank becomes a party to the contractual provisions of the instruments. This includes purchases or sale of financial assets that require delivery of asset within the time frame generally established by regulations in market conventions.

All financial assets and financial liabilities are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss where transaction cost is taken directly to the profit and loss account

7.1.1 CLASSIFICATION AND MEASUREMENT

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and loss ("FVTPL"). This classification is generally based on the business model in which a financial asset is managed and is based on its contractual cash flows.

Financial assets

IFRS has different requirements for debt or equity financial assets. Debt instruments are classified and measured either at:

- Amortized cost, where the effective interest rate method will apply;
- Fair value through other comprehensive income, with subsequent recycling to the statement of profit or loss upon disposal of the financial asset; or
- Fair value through profit or loss.

Equity instruments, other than those to which consolidation or equity accounting apply, are classified and measured either at:

- Fair value through profit or loss; or
- Fair value through other comprehensive income, with no subsequent recycling to the statement of profit or loss upon disposal of the financial asset (if the instrument by instrument option is to classify at fair value through other comprehensive income is elected).

When classifying a financial asset (other than derivatives and equity instruments), IFRS requires that the contractual cash flows test is performed, commonly referred to as the solely payments of principal and interest test ("SPPI") test. If an instrument fails the SPPI test, it is classified as Fair Value through profit or loss. When an instrument passes the SPPI test, it undergoes the business model test, on a portfolio level.

Business model	Classification basis
Hold to collect	Portfolio accounted at amortized cost
Hold to collect and sell	Portfolio accounted at fair value through other comprehensive income with recycling
Others	Portfolio accounted at fair value through profit or loss

All instruments held for trading are classified as Fair value through profit or loss.

Equity instruments are by default classified as fair value through profit or loss, however, the Bank has an irrevocable choice on an instrument by instrument basis, to elect that the fair value changes on the equity investment are accounted for through other comprehensive income. Upon disposal of the investment, the gain or loss on disposal is recognized in equity. Dividends received are recognized in the profit and loss account. The following table summarizes the two-stage approach for financial assets classification on their initial recognition.

At initial recognition		Contractual cash flow characteristics test	
		Pass	Fail
Business model	Held within a business model whose objective is to hold financial assets in order to collect contractual cash flows	Amortized cost	Fair value through profit or loss (FVTPL)
	Held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets	Fair value through other comprehensive income (FVOCI) with recycling (debt)	Fair value through profit or loss (FVTPL)
	Financial assets which are neither held at amortized nor at fair value through other comprehensive income	Fair value through profit or loss (FVTPL)	Fair value through profit or loss (FVTPL)
Options	Conditional fair value option is elected	Fair value through profit or loss (FVTPL)	Fair value through profit or loss (FVTPL)
	Option elected to present changes in fair value of an equity instrument not held for trading in OCI	N/A	Fair value through other comprehensive income (FVOCI) without recycling

Financial liabilities

All financial liabilities are carried at amortized cost (i.e. loan payables) and are subsequently accounted in accordance with the effective interest rate method.

Recognition and measurement

The Bank recognizes a financial asset or a financial liability in its financial statements when and only when it becomes a party to the contractual provisions of the instrument.

Initial measurement of financial assets and financial liabilities

Financial assets and liabilities not measured at fair value through profit or loss

When a financial asset or financial liability is recognized initially, the Bank measures it at its fair value plus or minus, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Examples of transaction costs include fees and commissions paid to agents such as broker commissions and stamp duty.

Financial assets and liabilities at fair value through profit or loss.

Financial asset or financial liability are measured at initial recognition at the fair value excluding transaction costs. Transaction costs for this class of financial instrument are recognized directly in the profit and loss account.

Subsequent measurement of financial assets

Financial assets can be categorized into the following categories:

i. Amortized cost (expected credit losses need to be provided);

ii. Fair value through other comprehensive income with recycling (expected credit losses need to be provided);

iii. Fair value through other comprehensive income without recycling (for equity instruments for which the FVOCI option was elected)

iv. Fair value through profit and loss.

The categorization of the instrument determines the manner of subsequent measurement.

7.1.2 DERECOGNITION

Financial assets
A financial asset is derecognized when, and only when:

- the contractual rights to the cash flows from the financial asset expire; or
- the entity transfers the financial asset and the transfer qualifies for derecognition (substantially all risks and rewards are transferred meaning that no control is retained).

Financial liabilities
A financial liability (e.g. debt) is derecognized from the balance sheet when it is extinguished, that is when the obligation is discharged, cancelled or expired. This condition is met when the debtor either:

- Discharges the liability (or part of it) by paying the creditor, normally with cash, other financial assets, goods or services; or
- is legally released from primary responsibility for the liability (or part of it) either by process of law or by the creditor.

7.1.3 IMPAIRMENT REQUIREMENT FOR FINANCIAL ASSETS

a) Impairment of financial assets:

The IFRS 9 replaced credit loss measurement method with an 'expected credit loss' model ("ECL"). The IFRS 9 requires the bank to record an allowance for ECLs for all financial assets not held at FVTPL. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination.

The Bank assesses impairment of financial assets measured at amortized cost and FVOCI at the end of each reporting period. Measurement of expected losses reflects:

- A considered and unbiased, probability-weighted amount;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort and that reflects past events, current conditions and forecasts of future economic conditions.

IFRS 9 establishes two approaches for measuring impairment i.e. general and simplified. Under the general approach, impairment is generally measured as either 12 months ECL or lifetime ECL relevant for banks and financial institutions. The measurement basis depends on whether there has been a significant increase in credit risk of a financial instrument at the reporting date since its initial recognition. The Bank has identified basis of ECL computation for following stages:

Stage 1: When loans are first recognized, the Bank recognizes an allowance based on 12 months ECLs. 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 Lifetime ECLs. 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 lifetime ECL

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

b) Staging of Advances

The staging guidelines applicable on the Bank has been adopted from State Bank of Pakistan (SBP) guidelines:

General loans	Classification	Days due	Stage allocation under IFRS 9	Provision to be made
	Performing	1 - 29	Stage 1	As per IFRS 9 ECL modelling
	Underperforming (OAEM)	30 - 59	Stage 2	
	Non-performing			
	Substandard	60 - 89	Stage 3	***whichever is higher***
	Doubtful	90 - 179		(a) IFRS 9 ECL
	Loss	180 or more		(b) PR's requirements

Microenterprise	Classification	Days due	Stage allocation	Provision to be made
	Performing	1 - 89	Stage 1	As per IFRS 9 ECL modelling
	Underperforming (OAEM)	90 - 179	Stage 2	
	Non-performing			
	Substandard	180 - 364	Stage 3	***whichever is higher***
	Doubtful	365 - 546		(a) IFRS 9 ECL
	Loss	547 or more		(b) PR's requirements

Staging as described above are alligned with the classification criteria as specified by SBP through it's circular dated March 16, 2022, SBP AC&MFD circular No. 02 of 2022

Advances are stated net of general and specific provision. The outstanding principal and mark-up of the loans and advances, payments against which are overdue for 30 days or more are classified as non-performing loans (NPLs). The unrealized interest / profit / markup / service charges on NPLs is suspended and credited to interest suspense account. Further the NPLs based on days passed due (DPD) are divided into following categories:

Classification	DPD Criteria		
Days passed due based classification (DPD)	General loans	Housing loans	Microenterprise loans
OAEM	30-59	90-179	90-179
Substandard	60-89	180-364	180-364
Doubtful	90-179	365-729	365-729
Loss	180-209	730-1944	730-1944
Write off	=>210	=>1945	=>1945
Markup Suspension percentage			
OAEM	0%	0%	100%
Substandard	100%	100%	100%
Doubtful	100%	100%	100%
Loss	100%	100%	100%
Write off	100%	100%	100%

c) Significant increase in credit risk

A financial asset is considered to have had a significant deterioration in its credit quality, when following factors exists:

i. ***Quantitative factor:*** 30 days or more past due for general loans and 90 days or more past due for microenterprise loans;

Qualitative factors:

ii. Restructuring/Rescheduling due to credit reasons;
iii. Unavailable/inadequate financial information/financial statements;
iv. Expectation of forbearance (restructuring/rescheduling) occurring;
v. Qualified report by external auditors;
vi. Significant contingent liabilities;
vii. Pending litigation resulting in a detrimental impact;
viii. Loss of key staff to the organization;
ix. Increase in operational risk and higher occurrence of fraudulent activities;

x. Borrower is the subject of litigation by third parties that may have a significant impact on his financial position;
xi. Frequent changes in senior management;
xii. Intra-group transfer of funds without underlying transactions; and
xiii. Deferment/delay in the date for commencement of commercial operations by more than one year.

Transfer From Stage 2 to Stage 1: Where there is evidence that there is significant reduction in credit risk, the FIs would continue to monitor such financial instruments / credit exposures for a probationary period (as decided by the FIs) to confirm if the risk of default has decreased sufficiently before upgrading such exposure from Lifetime ECL (Stage 2) to 12-months ECL (Stage 1).

d) Key assumptions used in calculation of ECL:

Expected credit loss is a product of: *Probability of default ("PD") x Loss given default ("LGD") x Exposure at default ("EAD")*

Probability of default:

Probability of default is a term ascribed to the likelihood of a default over a specified period that a borrower will not be able to repay the amount due.

Many models have been developed by statisticians to estimate probability of default for portfolios with varying default rates. These models take into account a number of factors such as debtor characteristics including third-party-credit-risk-ratings, days past due, past default rates, macroeconomic factors, and asset correlation to estimate future PDs associated with the financial exposures of an entity. Based on analysis performed on available data, flow rate migration matrix have been found most suitable for estimation of probability of default. Accordingly, the Bank has computed loss rates for its advances using flow rate by observing default behaviour over the period of 5 years as suggested by BASEL II.

The flow rates have been determined using month on month movement of number of borrowers from one bucket to another. In order to arrive at loss rate the product of average flow rates and LGD was taken.

Forward looking information:

IFRS 9 requires incorporating future economic conditions into the measurement of ECL that has been described in the notes to the financial statements in note 39.2.4

Loss given default (LGD):

Loss given default is the loss expected to be suffered should the counterparty default and is set as a percentage. To estimate LGD, specific and accurate recovery data is to be made available. In the absence of this information, the Bank, in accordance with the application instructions issued by SBP vide Circular No. 03 dated July 5, 2022, has used LGD percentages of 35% for secured portfolio and 45% for unsecured portfolio.

Exposure at default (EAD):

Exposure at default is the value of the contractual obligation that must be fulfilled by the obligor under the contract at the time of default. Therefore, EAD represents the amount of potential exposure that is at risk.

In case of advances, the EAD is to be calculated by amortizing loans over their tenures. The EAD is to be bifurcated into stage 1, stage 2 and stage 3 using low risk, significant increase in credit risk and default definitions. Further, the SBP guidelines require that loan rescheduled should be considered as an indicator of significant increase in credit risk. Therefore, the rescheduled portfolio has been classified in stage 2 or above.

e) ECL on government guaranteed credit exposure

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

f) Two track approach for stage 3 loans

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

g) Write - offs

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

7.2 Cash and cash equivalents

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

7.3 Sale and repurchase agreements

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

7.4 Investments

All regular way purchases / sales of investments are recognised on the trade date, i.e., the date the Bank commits to purchase / sell the investments. Regular way purchases or sales of investments require delivery of securities within the time frame generally established by regulation or convention in the market place. All investments are derecognized when the right to receive economic benefits from the investments has expired or has been transferred or the Bank has transferred substantially all the risks and rewards of ownership.

The investments of the Bank, upon initial recognition, are classified as:
- Amortized cost, where the effective interest rate method will apply;
- Fair value through other comprehensive income, with subsequent recycling to the statement of profit or loss upon disposal of the financial asset; or
- Fair value through profit or loss.

Investments (other than fair value through profit or loss) are initially measured at fair value plus transaction costs associated with the investments. Investments held at fair value through profit or loss are initially measured at fair value and transaction costs are expensed out in the profit and loss account.

Subsequent recognition of investment in above-mentioned categories is as follows;

Fair value through profit or loss

These represent securities acquired with the intention to trade by taking advantage of short-term market/ interest rate movements. After initial measurement, these are carried at fair value and surplus/ deficit arising on revaluation of these investments is taken to profit and loss account.

Amortised cost

Investments with fixed maturity, where management has both the intent and the ability to hold till maturity, are classified at amortized cost. Subsequent to initial recognition at cost, these investments are measured at amortized cost, less provision for impairment in value, if any, and amortized cost is calculated taking into account effective interest rate method. Markup earned on investments held at amortised cost is recognized using effective interest rate and is taken into profit and loss account.

Fair value through other comprehensive income

These are investments which do not fall under the fair value through profit or loss (FVTPL) and amortised cost categories. After initial measurement, such investments are measured at fair value. The surplus / (deficit) arising on revaluation is shown in the balance sheet below equity which is taken to the profit and loss account when actually realised upon disposal.

Premium or discount on securities classified as FVTOCI and amortised cost is amortised using effective interest method and taken to the profit and loss account.

7.5 Advances

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

7.6 Operating fixed assets

7.6.1 Property and equipment

Owned

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

Depreciation is charged on the straight line at rates specified in note 13.2 to the financial statements, so as to write off the cost of assets over their estimated useful lives. Full month's depreciation is charged in the month of acquisition while no depreciation is charged in the month of disposal.

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

Right of use assets

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

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

Right-of-use assets are depreciated over their expected useful lives using the straight-line method as disclosed in note 13.4 to the financial statements . Depreciation on additions (new leases) is charged from the month in which the leases are entered into. No depreciation is charged in the month in which the leases mature or are terminated.

7.6.2 Capital work-in-progress

All expenditure connected with specific assets incurred during installation and development period are carried under capital work in progress. These are transferred to specific assets as and when these are available for intended use. Capital work in progress is stated at cost less accumulated impairment losses, if any.

7.6.3 Intangible assets

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

Intangible assets comprise of computer software and related applications. Intangible assets are amortized over their estimated useful lives at rate specified in note 13.3 to the financial statements. Subsequent expenditure is capitalized only when it increases the future economic benefit embodied in the specific asset to which it relates. All other expenditure is recognized in profit and loss account as incurred.

The residual value, useful life and amortisation method is reviewed and adjusted, if appropriate, at each reporting date.

7.6.4 Impairment of operating fixed assets

The carrying value of the operating fixed assets is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the relevant asset is adjusted.

7.7 Lease liability

The lease liabilities are initially measured as the present value of the remaining lease payments, discounted using the interest rate implicit in lease (IRIL) or the Bank's incremental weighted average borrowing rate if IRIL is not available.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating a lease, if the lease term reflects the Bank exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

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

Each lease payment is allocated between a reduction of the liability and a finance cost as disclosed in note 19.3 to the financial statements. The finance cost is charged to the profit and loss account as Finance cost over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Short-term leases

The Bank applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

7.8 Taxation

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

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

Current tax

Current tax comprises the expected tax payable or refundable on the taxable income or loss for the year and any adjustment to the tax payable or refundable in respect of previous years. The amount of current tax payable or refundable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. The charge for current taxation is based on taxable income at current rates of taxation enacted or substantially enacted at the reporting date, after taking into consideration available tax credits, rebates and tax losses, if any. Current tax assets and liabilities are offset if certain criteria are met.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax is not recognised for:

- temporary differences on initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Bank is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for the Bank and the reversal of temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves. Unrecognized deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

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

Group taxation

The Bank is taxed as a one fiscal unit along with the Parent Company and its other wholly owned subsidiaries under section 59AA to the Income Tax Ordinance, 2001. Current and deferred income taxes are recognised by each entity within the Group in their respective profit and loss account, regardless of who has the legal rights or obligation for the recovery or payment of tax from or to the tax authorities. However, tax liability / receivable is shown by the Parent Company, on submission of annual tax return, who has the legal obligation to pay or right of recovery of tax from the taxation authorities. Balances between the group entities on account of group tax is shown as other receivable / liability by the respective group entities.

7.9 Deposits, borrowings and subordinated debt

Deposits, borrowings and subordinated debt represents sources of funding of the Bank. Deposits, debt securities in issue and subordinated liabilities are initially measured at fair value minus incremental direct transaction costs. Subsequently, they are measured at their amortised cost using the effective interest method, except where the Bank designates liabilities at FVTPL.

7.10 Employee benefits

7.10.1 Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

7.10.2 Defined contribution plan – provident fund

The Bank operates a defined contribution provident fund scheme for permanent employees. Equal contributions to the fund are made monthly by the Bank and employees at an agreed rate of salary (8% of the basic salary of the employee), the fund is managed by its Board of Trustees. The contribution of Bank is charged to profit and loss account.

7.10.3 Staff retirement benefit - gratuity

The Bank operates approved defined benefit plan comprising funded gratuity scheme covering all eligible employees completing the minimum qualifying period of service (three years) as specified by the scheme.

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

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses are recognised immediately in other comprehensive income. The Bank determines the net interest expense on the net defined benefit liability for the year by applying the discount rate used to measure the defined benefit liability at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the year as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plan are recognised in profit and loss account.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit and loss account. The Bank recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

7.11 Reserves

7.11.1 Statutory reserve

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

7.11.2 Depositors' protection fund (DPF)

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

7.11.3 Cash reserve

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

7.11.4 Statutory liquidity requirement

In compliance with the related regulatory requirements, the Bank is required to maintain liquidity equivalent to at least 10% of its total demand and time liabilities with tenor of less than one year in form of liquid assets i.e. cash, gold, unencumbered treasury bills, Pakistan Investment Bonds and Government of Pakistan sukuk bonds. Treasury bills and Pakistan Investment Bonds held under depositor protection fund are excluded for the purpose of determining liquidity.

7.12 Grants

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

7.13 Provisions

A provision is recognized when, and only when, the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessment of time value of money and risk specific to the liability. The unwinding of discount is recognised as interest expense.

7.14 Revenue recognition

7.14.1 Mark up / Return / Interest earned on advances

i ***Effective interest rate***

Mark up income is recognised in profit and loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset.

When calculating the effective interest rate for financial assets other than purchased or originated credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not ECL.

ii ***Calculation of interest income***

The effective interest rate of a financial asset is calculated on initial recognition of a financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired). The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating-rate instruments to reflect movements in market rates of interest.

7.14.2 Income from investments

Income on investments is recognized on accrual basis or the effective interest rate method where applicable. Where debt securities are purchased at premium or discount, those premiums / discounts are made part of EIR of investments.

7.14.3 Fee, commission and brokerage income

Fee, commission and brokerage income, other than loan processing fee and participating fee are recognized as services are performed. Loan processing fee and participating fee are made part of the related financial instrument and recognised over the period of the asset through effective interest rate.

7.14.4 Income on inter bank deposits

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

7.14.5 Dividend Income

Dividend income is recognized when the Bank's right to receive the dividend is established.

7.15 Borrowing costs

Borrowing costs are recognized as an expense in the period in which they are incurred except where such costs relate to the acquisition, construction or production of a qualifying asset in which case such costs are capitalized as part of the cost of that asset.

7.16 Off-setting

Financial assets and financial liabilities and tax assets and tax liabilities are only off-set and the net amount is reported in the financial statements when there is a legally enforceable right to set off the recognized amount and the Bank intends either to settle on net basis or to realize the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also off-set and the net amount is reported in the financial statements.

7.17 Foreign currency transactions and translation

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

7.18 Earnings per share

The Bank presents earnings per share (EPS) for its ordinary shares which is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effect of all dilutive potential ordinary shares.

7.19 Share capital and dividend

Ordinary shares are classified as equity and recognised at their face value. Dividend distribution to the shareholders is recognised as liability in the period in which it is declared.

7.20 Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Bank's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When one is available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit and lo+B79ss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

	Note	2023	2022
		------------- Rupees -------------	
8 CASH AND BALANCES WITH SBP AND NBP			
Cash in hand - local currency		**1,734,737,074**	1,640,403,221
Balance with State Bank of Pakistan (SBP)	8.1	**4,157,394,719**	6,473,252,187
Balance with National Bank of Pakistan (NBP) in Current account		**8,283,477**	777,977
		5,900,415,270	8,114,433,385
Less: Credit loss allowance against cash and balances with SBP and NBP		-	-
		5,900,415,270	8,114,433,385

8.1 This includes balance maintained with SBP to comply with the requirement of Prudential Regulations for Microfinance Banks to maintain minimum cash reserve not less than 5% (2022:5%) of the Bank's time and demand deposits liabilities with tenure of less than one year.

	Note	2023	2022
		------------- Rupees -------------	
9 BALANCES WITH OTHER BANKS / NBFIs / MFBs			
In Pakistan			
Local currency current accounts	9.1	**234,019,379**	36,700,458
Local currency deposit accounts	9.2	**740,778,998**	577,354,606
		974,798,377	614,055,064
Less: Credit loss allowance against balance with other banks		-	-
		974,798,377	614,055,064

9.1 This includes Rs 18 million (2022: Rs 12.8 million) held as deposit under lien in respect of standby letter of guarantee issued to China Union Pay International.

9.2 Deposit accounts carried interest at rates ranging from 16% to 23.5% (2022: 7% to 18.25%) per annum.

9.3 It includes Rs 250.35 million (2022: Rs 182.62 million) maintained with SBP under Depositors' Protection Fund.

	Note	2023	2022
		------------- Rupees -------------	
10 LENDING TO FINANCIAL INSTITUTIONS			
Repurchase agreement lendings (Reverse repo)	10.1 & 10.2	**454,522,065**	6,587,370,250
Less: Credit loss allowance against lendings to financial institutions		-	-
		454,522,065	6,587,370,250

10.1 These are secured against underlying Market Treasury Bills. The differential between the contracted rate and resale price is amortized over the period of related contracts and recorded under mark-up / return / interest earned. These carried mark-up at the rate of 22.80% (2022: 16.10% to 16.90%) per annum with maturity on January 2, 2024.

10.2 Securities held as collateral against lending to financial institutions

	Held by Bank	Further given as collateral	Total
As at December 31, 2023			
Market treasury bills	**550,000,000**	-	**550,000,000**
As at December 31, 2022			
Market treasury bills	6,593,173,250	-	6,593,173,250

SKFL.

		Note	2023	2022
			---------- Rupees ----------	
11	**INVESTMENTS - NET OF PROVISIONS**			
	Amortized cost			
	Pakistan Investment Bonds (PIBs)	11.1	**4,735,770,412**	5,690,878,066
			4,735,770,412	5,690,878,066
	Fair Value Through Profit and Loss (FVTPL)			
	Treasury bills (T-bills)	11.3	-	20,326,564,569
	Pakistan Investment Bonds (PIBs)	11.1	-	51,120,967,624
			-	71,447,532,193
	Mutual Funds	11.2	**5,570,318,668**	21,971,006,621
	Term Finance Certificates	11.5	**2,443,071,770**	2,268,756,526
			8,013,390,438	24,239,763,147
			8,013,390,438	95,687,295,340
	Fair Value Through Other Comprehensive Income (FVOCI)			
	Treasury bills (T-bills)	11.3	**11,292,747,168**	34,467,224,935
	Pakistan Investment Bonds (PIBs)	11.1	**25,286,798,125**	-
	Ijarah Sukuks	11.4	**2,129,769,114**	993,894,737
	Private sukuks	11.5	**296,662,696**	511,608,507
	Credit loss allowance	11.6	**(104,877)**	(16,953,035)
	Deficit on revaluation of FVTOCI Investment	21	**(64,259,012)**	(3,007,145)
			38,941,613,214	35,952,767,999
			51,690,774,064	137,330,941,405

11.1 The Pakistan Investment Bonds (PIBs) carry mark up at the rate of 9% to 23.39% per annum (2022: 9% to 17.67% per annum) and are due to mature from December 2023 to November 2027. This includes PIBs with face value of Rs 20,733 million pledged against borrowings from Askari Bank Limited and Bank Alfalah Limited.

11.2 This represents investments in open ended mutual funds and are measured at fair value through profit or loss. Fair value of these investments is determined using quoted repurchase price.

11.3 This represents market treasury bills (T-Bills) carrying interest rate ranging from 21.10% to 21.50% per annum (2022: 15.55% to 16.95% per annum) and maturities ranging from 25 to 360 days (2022: 36 to 97 days).

11.4 Ijarah Sukuk carries mark up at the rate of 16.43% to 21.84% per annum (2022: 16.45% to 19.30% per annum) and are due to mature from December 2024 to December 2025. This includes sukuks with face value of Rs 800 million pledged against borrowing from Meezan Bank.

11.5 This represents investment in Term finance Certificates (TFCs) / private sukuks which carries mark up at the rate of 18.35% to 24.02% per annum (2022: 10.50% to 16% per annum). Included therein is an amount of Rs. 225 million representing the bank's subscription of TFCs issued by Khushali Bank limited (KBL) which carry markup at the rate of 6 months KIBOR + 4%. During the year, as a result of stated default event, the investment has been reported to have been converted into common equity shares of KBL as per the terms of the agreement. The management of Bank is not in agreement with the contention of KBL and is evaluating legal options to this effect. However, as a matter of prudence, the management has suspended the markup recognition on said investment and also recognized a revaluation loss of Rs 125 million on the subscription amount by carrying the above investment on breakup value of shares of KBL, as per the latest financial information of KBL available with the management of the Bank.

		2023	2022
		---------- Rupees ----------	
11.6	**Particulars of movement in credit loss allowance:**		
	Opening balance	**16,953,035**	-
	Charge / (reversals)		
	Charge for the year	**104,877**	16,953,035
	Reversal for the year	**(16,953,035)**	-
		(16,848,158)	16,953,035
	Closing balance	**104,877**	16,953,035

12 ADVANCES - NET OF PROVISION

		Performing				Non performing		POCI		Total	
		Stage 1		Stage 2		Stage 3		Stage 3			
		2023	2022 (Restated)	2023	2022 (Restated)	2023	2022 (Restated)	2023	2022 (Restated)	2023	2022 (Restated)
		Rupees									
Loan type											
Micro credit											
Secured		45,558,639,332	32,264,501,067	346,407,950	63,717,048	197,307,301	148,046,091	-	-	46,102,364,683	32,476,264,206
Unsecured		24,649,793,398	14,130,746,035	10,076,582,628	13,364,166,192	3,178,674,831	1,034,054,336	674,143,989	-	38,579,194,846	28,528,966,563
Islamic financing		3,642,102,767	614,078,037	112,950,700	1,724,821	73,378,329	-	-	-	3,828,431,786	615,602,858
Staff loan	12.1	230,353,687	-	-	-	-	-	-	-	230,353,687	-
Advances - gross		74,080,889,174	47,009,325,139	10,535,941,278	13,429,608,061	3,449,360,461	1,162,100,427	674,143,989	-	88,740,334,902	61,621,033,627
Credit loss allowance against advances											
- Stage 1		(1,120,782,752)	(819,302,320)	-	-	-	-	-	-	(1,120,782,752)	(819,302,320)
- Stage 2		-	-	(3,851,743,209)	(5,260,947,426)	-	-	-	-	(3,851,743,209)	(5,260,947,426)
- Stage 3		-	-	-	-	(1,376,885,401)	(511,019,319)	(303,363,856)	-	(1,680,249,257)	(511,019,319)
		(1,120,782,752)	(819,302,320)	(3,851,743,209)	(5,260,947,426)	(1,376,885,401)	(511,019,319)	(303,383,856)	-	(6,652,775,218)	(6,591,269,065)
Advances - net of credit loss allowance		72,960,106,422	46,190,022,819	6,684,198,069	8,168,660,635	2,072,475,080	671,081,108	370,780,133	-	82,087,659,684	55,029,764,562

12.1 Staff loan includes Exposure at Default (EAO) of Rs. 63.32 million (2022: Rs. nil) given to Ex-CEO & President of the Bank and an aggregate EAD of Rs. 167.03 millon (2022: Rs. nil) given to executives.

12.2 Advances - Particulars of credit loss allowance

12.2.1 Advances - Exposure

	2023				2022 (Restated)			
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
	Rupees				Rupees			
Gross carrying amount at beginning of the year	47,009,325,139	13,429,608,081	1,182,100,427	-	30,860,126,405	12,093,982,352	1,291,876,808	-
New advances	73,344,072,789	-	-	674,143,989	52,601,685,302	-	-	-
Advances derecognized or repaid	(38,126,381,082)	(7,048,320,438)	(97,884,584)	-	(26,134,551,918)	(7,921,012,639)	(559,293,407)	-
Transfer to stage 1	76,155,248	(68,641,321)	(7,513,927)	-	106,841,452	(20,920,135)	(85,921,317)	-
Trensfer to stage 2	(814,837,154)	821,505,377	(6,668,223)	-	(609,729,228)	611,980,627	(2,251,399)	-
Transfer to stage 3	(1,578,031,214)	(1,228,199,308)	2,806,230,520	-	(712,457,917)	(523,718,626)	1,236,176,542	-
	32,900,978,5[illegible]	(7,523,655,690)	2,894,163,786	674,143,989	25,251,787,691	(7,853,670,773)	588,710,419	-
Amounts written off / charged off	-	-	(406,776,983)	-	-	-	(335,282,962)	-
Other changes	(5,829,414,552)	4,629,988,907	(20,126,769)	-	(9,102,588,957)	9,189,296,482	(363,203,839)	-
Closing balance	74,080,889,174	10,635,941,278	3,449,360,461	674,143,989	47,009,325,139	13,429,608,061	1,182,100,427	-

12.2.2 Advances - Credit loss allowance

	2023				2022 (Restated)			
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Balance at baginning of tha year	819,302,320	5,260,947,428	511,019,319	-	120,759,675	3,699,541,493	318,167,656	-
New advances	2,192,905,877	-	-	303,363,856	4,485,131,776	-	-	-
Advances derecognized or repaid	(327,471,582)	(2,719,920,300)	(24,022,072)	-	(75,408,315)	(2,564,267,437)	(142,761,119)	-
Transfer to Stage 1	28,329,435	(24,140,566)	(4,188,869)	-	26,354,789	(1,897,010)	(24,457,780)	-
Transfer to Stage 2	(52,389,229)	55,954,588	(3,585,359)	-	(7,024,552)	7,737,897	(713,345)	-
Transfar to Stage 3	(91,263,936)	(324,630,854)	415,894,790	-	(11,731,440)	(64,981,924)	76,713,364	-
	1,750,130,565	(3,012,737,132)	384,098,491	303,363,856	4,417,322,258	(2,623,408,474)	(91,218,880)	-
Amounts written off / charged off	-	-	(406,778,983)	-	-	-	(335,282,982)	-

[illegible]

12.3 Advances - Credit loss allowance details

	2023				2022 (Restated)			
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
	Rupees				Rupees			
Outstanding gross exposure								
Performing - note 12.3.1	74,080,889,174	8,583,530,138	165,727,589	674,143,989	47,009,325,139	13,004,092,895	-	-
Under Performing								
Other assets especially mentioned	-	1,952,411,140	17,249,753		-	425,515,166	-	-
Non - Performing								
Substandard	-	-	1,406,820,011	-	-	-	630,267,680	-
Doubtful	-	-	887,920,512	-	-	-	353,133,758	-
Loss	-	-	971,642,596	-	-	-	198,698,989	-
	-	-	3,266,383,119	-	-	-	1,182,100,427	-
Total	74,080,889,174	10,535,941,278	3,449,360,461	674,143,989	47,009,325,139	13,429,608,061	1,182,100,427	-
Corresponding credit loss allowance								
Stage 1	(1,120,782,752)	-	-	-	(819,302,320)	-	-	-
Stage 2	-	(3,851,743,209)	-	-	-	(5,260,947,426)	-	-
Stage 3	-	-	(1,376,885,401)	(303,363,856)	-	-	(511,019,319)	-
	(1,120,782,752)	(3,851,743,209)	(1,376,885,401)	(303,363,856)	(819,302,320)	(5,260,947,426)	(511,019,319)	-

12.3.1 This portfolio is classified into different stages based on SBP Implementation guidance for IFRS-9 and specific communication by the bank with the SBP.

12.4 Particulars of write offs / charge offs

	2023	2022 (Restated)
	Rupees	
Against credit loss allowance	(406,776,983)	(335,282,962)
Directly charged to profit & loss account	(97,738,271)	(453,495,303)
	(504,515,254)	(788,778,265)

12.5 Movement in impairment allowance for credit losses is as follows:

	2023	2022 (Restated)
Balance at beginning of the year	6,591,269,065	4,338,468,826
Impairment charge for the year	(593,482,363)	2,390,707,941
Write off reversals	815,758,600	-
Write off recoveries	246,006,899	197,375,260
Advances written off during the year	(406,776,983)	(335,282,962)
Balance at end of the year	6,652,775,218	6,591,269,065

		Note	2023	2022 (Restated)
13	OPERATING FIXED ASSETS		Rupees	
	Capital work-in-progress	13.1	1,337,964,834	651,796,724
	Property and equipment	13.2	2,534,340,819	1,524,280,420
	Intangible assets	13.3	415,044,948	259,346,638
	Right-of-use assets	13.4	2,987,289,167	2,282,488,805
			7,274,639,788	4,717,912,587

13.1 Capital work-in-progress

	2023	2022 (Restated)
Advances to suppliers/contractors	598,152,214	307,570,659
Software development	739,812,820	344,226,065
	1,337,984,834	651,796,724

13.2 Property and equipment

Particulars	COST				ACCUMULATED DEPRECIATION				Net Book value as at December 31, 2023	Rate of depreciation (%) on cost
	As at January 1, 2023	Additions	Disposal	As at December 31, 2023	As at January 1, 2023	Charge for the year	Disposal	As at December 31, 2023		
	Rupees									
Owned assets										
Furniture and fixture	296,414,452	190,539,615	(423,270)	486,530,797	107,608,153	41,556,885	(244,855)	148,920,163	337,810,634	10
Computer equipments	938,770,100	177,783,894	(6,852,288)	1,109,701,706	555,867,217	115,750,060	(5,725,612)	665,691,666	444,010,040	33
Electrical equipment	1,259,082,778	899,472,472	(2,161,055)	1,958,394,195	787,931,360	368,819,434	(1,825,179)	1,154,925,815	801,468,580	20
Vehicles	23,275,003	6,038,000	-	29,313,003	21,870,199	1,500,148	-	23,370,347	5,942,656	20
Office improvement	726,243,058	577,196,645	(3,618,966)	1,299,820,737	246,428,042	109,779,198	(1,695,412)	354,511,828	945,308,909	10
	3,243,785,391	1,651,030,626	(13,055,579)	4,881,760,438	1,719,504,971	837,405,705	(9,491,058)	2,347,419,620	2,534,340,819	

Particulars	COST				ACCUMULATED DEPRECIATION				Net Book value as at December 31, 2022	Rate of depreciation (%) on cost
	As at January 1, 2022	Additions	Disposal	As at December 31, 2022	As at January 1, 2022	Cherge for the year	Disposal	As at December 31, 2022		
	Rs				Rs				Rs	
Owned assets										
Furniture and fixture	222,308,145	74,769,696	(663,389)	296,414,452	83,099,458	24,993,641	(484,946)	107,608,153	188,806,299	10
Computer equipments	796,692,674	154,673,214	(12,595,788)	938,770,100	374,714,117	193,343,798	(12,390,698)	555,667,217	383,102,883	33
Electrical equipment	946,899,801	312,826,044	(643,067)	1,259,082,778	585,320,919	203,206,668	(596,227)	787,931,360	471,151,418	20
Vehicles	31,597,740	-	(8,322,737)	23,275,003	29,129,357	1,063,579	(8,322,737)	21,870,199	1,404,804	20
Office improvement	542,691,125	183,551,933	-	726,243,058	181,766,622	64,661,420	-	246,428,042	479,815,016	10
	2,540,189,485	725,820,887	(22,224,961)	3,243,785,391	1,254,030,473	487,269,106	(21,794,608)	1,719,504,971	1,524,280,420	

13.2.1 Cost of fully depreciated property and equipment that are still in use is Rs. 721.70 million (2022: Rs. 440.54 million).

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

13.3 Intangible assets

Particulars	Cost: As at January 1, 2023	Cost: Additions	Cost: Disposal	Cost: As at December 31, 2023	Accumulated Amortization: As at January 1, 2023	Accumulated Amortization: Charge for the year	Accumulated Amortization: Disposal	Accumulated Amortization: As at December 31, 2023	Net Book value as at December 31, 2023	Rates of amortization (%) on cost
	Rupees									
Computer softwares	436,157,508	142,055,329	-	578,212,837	211,960,624	69,952,467	-	281,913,091	296,299,746	10-20
Licenses	66,907,172	141,141,757	-	208,048,929	31,757,418	57,546,309	-	89,303,727	118,745,202	33.33
Mail server	78,378	-	-	78,378	78,378	-	-	78,378	-	33.33
	503,143,058	283,197,086	-	786,340,144	243,796,420	127,498,776	-	371,295,196	415,044,948	

Particulars	Cost: As at January 1, 2022	Cost: Additions	Cost: Disposal	Cost: As at December 31, 2022	Accumulated Amortization: As at January 1, 2022	Accumulated Amortization: Charge for the year	Accumulated Amortization: Disposal	Accumulated Amortization: As at December 31, 2022	Net Book value as at December 31, 2022	Rates of amortization (%) on cost
	Rupees									
Computer softwares	393,628,576	42,528,932	-	436,157,508	166,767,335	45,193,289	-	211,960,624	224,196,884	10-20
Licenses	55,792,894	11,114,278	-	66,907,172	12,394,739	19,362,679	-	31,757,418	35,149,754	33.33
Mail server	78,378	-	-	78,378	78,378	-	-	78,378	-	33.33
	449,499,848	53,643,210	-	503,143,058	179,240,452	64,555,968	-	243,796,420	259,346,638	

13.3.1 Cost of fully amortized intangibles that are still in use is Rs.29.15 million (2022: Rs. 21.78 million).

		Note	2023	2022 (Restated)
			----Rupees----	
13.4	**Right-of-use assets**			
	Balance at the beginning of the year		2,282,488,805	1,173,375,142
	Additions during the year	19.4	1,363,589,771	1,552,529,534
	Deletions during the year	13.4.2	(13,343,715)	(23,385,178)
	Modification of lease		-	1,998,321
	Amortization charged during the year	28	(635,445,694)	(422,029,014)
	Balance at the end of the year		2,987,289,167	2,282,488,805

13.4.1 Right-of-use assets represents rental properties and leased vehicles classified under IFRS-16.

13.4.2 Deletion of rights-of-use assets during the year are disclosed in Annexure-I to these financial statements .

		Note	2023	2022 (Restated)
			----Rupees----	
14	OTHER ASSETS			
	Advance to employees	14.1	572,742,841	138,243,944
	Advances, deposits and other prepayments		712,136,101	411,741,156
	Taxes Receivable		1,824,191,767	-
	Receivable from PTCL, the Parent Company	14.2	1,815,974,814	-
	Insurance claims receivables		85,197,285	138,164,141
	Receivable from SBP	14.3	1,511,658,324	909,693,698
	Grant receivable	14.4	167,550,187	265,992,646
	Inventory of ATM cards and stationery		101,572,190	78,608,546
	Receivable from 1-Link		666,130,418	-
	Receivable from Raast		43,210,603	155,538,890
	Receivable from gratuity fund	14.5	451,239	16,733,389
	Receivable from provident fund		-	2,376,025
	Others		356,977,002	140,467,904
			7,857,792,771	2,257,560,339
	Less: provision held against other assets		-	-
			7,857,792,771	2,257,560,339

14.1 The Bank provides advances & loans to its employees as per Bank's HR policies. Expected credit loss is charged against personal advances to employees in accordance with provision of the Regulations and instructions issued by SBP. Breakup of employee advances and provision held there against is as follow:

	Note	Markup Rate 2023	Markup Rate 2022	Amount 2023	Amount 2022
		---- Percentage ----		---- Rupees ----	
Advances to employees	14.1.1	0.00%	0.00%	551,846,012	-
Advances against salary		3.00%	3.00%	20,896,829	138,243,944
				572,742,841	138,243,944
Less provision held					
Specific				-	-
General				-	-
				-	-
				572,742,841	138,243,944

14.1.1 During the year, the board of the Bank approved an revised interest free loan policy for the employees of the Bank whereby entitled employees can avail interest free advance facility of upto 9 monthly gross salaries for tenure upto 5 years instead of previous policy where loans on 3% were given and was discontinued.

14.2 This represents the benefit receivable from PTCL, the Parent Company, against the tax losses of the Bank claimed by PTCL under the group taxation.

14.3 This includes amount receivable from SBP in respect of insurance premium paid by the Bank for livestock and crop loans under AC&MFD Circular no. 01 of 2013 dated November 1, 2013.

14.4 This includes the receivable from Government under "Mark-up Waiver and Financing Schemes for Farmers in Rain / Flood Affected Areas under Kissan Package 2022" via SBP vide circular AC&MFD No.3 of 2022 dated December 21, 2022.

14.5 Gratuity fund

	2023	2022
	Rupees	
The amount recognized in the balance sheet is as follows:		
Present value of defined benefit obligation	(321,514,254)	(221,614,178)
Fair value of plan assets	321,965,493	238,347,567
Net assets at end of the year	451,239	16,733,389
The movement in the present value of defined benefit obligation is as follows:		
Present value of defined benefit obligation at beginning of the year	221,614,178	156,936,450
Current service cost	93,045,117	62,921,195
Interest cost	26,836,839	16,367,262
Benefits paid	(48,083,167)	(27,066,116)
Remeasurement of defined benefit obligation	28,101,287	12,455,387
Present value of defined benefit obligation at end of the year	321,514,254	221,614,178
The movement in the fair value of plan assets is as follows:		
Fair value of plan assets at beginning of the year	238,347,567	153,532,355
Contributions made during the year	90,478,362	80,568,301
Expected return on plan assets	36,985,186	22,084,722
Benefits paid	(48,083,167)	(27,066,116)
Remeasurement of plan assets	4,237,545	9,228,305
Fair value of plan assets at end of the year	321,965,493	238,347,567
The movement in asset / (liability) recognized in balance sheet is as follows		
Net assets / (liability) at beginning of the year	16,733,389	(3,404,095)
Expense for the year	(82,896,770)	(57,203,735)
Remeasurement loss recognized in other comprehensive income during the year	(23,863,742)	(3,227,082)
Contribution to the fund during the year	90,478,362	80,568,301
Net assets at end of the year	451,239	16,733,389
Detail of plan assets		
Cash at bank	211,678,326	238,347,567
Term finance certificates	110,287,167	-
	321,965,493	238,347,567
Amounts recognized in profit and loss account:		
Current service cost	93,045,117	62,921,195
Net interest income	(10,148,347)	(5,717,460)
	82,896,770	57,203,735
Amounts recognized in other comprehensive income:		
Remeasurement loss recognized on defined benefit obligation	28,101,287	12,455,387
Remeasurement gain recognized on plan assets	(4,237,545)	(9,228,305)
	23,863,742	3,227,082
Principle actuarial assumptions:		
Valuation discount rate (%)	14.75%	14.25%
Discount rate for interest cost (%)	14.25%	10.95%
Salary growth rate (%)	14.75%	11 36%
Date of next expected salary increase	January 1, 2024	January 1, 2023
Retirement assumption	Age 60	Age 60
Expected return on plan assets (%)	14.75%	14.25%
Duration (years)	10.17	11.89
Withdrawal rates	Low	Low
Mortality rate	SLIC 2001-2005	

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	2023	2022
	---------- Rupees ----------	
Sensitivity Analysis		
Defined Benefit Obligation	(321,514,254)	(221,814,178)
1% increase in discount rate	292,158,388	200,976,754
1% decrease in discount rate	355,912,558	245,888,584
1% increase in salary rate	357,102,188	131,778,925
1% decrease in salary rate	290,680,169	166,945,805

Although the analysis does not take into account full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

Expected defined benefit cost to be recognized in profit or loss account	For the year December 31, 2024 ----Rupees----
Current service cost	119,316,747
Net interest cost	(1,246,973)
Expected contributions to gratuity fund	118,069,774

Risks associated with defined benefit asset - gratuity

Final Salary Risk (linked to inflation risk)

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

Salary Increase Risk

- ***Mortality risk***

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

- ***Withdrawal Risk***

The risk of actual withdrawals experience is different from the assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

		2023	2022
14.6	**Expected maturity profile**	----------Rupees----------	
	Following are the expected distribution and timing of benefit payments at the reporting date		
	Year 1	32,590,205	25,185,815
	Year 2	27,966,971	17,444,449
	Year 3	24,499,558	16,393,417
	Year 4	22,190,165	16,213,499
	Year 5	24,451,186	15,226,277
	Year 6-10	152,483,734	93,902,066
	Year 11 and beyond	2,574,978,501	1,688,260,315

		2023	2022 (Restated)
15	**DEFERRED TAX ASSET - NET**	----------Rupees----------	
	Deferred tax asset arising on account of deductible temporary differences on:		
	Provision against advances	2,594,582,335	2,175,118,792
	Deficit on revaluation of FVOCI investments	25,061,015	992,358
	Remeasurement of employees' retirement benefits	13,291,571	3,984,711
	Lease finance facilities	131,758,237	72,565,684
	Minimum Tax over Normal tax / Taxable losses / Super tax	410,416,499	1,213,526,056
	Accelerated tax depreciation / amortization allowance	120,088,980	77,559,410
	Impact of remeasurement of financial assets	435,043,488	566,734,137
		3,730,242,125	4,110,481,148
	Deferred tax liability arising on account of taxable temporary differences on:		
	Treasury bills	-	(189,338,287)
	Pakistan Investment Bonds (PIBs)	-	-
	Mutual funds	(5,028,514)	(124,508,042)
		(5,028,514)	(313,846,329)
		3,725,213,611	3,796,634,819

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16 DEPOSITS AND OTHER ACCOUNTS

	2023		2022	
	No of accounts	Rupees	No of accounts	Rupees
Conventional				
Current deposits	**4,873,705**	8,992,875,957	3,639,509	5,678,273,914
Saving deposits	**24,214**	**41,750,158,249**	17,476	55,999,875,503
Fixed term deposits	**6,419**	50,631,921,894	1,644	26,708,855,451
	4,904,338	**101,374,956,100**	3,658,629	88,387,004,868
Islamic				
Current deposits	**15,531**	**760,312,056**	3,675	514,172,194
Saving deposits	**1,805**	**2,701,917,679**	423	3,222,331,560
Fixed term deposits	**298**	**959,789,086**	37	76,902,500
	17,634	**4,422,018,821**	4,135	3,813,406,254
	4,921,972	**105,796,974,921**	3,662,764	92,200,411,122

16.1 Particulars of Deposits by ownership

	2023 No of accounts	2023 Rupees	2022 No of accounts	2022 Rupees
Individual depositors	**4,914,867**	**47,772,987,888**	3,654,807	15,287,817,803
Institutional depositors				
Corporation / firms etc.	**6,926**	**30,589,253,207**	7,822	33,609,932,644
Banks & financial institutions	**179**	**27,434,733,826**	135	43,302,660,675
	7,105	**58,023,987,033**	7,957	76,912,593,319
Total	**4,921,972**	**105,796,974,921**	3,662,764	92,200,411,122

16.2 Deposits include related parties balances amounting to Rs 9,434.76 million (2022: Rs 5,148.22 million) as disclosed in note 36.

17 BORROWINGS

	Note	2023	2022 (Restated)
		----Rupees----	
Borrowings from Banks / Financial Institutions			
In Pakistan			
- Secured	17.1	**40,914,742,145**	114,134,682,265
- Unsecured	17.2	-	1,000,000,000
		40,914,742,145	115,134,682,265

17.1 Borrowings from Banks / Financial Institutions in Pakistan

	Note	2023	2022
Secured			
Faysal Bank Limited - I - Term Finance	17.1.1	-	128,400
Faysal Bank Limited - II - Term Finance	17.1.2	-	133
Allied Bank Limited - II - Term Finance	17.1.3	-	505,947
Allied Bank Limited - III - Term Finance	17.1.4	**1,533,553,973**	2,288,058,904
Allied Bank Limited - IV (Housing)	17.1.5	**336,756,345**	447,649,741
Allied Bank Limited - Running Finance Facility	17.1.6	-	520,945,753
Allied Bank Limited - Running Finance - II	17.1.7	-	5,023,383,565
Allied Bank Limited - Running Finance	17.1.8	-	20,100,136,986
National Bank of Pakistan - Running Finance	17.1.9	**1,059,006,028**	1,041,639,451
National Bank of Pakistan - Term Finance	17.1.10	**1,540,666,442**	1,530,513,699
State Bank of Pakistan - Term Finance	17.1.11	**1,601,420,176**	1,516,790,085
State bank of Pakistan - Term Finance - II	17.1.12	**1,080,881,128**	-
Bank Al - Falah Limited - Cash Management	17.1.13	-	520,237,309
Bank of Punjab - Term Finance (Housing)	17.1.14	**257,459,037**	428,994,365
Pakistan Kuwait Investment Company (Private) Limite	17.1.15	-	380,572,601
Pakistan Mortgage Refinance Company - II (Housing)	17.1.16	**254,565,547**	505,475,342
United Bank Limited (Housing)	17.1.17	**158,641,997**	317,128,242

	Note	2023	2022 (Restated)
		Rupees	
MCB Bank Limited (Housing)	17.1.18	**333,536,443**	500,262,987
MCB Bank - Short Term Finance for Working Capital	17.1.19	**-**	20,230,182,193
MCB - Short Term Finance for Working Capital	17.1.20	**-**	10,083,912,329
Askari bank Limited - Running Finance/ Money Marke	17.1.21	**15,844,825,582**	10,013,561,644
Bank Al Falah Limited - Term Finance	17.1.22	**1,759,842,670**	2,930,292,144
Bank Al Falah Limited - Short Term Finance	17.1.23	**10,105,597,260**	-
JS Bank Limited - Term Finance	17.1.24	**2,037,751,233**	-
Meezan Bank - Bai Muajjal	17.1.25	**-**	1,083,705,691
Meezan Bai Muajjal - 2	17.1.26	**-**	2,006,230,358
Meezan Bai Muajjal-3	17.1.27	**3,010,238,284**	3,004,442,421
		40,914,742,145	84,474,750,290
Repo Borrowing	17.1.28	**-**	29,659,931,975
		40,914,742,145	114,134,682,265

17.1.1 The Bank entered into a loan agreement amounting to Rs 1,000 million with Faysal Bank Limited. This loan was repayable in six (06) equal semi-annual instalments of Rs. 166.67 million each commencing from August 2019 and culminated in December 2022. Markup was chargeable at the rate of 6 months KIBOR+1% per annum payable on semi-annual basis.

This loan was secured against First Pari Passu charge on book debts, advances and receivable of Rs. 1,334 million of the Bank with 25% margin.

17.1.2 The Bank entered into a loan agreement amounting to Rs 1,000 million with Faysal Bank Limited. This loan was repayable in 6 equal semi-annual instalments of Rs. 166.67 million each after grace period of 01 year with the notional principle of Rs. 1,000 within first two semi-annual mark-up payments and culminated in December 2022. Markup was chargeable at the rate of 6-months KIBOR + 0.75% per annum per annum payable on semi-annual basis.

This loan was secured against First Pari Passu charge on book debts, advances and receivable of the Bank 25% margin. Initial disbursement on ranking charge was upgraded to first pari passu from December 21, 2018.

17.1.3 The Bank entered into a term finance facility agreement under syndicate financing amounting to Rs 2,000 million with Allied Bank Limited. Disbursement was initially made against a ranking charge which was upgraded to 1st pari pasu with in 120 days of first disbursement. The loan is repayable in six (06) equal semi-annual installments with the first principal repayment falling due on eighteenth (18th) month from the first disbursement date. Markup was chargeable at 6-months KIBOR plus 0.95% per annum payable semi-annually in arrears. The loan was drawn on December 31, 2018 and culminated on December 31, 2022.

This loan was secured against First Pari Passu charge over all present and future assets including but not limited to advances / microcredit receivables and investments beyond CRR and SLR requirements of the Bank with 25% margin.

17.1.4 The Bank entered into a syndicated term finance facility agreement amounting to Rs 2,250 million with Allied Bank Limited. The first payment shall be due and payable at the end of eighteen months(18) from disbursement date and subsequently every six (06) months thereafter. Markup is chargeable at 6-months KIBOR plus 1.25% per annum payable semi annually in arrears. The loan was drawn on November 26, 2021.

This loan is secured against First Pari Passu charge over all present and future assets of the bank with the margin of 25%.

17.1.5 The Bank entered into a loan agreement for house financing amounting to Rs 500 million with Allied Bank Limited. This loan is repayable in 9 equal semi-annual instalments of Rs. 55.55 million each inclusive of 6 months grace period. Markup is chargeable at the rate of 6-months KIBOR + 0.95% per annum.The loan was drawn on December 17, 2021.

This is secured against first pari-passu hypothecated charge on all present and future assets (excluding land and building) of the bank inclusive of 25% margin.

17.1.6 The Bank entered into a running finance facility agreement amounting to Rs 500 million with Allied Bank Limited to meet the short term funding requirement and to finance growth in advances. Markup was chargeable at the rate of 3-months KIBOR plus 0.85% per annum payable on quarterly basis in arrears with the tenor of 12 months.

This running finance facility was secured against all present and future assets of Bank excluding land and building with 25 % margin.

17.1.7 The Bank entered into a running finance facility agreement amounting to Rs 5,000 million with Allied Bank Limited to meet the short term funding requirement and to finance growth in advances/agri portfolio including but not limited to lending in KPK / Balochistan. Markup was chargeable at the rate of 3-months KIBOR plus 0.10% per annum payable on quarterly basis in arrears with the tenor of 12 months. The loan was drawn on December 20, 2021.

The loan was secured against the Bank's investment in ABL Asset Management Units with 10% margin.

17.1.8 The Bank entered into a running finance facility agreement amounting to Rs 20,000 million with Allied Bank Limited to meet the short term funding requirement and to finance growth in advances / agri portfolio including but not limited to lending in KPK / Balochistan. Markup was chargeable at the rate of 3-months KIBOR plus 0.05% per annum payable on quarterly basis in arrears with the tenor of 12 months.

The facility was secured against pledge / lien on Pakistan Investment Bonds / Treasury Bills with 10% margin .

17.1.9 The Bank entered into a running finance facility agreement amounting to Rs 1,000 million with National Bank of Pakistan. The initial disbursement was made against ranking charge which was upgraded to first pari passu charge within 120 days from date of disbursement. Markup is chargeable at the rate of 3-months KIBOR plus 0.75% per annum payable on quarterly basis.
This is secured against first pari passu charge on all current and future book debts, advances and receivable of the Bank.

17.1.10 The Bank entered into a term finance facility agreement amounting to Rs 1,500 million with National Bank of Pakistan. The loan is repayable in 8 equal semi annual installments from the eighteenth (18th) month. Markup is chargeable at the rate of 6-months KIBOR plus 0.65% per annum.

The facility is secured against First pari passu hypothecation charge over all present and future assets (excluding land and building) of the company including but no limited to advances, microcredit receivables, and investments beyond CRR and SLR requirements of the Bank with 25% margin.

17.1.11 The Bank entered into a term finance facility agreement amounting to Rs 1,500 million with State Bank of Pakistan. The loan is repayable in in one installment after 5 years. Markup was chargeable at the rate of six month KIBOR with a negative spread of 1% (6-months KIBOR - 1%) per annum payable on six monthly basis.

This is secured against First pari passu hypothecation charge over all present and future assets (excluding land and building) of the company including but no limited to advances, microcredit receivables, and investments beyond CRR and SLR requirements of the Bank with 25% margin.

17.1.12 During the year, a new term finance facility agreement amounting to Rs 1,038 million was obtained from State Bank of Pakistan. The facility is repayable in one installment after 5 years. Markup is chargeable at the rate of six month KIBOR with a negative spread of 1% (6-months KIBOR - 1%) per annum payable on six monthly basis.

This is secured against First pari passu hypothecation charge over all present and future assets (excluding land and building) of the Bank including but no limited to advances, microcredit receivables, and investments beyond CRR and SLR requirements of the Bank with 25% margin.

17.1.13 The Bank entered into a running finance facility agreement amounting to Rs. 500 million with Bank Alfalah Limited to meet the short term funding requirement and to finance growth in advances. The loan was repayable on quarterly basis with the tenor of twelve(12) months. Markup was chargeable at the rate of 3- months KIBOR and 0.5% per

17.1.14 The Bank entered into a term finance facility agreement amounting to Rs 600 million with Bank of Punjab. This loan is repayable in seven (07) equal semi-annual instalments with the first principal repayment falling due on twelfth (12th) month from the first disbursement date. Markup is chargeable at the rate of 6-months KIBOR + 0.95% per annum payable semi-annually in arrears. The loan was drawn on June 30, 2021.

The facility is secured against first pari passu charge over all present and future assets (excluding land and building), book debts, advances microcredit receivables and investments of the bank with 25% margin.

17.1.15 The Bank entered into a term finance facility agreement amounting to Rs 750 million with Pakistan Kuwait Investment Company (Private) Limited (PKIC) for enhancement of advances portfolio of the Bank. The loan was repayable in four (04) semi-annual installments of Rs. 187.5 million each with no grace period. Markup was chargeable at the rate of 6-months KIBOR plus 1.10% per annum. The loan was drawn on December 02, 2021.

The facility was secured against first pari-passu charge on all present and future assets (excluding land and building) including but not limited to book debts, advances, microcredits, bills, cash and bank balances, investments with 25%

17.1.16 The Bank entered into a loan agreement for house financing amounting to Rs 500 million with Pakistan Mortgage Refinance Company Limited. First payment shall fall due at the end of 3rd month from disbursement and subsequently every quarter thereafter. Markup is chargeable at the rate of 1-year KIBOR with negative spread of 1% depending upon the utilization. The loan was drawn on December 30, 2021.

The loan is secured against first pari-passu charge on all present and future assets of the Bank.

17.1.17 The Bank entered into a loan agreement for house financing amounting to Rs 475 million with United Bank Limited .This loan is repayable in six (06) equal semi-annual instalments of Rs. 79.17 million starting from June 2022. Markup is chargeable at the rate of 1-month KIBOR plus 0.85% per annum. The loan was drawn on December 29, 2021.

The loan is secured against first pari-passu hypothecated charge on all present and future assets inclusive of 25% margin.

17.1.18 The Bank entered into a loan agreement for house financing amounting to Rs 500 million with MCB Bank Limited .This loan is repayable in twelve (12) quarterly instalments of Rs. 41.67 million starting from fifteenth (15th) month each inclusive of 1 year grace period. Markup is chargeable at the rate of 3-month KIBOR plus 0.75% per annum. The loan was drawn on December 31, 2021.

The loan is secured against first pari-passu amounting to Rs. 667 million charge on all present and future assets (excluding land and building) but not limited to advances / microcredit receivables and investments (excluding CRR and SLR requirements, any lien over cash / TDR).

17.1.19 The Bank entered into a loan agreement amounting to Rs 20,000 million to finance the working capital requirements including for expansion of the Bank's advances portfolio. The principle amount of facility was repayable on maturity and mark-up repayments fell due at the time of adjustment of each tranche / maturity. The loan was culminated on March 31, 2023. Markup was chargeable at the rate of 01-month KIBOR + 0.00% per annum with 5% margin for 2023 and 2022.

This loan was secured with 10% margin on latest NAV at the rate of 01-month KIBOR +0.05% per annum (2022: 01-month KIBOR +0.05% per annum).

17.1.20 The Bank entered into a loan agreement amounting to Rs 10,000 million with MCB Bank Limited to finance the working capital requirements including for expansion of the Bank's advances portfolio. The principle amount of facility was repayable on maturity and mark-up repayments fall due at the time of adjustment of each tranche/maturity. The loan was culminated on March 31, 2023. Markup was chargeable at the rate of 01-month KIBOR + 0.05% per annum (2022: 01-month KIBOR plus 0.05% per annum).
This loan was secured with 10% margin on latest NAV at the rate of 01-month KIBOR +0.05% per annum (2022: 01-month KIBOR +0.05% per annum)

17.1.21 The Bank entered into a running finance agreement amounting to Rs 15,000 million with Askari Bank Limited to finance the working capital requirements and investment and statutory and reporting requirements. The principle is required to be repaid at maturity on demand and mark up is repayable on quarterly basis. Markup is chargeable at the rate of 01-month KIBOR + 0.01% per annum.

This is secured against Pakistan investment bond / treasury bills / sukuks to be kept in IPS account maintained with AKBL with 5% margin.

17.1.22 This represents privately placed term finance certificates (TFCs) of Rs. 3,500 million distributed in 35,000 TFCs of Rs. 100,000 each. The Issue amount was utilized to enhance the advances portfolio of the Bank. The facility tenure is 04 years (inclusive of 01 year grace) and is priced at 6 Month KIBOR + 1.35% . Semi - annual principal redemption shall commence from 2nd year from issue date in 06 equal principal installments and shall continue till the maturity of the instrument. The rating of these certificates issued by PACRA is AA- with stable outlook. These TFCs are required to be inducted in CDS and the laws and regulation relating to the CDS with respect to the term finance certificates will be applicable to the TFCs.

Half of the issue amount is secured against 1st pari passu charge on the book debts, advances and receivables with 25% margin remaining half is secured against charge/lien on government securities.

17.1.23 During the year, the Bank entered into a short term finance facility amounting to Rs 10,000 million with Bank Alfalah to finance the working capital requirements for expansion of the Bank's advances portfolio. The principle amount of is repayable in one single installment on maturity. The loan will mature on March 25, 2024. Markup is chargeable at the rate of 06-month KIBOR + 1% per annum.

17.1.24 The Bank entered into a Term finance Agreement amounting to Rs 2,000 million with JS bank Limited to finance the lending operations of the Bank by utilizing the short-term facility to setup, establish and develop loan portfolio. The amount has paid in full. Markup was chargeable at the rate of 3-month KIBOR + 0.10%.

The loan is secured against the Bank's investment in JS Asset Management Units with 10% margin as well as ranking hypothecation charge over the Bank's current assets.

17.1.25 The Bank entered into a Bai Muajjal agreement amounting to Rs 999 million with Meezan Bank Limited to finance the lending operations of Islamic Microfinance Division of the Bank by utilizing the short-term facility to setup, establish and develop loan portfolio. The loan was drawn on June 22, 2022. This loan was repaid amounting to Rs. 999 million on June 22, 2023. Markup was chargeable at the rate of 12-month KIBOR + 0.15% per annum.

This loan was secured against the investment in Pakistan Investment Bonds maintained with third party banks investor portfolio with 5% margin.

17.1.26 The Bank entered into a Bai Muajjal Agreement amounting to Rs 1,999 million with Meezan Bank Limited to finance the lending operations of Islamic Microfinance Division of the Bank by utilizing the short-term facility to setup, establish and develop loan portfolio. The amount has paid in full. Markup was chargeable at the rate of 1 year KIBOR + 0.05% with floor of 3% and cap of 25%.

This loan was secured against the investment in Pakistan Investment Bonds maintained with third party banks investor portfolio with 5% margin.

17.1.27 The Bank entered into a Bai Muajjal Agreement amounting to Rs 2,900 million with Meezan Bank Limited to finance the lending operations of Islamic Microfinance Division of the Bank by utilizing the short-term facility to setup, establish and develop loan portfolio. Markup was chargeable at the rate of KIBOR + 0.05% per annum with floor of 3% and cap of 25%.

This is secured against principle value of Pakistan investment Bond's or treasury bills in 3rd party IPS account of the Bank maintained with Pak Brunei Investment Company Limited at the rate of 5% margin and / or lien over GOP Ijarah Sukuk in the IPS account of the Bank maintained with MBL with nil margin.

17.1.28 This represents repo borrowing entered by the Bank with multiple parties during the year with rates varying from 15.00% to 22.90% (2022: 9.00% to 16.90%). All repo borrowings entered by the Bank were matured during the year.

	2023	2022
	----------Rupees----------	
17.2 Unsecured		
Call Borrowing - Zarai Taraqiati Bank Limited (ZTBL)	-	1,000,000,000
	-	1,000,000,000

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			2023	2022
			------Rupees------	
18	SUBORDINATED DEBT			
	Subordinated debt from PTCL	18.1	**1,477,894,355**	1,384,491,287
	Term Finance Certificates	18.2	**1,150,237,406**	1,450,226,576
			2,628,131,761	2,834,717,863

18.1 This represents unsecured, subordinated debt from PTCL, the Parent Company. The facility tenure is 7 years with grace period of 5 years and is priced at 3 Month KIBOR + 2% per annum. The loan is availed as TIER-II subordinated debt for inclusion in the Bank's Supplementary Capital. Loan is structured to redeem in four equal semi-annual instalments starting from June 2024. The debt is unsecured, subordinated as to the payment of principle and profit to all other indebtness of the Bank, including deposit and is not redeemable before maturity without prior approval of the SBP. During the year ended December 31, 2022, subordinated debt amounting to Rs 1,000 million was converted into ordinary shares of the Bank after approvals of SBP and Securitas and Exchange Commission of Pakistan (SECP).

			2023	2022
			------Rupees------	
18.2	**Term Finance Certificates (TFCs)**			
	Pak Oman Tier II TFCs	18.2.1	**149,700,574**	449,100,000
	UMBL ADT -1 TFCs	18.2.2	**1,000,536,832**	1,001,126,576
			1,150,237,406	1,450,226,576

18.2.1 This represents term finance certificates (TFCs) of Rs. 600 million distributed in 120,000 TFCs of Rs. 5,000 each issued to Pak Oman Investment Company as subordinated loan in June 2017. The loan is availed as TIER-II subordinated debt for inclusion in the Bank's Supplementary Capital. The facility tenure is 7 years and is priced at 6 Month KIBOR + 3.50% (2022: 6 Month KIBOR + 3.50%). The instrument is structured to redeem 0.02% of principal, semi-annually, over the first 60 months and remaining principal of 24.95% each of the issue amount respectively, in four equal instalments starting from 66th month. The TFCs are subordinated as to the payment of principal and profit to all other indebtness of the Bank. The rating of these certificates issued by JCR-VIS is A- with an stable outlook.

18.2.2 This represents the fully paid up, rated, privately placed / DSLR listed, unsecured, subordinated, perpetual and non cumulative debt instrument in the nature of Additional TIER 1 Capital Term Finance Certificates of Rs. 1,000 million (inclusive of Green shoe option of Rs. 250 million) (The "TFC") as instrument of redeemable capital under section 66 (1) of Companies Act, 2017 carrying markup at the rate of 6 months KIBOR plus 3.5% payable semi-annually on a non-cumulative basis on the outstanding issue amount. The Bank has full discretion over the amount and timing of profit distribution and waiver of any profit distribution or other payment does not constitute an event of default. The Bank may call the TFCs at par (either partially or in full) with prior approval of State Bank of Pakistan (SBP), on any profit payment date after 5 years from the issue date. The instrument is subordinated as to payment of principal and profit to all other claims except common shares. These term finance certificates are convertible into fixed number of ordinary shares of the Bank upon CET 1 trigger event, the point of non viability (PONV) trigger event of failure by the Bank to comply with the lock in clause.

		Note	2023	2022 (Restated)
			----Rupees----	
19	OTHER LIABILITIES			
	Accrued expenses	19.1	**217,218,000**	516,764,563
	Payable to utility companies for utility bills collection		**67,668,213**	14,581,165
	Payable to defined contribution plan - provident fund	19.2	**1,704,869**	-
	Taxes payable		-	116,795,069
	Sales tax Payable		**21,453,559**	-
	Withholding tax payable		**264,526,414**	43,396,641
	Payable to PTCL, the Parent Company		-	576,795,820
	Payable to PTML, an associated company		**226,339,220**	22,040,766
	Uncollected remittances		**202,869,031**	118,589,968
	Obligation under finance lease			
	Leased vehicles	19.3	**24,391,776**	44,593,314
	Right-of-use asset	19.4	**3,300,624,450**	2,457,791,504
			3,325,016,226	2,502,384,818
	Payable to 1 Link		-	46,521,776
	Bills payable		**284,933,360**	188,229,422
	Workers' Welfare Fund		**57,405,938**	57,405,938
	Others		**126,523,354**	163,455,182
			4,795,658,184	4,366,961,128

19.1 This represents accruals related to head office expenses, professional charges, employee bonus, payable to suppliers, salaries and other benefits.

19.2 Defined contribution plan

The bank operates a recognised provident fund for all its regular employees for which equal monthly contributions are made both by the Bank and the employees to the fund at the rate of 8% of basic salary of the employee. Payments are made to the employees as specified in the rules of the fund.

Details of the provident fund based on its un-audited financial statements for the year ended December 31, 2023 are as follows:

	2023 (Un-Audited)	2022 (Audited)
	----Rupees----	
Size of the fund	**380,936,200**	272,438,894
Cost of investments made	**376,778,312**	270,695,765
Fair value of investments made	**380,936,200**	271,826,394
%age of investments made	**100.00%**	99.78%

	2023 (Un-Audited)		2022 (Audited)	
Breakup of investment - at cost	Rupees	Percentage	Rupees	Percentage
Saving deposits with bank				
- U Microfinance Bank	**226,778,312**	**60.19%**	118,621,082	43.82%
- Others	-	**0.00%**	2,074,683	0.77%
UMBL ADT - 1 Investment	**150,000,000**	**39.81%**	150,000,000	55.41%
	376,778,312	100.00%	270,695,765	100.00%

Investments out of provident funds include placement with the bank as disclosed in note 36.

19.3 Obligation under finance leases

The Bank has acquired certain vehicles under finance leases. The average lease term is 3 to 5 years. The Bank has option to purchase the vehicles for a nominal amount at the end of the lease term. The Bank's obligations under finance leases are secured by the lessor's title to the leased assets.

	Note	2023	2022
		----Rupees----	
Finance lease liabilities against vehicles			
Balance at the beginning of the year		**44,593,314**	67,311,428
Additions during the year		**-**	18,212,345
Deletions during the year		**(13,548,283)**	-
Interest expense charged during the year	25	**6,148,999**	7,791,285
Payments made during the year		**(12,802,254)**	(48,721,744)
Balance at the end of the year		**24,391,776**	44,593,314
Minimum lease payments:			
Not later than one year		**12,805,728**	36,048,468
Later than one year but not later than five years		**32,118,705**	32,176,359
		44,924,433	68,224,827
Less: Finance cost allocated to future period		**(20,532,657)**	23,631,513
		24,391,776	44,593,314
Present value of minimum lease payments			
Not later than one year		**8,107,965**	8,918,663
Later than one year but not later than five years		**16,283,811**	35,674,651
		24,391,776	44,593,314

19.4 Lease liability on Right-of-use assets:

	2023	2022 (Restated)
	----Rupees----	
Balance at the beginning of the year	**2,457,791,504**	1,293,781,605
Additions during the year	**1,353,589,771**	1,534,317,189
Deletions during the year	**-**	-
Interest expense charged during the year	**372,803,458**	262,645,315
Payments made during the year	**(883,560,283)**	(632,952,605)
Balance at the end of the year	**3,300,624,450**	2,457,791,504
Minimum lease payments:		
Not later than one year	**937,593,488**	576,450,299
Later than one year but not later than five years	**3,200,813,875**	2,241,326,085
Later than five years	**552,953,514**	1,102,453,448
	4,691,360,877	3,920,229,832
Less: Finance cost allocated to future period	**(1,390,736,427)**	(1,462,438,328)
	3,300,624,450	2,457,791,504
Present value of minimum lease payments		
Not later than one year	**733,848,429**	420,603,313
Later than one year but not later than five years	**2,154,928,777**	1,586,648,767
Later than five years	**411,847,244**	450,539,424
	3,300,624,450	2,457,791,504

20 SHARE CAPITAL

20.1 Authorized capital

2023	2022		2023	2022
---Number---			---Rupees---	
800,000,000	800,000,000	Ordinary shares of Rs. 10 each	8,000,000,000	8,000,000,000

20.2 Issued, subscribed and paid-up capital

2023	2022		2023	2022
---Number---			---Rupees---	
400,000,000	400,000,000	Fully paid ordinary shares of Rs. 10 each in cash issued as right shares at par	4,000,000,000	4,000,000,000
8,571,429	8,571,429	Fully paid shares of Rs. 10 each issued as right shares at discounted rate of Rs. 7 each	85,714,290	85,714,290
100,000,000	100,000,000	Fully paid preference shares of Rs. 10 each in cash issued as other than right shares at par	1,000,000,000	1,000,000,000
508,571,429	508,571,429		5,085,714,290	5,085,714,290

20.3 Pakistan Telecommunication Company Limited (PTCL), the Parent Company, holds 100% shares of the Bank. All ordinary shares rank equally with regard to the Bank's residual assets. Holders of these shares are entitled to dividends from time to time and are entitled to one vote per share at general meetings of the Bank.

20.4 Preference shares carry dividend at base rate +2% subject to compliance with regulatory ratios and capital / liquidity requirements. These can be redeemed by the holder after five years from date of issuance subject to approval from SBP. Moreover these shares are convertible to ordinary shares, at the option of the Bank, if the statutory ratios or capital / liquidity requirements fall below the required threshold.

20.5 During the year, in order to comply with the liquidity and regulatory requirements of Prudential Regulations and related directives issued by SBP, an amount of Rs 1,600 million was injected by PTCL as advance for the issue of ordinary shares to PTCL. As at December 31, 2023 no shares have been issued to PTCL against the aforesaid advance received.

20.6 Subsequent to the year end, the Board of Directors of the parent company i.e PTCL, in their meeting held on April 26, 2024 have resolved to approve further equity injection for the Bank per the details below:

a) Conversion of PTCL preference shares into ordinary share capital of Rs. 1,000 million.
b) Conversion of PTCL suibordinated debt of Rs. 1,200 million into ordinary share capital.
c) Additional cash equity injection of Rs. 1,200 million.

	2023	2022
	------------Rupees------------	
21 SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS		
Surplus / (Deficit) on revaluation of securities		
Federal Government Securities		
Market Treasury Bills (T-Bills)	**(3,606,500)**	(8,776,826)
Ijarah Sukuk	**1,877,280**	15,653,939
Pakistan Investment Bonds (PIBs)	**(46,824,792)**	-
	(48,554,012)	6,877,113
Other Securities		
Term finance certificates / private sukuks	**(15,705,000)**	(9,884,258)
	(64,259,012)	(3,007,145)
Related deferred tax effect	**25,061,015**	992,358
	(39,197,997)	(2,014,787)

	Note	2023	2022 (Restated)
		------------Rupees------------	
22 DEFERRED GRANTS			
Balance at the beginning of the year		**62,745,268**	101,700,717
Grants received / recognised on			
- Loan from SBP	**22.1**	**65,054,694**	-
		127,799,962	101,700,717
Less: Amortization of grants during the year		**(31,902,043)**	(38,955,449)
Balance at the end of the year		**95,897,919**	62,745,268

22.1 This represents grant recognized on below market interest rate loan of Rs 1,000 million from State Bank of Pakistan (SBP) to meet the business funding requirements / financing investments. The differential between the market rate and the actual rate of the loan is recognized as deferred grant.

23 MEMORANDUM / OFF BALANCE SHEET ITEMS

23.1 Contingencies

23.1.1 A super tax at rates ranging from 1% to 4% of taxable income was imposed through the Finance Act, 2022 for Tax Year 2022 and onwards through promulgation of section 4C in the Income Tax Ordinance, 2001. The Parent Company of the Bank along with other petitioners has successfully challenged this levy before the Sindh High Court who held through its Order dated December 22, 2022 that the said tax was to apply effective Tax Year 2023. However, the honourable Court suspended its judgment for 60 days as per the procedure given in the Code of Civil Procedure, in order for FBR to take up the matter before the Supreme Court. Keeping in view the Court's judgment in the petitioner's favour, no provision has been recorded in these accounts for super tax for Tax Year 2022 as management is confident for a favorable outcome upon the conclusion of the proceedings.

23.1.2 The income tax assessment for the tax year 2015 was amended through its order dated June 21, 2021 by the Additional Commissioner Inland Revenue (ADCIR) by making certain disallowances and add backs including, provision for staff gratuity, interest free loans, bad debts written off etc. and reduced the tax loss and refundable to Rs 108.91 million and Rs 5.79 million respectively. The Bank filed appeal against the order of ADCIR before CIR (A) who vide order dated January 26, 2022, gave relief on bad debts, remanded the issue on account of interest free loans to ADCIR for reassessment and confirmed the remaining order. The Bank has preferred appeal against the decision of CIR (A) before the Appellate Tribunal Inland Revenue (ATIR) which is pending for adjucation.

23.1.3 The income tax assessment for the tax year 2016 was amended through its order dated June 25, 2021 by the Additional Commissioner Inland Revenue (ADCIR) by making certain disallowances and add backs including, provision for staff gratuity, interest free loans, bad debts written off, tax on capital gain etc. and reduced the tax loss and created a demand of Rs 5.43 million respectively. The Bank filed appeal against the order of ADCIR before CIR (A) who vide order dated January 26, 2022, gave relief on bad debts and provision for gratuity, remanded the issue on account of interest free loans to ADCIR for reassessment and confirmed the issue of tax on capital gain. The Bank paid the demand raised and also has preferred appeal on the matters remanded back by CIR (A) before the ATIR which is pending for adjucation.

23.1.4 The income tax assessment for the tax year 2017 was amended through its order dated December 29, 2021 by the Additional Commissioner Inland Revenue (ADCIR) by making add back relating to including, provision for staff gratuity, interest free loans, bad debts written off, software license fee etc. and increasing the taxable income to Rs 64.96 million. However, no additional demand was created. The Bank filed appeal against the order of ADCIR before CIR (A) who vide order dated March 18, 2022, gave relief on bad debts and provision for gratuity, remanded the issue on account of interest free loans and software license fee to ADCIR for reassessment. The Bank has preferred appeal on the matters remanded back by CIR (A) before the ATIR which is pending to be heard.

23.1.5 The income tax assessment for the tax year 2019 was amended through its order dated October 9, 2023 by making certain disallowances with respect to provision for gratuity and adjustment of Alternate Corporate Tax (ACT) u/s 113C and minimum tax u/s 113 were not allowed. Further, tax deducted at source was not allowed in full on the premise of not appearing in ITMS system. A demand of Rs 105.98 million was created as a result of additional disallowances. The Bank filed appeal against the order before CIR (A) who confirmed the disallowance of adjustments of 113 and 113C and remanded back the issue of tax credits and provision for gratuity. The Bank intends to file an appeal before the ATIR against the order of CIR (A).

23.1.6 The Sindh Revenue Board (SRB) has passed an order dated December 8, 2022 requiring the Bank to deposit Sindh sales tax amounting to Rs 9.70 million along with penalty and default surcharge on account of non-payment of withholding Sindh sales tax and adjustment of inadmissible input tax during the period from January 2017 to December 2017. The Bank has filed an appeal before Commissioner Inland Revenue - Appeals (CIR-A), which is pending for adjucation.

23.1.7 The Sindh Revenue Board (SRB) has passed orders dated June 2, 2020 and March 12, 2021 requiring the Bank to deposit Sindh sales tax amounting to Rs 10.23 million and Rs 5.19 million retrospectively along with penalty and default surcharge on account of short payment of sales tax during the tax year 2015 (January 2014 to December 2014) and 2018 (January 2017 to December 2017) respectively. The Bank has filed an appeal before Commissioner Inland Revenue - Appeals (CIR-A), which is pending for adjucation.

23.1.8 The Punjab Revenue Authority (PRA) has passed an order dated February 24, 2020 requiring the Bank to deposit Punjab sales tax amounting to Rs 7.89 million along with penalty and default surcharge on account of adjustment of inadmissible input tax for the tax years 2013, 2014, 2015 and 2018. The Bank filed an appeal before Commissioner Inland Revenue - Appeals (CIR-A), who decided the matter in favour of PRA vide order dated November 28, 2023.The Bank has filed an appeal against the decision of CIR-A before the ATIR which is pending for adjucation.

23.1.9 The Punjab Revenue Authority (PRA) has passed an order dated May 2, 2019 requiring the Bank to deposit Punjab sales tax amounting to Rs 10.06 million along with penalty and default surcharge on account of adjustment of inadmissible input tax for the tax years 2016 and 2017. The Bank has filed an appeal before Commissioner Inland Revenue - Appeals (CIR-A), which decided the matter in favour of PRA in order dated November 25, 2019. The said order was received by the Bank on July 2, 2020 making the order-in-appeal time barred as per the time limit prescribed in Punjab Sales Tax (PST) Act. Being aggravated, the Bank has filed an appeal against the decision of CIR-A before the ATIR who has decided the matter in favour of PRA. The Bank has filed an appeal against the decision of ATIR before the Punjab High Court which is pending for adjuration

The management, based on the opinion of its legal counsels, is confident that the above mentioned matters are most likely to be decided in favour of the Bank at superior appellate forums and further charge is not required to be recognized and carried in these matters in the financial statements and incase of any adverse decision the financial impact thereof shall not be sugnificant for the Bank.

		Note	2023	2022
			-------- Rupees --------	
23.2	**Commitments**			
	Standby letter of guarantee	23.2.1	18,000,000	12,800,000
	Property and equipment		14,572,160	31,007,639
			32,572,160	43,807,639

23.2.1 This represents letter of guarantee issued by the Bank to China Union Pay International Company Limited for interbank settlements.

		Note	2023	2022 (Restated)
			-------- Rupees --------	
24	**MARK-UP / RETURN / INTEREST EARNED**			
	Markup / return / interest on			
	Advances		21,065,772,466	12,789,177,315
	Lending to financial institutions		321,338,387	132,104,948
	Investments in government securities		11,472,042,665	3,625,560,358
	Deposits accounts, placements with other bank / financial institutions		1,485,824,136	2,056,186,875
	Employees' loan		76,404,858	3,930,460
	Profit on Islamic financing		394,895,927	55,494,729
			34,816,278,439	18,662,454,685
25	**MARK-UP / RETURN / INTEREST EXPENSED**			
	Deposits		18,638,112,741	9,036,733,926
	Profit Sharing Islamic Deposits		316,670,492	24,630,254
	Borrowings	25.1	13,214,502,814	5,406,413,927
	Finance lease charges of leased vehicles		6,148,999	7,791,285
	Finance lease charges of right-of-use assets		372,803,458	262,645,315
			32,548,238,504	14,738,214,707

25.1 It includes an amount of Rs 277.90 million (2022: Rs 94.51 million) in respect of markup expense on subordinated loan from a shareholder.

		Note	2023	2022 (Restated)
			-------- Rupees --------	
26	**FEE, COMMISSION AND BROKERAGE INCOME**			
	Loan processing fee on advances		1,725,913,182	1,232,437,637
	Branchless banking		73,486,379	75,909,179
	Other fee income collected from customers		102,299,842	52,877,292
			1,901,699,403	1,361,224,108
27	**OTHER INCOME - NET**			
	(Loss) / gain on disposal of fixed assets - Annexure I		(4,108,241)	829,285
	Grant income		1,043,430,467	262,722,613
	(Loss) / gain on investment			
	- Unrealized		(144,626,075)	-
	- Realized		(89,394,611)	155,180,766
			(234,020,686)	155,180,766
	Other services income		113,112,712	278,056,553
			918,414,252	696,789,217

		Note	2023	2022 (Restated)
			------------Rupees------------	
28	**ADMINISTRATIVE EXPENSES**			
	Staff salaries and benefits		4,451,980,888	3,149,415,175
	Charge for defined benefit plans		82,896,770	57,203,735
	Contribution for defined contribution plan		82,609,923	56,023,322
	Financial charges on Ijarah		23,414,980	-
	Rent, rate and taxes		155,270,950	123,475,806
	Marketing expenses		197,395,887	171,712,873
	Travelling and conveyance		228,321,484	156,734,798
	Non-Executive directors' fee		6,100,000	4,150,000
	Trainings		22,811,793	20,956,966
	Legal and professional charges		43,305,056	37,130,600
	Postage, courier etc.		30,908,452	16,641,060
	Repair and maintenance		741,221,374	386,788,963
	Software support and maintenance fee		378,484,740	239,689,018
	Stationary and printing		208,863,084	131,119,776
	Depreciation on property and equipment	13.2	637,405,705	487,269,104
	Amortization of Right-of-use assets	13.4	635,445,694	422,029,014
	Amortization of intangibles	13.3	127,498,776	64,555,968
	Office supplies		93,882,833	58,515,181
	Internet and connectivity charges		172,555,507	113,346,170
	NADRA verification charges		101,414,541	48,355,389
	Bank charges		83,268,032	79,167,800
	Utilities		435,660,718	251,988,218
	Insurance expenses		390,739,405	239,530,286
	Security services		472,193,119	280,264,760
	Auditor's remuneration	28.1	35,495,600	13,425,000
	Miscellaneous expenses		13,055,968	14,860,087
			9,852,201,279	6,624,349,069

28.1 Auditor's remuneration

	2023	2022
A.F Ferguson & Co.		
- Annual audit	3,000,000	-
- Interim review	1,000,000	-
- Special purpose financial statements, group reporting etc.	15,000,000	-
- Fee for certifications	1,400,000	-
- ERP support	9,717,500	2,539,000
KPMG Taseer hadi & Co.		
- Annual audit	-	1,900,000
- Interim review	-	650,000
- Fee for certifications	-	2,200,000
- Advisory services	5,378,100	6,136,000
	35,495,600	13,425,000

29 OTHER CHARGES

	2023	2022
Penalties imposed by the State Bank of Pakistan	4,933,500	10,297,850
Provision for Workers' Welfare Funds	-	-
	4,933,500	10,297,850

		Note	2023	2022 (Restated)
			---Rupees---	
30	**TAXATION**			
	Current tax			
	Current year		682,182,409	850,322,952
	Prior year		(448,183,642)	(31,693,787)
			233,998,767	818,629,165
	Deferred tax		(2,083,126,417)	(2,213,722,658)
			(1,849,127,650)	(1,395,093,493)
30.1	**Reconciliation of tax charge for the year**			
	Accounting loss before taxation		(1,098,726,651)	(2,270,742,316)
	Applicable tax rate		39%	33%
	Tax on accounting loss at applicable tax rate		(428,503,394)	(749,344,964)
	Tax effect of:			
	Effect of change in rate		(452,070,713)	(107,070,653)
	Income charged at different tax rate		(787,535,122)	(594,024,319)
	Permanent difference		18,088,935	55,778,937
	Prior Year Charge			
	- Current tax		(448,183,642)	(31,693,787)
	- Deferred tax		252,587,491	-
	Others		(3,511,205)	31,261,293
			(1,420,624,256)	(645,748,529)
			(1,849,127,650)	(1,395,093,493)

31 EARNINGS / (LOSS) PER SHARE

Basic - Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Bank by the weighted average number of ordinary shares outstanding during the year.

		2023	2022 (Restated)
Profit attributable to ordinary shareholders	Rupees	596,668,259	(970,935,124)
Weighted average ordinary shares	Number	408,571,429	369,119,374
Basic earning / (loss) per share	Rupees	1.46	(2.63)

Diluted - Diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Bank by the weighted average number of ordinary shares outstanding during the year after adjustment of all dilutive potential ordinary shares. The impact of Rs 1,600 million received on account of advance against issue of shares is incorporated in the calculation of diluted EPS.

		2023	2022 (Restated)
Profit / (loss) after taxation	Rupees	596,668,259	(970,935,124)
Weighted average ordinary shares	Number	568,571,429	728,848,044
Basic earning / (loss) per share	Rupees	1.05	(1.33)

		---Rupees---	
31.1	**Profit attributable to ordinary shareholders**		
	Profit / (loss) after tax	750,400,999	(875,648,823)
	Less: Preference dividend	(153,732,740)	(95,286,301)
		596,668,259	(970,935,124)
32	**CASH AND CASH EQUIVALENTS**		
	Cash and balances with SBP and NBP	5,900,415,270	8,114,433,385
	Balances with other banks / NBFIs / MFBS	974,798,377	614,055,064
	Short term investments with 3 months maturity	8,374,218,688	43,314,496,079
	Less: Depositers' Protection Fund	(250,351,806)	(182,619,010)
	Less: Standby letter of guarantee	(18,000,000)	(12,800,000)
		14,981,080,529	51,847,565,518

33 NUMBER OF EMPLOYEES

	Credit/ sales staff	Banking /support staff	Total
	---- Number ----		
For the year ended December 31, 2023			
Permanent	479	1,474	1,953
Temporary / contractual	1,645	1,369	3,014
	2,124	2,843	4,967
For the year ended December 31, 2022			
Permanent	293	1,030	1,323
Temporary / contractual	1,292	1,197	2,489
	1,585	2,227	3,812

34 NUMBER OF BRANCHES / SERVICE CENTRES

	2023		2022	
	Branches	Service centers	Branches	Service centers
	---- Number ----		---- Number ----	
Branches at beginning of the year	303	-	207	-
Add: Opened during the year	87	10	97	-
Less: Closed / merged during the year	-	-	(1)	-
As at end of the year	390	10	303	-

34.1 These include 74 (2022: 30) branches of the Bank's Islamic Microfinance Division.

35 REMUNERATION OF DIRECTORS AND EXECUTIVES

	President / CEO		Executives	
	2023	2022	2023	2022
	----Rupees----		----Rupees----	
Short-term employee benefits				
Managerial remuneration	19,120,406	19,248,704	870,829,074	533,100,645
Rent and house maintenance	11,153,570	11,228,411	507,983,627	310,975,376
Utilities	1,593,368	1,604,059	72,569,090	44,425,054
Medical	-	653,935	55,999,798	32,255,058
Conveyance (vehicle maintenance allowance)	2,107,742	1,440,000	125,290,275	67,841,520
Bonus	-	16,708,944	154,696,387	107,419,747
Leave fair assistance	1,536,792	-	66,266,737	44,290,749
EOBI	12,300	-	13,604,100	6,721,250
Others	11,547,840	5,615,476	826,147	595,439
Retirement benefits				
Charge for defined benefit plan	1,536,792	1,604,059	66,266,737	44,290,749
Contribution to defined contribution plan	1,475,323	1,539,900	59,787,931	37,599,074
	50,084,133	59,643,488	1,994,119,903	1,229,514,661
Number of persons	2	1	934	574

35.1 Executive means an employee whose annual basic salary exceeds Rs. 500,000 (2022: Rs. 500,000) during the year.

35.2 Bank maintained vehicles are also provided to the President / Chief Executive Officer and some of the executives as per their entitlement.

35.3 Non-executive directors of the Bank were not paid any remunerations except the fee for attending meetings for an aggregate amount of Rs 6,150,000 (2022: Rs 4,150,000). Boarding / lodging expenses incurred for such meetings were borne by the Bank.

36 BALANCES AND TRANSACTIONS WITH RELATED PARTIES

36.1 The Bank is a subsidiary of Pakistan Telecommunication Company limited (PTCL) which holds 100% share capital of the Bank. Therefore, all subsidiaries and associated undertakings of the Parent Company are related parties of the Bank. Other related parties include staff retirement benefits, directors, key management personnel which include CEO and Head of Departments (HOD's) and entities under common directorship. All transactions involving related parties are subject to the approval of the Board of Directors. The significant transfer and balances involving related parties are outlined below:

	Relationship with related party	2023	2022 (Restated)
		----------Rupees----------	
A) Transactions during the year:			
Pakistan Telecommunication Company Limited (PTCL)	**Parent Company**		
Utility bill collected on behalf of PTCL		**132,585,664**	167,185,933
Payment in respect of utility bills collected on behalf of PTCL		**132,585,664**	167,185,933
Utility Bill collection charges		**421,000**	633,686
Payment for administrative costs and fixed assets		**197,966,549**	98,855,106
Interest expense on TIER-II subordinated debt		**277,894,357**	130,743,124
Interest expense on savings account		**667,753**	913,830
Advance received for issue of shares		**1,600,000,000**	-
Pakistan Telecommunication Company Limited (PTCL) - Employees Gratuity Fund	**Associated Company**		
Interest expense on savings account		**47,867,635**	349,614,601
Interest expense on Tem Deposit Receipts (TDRs)		**310,976,219**	280,320,000
Pakistan Telecommunication Company Limited (PTCL) - Employees Provident Fund	**Associated Company**		
Interest expense on deposits		**334,483,811**	371,707,649
Interest expense on TDRs		**230,112,986**	210,240,000
Pak Telecom Mobile Limited (PTML)	**Associated Company**		
Payment for administrative costs and fixed assets		**46,499,242**	136,676,341
Amount received against reimbursement of agent's commission		**270,350,229**	140,712,251
Income from branchless banking		**73,486,379**	75,909,179
Interest expense on savings account		**9,074,512**	9,122,054
Pak Telecom Mobile Limited (PTML) - Employees Gratuity Fund	**Associated Company**		
Interest expense on TDRs		**84,452,219**	100,740,000
Interest expense on Saving Account		**30,975,365**	123,197,266
Pakistan Telecommunication Employees Trust (PTET)	**Associated Company**		
Interest expense on deposits		**94,215,871**	68,993,117
Interest expense on savings account		**144,868,693**	217,387,427
Interest expense on TDRs		**419,126,712**	355,000,000
U Microfinance Bank Limited Employees' provident fund	**Employees' Trust**		
Contribution to provident fund		**82,609,923**	40,999,320
Interest expense on savings account		**35,158,966**	32,292,981

		2023	2022 (Restated)
		-------------Rupees-------------	
U Microfinance Bank Limited Employees' Gratuity Fund	**Employees' Trust**		
Contribution to gratuity fund		**90,478,362**	80,568,301
Interest expense on savings account		**33,126,550**	30,648,300

B) **Balances outstanding:**

	Relationship with related party		
Pakistan Telecommunication Company Limited (PTCL)	Parent Company		
Receivable / (payable) to PTCL		**1,815,974,814**	(576,795,820)
Payable against utility bills collected		**6,017,573**	3,725,882
Utility bills collection charges receivable		**643,315**	643,315
Sub-ordinated debt from PTCL including interest thereon		**1,477,894,355**	1,384,491,287
Interest Payable on subordinated debt		**277,894,357**	78,840,000
Pak Telecom Mobile Limited	Associated Company		
Payable against branchless banking and bills collected		**226,202,955**	22,224,150
U Microfinance Bank Limited Employees' provident fund	Employees' Trust		
Payable / (receivable) to provident fund		**1,704,869**	(2,376,026)
U Microfinance Bank Limited Employees' gratuity fund	Employees' Trust		
Receivable from gratuity fund		**451,239**	16,733,389

Deposits accounts include amounts relating to following related parties:

Pakistan Telecommunication Company Limited	Parent Company	**1,108,964**	580,589,254
Pakistan Telecommunication Company Limited Gratuity Fund	Associated Company	**3,570,238,666**	1,671,239,687
Pakistan Telecommunication Company Limited Provident Fund	Associated Company	**546,501,141**	1,296,890,413
Pakistan Telecommunication Employees Trust	Associated Company	**4,764,596,483**	2,008,838,064
Pak Telecom Mobile Limited	Associated Company	**6,518,269**	1,110,000
Pak Telecom Mobile Limited Employees Gratuity fund	Associated Company	**591,983,916**	694,317,179
U Microfinance Bank Limited Employees Provident fund	Employees' Trust	**230,936,200**	119,912,986
U Microfinance Bank Limited Employees Gratuity fund	Employees' Trust	**211,678,326**	126,073,731
Key Management Personnels		**57,700,000**	48,430,000

37 FAIR VALUE MEASUREMENT

The fair value of traded investments is based on quoted market prices, except for securities classified by the Bank as 'amortized cost'. Securities classified as held to maturity are carried at their carrying value less any expected credit loss. Fair value of unquoted equity investments is determined on the basis of break up value of these investments as per the latest available audited financial statements.

Fair value of fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments.

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

37.1 Fair value of financial assets

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

Level 1: 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).

Financial instruments in level 1:

Financial instruments in level 1 compromise of investment in Mutual Funds and Term Finance Certificates listed at Pakistan Stock Exchange (PSX)

Financial instruments in level 2:

Financial instruments included in level 2 comprise of investment in Market Treasury Bills (MTBs), Pakistan Investment Bonds (PIBs), Ijarah Sukuks and Term Finance Certificates / Private Sukuks not listed at PSX

Financial instruments in level 3:
Financial instruments included in level 3 compromise of investment in Term Finance Certificates of Khushali Bank Limits (KBL)

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

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

	Fair Value	Level 1	Level 2	Level 3
December 31, 2023	----------Rupees----------			
Financial assets measured at fair value				
Federal Government Securities				
Pakistan Investment bonds	25,239,973,333	-	25,239,973,333	-
Ijarah Sukuks	2,131,646,394	-	2,131,646,394	-
Market Treasury bills	11,289,140,668	-	11,289,140,668	-
	38,660,760,395	-	38,660,760,395	-
Non-Government Debt Securities				
Term finance certificates	2,443,071,770	-	2,342,996,785	100,074,985
Private sukuks	280,957,696	-	280,957,696	-
	2,724,029,466	-	2,623,954,481	100,074,985
Mutual Fund Units	5,570,318,668	5,570,318,668	-	-
	46,955,108,529	5,570,318,668	41,284,714,876	100,074,985

	Fair Value	Level 1	Level 2	Level 3
	-----------------------------------	-----------------Rupees	-----------------------------------	
Financial assets not measured at fair value				
Federal Government Securities				
Pakistan Investment bonds	**4,735,770,412**	-	-	-
Others				
Lending to financial institutions	**454,522,065**	-	-	-
Cash and cash equivalents	**6,624,861,841**	-	-	-
Advances - net of provisions	**82,087,559,684**	-	-	-
Other assets	**5,219,441,474**	-	-	-
	94,386,385,064	-	-	-
	99,122,155,476	-	-	-
Financial liabilities not measured at fair value				
Deposits and other accounts	**105,796,974,921**	-	-	-
Borrowings	**40,914,742,145**	-	-	-
Subordinated debt	**2,628,131,761**	-	-	-
Other liabilities	**1,125,551,178**	-	-	-
	150,465,400,005	-	-	-
December 31, 2022				
Financial assets measured at fair value				
Federal Government Securities				
Pakistan Investment bonds	51,120,967,624	-	51,120,967,624	-
Ijarah Sukuks	1,009,548,676	-	1,009,548,676	-
Market Treasury bills	54,785,012,678	-	54,785,012,678	-
	106,915,528,978	-	106,915,528,978	-
Non-Government Debt Securities				
Term finance certificates	2,268,756,526	-	2,268,756,526	-
Private sukuks	501,724,249	-	501,724,249	-
	2,770,480,775	-	2,770,480,775	-
Mutual Fund Units	21,971,006,621	21,971,006,621	-	-
	131,657,016,374	21,971,006,621	109,686,009,753	-
Financial assets not measured at fair value				
Federal Government Securities				
Pakistan Investment bonds	5,690,878,066	-	-	-
Others				
Lending to financial institutions	6,587,370,250	-	-	-
Cash and cash equivalents	8,545,869,439	-	-	-
Advances - net of provisions	55,029,764,562	-	-	-
Other assets	1,326,569,687	-	-	-
	71,489,573,938	-	-	-
	77,180,452,004	-	-	-
Financial liabilities not measured at fair value				
Deposits and other accounts	92,200,411,122			
Borrowings	115,134,682,263			
Subordinated debt	2,834,717,863			
Other liabilities	1,646,978,662			
	211,816,789,910	-	-	-

For financial assets and liabilities not measured at fair value, the Bank has not disclosed the fair values for these financial assets and financial liabilities because their carrying amounts are a reasonable approximation of fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and fair value estimates.

Valuation techniques and inputs used in determination of fair values

Financial Instrument	Valuation techniques and inputs used
Pakistan Investment bonds / Ijarah Sukuks	The fair value of Pakistan Investment Bonds are derived using PKRV rates. The PKRV rates are announced by FMA (Financial Market Association) through Reuters. The rates announced are simple average of quotes received from eight different predefined/ approved dealers / brokers.
Market Treasury bills (T-bills)	The fair value of T-bills are derived using PKRV rates. The PKRV rates are announced by FMA (Financial Market Association) through Reuters.
Term finance certificates / Private sukuks	The valuation has been determined through the valuation of debt securities published by the MUFAP.
Mutual Fund Units	The fair values of investments in units of mutual funds are determined based on their net asset values as published at the close of each business day.

38 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	Amortized cost	FVTPL	FVTOCI	Total
	Rupees			
AS AT DECEMBER 31, 2023				
Financial assets				
Cash and balances with SBP and NBP	5,900,415,270	-	-	5,900,415,270
Balances with other Banks / NBFIs / MFBs	974,798,377	-	-	974,798,377
Lending to financial institutions	454,522,065	-	-	454,522,065
Investments - net of provision	4,735,770,412	8,013,390,438	38,941,613,214	51,690,774,064
Advances - net of provision	82,087,559,684	-	-	82,087,559,684
Other assets	5,219,441,475	-	-	5,219,441,475
	99,372,507,283	8,013,390,438	38,941,613,214	146,327,510,935
Financial liabilities				
Deposits and other accounts	105,796,974,921	-	-	105,796,974,921
Borrowings	40,914,742,145	-	-	40,914,742,145
Subordinated debt	2,628,131,761	-	-	2,628,131,761
Other liabilities	1,125,551,178	-	-	1,125,551,178
	150,465,400,005	-	-	150,465,400,005
AS AT DECEMBER 31, 2022				
Financial assets				
Cash and balances with SBP and NBP	8,114,433,385	-	-	8,114,433,385
Balances with other Banks / NBFIs / MFBs	614,055,064	-	-	614,055,064
Lending to financial institutions	6,587,370,250	-	-	6,587,370,250
Investments - net of provision	5,690,878,066	95,687,295,340	35,952,767,999	137,330,941,405
Advances - net of provision	55,029,764,562	-	-	55,029,764,562
Other assets	1,326,569,687	-	-	1,326,569,687
	77,363,071,014	95,687,295,340	35,952,767,999	209,003,134,353
Financial liabilities				
Deposits and other accounts	92,200,411,122	-	-	92,200,411,122
Borrowings	115,134,682,263	-	-	115,134,682,263
Subordinated debt	2,834,717,863	-	-	2,834,717,863
Other liabilities	1,646,978,662	-	-	1,646,978,662
	211,816,789,910	-	-	211,816,789,910

39 FINANCIAL RISK MANAGEMENT

39.1 Interest / mark-up rate risk

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

39.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Bank's credit risk is primarily attributable to its advances and balances at banks. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The Bank has an effective loan disbursement and recovery monitoring system which allows it to evaluate borrowers' credit worthiness and identify potential problem loans. A provision for loan losses is maintained as required by the Prudential Regulations. Investments are mainly in government securities or other securities having good credit rating.

Maximum amount of financial assets which are subject to credit risk is as follows.

	2023	2022
	--------------Rupees--------------	
Cash and balances with SBP and NBP	**5,900,415,270**	8,114,433,385
Balances with other Banks / NBFIs / MFBs	**974,798,377**	614,055,064
Lending to financial institutions	**454,522,065**	6,587,370,250
Investments	**51,690,878,941**	137,347,894,440
Advances	**88,740,334,902**	61,621,033,627
Other assets	**5,219,441,474**	1,592,562,333
	152,980,391,030	215,877,349,099

39.2.1 Definition of default and cure

The Bank considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases of its advances to customers when the borrower becomes days past due on its contractual payments as per the criteria mentioned in prudential regulation and application instructions related to IFRS 9 adoption issued by SBP for microfinance banks. The Bank considers treasury and interbank balances defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

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

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

It is the Bank's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present and compliance with SBP's implementation instructions for IFRS - 09 has been complied with. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated delinquency, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition and further, this portfolio is monitored for probationary period before upgrading to Stage 1. However, no financial assets is directly classified from stage 3 to stage 1.

39.2.2 PD estimation process

Consumer lending

The banks entire loans and advances portfolio consist of consumer lending. Consumer lending comprises agriculture, livestock, enterprise, gold and housing loans . The Bank does not have credit score card model for consumer landings, therefore, the Bank used delinquency (day past due) based model for estimation of PDs. Average monthly transitions to default of relevant delinquency states were converted into current 12 months point in time PDs using statistical models. The lifetime PD is developed by applying a maturity profile to the current 12 months PD. Data from January 1, 2018 till date has been used for PD estimations.

Bank balances

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

39.2.3 LGD estimation process

The Bank used LGD percentages prescribed under Basel Foundation – Internal Rating Based (F-IRB) approach to determine ECL under BSD Circular No. 08 dated June 27, 2006 issued by SBP.

39.2.4 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 International Monetary Fund (IMF) which were used to determine forward looking Point in time PDs (Pit PDs)

39.3 Market Risk

Market risk is the risk that the Bank's income or capital will fluctuate on account of changes in the value of a financial instrument because of movements in market factors such as interest rates, credit spreads, foreign exchange rates and market prices of equity.

The Bank is exposed to interest rate risk due to its investment in government and non government debt securities. To manage market risk a well-defined limits structure is in place which ensures that exposure in money market and equity market adheres with the risk tolerance levels and are in line with goals set by Board of Directors (BOD), Risk Management Committee of the Board (RMC) and ALCO.

39.4 Foreign Exchange Risk

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

39.5 Equity position risk

It is the risk to earnings or capital that results from adverse changes in the value / price of equity related portfolios. It is a risk to earnings or capital that results from adverse changes in the value of equity related portfolios of the Bank. Price risk associated with equities could be systematic or unsystematic. Systematic risk is due to sensitivity of portfolio's value to changes in overall level of equity prices, while unsystematic risk is associated with price volatility that is determined by the specific characteristics of the investee company.

The Bank's exposure to equity position risk is minimal with Bank's sole equity investment being the investment in money market mutual funds. The Maximum exposure to equity position risk to the Bank is as follows

	2023	2022
	---Rupees---	
Investments		
Mutual Funds	**5,570,318,668**	21,971,006,621
	5,570,318,668	21,971,006,621

39.6 Liquidity risk

Liquidity risk is the risk that the Bank will not be able to raise funds to meet its current obligations as they become due or at an excessive cost. Liquidity risk arises from mismatches in the timing of cash flows. The Bank's Asset and Liability Committee (ALCO) is primarily responsible for the formulation of the overall strategy and oversight of the liquidity management.

The ALCO meets on a monthly basis or more frequently, if required. The Bank's approach to liquidity management is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking sustained damage to business franchises. A centralized approach is adopted, based on an integrated framework incorporating an assessment of all material known and expected cash flows and the availability of collateral which could be used to secure additional funding if required. The framework entails careful monitoring and control of the daily liquidity position, and regular liquidity stress testing under a variety of scenarios. These encompass both normal and stressed market conditions, including general market crises and the possibility that access to markets could be impacted by a stress event affecting some part of the Bank's business.

The maturity profile of assets and liabilities is prepared based on contractual maturities and non-contractual assets and liabilities.

40 SCHEDULE OF MATURITY OF MARKET RATE ASSETS AND LIABILITIES

	Total	Upto one month	Over one month upto six months	Over six months upto one year	Over one year
	---- Rupees ----				
As at December 31, 2023					
Market rate assets					
Advances - net of provision	82,087,559,684	8,725,923,709	25,764,902,022	24,583,872,054	23,012,861,899
Lending to financial institutions	454,522,065	454,522,065	-	-	-
Investments	51,690,774,064	4,457,082,500	4,899,664,933	25,274,519,696	17,059,506,935
Balances with other banks - deposit accounts	740,778,998	740,778,998	-	-	-
Total market rate assets	134,973,634,811	14,378,307,272	30,664,566,955	49,858,391,750	40,072,368,834
Other non-earning assets					
Cash in hand	1,734,737,074	1,734,737,074	-	-	-
Balances with SBP and NBP - current accounts	4,165,678,196	4,165,678,196	-	-	-
Balances with other banks - current accounts	234,019,379	234,019,379	-	-	-
Operating fixed assets	7,274,639,768	123,596,398	617,409,129	740,890,955	5,792,743,286
Other assets	7,857,792,772	1,644,531,619	412,965,900	1,944,849,343	3,855,445,910
Deferred tax asset	3,725,213,611	-	-	-	3,725,213,611
Total non-earning assets	24,992,080,800	7,902,562,666	1,030,375,029	2,685,740,298	13,373,402,807
Total assets	**159,965,715,611**	**22,280,869,938**	**31,694,941,984**	**52,544,132,048**	**53,445,771,641**
Market rate liabilities					
Deposits and other accounts	96,043,786,908	46,978,491,682	13,728,839,604	15,005,064,728	20,331,390,894
Finance lease obligation	3,325,016,226	81,292,396	334,298,902	326,365,096	2,583,059,832
Subordinated loan	2,628,131,761	-	300,000,000	550,237,406	1,777,894,355
Borrowings	40,914,742,145	4,069,244,312	31,173,439,904	2,965,873,017	2,706,184,912
Total market rate liabilities	142,911,677,040	51,129,028,390	45,536,578,410	18,847,540,247	27,398,529,993
Other non-cost bearing liabilities					
Current deposits	9,753,188,013	9,753,188,013	-	-	-
Other liabilities	1,470,641,958	1,263,700,425	149,535,595	-	57,405,938
Total non-cost bearing liabilities	11,223,829,971	11,016,888,438	149,535,595	-	57,405,938
Total liabilities	**154,135,507,011**	**62,145,916,828**	**45,686,114,005**	**18,847,540,247**	**27,455,935,931**
Net Assets	**5,830,208,600**				
Represented by					
Share capital	5,085,714,290				
Discount on issue of share capital	(25,714,290)				
Advance against issue of shares	1,600,000,000				
Statutory reserve	783,163,849				
Depositors' protection fund	250,351,806				
Unappropriated profit	(1,920,006,977)				
Surplus / (deficit) on revaluation of assets	(39,197,997)				
Deferred grants	95,897,919				
Total capital	**5,830,208,600**				

40.1 SCHEDULE OF MATURITY OF MARKET RATE ASSETS AND LIABILITIES - RESTATED

	Total	Upto one month	Over one month upto six months	Over six months upto one year	Over one year
	----------	----------	Rupees	----------	----------
As at December 31, 2022					
Market rate assets					
Advances	55,029,764,562	5,314,490,653	15,967,360,632	23,596,253,499	10,151,659,779
Investments	137,330,941,405	131,640,063,338	-	-	5,690,878,066
Lending to financial institution	6,587,370,250	6,587,370,250	-	-	-
Balances with other banks - deposit accounts	577,354,606	577,354,606	-	-	-
Total market rate assets	199,525,430,823	144,119,278,847	15,967,360,632	23,596,253,499	15,842,537,845
Other non-earning assets					
Cash in hand	1,640,403,221	1,640,403,221	-	-	-
Balances with SBP and NBP - current accounts	6,474,030,164	6,474,030,164	-	-	-
Balances with other banks - current accounts	36,700,458	36,700,458	-	-	-
Operating fixed assets	4,717,912,587	61,401,016	307,005,079	368,406,095	3,981,100,395
Other assets	2,257,560,339	160,644,556	332,895,116	765,335,320	998,685,347
Deferred tax asset	3,796,634,819	-	-	-	3,796,634,819
Total non-earning assets	18,923,241,588	8,373,179,415	639,900,195	1,133,741,415	8,776,420,561
Total assets	218,448,672,411	152,492,458,262	16,607,260,827	24,729,994,914	24,618,958,406
Market rate liabilities					
Large time deposits above Rs. 100,000	26,699,813,537	2,567,718,789	11,438,039,231	11,326,537,137	1,367,518,380
All other time deposits (including fixed rate deposits)	79,804,612	3,115,000	19,631,500	30,527,312	26,530,800
Other cost bearing deposits	59,228,346,865	59,228,346,865	-	-	-
Borrowings including subordinated debt	117,969,400,126	85,540,734,201	18,277,113,006	3,817,531,989	10,334,020,929
Total market rate liabilities	203,977,365,140	147,339,914,855	29,734,783,737	15,174,596,437	11,728,070,110
Other non-cost bearing liabilities					
Deposits	6,192,446,108	6,192,446,108	-	-	-
Finance lease obligation	2,502,384,818	62,299,916	20,528,180	346,693,880	2,072,862,843
Other liabilities	1,864,576,310	1,189,379,807	40,994,745	-	634,201,758
Total non-cost bearing liabilities	10,559,407,236	7,444,125,831	61,522,925	346,693,880	2,707,064,601
Total liabilities	214,536,772,376	154,784,040,686	29,796,306,662	15,521,290,318	14,435,134,711
Net Assets	3,911,900,035				
Represented by					
Share capital	5,085,714,290				
Discount on issue of share capital	(25,714,290)				
Advance against issue of shares	-				
Statutory and general reserve	633,083,649				
Depositors' protection fund	182,619,010				
Unappropriated loss	(2,024,533,104)				
Surplus / (deficit) on revaluation of assets	(2,014,787)				
Deferred grants	62,745,267				
Total capital	3,911,900,035				

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41 RESTATEMENTS AND RECLASSIFICATIONS

41.1 The Bank chose to early adopt IFRS 9 "Financial Instruments" during the year 2022 and the impact thereof was disclosed and accounted for in the audited financial statements of the Bank for 2022. During the year, the State Bank of Pakistan (SBP) conducted a review of the Bank and directed the Board of the Bank to take certain corrective measures including aligning matters relating to implementation of IFRS 9, "Financial Instruments" with the related IFRS 9 implementation instructions issued by the SBP and adjust retrospectively the financial position as at December 31, 2022 and directed further that in case of shortfall in related statutory requirements, capital to be injected by sponsorsof the Bank. Accordingly, the bank has complied with the directions of SBP, by considering the IFRS-9 implementation instructions issued by SBP and specific communications in this respect of the Bank with SBP and has also obtained and amount of Rs 1,600 million on account of advance for issuance of shares from Pakistan Telecommunication Company Limited. Further, certain other errors were also identified in relation to prior years and significant amongst thereof include relating to right of use of assets along corresponding lease liability on buildings and recognition of markup income on loans and advances which have been adjusted retrospectively.

41.2 The following corresponding figures have been re-arranged and reclassified in current year for more appropriate presentation:

From	To	Amount
		----- Rupees -----
2021		
Balance sheet		
Note 9: Balance with other banks - Local currency current accounts	Note 8: Balance with State Bank of Pakistan (SBP)	1,839
2022		
Balance sheet		
Note 9: Balance with other banks - Local currency current accounts	Note 8: Balance with State Bank of Pakistan (SBP)	662,099,000
Note 9: Balance with other banks - Local currency current accounts	Note 8: Balance with National Bank of Pakistan (NBP) in current account	1,796
Note 9: Balance with other banks - Local currency deposit accounts	Note 9: Balance with other banks - Local currency current accounts	16,517,746
Note 14: Other assets - Others	Note 10: Repurchase lending agreements	5,803,002
Note 14: Other assets - Others	Note 14: Other assets - Receivable from Raast	155,538,890
Note 17: Borrowings - UMBL ADT 1 TFCs	Note 18: Subordinated debt - Term Finance Certificates	1,001,126,576
Note 19: Other liabilities - Payable to utility companies for utility bill collection	Note 19: Other liabilities - Payable to PTML - associated company	183,384
Profit and loss account		
Note 23: Markup earned - Deposits accounts, placements with other banks	Note 23: Markup earned - Investments in government securities	98,843,817
Note 23: Markup earned - Deposits accounts, placements with other banks	Profit and loss account: Dividend income	1,242,807,579
Note 23: Markup earned on Advances	Note 23: Markup earned - Profit on Islamic financing	55,494,729
Note 23: Markup earned - Deposits accounts, placements with other banks	Note 23: Markup earned - Lending to financial institutions	132,104,948
Note 24: Markup expensed on deposits	Note 24: Profit sharing Islamic deposits	24,630,254
Note 26: Other services income	Note 23: Markup earned on employee loans	3,930,460
Note 26: Other income - write off recoveries	Profit and loss account: Credit loss allowance against advances	197,375,260
Note 27: Administrative expenses - Finance charges on leased assets	Note 24: Markup expensed - Finance charges on leased vehicles	7,791,285
Note 27: Administrative expenses - Finance charges on leased assets	Note 24: Markup expensed - Finance charges on right of use asset	249,248,963
Note 27: Administrative expenses - Miscellaneous expense	Note 26: Other income - gain on disposal of fixed assets	829,285
Profit and loss account: Provision for WWF	Note 28: Other charges - Provision for WWF	49,099,395

41.3 The significant impact of the aforementioned restatements and reclassifications made during the year is summarized below:

	January 01, 2022 As previously reported	Effect of Reclassification	Effect of Restatement	January 01, 2022 Restated
	Rupees	Rupees	Rupees	Rupees
Balance sheet				
As at January 01, 2022				
Advances	38,855,512,215	-	400,276,649	39,255,788,864
Operating fixed assets	2,886,170,228	-	15,041,871	2,901,212,099
Other Assets	1,213,165,806	-	3,269,584	1,216,435,390
Deferred tax asset - net	1,870,700,121	-	(332,635,308)	1,538,064,813
Borrowings	(36,867,211,056)	-	16,582,687	(36,850,628,369)
Other Liabilities	(2,795,002,406)	-	(166,430,644)	(2,961,433,050)
Impact on net assets		-	(63,895,162)	
Depositors protection fund	158,270,912	-	4,178,090	162,449,002
Unappropriated profit	(816,063,376)	-	(135,372,759)	(951,436,136)
Impact on equity		-	(131,194,669)	
Deferred grant	34,401,210	-	67,299,507	101,700,717
Impact on net assets		-	(63,895,162)	
Balance sheet				
As at December 31, 2022				
Advances	59,283,993,959	-	(4,254,229,397)	55,029,764,562
Operating fixed assets	4,763,987,510	-	(46,074,923)	4,717,912,587
Other Assets	1,997,370,695	(5,803,002)	265,992,646	2,257,560,339
Deferred tax asset - net	2,609,783,540		1,186,851,279	3,796,634,819
Borrowings	(116,123,715,137)	1,001,126,576	(12,093,702)	(115,134,682,263)
Other Liabilities	(4,038,262,247)	-	(328,698,881)	(4,366,961,128)
Impact on net assets		995,323,574	(3,188,252,978)	
Statutory reserve	1,083,074,935	-	(449,991,286)	633,083,649
Depositors protection fund	270,768,733	-	(88,149,723)	182,619,010
Unappropriated profit	673,955,800	-	(2,698,488,904)	(2,024,533,104)
Impact on equity		-	(3,236,629,913)	
Deferred grant	14,368,333	-	48,376,934	62,745,267
Impact on net assets		-	(3,188,252,978)	
Statement of Profit and Loss				
For the Year Ended December 31, 2022				
Mark-up/ return/ interest earned	20,742,343,719	(1,238,877,119)	(841,011,915)	18,662,454,685
Mark-up / return / interest expensed	(14,139,020,162)	(257,040,248)	(342,154,297)	(14,738,214,707)
Credit loss allowance and write offs - net	1,338,155,748	197,375,260	(3,943,191,984)	(2,407,660,976)
Fee, commission and brokerage income	1,300,633,449	-	60,590,659	1,361,224,108
Other income - net	566,683,284	(200,476,435)	330,582,368	696,789,217
Administrative expenses	(6,890,033,056)	256,210,963	9,473,024	(6,624,349,069)
Other charges	(10,297,850)	(49,099,395)	49,099,395	(10,297,850)
Taxation - Current	(881,843,867)	-	31,520,915	(850,322,952)
Taxation - Deferred	694,236,077	-	1,519,486,581	2,213,722,658
		(1,291,906,974)	(3,125,605,254)	
Profit / (loss) after taxation	3,541,863,405	(1,291,906,974)	(3,125,605,254)	(875,648,823)
Basic earnings per share (EPS)	6.10		(8.73)	(2.63)
Diluted earnings per share (EPS)	3.09		(4.42)	(1.33)

42 CAPITAL MANAGEMENT

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

The Bank's objectives when managing its capital are:

a) To comply with the capital requirements set by the SBP;

b) To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

c) To maintain a strong capital base to support the development of its business.

Capital requirements applicable to the Bank are set out under Microfinance Institutions Ordinance, 2001. These requirements are put in place to ensure sufficient solvency margins. The Bank manages its capital requirement by assessing its capital structure against required capital level on regular basis. The minimum paid up capital requirement applicable to the Bank is Rs 1,000 million whereas the paid up capital of the Bank as at December 31, 2023 is Rs 5,830 million (2022: Rs 3,912 million).

The Bank intends to maintain the required regulatory capital either through its risk management strategies or by increasing the capital in line with the business and capital needs.

43 GENERAL

43.1 Account captions, as prescribed by BSD Circular No. 11, dated December 30, 2003, in the context of which there are no amounts, have not been reproduced in these financial statements, except for the captions of the balance sheet and profit and loss account.

43.2 Figures in these financial statements have been rounded to the nearest Rupee, unless otherwise stated.

44 DATE OF APPROVAL

These financial statements were approved and authorised by the Board of Directors of the Bank in their meeting held on 29 APR 2024.

President/ Chief Executive	Chairman	Director	Director

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Details of property and equipment disposed off during the year as referred to in Note 13.2.2 of financial

Particulars of Assets	Cost	Depreciation	Book Value	Sale Proceed	Gain/Loss	Mode of disposal	Relationship	Party
Motor Vehicles-Leased								
Toyota Corolla Altis 1.8 A/T Grande	3,186,000	1,909,800	1,276,200	257,350	(1,018,850)	Buy Back	Employee	Mubashar Ali Shahani
Toyota Corolla 1600cc Altis 1.6 AT	3,183,000	2,053,035	1,129,965	1,195,318	65,353	Buy Back	Employee	Akbar Khan
Toyota Corolla Altis 1.6	3,265,000	1,910,025	1,354,975	2,382,799	1,027,824	Buy Back	Employee	Mohsin Aslam Khan
Toyota Corolla 1600cc Altis 1.6 AT	3,283,000	1,083,390	2,199,610	1,089,829	(1,109,781)	Buy Back	Employee	Sunil Kumar
Toyota Land Cruiser	12,160,000	8,512,000	3,648,000	1,216,000	(2,432,000)	Buy Back	Employee	Kabeer Naqvi
KIA Sportage	5,399,000	3,725,310	1,673,690	2,347,944	674,254	Buy Back	Employee	Muhammad Javed
Honda Civic 1.8 VTEC Oriel 1799 cc	4,022,000	1,960,725	2,061,275	2,470,404	409,129	Buy Back	Employee	Mariam Parvaiz
Sub-total	34,498,000	21,154,285	13,343,715	10,959,644	(2,384,071)			
Office Equipment								
Electrical works	1,113,671	853,814	259,857	34,040	(225,817)	Auction	Third-party	External party
Banking Machines-Packet Note Counting Machine	114,660	64,974	49,686	2,000	(47,686)	Auction	Third-party	External party
Others	932,724	906,390	26,333	133,200	106,867	Auction	Third-party	External party
Sub-total	2,161,055	1,825,179	335,876	169,240	(166,636)			
Furniture and Fixtures								
Furniture and fixtures	423,270	244,855	178,415	68,805	(109,610)	Auction	Third-party	External party
	423,270	244,855	178,415	68,805	(109,610)			
Renovation								
Civil works	2,753,786	1,055,618	1,698,168	222,456	(1,475,712)	Auction	Third-party	External party
Others	865,180	639,794	225,386	36,480	(188,906)	Auction	Third-party	External party
Sub-total :	3,618,966	1,695,412	1,923,554	258,936	(1,664,618)			
Computer Equipment								
Laptop	892,298	148,716	743,582	743,582	-	Buy Back	Employee	Kabeer Naqvi
Macbook Pro MR942	387,050	387,050	-	19,359	19,359	Buy Back	Employee	Kabeer Naqvi
HP Elitebook 840 Intel Core i7	283,500	141,750	141,750	141,750	-	Buy Back	Employee	Ambreen Malik
HP Elitebook 840 Intel Core i7	283,500	141,750	141,750	141,750	-	Buy Back	Employee	Mariam Pervaiz
Laptop lenovo core i7	179,270	79,676	99,594	109,554	9,960	Buy Back	Employee	Azam Khan
lenovo Laptop Intel Core i7	133,000	133,000	-	6,650	6,650	Buy Back	Employee	Ashfaq Ahmed
lenovo Laptop Intel Core i7	133,000	133,000	-	6,650	6,650	Buy Back	Employee	Irfan
lenovo Laptop Intel Core i7	133,000	133,000	-	6,650	6,650	Buy Back	Employee	Ghalib
lenovo-Laptop Intel Core i7	133,000	133,000	-	6,650	6,650	Buy Back	Employee	Khaliq

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Particulars of Assets		Cost	Depreciation	Book Value	Sale Proceed	Gain/Loss	Mode of disposal	Relationship	Party
lenovo Laptop Intel Core i5		113,490	113,490	-	5,675	5,675	Buy Back	Employee	Adil
lenovo Laptop Intel Core i5		113,490	113,490	-	5,675	5,675	Buy Back	Employee	Raza
lenovo Laptop Intel Core i5		113,490	113,490	-	5,675	5,675	Buy Back	Employee	Usman
lenovo Laptop Intel Core i5		113,490	113,490	-	5,675	5,675	Buy Back	Employee	Ahmed
lenovo Laptop Intel Core i5		113,490	113,490	-	5,675	5,675	Buy Back	Employee	Usama
lenovo Laptop Intel Core i5		113,490	113,490	-	5,675	5,675	Buy Back	Employee	Waqar
lenovo Laptop Intel Core i5		113,490	113,490	-	5,675	5,675	Buy Back	Employee	Hassan
lenovo Laptop Intel Core i5		113,490	113,490	-	5,675	5,675	Buy Back	Employee	Ahmad
lenovo Laptop Intel Core i5		113,490	113,490	-	5,675	5,675	Buy Back	Employee	Faizan
lenovo Laptop Intel Core i5		113,490	113,490	-	5,675	5,675	Buy Back	Employee	Johar
lenovo Laptop Intel Core i5		113,490	113,490	-	5,675	5,675	Buy Back	Employee	Asma
lenovo Laptop Intel Core i5		113,490	113,490	-	5,675	5,675	Buy Back	Employee	Samreen
lenovo Laptop Intel Core i5		113,490	113,490	-	5,675	5,675	Buy Back	Employee	Imtiaz
lenovo Laptop Intel Core i5		113,490	113,490	-	5,675	5,675	Buy Back	Employee	Usman
lenovo Laptop Intel Core i5		113,490	113,490	-	5,675	5,675	Buy Back	Employee	Hajira 1908
Laptop lenovo core i5		103,000	103,000	-	5,150	5,150	Buy Back	Employee	Syed Adnan
Laptop lenovo core i5		103,000	103,000	-	5,150	5,150	Buy Back	Employee	Adnan Shahzad
lenovo Laptop Intel Core i5		103,000	103,000	-	5,150	5,150	Buy Back	Employee	Mohsin
lenovo Laptop Intel Core i5		103,000	103,000	-	5,150	5,150	Buy Back	Employee	Saadat
lenovo Laptop Intel Core i5		103,000	103,000	-	5,150	5,150	Buy Back	Employee	Mudasar
lenovo Laptop Intel Core i5		103,000	103,000	-	5,150	5,150	Buy Back	Employee	Habib
lenovo Laptop Intel Core i5		103,000	103,000	-	5,150	5,150	Buy Back	Employee	Abdul Rehman
Lenovo laptop intel core i-5		103,000	103,000	-	5,150	5,150	Buy Back	Employee	Kanwal Fatima
Lenovo-Laptop Intel Core i5		103,000	103,000	-	5,150	5,150	Buy Back	Employee	Amir Siddique
Lenovo-Laptop Intel Core i5		103,000	103,000	-	6,650	6,650	Buy Back	Employee	M Qazi Qaiser
HP Elite book 840 G4 laptop		98,500	98,500	-	4,925	4,925	Buy Back	Employee	Mazhir Ali
Lenovo laptop intel core i-5		94,500	94,500	-	4,725	4,725	Buy Back	Employee	Syed Muhammad Omer
HP Pavillion laptop		67,500	67,500	-	3,375	3,375	Buy Back	Employee	Farrukh
HP Laptop		67,500	67,500	-	3,375	3,375	Buy Back	Employee	Shahid Habib
Mobile Phone		66,000	66,000	-	-	-	Buy Back	Employee	Kabeer Naqvi
HP Probook 450GS		62,500	62,500	-	3,125	3,125	Buy Back	Employee	Awais
HP Probook 450G5		62,500	62,500	-	3,125	3,125	Buy Back	Employee	Minahil Zulfiqar
Mobile Phone		35,000	35,000	-	-	-	Buy Back	Employee	Muhammad Farooq Kamran
Mobile Phone		35,000	35,000	-	-	-	Buy Back	Employee	Umar
Others		973,320	973,320	-	-	-	Buy Back	Employee	Various employees
	Sub-total :	6,852,288	5,725,612	1,126,676	1,343,370	216,694			
	Grand total :	47,553,579	30,645,342	16,908,236	12,799,995	(4,108,241)			

U MICROFINANCE BANK LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

Financial results of the Islamic Microfinance Division, as referred to in note 2.2 of the financial statements.

Balance sheet as at December 31, 2023

	2023	2022
	------------- Rupees -------------	
ASSETS		
Cash and Balances with SBP and NBP	**272,099,000**	662,099,000
Balances with Other Banks/NBFIs/MFBs	**239,150,737**	173,525,964
Investment- net of provisions	**3,429,679,478**	3,536,691,716
Islamic Financing and related assets - net of provisions	**3,755,085,743**	636,409,613
Operating Fixed Assets	**506,621,243**	147,194,039
Other assets	-	-
Total Assets	**8,202,636,201**	5,155,920,332
LIABILITIES		
Deposits and other accounts		
- Current accounts	**760,312,056**	514,172,119
- Saving accounts	**2,701,917,679**	3,222,159,031
- Term deposits	**959,789,086**	76,902,500
	4,422,018,821	3,813,233,650
Due to Head Office	**3,611,573,295**	1,077,521,936
Other Liabilities	**72,419,736**	16,106,079
Total Liabilities	**8,106,011,852**	4,906,861,664
NET ASSETS	**96,624,349**	249,058,668
REPRESENTED BY:		
Islamic Banking Fund	**200,000,000**	200,000,000
Unappropriated Profit	**(103,375,651)**	49,058,668
	96,624,349	249,058,668
Remuneration of the Shariah Advisor	**1,200,000**	1,200,000

President / Chief Executive | Chairman | Director | Director

U MICROFINANCE BANK LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

Financial results of the Islamic Microfinance Division, as referred to in note 2.2 of the financial statements.

Profit and loss account for the year ended December 31, 2023

	2023	2022
	------------- Rupees	-------------
Profit / return earned	**767,741,139**	277,862,580
Profit / return expensed	**(307,127,206)**	(24,630,254)
Net profit / return / income	**460,613,933**	253,232,326
Provision against Non-performing financing	**(73,346,043)**	(6,378,923)
Bad debts written off directly	**-**	-
	(73,346,043)	(6,378,923)
Net return earned after provisions	**387,267,890**	246,853,403
Other income	**6,223,636**	1,647,325
Fee, commission and brokerage income	**121,087,676**	19,198,496
	514,579,202	267,699,223
Administrative expenses	**(667,013,520)**	(218,640,556)
	(152,434,318)	49,058,668
Extra ordinary / unusual items	**-**	-
PROFIT BEFORE TAXATION	**(152,434,318)**	49,058,668

President / Chief Executive   Chairman   Director   Director

U MICROFINANCE BANK LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

Financial results of the Islamic Microfinance Division, as referred to in note 2.2 of the financial statements.

Statement of Sources and Uses of Charity Fund for the year ended December 31, 2023

	2023	2022
	Rupees	
Opening balance	**59,580**	-
Additions during the period		
- Received from customers on delayed payments	**81,700**	59,580
- Non-Shariah compliant income	-	-
- Profit on charity account	**1,887**	-
- Others	-	-
	143,167	59,580
Payments/ utilization during the period	-	-
Closing Balance	**143,167**	59,580

President / Chief Executive Chairman Director Director

U MICROFINANCE BANK LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

Financial results of the Islamic Microfinance Division, as referred to in note 2.2 of the financial statements

Notes to the Annexure II for the year ended December 31, 2023.

A-1 As at the year end, the Bank is operating 74 (2022: 30) Islamic branches. Islamic Microfinance Division (IMD) is operating a General pool and Special Pool to manage profit and loss distribution.

FEATURES OF GENERAL POOL

In this pool, savings and terms deposits are accepted on Mudarbah basis. The Bank invests the funds given by account holders in Islamic assets like Murabaha, Salam, Diminishing Musharakah, Sukuks and any other Shariah Compliant Investment which are duly approved by the Shariah Advisor. The profit earned is shared on the basis of profit & loss sharing ratio. In case of loss, the same is borne by the depositors in proportionate to their investment and the bank bear the loss of its efforts services in managing Mudarabah.

The profit of the pool is calculated from the income earned on all the remunerative assets booked by utilizing the funds from pool and is distributed between bank and depositors based on declared sharing ratio. The ratio for Bank (mudarib) and depositors is 50:50 for general pool.

As per policy of the Bank, weightages are declared three days before start of each month. Gift (Hiba) given during the current period Rs 21,088,376 (2022: Rs 1,082,777).

Brief highlights of profit earned and distributed to depositors and retained by IMD are as under:

	Note	2023	2022
		----------Rupees----------	
Gross income / profit		**241,161,920**	85,319,992
Administrative expenses of pool		**-**	(10,003,280)
Net distributable share		**241,161,920**	75,316,712
Profit paid to PLS accounts/ Certificates		**87,368,786**	7,771,700
Bank equity share		**108,054,505**	61,938,865
Bank Mudarib Share		**45,738,630**	5,606,146
		153,793,134	67,545,011
Total		**241,161,920**	75,316,711
Return on average earning assets		**22.55%**	13.77%
Return on average PLS / Deposits		**15.37%**	9.10%

All types of direct administrative expenses of General pool are shared with the depositors. However, equity holders have the option to absorb all or part of administrative expenses. All general and specific provisions created against non-performing financing and diminution in the value of investment as under Prudential Regulations and other SBP directives have not been passed on to the PLS depositors.

FEATURES OF SPECIAL POOL

In this pool, savings and terms deposits are accepted on Mudarbah basis. The Bank invests the funds given by account holders in Islamic assets like Murabaha, Salam, Diminishing Musharakah, Sukuks and any other Shariah Compliant Investment which are duly approved by the Shariah Advisor. The profit earned is shared on the basis of profit & loss sharing ratio. In case of loss, the same is borne by the depositors in proportionate to their investment and the bank bear the loss of its efforts services in managing Mudarabah

The profit of the pool is calculated from the income earned on all the remunerative assets booked by utilizing the funds from pool and is distributed between bank and depositors based on declared sharing ratio.

Gift (Hiba) given during the current period Rs 15,844,232 (2022: Rs 256,542).

	Note	2023	2022
		----------Rupees----------	
Gross income / profit		**304,351,456**	7,926,734
Administrative expenses of pool		**-**	-
Net distributable share		**304,351,456**	7,926,734
Profit paid to PLS accounts/ Certificates		**219,758,420**	7,239,356
Bank equity share		**56,796,041**	97,571
Bank Mudarib Share		**27,796,994**	589,807
		84,593,036	687,378
Total		**304,351,456**	7,926,734
Return on average earning assets		**20.62%**	16.34%
Return on average PLS / Deposits		**18.41%**	15.92%

U MICROFINANCE BANK LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

Financial results of the Islamic Microfinance Division, as referred to in note 2.2 of the financial statements

Notes to the Annexure II for the year ended December 31, 2023.

		Note	2023	2022
			----Rupees----	
A-2	ISLAMIC FINANCING AND RELATED ASSETS-NET			
	Murabah financing		1,455,132,388	458,313,131
	Salam financing		2,354,362,810	180,484,530
	Diminishing Musharaka		18,936,588	3,990,875
			3,828,431,786	642,788,536
	Accrued interest			
	Less: Provisions held against non-performing facilities		(73,346,043)	(6,378,923)
			3,755,085,743	636,409,613

A-3 MATURITY PROFILES OF FUNDS

Maturity profile of funds mobilised under various modes:

	2023						
	Upto 1 month	Over 1 month upto 3 months	Over 3 month upto 6 months	Over 6 month upto 1 year	Over 1 year upto 2 years	Over 2 years	Total
				-- Rupees --			
Term accounts	-	58,516,351	22,076,824	850,059,932	-	29,135,979	959,789,086
Saving accounts	2,701,917,679	-	-	-	-	-	2,701,917,679
	2,701,917,679	58,516,351	22,076,824	850,059,932	-	29,135,979	3,661,706,765

	2022						
	Upto 1 month	Over 1 month upto 3 months	Over 3 month upto 6 months	Over 6 month upto 1 year	Over 1 year upto 2year	Over 2 years	Total
				-- Rupees --			
Term accounts	-	1,000,000	1,800,000	15,010,000	-	59,092,500	76,902,500
Saving accounts	3,222,159,031	-	-	-	-	-	3,222,159,031
	3,222,159,031	1,000,000	1,800,000	15,010,000	-	59,092,500	3,299,061,531

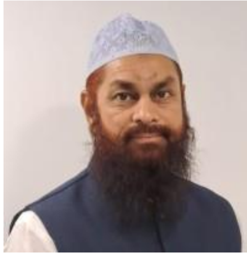
A-4 Sectors of economy / business where Mudarbah based deposits have been deployed:

All earning assets of Islamic banking group are jointly financed by unrestricted investments / PLS deposits account holders and the Bank. Detail of jointly financed gross earning assets are:

	2023	2022
	----Rupees----	
Agri business	2,229,621,906	143,936,200
Housing - General	1,581,704,486	-
Micro enterprises	17,105,403	462,960,103
	3,828,431,795	606,896,303
Mutual funds	1,003,247,668	1,699,995,712
Private sukuks	296,662,696	842,801,267
GoP ijarah sukuk	2,129,769,114	993,894,737
	7,258,111,273	3,536,691,716

President / Chief Executive | Chairman | Director | Director

Profile – Shari'ah Advisor



Mufti Syed Zahid Siraj

Mufti Syed Zahid Siraj is a highly educated and renowned Islamic scholar with over 30 years of experience in Islamic banking, Takaful, Shari'ah audit, Shari'ah compliance and Islamic Finance. He has a strong background in professional, religious and contemporary education, including a Darajah Al-Ijazah Al-Aliyah from a prominent religious institution, where he obtained first position, and a Shahadah Al-Alimiyah from Tanzeem-ul-Madaris (Ahl-e-Sunnat) Pakistan with a distinction of first class second position in the country. Besides this, he was also awarded Shahadah Al-Takhassus Fil-Fiqh & Sanad-ul-Faragh wal-Ijazah Fil-Hadith. He has completed his Masters in Islamic Studies from University of Karachi and Masters in Economics & MA in Arabic & Islamic Culture (Equivalence) from University of Sindh. He is also a Law Graduate and completed his LLB from University of Karachi. In addition, he is AAOIFI Certified Shari'ah Advisor and Auditor (CSAA) Fellow and holds other certifications such as, Certified Islamic Banker (CIB), Certified Takaful Professional (CTP) and Certificate in Shari'ah Audit and Compliance (CSAC).

Mufti Siraj is a SECP-registered Shari'ah Advisor, a passionate and dedicated Shari'ah trainer and subject expert, offering lectures and training sessions at various universities and institutions. He was a member of the Shari'ah Audit & Review Committee established by the Securities and Exchange Commission of Pakistan (SECP) for PMEX Murabaha Transactions. Prior to joining U Bank as a Shari'ah Advisor, he worked as the Head of Internal Shari'ah Audit at Al Baraka Bank (Pakistan) Limited.

He provides Shari'ah guidance to other Islamic Financial & Takaful institutions along with honorary positions as Member of the Board of Studies at the University of Karachi, Head Mufti at Al Arqum Riaz-ul-Uloom in Karachi, Founder and Chairman of the Research & Ifta Academy in Karachi, Member of the Shari'ah Board at Saylani Welfare Trust International, and Secretary General of the Idara-i-Tahqeeqat-e-Imam Ahmad Raza in Karachi.

Shari'ah Advisor Report

For the year ended December 2023

بِسۡمِ اللهِ الرَّحۡمٰنِ الرَّحِيمۡ

اَلۡحَمۡدُ لِلّٰهِ رَبِّ الۡعَالَمِيۡنَ وَالصَّلَاةُ وَالسَّلَامُ عَلٰى خَاتَمِ الۡاَنۡبِيَآءِ وَالۡمُرۡسَلِيۡنَ وَعَلٰى اٰلِهٖ وَصَحۡبِهٖ اَجۡمَعِيۡنَ

U Microfinance Bank Limited (U Bank) obtained approval for Islamic Microfinance Division - IMD from State Bank of Pakistan on dated December 31, 2021 and started its formal IMD Operations from 05-January-2022. By the grace of Almighty Allah, the year under review, U Bank Islamic Banking has accomplished it's 2nd Financial Year of Islamic Banking Operations with 61 full-fledged Islamic Banking Branches.

The Board of Directors (BODs) and management are responsible to provide effective and comprehensive Shari'ah compliance environment in line with Shari'ah and Regulatory Circulars & Guidelines issued by State Bank of Pakistan (SBP) for Islamic Microfinance Businesses to ensure conformity of U Bank's Islamic Microfinance products and operations with Shari'ah rules & principles and regulatory requirements.

The report summarizes review and approval of the overall operations of U Bank's Islamic Microfinance Division, along with the details of Shari'ah compliant products, other related documents, and financial activities related to Islamic Microfinance operations during the year. The review also includes Profit & Loss Distributions and other associated activities, all of which were conducted in accordance with the requirements of Shari'ah Guidelines, AAOIFI Shari'ah Standards, and SBP Regulatory Instructions & guidelines.

Following were the major developments that took place during the year under review;

This year, U Bank Islamic Microfinance facilitated Shari'ah-compliant deposit and financing products for microfinance customers, effectively addressing their investment and financing requirements. These products were introduced under the nomenclature of underlying Shari'ah modes of financing, such as Murabaha, Salam, and Diminishing Musharakah. The distinct feature of these products was the use of Shari'ah-compliant modes of financing, which helped create awareness of Islamic banking among microfinance customers. Overall, the launch of these products was a success for U Bank Islamic Banking.

During the year, the products and services, agreements & contracts, transactional structures, treasury investments, and policies and manuals have been assessed for the underlying Shari'ah principles and bases employed in the offerings of the products and transactions of U Bank's Islamic Microfinance.

The Shari'ah Compliance Department, under the supervision of the Shari'ah Advisor, has performed several Shari'ah reviews throughout the year, including examining various transactions on a sample basis. The Shari'ah Compliance Department has obtained all required information and explanations, which were deemed sufficient evidence to form an opinion and provide reasonable assurance that

U Bank's Islamic Microfinance adhered to the relevant Shari'ah regulations and guidelines issued by the Shari'ah Advisor and SBP.

As per the SBP's directives, Shari'ah Compliance Department carried out monthly pre-disbursement reviews of profit and loss distribution to depositors. In addition, post-disbursement quarterly Shari'ah audits of profit and loss distribution were performed, and the resulting reports were presented to the Shari'ah Advisor for guidance on appropriate corrective actions.

Capacity building through training and development is crucial for the growth and advancement of the Islamic Banking industry, as it allows for the optimal utilization of human resources. To this end, U Bank's Islamic Microfinance places particular emphasis on the development of its staff through the provision of in-house and external training opportunities. The Shari'ah Advisor and Shari'ah Compliance Department, in conjunction with HR, conducted Shari'ah and other relevant training sessions on Islamic Banking and related products for the U Bank's staff and sales team throughout the year.

Over the course of the year, range of financing-related pricing, Schedule of Charges (SOC), and deposit-related activities as outlined in the Mudarabah Profit & Loss Distribution and Pool Management Policy were reviewed and approved.

Comprehensive review of the core banking system (CBS) was conducted as the U Bank is in process to adopt CBS for its Islamic Microfinance operations too. The CBS is widely recognized and renowned within the banking industry, and was evaluated its suitability for use in U Bank's Islamic Microfinance operations.

Throughout the year, reviewed and granted formal Shari'ah approvals for all marketing materials of U Bank's Islamic Microfinance, including product flyers, TV and radio commercials, digital and social media content, print media advertisements, website layouts and content, as well as multiple card designs, letterheads, Islamic branch billboards, and digital screens.

Throughout the year, guidance was provided on a range of matters and customer queries to enhance the Shari'ah processes of U Bank's Islamic Microfinance. These included direct expense of the pool, purchase of various commodities and appliances and fertilizers, pesticides, and watering through Murabaha and Salam financings.

Throughout the year, U Bank Islamic Banking accumulated PKR 81,700 in charitable funds resulting from delayed customer payments, while donations related to prohibited means and void transactions were not reported. For each type of charity fund collected, a separate liability account (non-chequing) is established in distinct General Ledgers.

Charity funds are held in a Shari'ah-compliant remunerative account & reported PKR 1,887 profit on Charity Funds. As per the guidance of the Shari'ah Advisor. Following the prevailing Charity Policy and SBP guidelines, a total of PKR 135,000 has been disbursed to charitable organization during the year.

The management has taken initiatives for smooth operations of U Bank's Islamic Microfinance in line with the Shari'ah & Regulatory guidelines and took prior approvals of Shari'ah Advisor for all policies and services being offered by the U Bank's Islamic Microfinance.

Shari'ah Advisor's Opinion;

The Shari'ah Advisor, in coordination with the Head of Islamic Microfinance Division, periodically checked and monitored the activities and operations of U Bank's Islamic Microfinance. Based on the provided information and explanations, I am of the view and to the best of my knowledge and belief, that:

1. U Bank's Islamic Microfinance has complied with Shari'ah rules and principles in the light of Fatawajat, rulings and guidelines issued by its Shari'ah Advisor;
2. U Bank's Islamic Microfinance has complied with directives, regulations, instructions and guidelines related to Shari'ah compliance issued by State Bank of Pakistan from time to time in accordance with the rulings of SBP's Shari'ah Advisory Committee;
3. U Bank's Islamic Microfinance has a comprehensive mechanism in place to ensure Shari'ah compliance in its overall operations;
4. U Bank's Islamic Microfinance has complied with the SBP guidelines & instructions on profit & loss distribution and Pool Management. However, the pool management system has been implemented and in the final stages of validation from different stakeholders.
5. Training and capacity building department is in place to strengthen the level of awareness of staff and management in understanding the importance of products and processes as well as the Shari'ah Compliance;
6. U Bank's Islamic Microfinance has a well-defined system in place to ensure that any earnings realized from sources or by means prohibited by Shari'ah or void transaction should be credited to the Charity Account and properly utilized as per prevailing Charity Policy;
7. it is confirmed that not any earnings have been realized from sources or by means prohibited by Shari'ah or Void transactions; thus the same has not been credited to the charity account as applicable.

I hereby certify that the U Bank's Islamic Microfinance has performed under the adopted Shari'ah rules and principles and I have reviewed and approved all the policies, procedures, manuals, product programs and related documents and Takaful coverage agreements for the year ended December 31, 2023.

Recommendations of the Shari'ah Advisor;

On the basis of above, Shari'ah Advisor recommend that;

1. As U Bank converting its core Banking system into world renowned system so fully automated Core Banking System and Pool Management System for U Bank's Islamic Microfinance should be finalized on priority basis.
2. During the year U Bank's Islamic Microfinance has launched Murabaha, Salam, Diminishing Musharakah and Mudarabah products for its financing and deposit customers respectively. However, Shari'ah Advisor is of the view that further new products should be developed to facilitate the different types of Islamic microfinance customers and the staff is to be further trained in this regard by internal & external trainings.

3. It is recommended to facilitate all the staff of the U bank with Diminishing Musharakah based Vehicle and Home Staff Financings.
4. Islamic Digital based financing and deposits products such as Wallet accounts for depositors should be finalized on priority basis.
5. Islamic Financing Facilities, all types of Takaful coverage and provident funds should also be available for Islamic Microfinance Staff on priority basis.
6. Suitable and skilled resources should be hired on vacant positions especially in the Shari'ah Compliance Department on priority basis.
7. Frequency of Shari'ah, Islamic Banking & Finance, Product and financing administration (CAD) trainings for all staff should be improved in all regions and Islamic Banking marketing by different means should be used to spread public awareness.
8. There should be frequent Islamic Banking awareness sessions with proposed Islamic Microfinance customers.
9. It is recommended that Islamic Banking Window operations should be started in conventional branches of the U Bank.

I have found nothing contrary to the Shari'ah Rules and Principles and the applicable laws, in all material respects and hereby certify that the overall activities and operations of the U Bank's Islamic Microfinance are Shari'ah compliant.

I, being a Shari'ah Advisor of U Bank's Islamic Microfinance, would like to take this opportunity to offer praise to ALLAH Almighty and seek HIS guidance for further progress, development and prosperity of Islamic Banking, under the sincere efforts of senior management of U bank and State Bank of Pakistan.

Rest Allah Knows Better,

وَاللهُ سُبْحَانَهُ وَتَعَالىٰ اَعْلَمُ

وَصَلَّى اللهُ تَعَالىٰ عَلٰى خَيْرِ خَلْقِهِ سَيِّدِنَا وَمَوْلَانَامُحَمَّدٍ وَّ عَلٰى اٰلِهٖ وَصَحْبِهٖ اَجْمَعِيْنَ

Mufti Syed Zahid Siraj
Shari'ah Advisor
U Microfinance Bank Limited – Islamic Microfinance Division

Signed at Karachi; April 29, 2024