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INDEPENDENT AUDITOR'S REPORT

To the members of ASA Microfinance Bank (Pakistan) Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **ASA Microfinance Bank (Pakistan) Limited** (the Bank), which comprises of the balance sheet as at **31 December 2023**, and the profit and loss account, statement of other comprehensive income, the statement of changes in equity, the cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy 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, the profit and loss account, the statement of comprehensive income, the cash flow statement, the statement of changes in equity 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 in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at 31 December 2023 and of the profit and other comprehensive income, the changes in equity and its cash flows 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 Auditors' 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.

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.

Auditors' 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 auditors' 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 auditors' 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 auditors' 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 Bank's business; and

d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditors' report is Omer Chughtai.

Chartered Accountants

Place: Karachi

Date: 20 March 2024

UDIN Number: AR202310120DQIfoJcBF

ASA Microfinance Bank (Pakistan) Ltd
Balance Sheet
As at 31 December 2023

	Note	2023	2022
		(Rupees)	
ASSETS			
Cash and balances with State Bank of Pakistan and National Bank of Pakistan	4	18,836,598	4,994,720
Balances with other banks	5	1,180,035,307	2,202,991,976
Lendings to financial institutions		-	-
Investments - net of provision		-	-
Advances - net of provisions	6	19,321,846,748	17,956,296,409
Operating fixed assets	7	778,326,785	266,769,234
Other assets	8	707,193,325	2,011,111,122
Deferred tax asset - net	9	1,231,325,414	414,748,156
Total assets		23,237,564,177	22,856,911,618
LIABILITIES			
Deposits and other accounts		-	-
Borrowings	10	8,025,344,217	11,480,731,674
Subordinated debt		-	-
Other liabilities	11	4,915,285,267	2,106,628,053
Deferred tax liabilities - net		-	-
Total liabilities		12,940,629,484	13,587,359,727
NET ASSETS		10,296,934,692	9,269,551,891
REPRESENTED BY:			
Share capital	12	1,500,000,000	1,500,000,000
Reserves		494,573,268	750
Unappropriated Profit		8,302,361,424	7,769,551,141
		10,296,934,692	9,269,551,891
MEMORANDUM / OFF BALANCE SHEET ITEMS	15		

The annexed notes 1 to 34 form an integral part of these financial statements.

President and Chief Executive Officer	**Chairman**	**Director**	**Director**

ASA Microfinance Bank (Pakistan) Ltd

Profit and Loss Account

For the year ended 31 December 2023

	Note	2023	2022
		(Rupees)	
Mark-up / return / interest earned	16	9,632,354,366	7,326,999,892
Mark-up / return / interest expensed	17	(2,187,843,370)	(1,922,130,462)
Net mark-up / return / interest income		7,444,510,996	5,404,869,430
Provision against non-performing loans and advances - net	6.3	(200,167,152)	40,312,149
Provision for diminution in the value of investments		-	-
Bad debts written off directly	6.4	(72,772,077)	(71,672,552)
		(272,939,229)	(31,360,403)
Net mark-up / return / interest income / (expense) after provisions		7,171,571,767	5,373,509,027
NON MARK-UP / NON INTEREST INCOME			
Fee, commission and brokerage income		-	-
Dividend income		-	-
Other income	18	(43,633,748)	(6,016,660)
Total non-mark-up / non-interest income		(43,633,748)	(6,016,660)
		7,127,938,019	5,367,492,367
NON MARK-UP / NON INTEREST EXPENSES			
Administrative expenses	19	(3,115,304,998)	(2,128,742,832)
Other provisions / write-offs	8.1	(11,686,248)	(4,687,503)
Other charges		-	-
Total non-mark-up / non-interest expenses		(3,126,991,246)	(2,133,430,335)
PROFIT BEFORE TAXATION		4,000,946,773	3,234,062,032
Taxation - Current year		(1,541,526,876)	(1,490,943,445)
- Prior year		(607,733)	(95,798,484)
- Deferred Tax		14,050,425	414,431,304
	20	(1,528,084,185)	(1,172,310,625)
PROFIT AFTER TAXATION		2,472,862,588	2,061,751,407
Unappropriated profit brought forward		7,769,551,141	5,825,999,386
Total comprehensive income for the year		2,027,882,801	2,444,303,297
		9,797,433,942	8,270,302,683
APPROPRIATIONS:			
Transfer to:			
Statutory reserve		(494,572,518)	-
Capital reserve		-	-
Depositors' Protection Fund		-	-
Revenue reserve		-	-
Issue of Share Capital			
Dividend		(1,000,500,000)	(500,751,542)
		(1,495,072,518)	(500,751,542)
Unappropriated profit carried forward		8,302,361,424	7,769,551,141
		(Rupees)	
Profit per share - Basic and diluted	21.1	1,648.58	1,374.50

The annexed notes 1 to 34 form an integral part of these financial statements.

President and Chief Executive Officer	Chairman	Director	Director

ASA Microfinance Bank (Pakistan) Ltd
Statement of Comprehensive Income
For the year ended 31 December 2023

	Note	2023	2022
		(Rupees)	
Profit after taxation		**2,472,862,588**	2,061,751,407
Other Comprehensive income / (loss)			
Item not to be reclassified to statement of profit and loss in subsequent periods - net of tax			
Remeasurement gain / (loss) on defined benefit obligation	25.3.2	**9,572,847**	(57,454,001)
Related tax impact		**(3,733,410)**	18,959,820
		5,839,437	(38,494,181)
Item to be reclassified to statement of profit and loss in subsequent periods - net of tax			
Movement in hedge accounting reserve	27	**(740,209,541)**	628,426,971
Related tax impact		**289,390,317**	(207,380,900)
		(450,819,224)	421,046,071
Comprehensive income for the year transferred to equity		**2,027,882,801**	2,444,303,297

The annexed notes 1 to 34 form an integral part of these financial statements.

President and Chief Executive Officer | **Chairman** | **Director** | **Director**

ASA Microfinance Bank (Pakistan) Ltd
Statement of Changes in Equity
For the year ended 31 December 2023

			Capital reserves				Revenue reserve	
	Note	Share capital	Share Premium	Statutory reserve	Depositors' protection fund	Total capital reserves	Unappropriated Profit	Total
		(Rupees)						
Balance as at 01 January 2022		**745,166,000**	**750**	-	-	**750**	**5,825,999,386**	**6,571,166,136**
Profit after tax for the year		-	-	-	-	-	2,061,751,407	2,061,751,407
Other comprehensive income - net of tax		-	-	-	-	-	382,551,890	382,551,890
Total comprehensive income for the year		-	-	-	-	-	2,444,303,297	2,444,303,297
Issue of share capital		754,834,000	-	-	-	-	-	754,834,000
Interim dividend @ 33.6% for the quarter ended 30 June 2022		-	-	-	-	-	(250,375,771)	(250,375,771)
Interim dividend @ 33.6% for the quarter ended 30 September 2022		-	-	-	-	-	(250,375,771)	(250,375,771)
Balance as at 31 December 2022		**1,500,000,000**	**750**	-	-	**750**	**7,769,551,141**	**9,269,551,891**
Profit after tax for the year		-	-	-	-	-	2,472,862,588	2,472,862,588
Other comprehensive income - net of tax		-	-	-	-	-	(444,979,787)	(444,979,787)
Total comprehensive income for the year		-	-	-	-		2,027,882,801	2,027,882,801
Transfer to statutory reserve	*13*	-	-	494,572,518	-	494,572,518	(494,572,518)	-
Final dividend @ 66.7% for the year ended 31 December 2022		-	-	-	-	-	(1,000,500,000)	(1,000,500,000)
Transfer to Depositors' Protection Fund	*14*	-	-	-	-	-	-	-
Balance as at 31 December 2023		**1,500,000,000**	**750**	**494,572,518**	-	**494,573,268**	**8,302,361,424**	**10,296,934,692**

The annexed notes 1 to 34 form an integral part of these financial statements.

President and Chief Executive Officer

Chairman

Director

Director

ASA Microfinance Bank (Pakistan) Ltd

Cash Flow Statement

For the year ended 31 December 2023

	Note	2023	2022
		----(Rupees)----	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		4,000,946,773	3,234,062,032
Adjustments for non cash charges:			
Depreciation	7.1	118,636,337	33,688,074
Depreciation on right-of-use assets	7.4	128,564,533	104,638,103
Amortisation	7.2	12,491,640	6,808,463
Loss / (gain) on disposal of operating fixed assets	18	1,271,469	(4,753,883)
Mark-up / Return / Interest expense on			
Lease liability against right-of-use assets	11.2	31,673,036	17,027,289
Amortization of hedge points	27	590,807,858	760,452,229
Provision against non-performing loans and advances - net	6.3	200,167,152	(40,312,149)
Other provisions / write-offs	8.1	11,686,248	4,687,503
Bad debts written off directly	6.4	72,772,077	71,672,552
Charge for defined benefit plan	25.4	400,506,084	56,676,060
		1,568,576,434	1,010,584,241
(Increase) / decrease in operating assets			
Advances	6	(1,638,489,567)	(4,171,629,708)
Other assets (excluding unrealized gain on foreign exchange forward contracts)		1,032,275,208	941,761,115
		(606,214,359)	(3,229,868,593)
Increase / (Decrease) in operating liabilities			
Borrowings	10	(4,198,038,496)	728,248,587
Other liabilities (excluding dividend payable, payable to defined benefit plan, current tax provision and unrealized loss on foreign exchange forward contracts)		278,366,216	59,313,411
		(3,919,672,280)	787,561,998
Income tax paid		(1,274,566,513)	(959,009,552)
Benefits paid	25.3.1.1	(21,432,933)	(6,678,535)
Net cash flows (used in) / generated from operating activities		(252,362,878)	836,651,591
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in operating fixed assets		(578,579,302)	(77,757,705)
Sale proceeds from disposal of operating fixed assets		430,750	4,825,558
Net cash flows used in investing activities		(578,148,552)	(72,932,147)
CASH FLOW FROM FINANCING ACTIVITIES			
Payment of lease liability against right-of-use assets	11.2	(178,603,361)	(129,912,993)
Proceeds from issaunce of shares		-	754,834,000
Net cash flows (used in) / generated from financing activities		(178,603,361)	624,921,007
Net (decrease) / increase in cash and cash equivalents		(1,009,114,791)	1,388,640,451
Cash and cash equivalents at beginning of the year		2,207,986,696	819,346,245
Cash and cash equivalents at end of the year	22	1,198,871,905	2,207,986,696

The annexed notes 1 to 34 form an integral part of these financial statements.

President and Chief Executive Officer	**Chairman**	**Director**	**Director**

ASA Microfinance Bank (Pakistan) Ltd
Notes to the Financial Statements
For the year ended 31 December 2023

1. STATUS AND NATURE OF BUSINESS

1.1 ASA Microfinance Bank (Pakistan) Limited (formerly "ASA Pakistan Limited") [ASA MFB or the Bank] was incorporated in the Islamic Republic of Pakistan on 19 March 2008, as an unlisted public limited company under the Companies Ordinance, 1984 (repealed by the Companies Act 2017). The registered office of ASA MFB is situated at 7th Floor, NICL Building, Abbasi Shaheed Road, Off Shahrah-e-Faisal, Karachi, Pakistan.

1.2 On January 03, 2020, the State Bank of Pakistan (SBP) issued NOC for transformation of the company into a Microfinance Bank, and in February 2021, the Securities & Exchange Commission of Pakistan (SECP), issued a Certificate of Incorporation on change of name. Subsequently on May 24, 2022, SBP issued Microfinance banking license to ASA MFB, as stipulated in the Microfinance Institution Ordinance 2001. On November 13, 2023, SBP allowed 'Commencement of Microfinance Banking Business' to ASA MFB, initially for performing non deposit taking lending operations nationwide, after ASA MFB met all conditions and requirements related to commencement of business.

1.3 As at December 31, 2023, ASA MFB has 345 (2022: 345) business locations comprising of 72 Hub Branches and 273 Service Centers in operation in all provinces of Pakistan, including the Federal Capital Islamabad, except Azad Jammu & Kashmir and Gilgit Baltistan, serving the low income and underserved segments, particularly women, as envisaged under the MFI Ordinance 2001.

1.4 ASA International Holding situated in Mauritius, is the parent/holding company of ASA MFB which holds 99.99% (2022: 99.99%) shares of the bank.

2. BASIS OF PRESENTATION

These financial statements have been prepared in compliance with the format as prescribed under the Banking Surveillance Department (BSD) Circular No. 11 dated 30 December 2003 issued by the State Bank of Pakistan (SBP).

2.1 STATEMENT OF COMPLIANCE

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounitng Standards (IFAS) issued by the Instituite of the Chartered Accountants of Pakistan as are notified under the Companies Act, 2017;
- Provisions of and directives issued under The Microfinance Institutions Ordinance, 2001 (the MFI Ordinance) and the Companies Act, 2017; and
- Directives issued by the SBP (including Prudential Regulations for Microfinance Banks) and Securities and Exchange Commission of Pakistan (SECP).

Wherever the provisions of and directives issued under the Companies Act, 2017, Microfinance Institutions Ordinance, 2001, the Prudential Regulations for Microfinance Banks and directives issued by SBP and the SECP differ with the requirements of the IFRS or IFAS, the provisions of and directives issued under the Companies Act, 2017, Microfinance Institutions Ordinance, 2001, the Prudential Regulations for Microfinance Banks and directives issued by SBP and SECP shall prevail.

The SBP through its BPRD Circular No. 3 of 2022 had extended the effective date of IFRS 9 implementation for MFBs to accounting periods beginning on or after January 1, 2024. The Bank, however, had already adopted IFRS 9 under the previous regime on the effective date set out for companies by the SECP.

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 26 August 2002 till further instructions. SECP has deferred the applicability of IFRS 7 'Financial Instruments: Disclosures' through its notification S.R.O 411 (I) / 2008 dated 28 April 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements.

2.2 Standards, interpretations of and amendments to published approved accounting standards that are effective in the current year.

There are certain 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 either considered to not be relevant or do not have any significant impact and accordingly have not been detailed in these financial statements, except as disclosed below.

IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies (Amendments)

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Bank's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Bank's financial statements.

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

The following standards, amendments and interpretations as notified under the Companies Act, 2017 will be effective for accounting periods beginning on or after January 01, 2024:

Standard, Interpretation or Amendment	**Effective date (annual periods beginning on or after)**
Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1	January 01, 2024
Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7	January 01, 2024
Lease Liability in a Sale and Leaseback - Amendments to IFRS 16	January 01, 2024
Lack of exchangeability - Amendments to IAS 21	January 01, 2025
IFRS 17 - Insurance Contracts	January 01, 2026
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28	Not yet finalized

Further, following new standard has been issued by IASB which is yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	**IASB Effective date periods beginning on or after)**
IFRS 1 – First time adoption of IFRSs	January 01, 2024

2.4 Basis of measurement

2.4.1 These financial statements have been prepared under the historical cost convention except for derivative financial instruments which are measured at fair value.

2.4.2 These financial statements are presented in Pakistan Rupees which is the functional currency of the Bank. All financial information presented in Rupees has been rounded off to the nearest Rupee, unless otherwise stated.

2.4.3 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values 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 recognised in the period in which the estimate is 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 the most significant effect on amounts recognised in these financial statements are described as follows:

2.4.4 Useful life of Operating Fixed Assets

Management determines the estimated useful lives and depreciation charge for its Operating Fixed Assets. The Bank reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of Operating Fixed Assets with a corresponding affect on the depreciation charge and impairment.

2.4.5 Provision against loans and advances

The Bank reviews its loans at each reporting date to assess the adequacy of the ECL as recorded in the financial statement. In particular, judgement is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on certain assumptions such as the financial situation of the borrowers, types of loan, maturity of the loans, ageing of the portfolio, economic factors etc.

Actual performance of loans may differ from such estimates resulting in future changes to the allowance. Due to the nature of the industry the Bank operates, i.e. micro credit to low income clients, the loan portfolio consists of a very high number of individual customers with low value exposures. These characteristics lead the Bank to use a provisioning methodology based on a collective assessment of similar loans.

2.4.6 Write-off

Advances are written off according to the Prudential Regulations or when there is no realistic prospect of recovery. Non-performing advances are written off one month after being classified as "Loss". From an operational perspective all overdue loans are monitored for recovery up to two years overdue.

2.4.7 Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in these financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Any changes in these assumptions in future years might affect unrecognised gains and losses in those years.

2.4.8 Determination of the lease term for lease contracts with renewal and termination options (Company as a lessee)

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Bank applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements).

2.4.9 Incremental borrowing rate

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Bank estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments (such as credit rating, or to reflect the terms and conditions of the lease).

3. MATERIAL ACCOUNTING POLICIES

3.1 Cash and cash equivalents

Cash and cash equivalents comprise of cash and balances with NBP and other banks for the purpose of cash flow statement.

3.2 Advances

Advances are stated net of specific and general provisions or expected credit loss allowance (ECL), whichever is higher. ECL methodology is explained in note 3.7.7.1 below. Specific and general provisions are determined on the basis of the Prudential Regulations for Microfinance Banks (the Prudential Regulations) issued by SBP. These regulations prescribe a time based criteria for classification of non-performing advances into categories along with provision percentages as follows:

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Category	Description	Specific Provision required
a) Other Assets Especially Mentioned (OAEM)	Loan (principal / mark-up) is overdue for 30 or more but less then 60 days	Nil
b) Substandard	Loan (principal / mark-up) is overdue for 60 or more but less then 90 days	25%
c) Doubtful	Loan (principal / mark-up) is overdue for 90 or more but less then 180 days	50%
d) Loss	Loan (principal / mark-up) is overdue for 180 days or more	100%

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

3.3 Operating fixed assets

3.3.1 Property and equipment and depreciation

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Depreciation is calculated on straight line basis over the estimated useful lives of the assets at the rate specified in note 6 to the financial statements. Full month depreciation is charged in the month of acquisition and no depreciation is charged in the month of disposal.

Normal repairs and maintenance are charged to income as and when incurred. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property and equipment.

The residual values and useful lives of assets are reviewed and adjusted, if appropriate at each balance sheet date. Items of capital nature purchased are classified in capital work-in-progress till these are available for their intended use.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

Gains and losses on disposal of assets are taken to the profit and loss account.

3.3.2 Capital work-in-progress

All expenditure incurred / advance payments made that are connected with specific assets 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 use. Capital work in progress is stated at cost less accumulated impairment losses, if any.

3.3.3 Intangible assets and amortisation

Items of intangibles are measured at cost less accumulated amortization and impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Amortization is calculated on straight line basis over the estimated useful lives of the assets at the rate specified in note 7 of the financial statements. Full month amortization is charged in the month of acquisition and no amortization is charged in the month of disposal.

The residual values and useful lives of assets are reviewed and adjusted, if appropriate at each balance sheet date. Items of capital nature purchased are classified in capital work-in-progress till these are available for their intended use.

An item of intangibles is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

3.3.4 Right-of-use assets and their related lease liability

Right of-use assets

At the commencement date of the lease, the right-of-use asset is initially measured at the present value of lease liability. Subsequently, RoU assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. RoU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Lease liability against right-of-use assets

At the commencement date of the lease, the Bank recognises lease liability measured at the present value of the consideration (lease payments) to be made over the lease term and is adjusted for lease prepayments. The lease payments are discounted using the interest rate implicit in the lease, unless it is not readily determinable, in which case the lessee may use the incremental rate of borrowing. After the commencement date, the carrying amount of lease liability is increased to reflect the accretion of interest and reduced for the lease payments made.

3.4 Impairment of non-financial assets (except for deferred tax assets)

The carrying amount of the Bank's assets are reviewed at each balance sheet date to determine whether there is any objective evidence that an asset or group of assets may be impaired. If any such indication exists, assets' recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognized for the asset in prior years.

Impairment losses and their reversals are recognized in profit and loss account.

3.5 Off setting

Monetary assets and liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set-off the recognised amounts and the Bank intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously.

3.6 Provisions

A provision is recognized in the balance sheet when the Bank has legal or constructive obligation 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.

3.7 Financial Instruments

3.7.1 Initial Recognition

Purchases or sales of financial assets that require delivery of assets within the timeframe generally established by regulation or convention in the marketplace are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

The Bank recognises a financial asset and financial liability in its statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument. The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, any directly attributable costs of acquisition or issue.

3.7.2 Classification and subsequent measurement of financial assets and liabilities

The Bank classifies all of its financial assets based on two criteria: a) the Bank's business model for managing the assets; and b) whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI test').

a) Business model assessment

The Group has made an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

b) The SPPI test

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank has considered the contractual terms of the instrument. This included assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company has considered:

• contingent events that would change the amount and timing of cash flows;
• leverage features;
• prepayment and extension terms;
• terms that limit the Group's claim to cash flows from specified assets – e.g. non-recourse asset arrangements; and features that modify consideration for the time value of money – e.g. periodic reset of interest rates.

Most of the Group's microfinance loans contain prepayment features. A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract.

The Bank classifies and measures its derivative and trading portfolio at FVPL as explained in note 3.7.7.2. The Company may designate financial instruments at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities are measured at amortised cost or at FVPL when they are held for trading and derivative instruments or the fair value designation is applied.

3.7.3 Financial assets at amortised costs

These include long term deposits, loans and advances, Interest accrued, loans to employees, other receivables and cash and bank balances.

The Bank classifies its financial assets at amortized cost only if both of the following conditions are met:

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

After initial measurement, these financial instruments are subsequently measured at amortized cost using the Effective interest Rate (EIR), less impairment (if any).

3.7.4 Financial liabilities at amortised costs

Financial liabilities include short term and long term borrowings, liabilities against forward contracts and other payables.

Financial liabilities with a fixed maturity are measured at amortised cost using the effective interest rate.

3.7.5 Reclassification of financial assets and liabilities

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

3.7.6 Derecognition of financial assets and liabilities

a) Financial Assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

• the right to receive cash flows from the asset has expired; or
• the Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and

• either (a) the Bank has transferred substantially all the risks and rewards of the asset, or (b) the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

b) Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an

existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

3.7.7 Impairment of financial assets

The Bank recognises an allowance for expected credit losses (ECLs) on Loans and advances to customers.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit and loss account. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered in future, the recovery is credited to 'Bad debts recovered'.

3.7.7.1 The calculations of ECLs

The Bank calculates the allowance for ECL in a three step process as described below:

a) Determination of Loan staging:

Stage 1 and Stage 2:
Given the nature of the Bank's loan exposures (generally short-term exposures, <12 months) no distinction has been made between stage 1 (12M ECL) and stage 2 loans (lifetime ECL) for the ECL calculation. For disclosure purposes normally stage 1 loans are defined as loans overdue between 1-30 days. Stage 2 loans are overdue loans between 31-90 days.

Stage 3:
The Bank considers significant increase in credit risk when contractual payments are 30 days past due. In addition, advances are treated as credit impaired (stage 3) when contractual payments are 90 days or more past due. These thresholds have been determined based on the historical trend and industry practice where the Bank operates.

b) Calculating ECL for stage 1-2 loans:
To avoid the complexity of calculating separate probability of default and loss given default, the Bank uses a 'loss rate approach' for the measurement of ECLs. The 'loss rates' are a provision matrix that is based on historical credit loss experience, adjusted for forward–looking factors specific to economic environment. Using this approach, the Bank developed loss-rate statistics on the basis of the amounts written off over the last five years.

The forward-looking element in the ECL is built by looking at the write-offs trend in the most recent three-year period. ECL as per historical loss rate comes to Rs. 73.151 million and as per forward looking element comes to Rs. 9.704 million. Changing the write-off trend to two years, rather than three years for forward looking assessment, would add Rs. 23.139 million to the ECL.

c) Calculating ECL for stage 3 loans:
The Company considered a loan to be credit impaired when it is overdue for more than 90 days. The ECL applied to stage 3 loans is at a rate of 80% of the loan in excess of 90-180 days overdue and 100% of the loans in excess of 180 days overdue. ECL for stage 3 loans comes to Rs. 29.926 million.

d) Impact of macro-economic indicators
The Bank provides small loans to clients who are not employed, but operate their own small businesses in the informal sector and are less impacted by macro-economic trends than other business sectors. In addition, the Bank's loans average 6 months until maturity at the year-end and so the impact of macro-economic factors on the repayment of loans is inherently limited. Hence the management concluded that changes in macro economic indicators do not have any direct correlation with the ASA business model and therefore, no adjustment was made to consider forecasts for such macro-economic indicators in the forward-looking element of its expected credit loss provision calculation.

e) ECL on Interest receivable:
ECL for interest receivable is assessed on the same line as outstanding loan portfolio.

3.7.8 Derivatives recorded at fair value through profit or loss

A derivative is a financial instrument or other contract with all three of the following

a) Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (the 'underlying').

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b) It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

c) It is settled at a future date.

Derivative financial assets and liabilities are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently measured at their fair value using appropriate valuation techniques. Derivative financial instruments are carried as an asset when the fair value is positive and as a liability when the fair value is negative. Any change in the fair value of derivative financial instruments is taken directly to profit and loss account.

3.7.9 Forward contracts and hedge accounting

The Bank applies hedge accounting for long term loans denominated in foreign currency for which forward contracts have been agreed to mitigate the foreign currency risk exposure of its subsidiaries. The Bank documents the relationship between the hedged item and the hedging instrument, the risk management objective and the method that will be used to assess effectiveness of the hedging relationship at inception and at each reporting date. The Bank applies the qualitative approach for hedge testing effectiveness. The critical terms of the hedged items and hedging instruments are identical. The forward method is applied, whereby the forward points are amortised from Other comprehensive income (OCI) to interest expenses during the term of the contract. The fair value of the forward contract is recognised on the statement of financial position and the changes in the fair value are reported in OCI. The foreign currency exchange results on the USD loans are reported as exchange rate results and the same opposite amount is recycled from OCI to the same currency exchange results.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to profit or loss when the hedge item affects profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss.

The terms of the foreign currency forward contracts match the terms of the expected highly probable forecast transactions. As a result, there is no hedge ineffectiveness to be recognised in the statement of profit or loss.

3.7.10 Fair value measurement

The Bank measures financial instruments such as derivatives at fair value at each balance sheet date. Fair value related disclosures for financial instruments that are measured at fair value are summarised in note 28.6.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is
- directly or indirectly observable

- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Bank determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3.8 Defined benefit plan

The Bank operates an unfunded gratuity scheme for all its permanent employees. The actuarial valuation is carried out using the projected unit credit method. Actuarial gains and losses for defined benefit plan are recognised in statement of comprehensive income when they occur. During the year the basis of defined benefit was changed from basic salary to gross salary which has resulted in an additional past service cost of Rs. 318,087,095 in the profit and loss account.

3.9 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured.

a) Income on PLS saving deposits is recognized in profit and loss account as it accrues using the effective interest rate method.
b) Interest income on loans and advances is recognized on time proportion basis using the effective interest rate method.

3.10 Taxation

Current tax
Provision for current taxation is based on the taxable income for the year determined in accordance with the Income Tax Ordinance, 2001. The charge for current tax is calculated using tax rates enacted or substantively enacted at the balance sheet date after taking into account available tax credits and rebates, if any. The charge for current tax includes adjustments to charge for prior years, if any.

Deferred tax
Deferred tax is provided using the balance sheet liability method providing for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available and the credits can be utilized. Deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

3.11 Foreign currency transactions

Transactions in foreign currencies are translated into Pak Rupees at the foreign exchange rate existing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Pak Rupees at the foreign exchange rate prevailing at that date. Foreign exchange rates are obtained from Oanda.com as per the policy of parent company. Exchange gains or losses arising on translations are taken to the profit and loss account.

3.12 Earnings per share

The Bank presents basic and diluted earnings per share (EPS). Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS, if any, is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. There were no dilutive potential ordinary shares in issue at the balance sheet date.

3.13 Dividend distribution

Declaration of dividend to holders of the equity instruments of the Bank is recognised as liability in the period in which it is declared.

	2023	2022
	(Rupees)	

4. CASH AND BALANCES WITH STATE BANK OF PAKISTAN AND NATIONAL BANK OF PAKISTAN

	2023	2022
Cash in hand - local currency	16,656,832	2,035,067
Balance with National Bank of Pakistan - local currency current account	2,179,766	2,959,653
	18,836,598	4,994,720

5. BALANCES WITH OTHER BANKS

	Note	2023	2022
		(Rupees)	
In Pakistan			
- On deposit accounts	5.1	980,035,307	1,931,491,976
- On term deposits	5.2	200,000,000	271,500,000
		1,180,035,307	2,202,991,976

5.1 These carry mark-up ranging from 14.50% to 20.50% per annum (2022: 8.25% to 14.50% per annum).

5.2 These carry mark-up ranging from 16% to 21% per annum (2022: 6% to 12% per annum) and are given as collateral against borrowings from The Bank of Punjab, United Bank Limited, Pak Oman Investment and Allied Bank Limited, and have maturities within 3 to 6 months.

6 ADVANCES - net of provisions

	Note	2023		2022	
Loan Type		Number of loans outstanding	(Rupees)	Number of loans outstanding	(Rupees)
Unsecured					
Micro credit		615,536	19,472,691,440	605,584	18,024,036,940
Others	6.5	1,191	75,676,648	835	47,415,574
Advances - gross	6.1	616,727	19,548,368,088	606,419	18,071,452,514
Less: Provision held					
- Specific	6.1	2,252	(23,683,691)	5,108	(33,380,034)
- General	6.2		(202,837,649)		(81,776,070)
	6.3		(226,521,340)		(115,156,104)
Advances - net of provisions			19,321,846,748		17,956,296,410

6.1 Particulars of non-performing advances

Advances include Rs. 59,107,989 (31 December 2022: Rs. 119,979,284) which have been placed under non-performing status as detailed below:

	2023			2022		
	Amount outstanding	Provision required	Provision held	Amount outstanding	Provision required	Provision held
	(Rupees)					
Other Assets Especially Mentioned (OAEM)	12,370,184	-	-	27,097,141	-	-
Substandard	11,009,235	2,752,309	2,752,309	31,142,599	266,036	266,036
Doubtful	29,594,374	14,797,187	14,797,187	57,213,005	28,587,460	28,587,460
Loss	6,134,196	6,134,196	6,134,196	4,526,539	4,526,539	4,526,539
	59,107,989	23,683,692	23,683,692	119,979,284	33,380,035	33,380,035

6.2 This includes higher of expected credit loss allowance under IFRS 9 and general provision for performing loans and specific provision for non-performing loans required under Prudential Regulations for Microfinance Banks.

6.3 Particulars of provision against non-performing advances

	Note	2023			2022		
		Specific	General	Total	Specific	General	Total
		(Rupees)					
Opening balance		33,380,034	81,776,070	115,156,104	12,945,623	197,265,294	210,210,917
Charge for the year		79,105,573	121,061,579	200,167,152	75,177,075	-	75,177,075
Reversals		-	-	-	-	(115,489,224)	(115,489,224)
		79,105,573	121,061,579	200,167,152	75,177,075	(115,489,224)	(40,312,149)
Amount written off	6.4	(88,801,916)	-	(88,801,916)	(54,742,664)	-	(54,742,664)
Closing balance		23,683,691	202,837,649	226,521,340	33,380,034	81,776,070	115,156,104

6.4 Particulars of write offs

	2023	2022
	(Rupees)	
Against provisions	(88,801,916)	(54,742,664)
Directly charged to the profit and loss account	(72,772,077)	(71,672,552)
	(161,573,993)	(126,415,216)

6.5 These represent advance/loans against salaries to staff and executives of the Bank for a maximum period of 60 months. These are partially secured against the retirement benefits of employees.

7. OPERATING FIXED ASSETS

	Note	2023	2022
		--(Rupees)--	
Property and equipment	7.1	**427,150,818**	92,296,703
Intangible assets	7.2	**2,773,066**	15,264,706
Capital work-in-progress	7.3	**123,386,631**	-
Right-of-use assets	7.4	**225,016,270**	159,207,825
		778,326,785	266,769,234

7.1 Property and equipment

2023

	Cost			Depreciation			Book value	Rate of depreciation per annum
	As at 1 January	Additions / (disposals / write-offs)	As at 31 December	As at 1 January	Charge / (reversals / Write-offs)	As at 31 December	As at 31 December	
	(Rupees)							(%)
Leasehold improvement	23,477,624	155,289,617 (10,835,004) 499,190	168,431,427	12,890,704	30,684,446 (9,266,930) 499,190	34,807,410	133,624,017	20 - 33.33
Office furniture and fixtures	40,807,999	13,622,630 (47,380) (16,695,479)	37,687,770	24,536,489	8,314,044 (29,643) (16,666,679)	16,154,211	21,533,559	20
Office equipments	33,732,072	101,461,333 (1,280,120) (6,263,044)	127,650,241	21,668,238	29,068,547 (1,163,712) (6,263,044)	43,310,029	84,340,212	33.33
Information technology equipment	200,303,830	184,847,891 (701,000) (99,504,110)	284,946,611	157,896,680	47,704,508 (701,000) (99,504,110)	105,396,078	179,550,534	33.33
Vehicles	15,423,155	- - (2,912,155)	12,511,000	4,455,866	2,864,792 - (2,912,155)	4,408,503	8,102,497	20
	313,744,680	455,221,471 (12,863,504) (124,875,598)	631,227,049	221,447,977	118,636,337 (11,161,285) (124,846,798)	204,076,231	427,150,818	

2022

	Cost			Depreciation			Book value	Rate of depreciation per annum
	As at 1 January	Additions / (disposals & write-offs)	As at 31 December	As at 1 January	Charge / (reversals)	As at 31 December	As at 31 December	
	(Rupees)							(%)
Leasehold improvement	13,086,686	10,390,938 - -	23,477,624	9,073,074	3,817,630 - -	12,890,704	10,586,920	33.33
Office furniture and fixtures	29,683,807	11,168,292 (41,500) (2,600)	40,807,999	20,872,967	3,701,901 (38,379) -	24,536,489	16,271,510	20
Office equipments	49,929,542	6,007,002 (22,171,072) (33,400)	33,732,072	37,329,956	6,440,590 (22,102,308) -	21,668,238	12,063,834	33.33
Information technology equipment	176,866,497	26,813,678 (3,336,448) (39,897)	200,303,830	143,049,109	18,184,229 (3,336,658) -	157,896,680	42,407,151	33.33
Vehicles	7,602,950	12,511,000 (4,690,795) -	15,423,155	7,602,945	1,543,716 (4,690,795) -	4,455,866	10,967,289	20
	277,169,482	66,890,910 (30,239,815) (75,897)	313,744,680	217,928,051	33,688,066 (30,168,140) -	221,447,977	92,296,703	

7.1.1. Property and equipment include assets costing Rs. 26.474 million (31 December 2022: Rs. 10.966 million) which are fully depreciated and still in use.

7.1.2 The details of assets disposed off during the year, having original cost or book value in excess of Rs. 1,000,000 or Rs. 250,000 respectively (whichever is less) are as follows:

	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of buyers
	(Rupees)						
Leasehold Improvement							
Civil Works	**8,978,822**	**8,658,810**	**320,012**	**132,946**	**(187,066)**	**Bank's Policy**	**Mr. Abdul Hamee**
2023	**8,978,823**	**8,658,810**	**320,011**	**132,945**	**(187,066)**		
Motor Vehicle							
Toyota AVANZA	2,853,500	2,853,500	-	1,617,790	1,617,790	Bank's Policy	Auction
Suzuki APV	1,837,295	1,837,295	-	1,693,000	1,693,000	Bank's Policy	Auction
2022	4,690,795	4,690,795	-	3,310,790	3,310,790		

7.2 Intangible assets

2023

	Note	Cost: As at 1 January	Cost: Additions / (disposals / write-offs)	Cost: As at 31 December	Amortisation: As at 1 January	Amortisation: Charge / (reversals / Write-offs)	Amortisation: As at 31 December	Book value: As at 31 December	Rate of amortisation per annum
		(Rupees)							(%)
Computer software	*7.2.1*	**28,279,709**	**-**	**15,802,559**	**13,015,003**	**12,491,640**	**13,029,493**	**2,773,066**	**33.33**
			-			**-**			
			(12,477,150)			**(12,477,150)**			

2022

	Cost: As at 1 January	Cost: Additions / (disposals / write-offs)	Cost: As at 31 December	Amortisation: As at 1 January	Amortisation: Charge / (reversals / Write-offs)	Amortisation: As at 31 December	Book value: As at 31 December	Rate of amortisation per annum
	(Rupees)							(%)
Computer software	17,412,914	10,866,795	28,279,709	6,206,540	6,808,463	13,015,003	15,264,706	33.33

7.2.1 Intangible assets include software costing Rs. 3.213 million (31 December 2022: Rs. 0) which are fully amortised and still in use.

7.3 Capital work-in-progress

2023

	Civil works	Office Equipment	Furniture and Fixtures	Computer Equipment	Computer Softwares	Total
	(Rupees)					
As at 01 January 2023	-	-	-	-	-	-
Additions during the year	-	-	-	-	**123,386,631**	**123,386,631**
Capitalized during the year	-	-	-	-	-	-
As at 31 December 2023	-	-	-	-	**123,386,631**	**123,386,631**

2022

	Civil works	Office Equipment	Furniture and Fixtures	Computer Equipment	Computer Softwares	Total
	(Rupees)					
As at 01 January 2022	-	-	-	-	-	-
Additions during the year	-	-	-	-	-	-
Capitalized during the year	-	-	-	-	-	-
As at 31 December 2022	-	-	-	-	-	-

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7.4 Right-of-use assets - buildings

	2023	2022
	(Rupees)	
Opening	**159,207,825**	122,041,315
Additions during the year	**194,372,978**	141,804,613
Depreciation charge	**(128,564,533)**	(104,638,103)
Closing	**225,016,270**	159,207,825

Cost of the above assets are being depreciated over the period ranging between one to five years.

8. OTHER ASSETS

	Note	2023	2022
		(Rupees)	
Mark-up / return / interest accrued		**355,559,857**	309,838,383
Unrealized gain on foreign exchange forward contracts		**-**	1,585,263,841
Security deposits		**5,186,999**	4,834,264
Prepayments		**213,990,094**	-
Advance tax - net		**27,505**	-
Others		**135,912,702**	112,495,765
		710,677,157	2,012,432,253
Less: Provision held against other assets	8.1	**(3,483,832)**	(1,321,131)
		707,193,325	2,011,111,122

8.1 Provision held against other assets

	Note	2023	2022
		(Rupees)	
Opening balance		**1,321,131**	3,230,419
Charge for the year		**11,686,248**	4,687,503
Written off during the year		**(9,523,546)**	(6,596,791)
		3,483,832	1,321,131

9. DEFERRED TAX ASSET - net

9.1 Deferred tax asset comprises of deductible / (taxable) timing differences in respect of the following:

	Note	2023	2022
		(Rupees)	
Deductible temporary differences			
- Advances		**89,702,018**	38,437,488
- Exchange difference on foreign currency borrowings		**734,080,300**	782,362,874
- Disallowed markup expense on foreign currency borrowings		**17,902,071**	28,340,954
- Unrealised loss on foreign exchange forward contracts		**128,788,503**	-
- Lease liability		**85,626,528**	46,961,915
- Remeasurement gain on defined benefit obligation		**248,231,277**	88,106,749
		1,304,330,697	984,209,980
Taxable temporary differences			
- Operating fixed assets		**(69,030,753)**	(39,147,598)
- Unrealised gain on foreign exchange forward contracts		**-**	(523,137,068)
- Unamortized processing fee		**(3,974,530)**	(7,177,158)
	9.2	**(73,005,283)**	(569,461,824)
		1,231,325,414	414,748,156

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9.2 Movement in deferred tax assets / (liabilities) is as follows:

	Balance as at 1 January 2022	Recognised in statement of profit and loss	Recognised in other comprehensive income	Balance as at 31 December 2022	Recognised in statement of profit and loss	Recognised in other comprehensive income	Balance as at 31 December 2023
	(Rupees)						
Deductible temporary differences arising in respect of:							
- Advances	61,897,986	(23,460,498)	-	38,437,488	51,264,530	-	89,702,018
- Exchange difference on foreign currency borrowings	223,591,926	(185,046,594)	743,817,542	782,362,874	(337,916,479)	289,633,905	734,080,300
- Disallowed markup expense on foreign currency borrowings	17,012,208	11,328,746	-	28,340,954	(10,438,883)	-	17,902,071
- Unrealised loss on foreign exchange forward contracts	-	-	-	-	135,299,234	(6,510,731)	128,788,503
- Lease liability	36,070,328	10,891,587	-	46,961,915	38,664,613	-	85,626,528
- Remeasurement gain on defined benefit obligation	46,266,200	22,880,729	18,959,820	88,106,749	163,857,938	(3,733,410)	248,231,277
	384,838,648	(163,406,030)	762,777,362	984,209,980	40,730,953	279,389,764	1,304,330,697
Taxable temporary differences arising in respect of:							
- Operating fixed assets	(26,364,824)	(12,782,774)	-	(39,147,598)	(29,883,155)	-	(69,030,753)
- Unrealised gain on foreign exchange forward contracts	(161,781,718)	589,843,094	(951,198,444)	(523,137,068)	-	523,137,068	-
- Unamortized processing fee	(7,954,172)	777,014	-	(7,177,158)	3,202,628	-	(3,974,530)
	(196,100,714)	577,837,334	(951,198,444)	(569,461,824)	(26,680,527)	523,137,068	(73,005,283)
	188,737,934	414,431,304	(188,421,082)	414,748,156	14,050,426	802,526,832	1,231,325,414

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10 Borrowings	Note	2023	2022
		(Rupees)	
Borrowings from Banks / Financial Institutions - Secured			
In Pakistan	10.1	**3,090,368,937**	2,368,914,087
Outside Pakistan	10.2	**4,934,975,280**	9,111,817,587
		8,025,344,217	11,480,731,674

10.1 In Pakistan

	Note	2023	2022
United Bank Limited		**171,618,937**	308,914,087
Pak Oman Investment Company Limited		**150,000,000**	270,000,000
Pakistan Microfinance Investment Company Limited		**2,618,750,000**	1,500,000,000
The Bank of Punjab		-	140,000,000
Allied Bank Limited		**150,000,000**	150,000,000
	10.1.1	**3,090,368,937**	2,368,914,087

10.1.1 Details of Borrowings from Banks / Financial Institutions in Pakistan

	Loan Amount (Rs.)	Agreement Date	Maturity	Repayment frequency	Coupon rate
The Bank of Punjab	350,000,000	03-Mar-2020	07-Jul-2023	Semi-Annually	6M KIBOR+2.25%
Pak Oman Investment Company Limited	300,000,000	21-Oct-2021	27-Jan-2025	Quarterly	6M KIBOR+2%
United Bank Limited	11,885,450	23-Feb-2022	18-Mar-2025	Quarterly	6M KIBOR+2%
United Bank Limited	400,000,000	02-Mar-2022	18-Mar-2025	Quarterly	6M KIBOR+2%
Pakistan Microfinance Investment Company Limited	1,500,000,000	16-Mar-2022	31-Dec-2024	Quarterly	6M KIBOR+3.05%
Pakistan Microfinance Investment Company Limited	3,187,000,000	21-Mar-2023	30-Sep-2028	Semi-Annually	6M KIBOR+2.95%
Allied Bank Limited	150,000,000	09-May-2022	18-Nov-2025	Quarterly	6M KIBOR+2.25%

10.2 Outside Pakistan

	Note	2023	2022
		(Rupees)	
Microfinance Initiative for Asia Debt Fund		**332,809,680**	792,478,750
IIV Mikrofinanzfonds		-	1,056,638,182
DKM Mikrofinanzfonds A & B		-	452,845,000
Microfinance Enhancement Facility SA SICAV, SIF		**1,398,360,000**	1,132,112,500
EMF Microfinance Fund AGmvK		**419,508,000**	679,267,500
Dual Return Fund SICAV (on behalf of Global Impact Investments Sàrl)		**699,180,000**	905,690,000
Arbor FS Ltd.		**686,757,600**	1,149,293,155
Monega Multi-Sector Microfinance & Impact Loan Fund		-	396,239,375
Monega Mikrofinanz & Impact Fonds		-	169,816,875
Symbiotics SICAV (Lux) - SEB Microfinance Fund VIII		-	339,633,750
Symbiotics SICAV (Lux) - SEB Microfinance Fund VII		-	169,816,875
Symbiotics SICAV II - ABN AMRO Impact Fund		-	169,816,875
Candriam Impact Fund (Lux) - Candriam M sub-fund		-	113,211,250
GLs for JAPAN ASEAN Women Empowerment Fund SA, SICAV-SIF		**1,398,360,000**	1,132,112,500
Actiam Financial Inclusion Fund		-	452,845,000
	10.2.1	**4,934,975,280**	9,111,817,587

10.2.1 Details of Borrowings from Banks / Financial Institutions outside Pakistan

	Loan Amount (USD / EUR)	Agreement Date	Maturity	Repayment frequency	Coupon rate
Microfinance Initiative for Asia (MIFA) Debt Fund	3,500,000	12-Apr-2021	23-Apr-2024	Semi-Annually	6M LIBOR+5%
IIV Mikrofinanzfonds	4,666,666	29-Oct-2020	03-Mar-2023	Bullet	6M LIBOR+5.85%
DKM Mikrofinanzfonds A & B	2,000,000	05-Nov-2020	03-Mar-2023	Bullet	6M LIBOR+5.85%
Microfinance Enhancement Facility SA, SICAV-SIF	5,000,000	01-Nov-2021	26-Apr-2025	Bullet	6M LIBOR+5.85%
EMF Microfinance Fund, AGmvK	3,000,000	24-Aug-2021	30-Aug-2024	Semi-Annually	6M LIBOR+5.85%
Dual Return Fund	2,500,000	01-Nov-2021	26-Apr-2025	Bullet	6M LIBOR+5.85%
Global Impact Investments Sàrl	1,500,000	05-Apr-2021	07-Jun-2023	Bullet	6M LIBOR+5.85%
GLS Alternative Investments	2,500,000	01-Mar-2022	25-Mar-2025	Semi-Annually	5%
GLS Alternative Investments	2,000,000	18-Jun-2020	20-Jul-2023	Semi-Annually	6M LIBOR+5.85%
GLS Alternative Investments	2,000,000	01-Dec-2021	17-Dec-2024	Semi-Annually	6M LIBOR+5%
Monega Multi-sector Microfinance & Impact Loan Fund	1,750,000	08-Oct-2020	25-Jan-2023	Bullet	6M LIBOR+5.85%
Monega Mikrofinanz & Impact Fonds	750,000	08-Oct-2020	25-Jan-2023	Bullet	6M LIBOR+5.85%
Symbiotics Sicav (Lux), SEB Microfinance Fund VIII	1,500,000	05-Apr-2021	07-Jun-2023	Bullet	6M LIBOR+5.85%
Symbiotics Sicav (Lux), SEB Microfinance Fund VII	750,000	05-Apr-2021	07-Jun-2023	Bullet	6M LIBOR+5.85%
Symbiotics Sicav II, ABN AMRO Impact Fund	750,000	05-Apr-2021	07-Jun-2023	Bullet	6M LIBOR+5.85%
Candriam Impact Finance (Lux)	500,000	05-Apr-2021	07-Jun-2023	Bullet	6M LIBOR+5.85%
Japan Asian Women Empowerment	5,000,000	11-Jun-2021	29-Jun-2024	Bullet	6M LIBOR+5%
Actiam Financial Inclusion Fund	2,000,000	03-May-2021	09-Jun-2023	Bullet	6M LIBOR+5%

11. OTHER LIABILITIES

	Note	2023	2022
		(Rupees)	
Mark-up / return / interest payable		**250,150,370**	201,593,756
Accrued expenses		**330,319,562**	105,162,240
Management fee payable	*11.1*	**17,899,928**	-
Dividend payable	*11.1*	**1,486,186,974**	500,751,542
Current taxation (provisions less payments)		**1,674,259,560**	889,821,535
Unrealized loss on foreign exchange forward contracts		**330,226,936**	-
Payable to defined benefit plan	*25.3*	**636,490,452**	266,990,148
Lease liability against right-of-use assets	*11.2*	**189,751,485**	142,308,832
		4,915,285,267	2,106,628,053

11.1 Details of payables to related parties are as follows:

	2023	2022
ASA International Holding	**1,504,078,878**	500,748,854
Catalyst Microfinance Investors	**4,012**	1,344
CMI International Holding	**4,012**	1,344
	1,504,086,902	500,751,542

11.2 Lease liability against right-of-use assets

	2023	2022
Opening	**142,308,832**	113,389,923
Additions during the year	**194,372,978**	141,804,613
Finance Cost	**31,673,036**	17,027,289
Payment of lease liability	**(178,603,361)**	(129,912,993)
Closing	**189,751,485**	142,308,832

12. SHARE CAPITAL

12.1 Authorised capital

2023	2022		2023	2022
(Number of shares)			(Rupees)	
1,500,000	1,500,000	Ordinary shares of Rs.10 each	1,500,000,000	1,500,000,000

12.2 Issued, subscribed and paid-up capital

2023	2022		2023	2022
(Number of shares)			(Rupees)	
1,500,000	1,500,000	Ordinary shares of Rs.10 each fully paid in cash	1,500,000,000	1,500,000,000

12.3 Reconciliation of number of shares outstanding

	Note	2023	2022
		(Number of shares)	
Number of shares outstanding at the beginning of the year		**1,500,000**	745,166
Issuance of right shares		**-**	754,834
Number of shares outstanding at the ending of the year	*12.1.1*	**1,500,000**	1,500,000

12.1.1 As at 31 December 2023 and 2022, 99% Shareholding of ASA Micro Finance Bank was held by the parent company ASA International and remaining 1% is held by Catalyst Microfinance Investors and CMI International Holding.

13. STATUTORY RESERVE

In accordance with the requirements of the Microfinance Institutions Ordinance, 2001 and the Prudential Regulations issued by the SBP, The bank is required to transfer an amount equal to 20% of its annual profits after taxes till such time the reserve fund equals the paid-up capital of the Bank. Thereafter, a sum not less than 5% of its annual profit after taxes.

14. DEPOSITORS' PROTECTION FUND

In accordance with the requirements of the Microfinance Institutions Ordinance, 2001 and the Prudential Regulations, the Bank is required to transfer an amount equivalent to 5% of profit after tax to the Depositors' Protection Fund, plus the return earned on such funds. Such fund shall be invested in government securities or deposited with State Bank in a remuneration account. However, no amount has been allocated to this reserve since the bank does not have the licence to take on deposits.

		Note	2023	2022
15.	**MEMORANDUM / OFF BALANCE SHEET ITEMS**		----------(Rupees)----------	
	Contingent liabilities		-	-
	Commitments in respect of:			
	- Foreign exchange forward contracts - purchase		**5,460,854,000**	8,573,082,704
			5,460,854,000	8,573,082,704
16.	**MARK-UP / RETURN / INTEREST EARNED**			
	On:			
	Advances		**9,330,493,243**	7,214,468,199
	Deposits with financial institutions / banks		**301,861,123**	112,531,693
			9,632,354,366	7,326,999,892
17.	**MARK-UP / RETURN / INTEREST EXPENSED**			
	On:			
	Borrowings		**1,547,509,778**	1,113,545,222
	Amortization of hedge points		**590,807,858**	760,452,229
	Processing fee		**14,335,646**	28,082,506
	Bank charges		**3,517,052**	3,023,216
	Lease liabilities against right-of-use assets		**31,673,036**	17,027,289
			2,187,843,370	1,922,130,462
18.	**OTHER INCOME**			
	(Loss) / gain on sale of operating fixed assets		**(1,271,469)**	4,753,883
	Exchange loss - net		**(85,894,866)**	(57,239,993)
	Bad debts recovered		**27,273,037**	31,336,309
	Miscellaneous income		**16,259,550**	15,133,141
			(43,633,748)	(6,016,660)
19.	**ADMINISTRATIVE EXPENSES**			
	Salaries and other allowances		**1,761,492,282**	1,454,123,079
	Charge for defined benefit plan	*25.3.1.2*	**400,506,084**	56,676,060
	Contribution to Superannuation fund/ EOBI		**46,680,899**	78,642,330
	Training and capacity building		**9,783,571**	7,864,801
	Non-executive directors' fees, allowances and other expenses		**2,600,000**	1,200,000
	Advertisement		**160,500**	1,863,276
	Professional consultancy charges		**21,180,030**	-
	Legal and professional charges		**8,878,878**	4,319,206
	Depreciation	*7.1*	**118,636,337**	33,688,074
	Depreciation on right-of-use assets	*7.4*	**128,564,533**	104,638,103
	Amortisation	*7.2*	**12,491,640**	6,808,463
	Insurance		**42,311,159**	33,262,831
	Repairs and maintenance - General		**22,517,396**	16,970,274
	Travelling and conveyance		**69,066,418**	48,004,323
	Communication		**72,682,636**	66,598,376
	Utilities		**61,938,517**	35,583,765
	Printing and stationery		**31,130,093**	24,298,422
	Auditors' remuneration	*19.1*	**12,420,000**	8,180,496
	Donations		**6,238,802**	6,834,468
	Other expenses		**286,025,223**	139,186,485
			3,115,304,998	2,128,742,832

			2023	2022
			-----------------(Rupees)-----------------	
19.1	**Auditors' remuneration**			
	Audit fee		**1,512,000**	1,296,000
	Group audit and review fee		**7,128,000**	4,831,056
	Fee for other services as statutory auditors		**2,160,000**	824,040
	Out-of-pocket expenses		**1,620,000**	1,229,400
			12,420,000	8,180,496

		Note	2023	2022
20.	**TAXATION**		-----------------(Rupees)-----------------	
	Current tax		**1,541,526,876**	1,490,943,445
	Prior tax		**607,733**	95,798,484
	Deferred tax		**(14,050,425)**	(414,431,304)
		20.1	**1,528,084,185**	1,172,310,625
20.1	Reconciliation of tax charge to the accounting loss is as follows:			
	Accounting profit before tax for the year		**4,000,946,773**	3,234,062,032
	Tax at applicable tax rate 39% (2022: 33%)		**1,560,369,241**	1,067,240,471
	Prior year tax		**607,733**	95,798,484
	Rate change		**(75,408,756)**	-
	Others		**42,515,966**	9,271,670
			1,528,084,185	1,172,310,625

			2023	2022
21.	**EARNING PER SHARE**			
21.1	**Basic and Diluted**		-----------------(Rupees)-----------------	
	Profit after taxation for the year		**2,472,862,588**	2,061,751,407
			(Number of shares)	
	Weighted average ordinary shares		**1,500,000**	1,500,000
			(Rupees)	
	Earning per share - Basic and diluted		**1,648.58**	1,374.50

		Note	2023	2022
22.	**CASH AND CASH EQUIVALENTS**		-----------------(Rupees)-----------------	
	Cash and balances with SBP and NBP	*4*	**18,836,598**	4,994,720
	Balances with other banks	*5*	**1,180,035,307**	2,202,991,976
			1,198,871,905	2,207,986,696

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22.1 Reconciliation of movement of liabilities to cash flows arising from financing activities

	2023					
	Other liabilities		Equity			
	Dividend payable	Lease liability against right-of-use assets	Share capital	Reserves	Unappropriated Profit	Total
	(Rupees)					
Balance as at 1 January 2023	500,751,542	142,308,832	1,500,000,000	750	7,769,551,141	9,912,612,265
Changes from financing cash flows						
Payment of lease liability against right-of-use assets	-	(178,603,361)	-	-	-	(178,603,361)
Issuance of share capital	-	-	-	-	-	-
	-	(178,603,361)	-	-	-	(178,603,361)
Other changes - liability/equity related						
Additions / renewals of leases	-	194,372,978	-	-	-	194,372,978
Markup expense		31,673,036	-	-	-	31,673,036
Total comprehensive income		-	-	-	2,027,882,801	2,027,882,801
Final dividend for the year ended 31 December 2022	1,000,500,000	-	-	-	(1,000,500,000)	-
Transfer to statutory reserve	-	-	-	494,572,518	(494,572,518)	-
	1,000,500,000	226,046,014	-	494,572,518	532,810,283	2,253,928,815
Balance as at 31 December 2023	1,501,251,542	189,751,485	1,500,000,000	494,573,268	8,302,361,424	11,987,937,718

	2022					
	Other liabilities		Equity			
	Dividend payable	Lease liability against right-of-use assets	Share capital	Reserves	Unappropriated Profit	Total
	(Rupees)					
Balance as at 1 January 2022	-	113,389,923	745,166,000	750	5,825,999,386	6,684,556,059
Changes from financing cash flows						
Payment of lease liability against right-of-use assets	-	(129,912,993)	-	-	-	(129,912,993)
Issuance of share capital	-	-	754,834,000	-	-	754,834,000
	-	(129,912,993)	754,834,000	-	-	624,921,007
Other changes - liability/equity related						
Additions / renewals of leases	-	141,804,613	-	-	-	141,804,613
Markup expense	-	17,027,289	-	-	-	17,027,289
Total comprehensive income	-	-	-	-	2,444,303,297	2,444,303,297
Interim dividend for the quarters ended 30 June 2022 and 30 September 2022	500,751,542	-	-	-	- (500,751,542)	-
	500,751,542	158,831,902	-	-	1,943,551,755	2,603,135,199
Balance as at 31 December 2022	500,751,542	142,308,832	1,500,000,000	750	7,769,551,141	9,912,612,265

23. NUMBER OF EMPLOYEES

	2023			2022		
	Credit / sales staff	Banking / support staff	Total	Credit / sales staff	Banking / support staff	Total
	(Numbers)			(Numbers)		
Permanent	1,483	985	2,468	1,440	916	2,356
Contractual	351	12	363	334	11	345
	1,834	997	2,831	1,774	927	2,701

24. NUMBER OF BRANCHES

	2023	2022
	(Numbers)	
Branches at the beginning of the year	-	-
Add: Opened during the year	72	-
Less: Closed during the year	-	-
Total Branches at the end of the year	72	-

24.1 NUMBER OF SERVICE CENTERS

	2023	2022
	(Numbers)	
Service Centers at the beginning of the year	-	-
Add: Opened during the year	273	-
Less: Closed during the year	-	-
Total Service Centers at the end of the year	273	-

24.2 As at December 31, 2023, ASA MFB has 345 (2022: 345) business locations comprising of 72 Hub Branches and 273 Service Centers.

25. DEFINED BENEFIT PLAN

25.1 General description

The Bank operates an unfunded gratuity scheme for all its permanent employees. The actuarial valuation is carried out using the projected unit credit method. Actuarial gains and losses for defined benefit plan are recognised in statement of comprehensive income when they occur.

25.2 Principal actuarial assumptions

The actuarial valuation is carried out by an independent actuary as of 31 December 2023 using the Projected Unit Credit Method. Following are the significant assumptions used for actuarial valuation as at 31 December 2023:

	2023	2022
	(% per annum)	
- Discount rate	15.5%	14.5%
- Salary increase rate	14.5%	13.5%
- Mortality rates assumed	SLIC 2001-2005 Setback 1 Year	SLIC 2001-2005 Setback 1 Year

25.3 Amount recognised in balance sheet

	Note	2023	2022
		(Rupees)	
Present value of defined benefit obligations	*25.3.1*	636,490,452	266,990,148
		636,490,452	266,990,148

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	Note	2023	2022
		----(Rupees)----	

25.3.1.1 Movement in present value of defined benefit obligations

	Note	2023	2022
Balance as at 1 January		**266,990,148**	159,538,622
Current service cost	*25.3.1.2*	**45,478,479**	29,178,075
Past service cost	*25.3.1.2*	**318,087,095**	9,167,690
Interest cost	*25.3.1.2*	**36,940,510**	18,330,295
Benefits paid by the plan		**(21,432,933)**	(6,678,535)
Remeasurement loss / (gain) on obligations	*25.3.2*	**(9,572,847)**	57,454,001
Balance as at 31 December		**636,490,452**	266,990,148

25.3.1.2 Amount recognised in the profit or loss account

	2023	2022
Current service cost	**45,478,479**	29,178,075
Past service cost	**318,087,095**	9,167,690
Interest cost on define benefit obligation	**36,940,510**	18,330,295
	400,506,084	56,676,060

25.3.2 Remeasurements recognised in other comprehensive income (OCI)

	2023	2022
Remeasurement loss / (gain) on define benefit obligation	**2,496,757**	3,041,871
Remeasurement loss / (gain) on obligation - due to experience adjustment	**(12,069,604)**	54,412,130
Remeasurement loss for the year - net	**(9,572,847)**	57,454,001

25.4 Movement in defined benefit plan

	2023	2022
Balance as at 1 January	**266,990,148**	159,538,622
Expense charged in the current year		
Remeasurements recognised in OCI during the year	**(9,572,847)**	57,454,001
Contributions to gratuity fund	**400,506,084**	56,676,060
Benefits paid on behalf of fund	**(21,432,933)**	(6,678,535)
Balance as at 31 December	**636,490,452**	266,990,148

25.5 Maturity profile of defined benefit obligation

	Years	
Weighted average duration of the present value of defined benefit obligation	7	7

Distribution of timing of benefit payments

	Benefit Payments	
	2023	2022
	----(Rupees)----	
Years		
1	**112,202,202**	50,940,034
2	**118,591,759**	53,021,230
3	**115,482,027**	50,453,586
4	**136,317,386**	51,538,941
5	**125,186,961**	58,040,088
6 - 10	**612,844,785**	247,391,202
11+	**20,416,856,400**	7,086,940,935

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	Benefit Payments 2023	2022
	------------------(Rupees)------------------	

25.6 Sensitivity analysis on significant actuarial assumptions:
Defined benefit liability

	2023	2022
Base		
Discount rate +1%	**249,532,575**	149,130,058
Discount rate -1%	**287,437,913**	170,918,228
Future salary increases +1%	**288,408,568**	171,533,093
Future salary increases -1%	**248,350,266**	148,393,757

25.7 Expected expense and contribution to the plan

Based on actuarial advice, the management estimates that the charge in respect of defined benefit plan for the year ending 31 December 2024 would be Rs. 190 million.

26. REMUNERATION OF DIRECTORS AND EXECUTIVES

	2023			2022		
	President / Chief Executive Officer	Directors	Executives*	President / Chief Executive Officer**	Directors	Executives
	---------------- (Rupees) ----------------			---------------- (Rupees) ----------------		
Fees	**-**	**2,600,000**	**-**	-	1,200,000	-
Managerial remuneration	**19,813,137**	**-**	**61,225,450**	7,730,115	-	45,744,187
Rent and house maintenance	**-**	**-**	**20,432,004**	-	-	15,265,635
Medical	**-**	**-**	**101,396**	-	-	75,757
Conveyance	**-**	**-**	**120,812**	-	-	90,264
Special allowance	**6,646,076**	**-**	**17,002,350**	2,395,091	-	12,703,193
	26,459,213	**2,600,000**	**98,882,011**	10,125,206	1,200,000	73,879,035
Number of persons	1	2	13	1	2	12

* Executive means employees other than President / Chief Executive Officer & Directors whose basic salary exceeds Rs. 500,000 in a financial year.

** The Chief Executive is entitled to free use of the company maintained car.

27. MOVEMENT IN HEDGE ACCOUNTING RESERVE

	Note	2023	2022
		---------------- (Rupees) ----------------	
Amortization of forward points of forward contracts	17	**590,807,858**	760,452,229
Changes in fair value of forward contracts		**(588,366,360)**	2,121,967,294
Recycling of exchange (losses) / gains on foreign exchange forward contracts		**(742,651,039)**	(2,253,992,552)
Total amounts recognised in OCI during the period		**(740,209,541)**	628,426,971

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28. RELATED PARTIES TRANSACTIONS AND BALANCES

The Bank has related party relationships with its shareholders, key management personnel and directors.

Remuneration of key management personnel are in accordance with the terms of their employment. Other transactions are at agreed terms.

Balances and transactions with related parties are summarised as follows:

	Note	2023							
		Key management personnel	Directors	Executives	Total	Key management personnel	Directors	Executives	Total
		(Rupees)							
Other Liabilities									
Management fee payable		17,899,928	-	-	17,899,928	-	-	-	-
Dividend payable		1,486,186,974	-	-	1,486,186,974	500,751,542	-		500,751,542
Payable to defined benefit plan		-	-	-	-	-	-	-	-
		1,504,086,902	-	-	1,504,086,902	500,751,542	-	-	500,751,542
Transactions during the period									
Directors' meeting fees		-	2,600,000	-	2,600,000	-	1,200,000	-	1,200,000
Salaries and other allowances		26,459,213	-	98,882,011	125,341,224	10,125,206		73,879,035	84,004,241
Management fee expense		80,911,822	-	-	80,911,822	-	-	-	-
Interim dividend for the quarters ended 30 June 2022 and 30 September 2022		-	-	-	-	500,751,542	-	-	500,751,542
Final dividend for the year ended 31 December 2022		1,000,500,000	-	-	1,000,500,000	-	-	-	-
Issuance of share capital		-	-	-	-	754,834,000	-	-	754,834,000
		1,107,871,035	2,600,000	98,882,011	1,209,353,046	1,265,710,748	1,200,000	73,879,035	1,340,789,783

29. SCHEDULE OF MATURITY DISTRIBUTION OF ASSETS AND LIABILITIES

	2023				
	Total	Upto one Month	Over one month upto six months	Over six months upto one year	Over one year
	(Rupees)				
Interest bearing assets					
Advances	19,472,691,440	224,998,097	5,986,375,998	13,259,389,762	1,927,583
Investments	-	-	-	-	-
Lending to financial institutions	-	-	-	-	-
Balances with other banks - deposit accounts	200,000,000	-	200,000,000	-	-
	19,672,691,440	224,998,097	6,186,375,998	13,259,389,762	1,927,583
Other non-earning assets					
Cash and balances with SBP and NBP	998,871,905	998,871,904.82	-	-	-
Balances with other banks - current accounts	-	-	-	-	-
Operating fixed assets	778,355,586	-	-	-	778,355,586
Other assets	707,193,325	352,103,530	76,304,463	137,685,631	141,099,701
	2,484,420,816	1,350,975,435	76,304,463	137,685,631	919,455,287
Total assets	22,157,112,256	1,575,973,532	6,262,680,461	13,397,075,393	921,382,870
Interest bearing liabilities					
Large time deposits above Rs. 100,000	-	-	-	-	-
All other time deposits (including fixed rate deposits)	-	-	-	-	-
Borrowings	8,025,344,219	141,868,800	983,051,256	183,073,788	6,717,350,375
Other cost bearing deposits	-	-	-	-	-
	8,025,344,219	141,868,800	983,051,256	183,073,788	6,717,350,375
Other non-cost bearing liabilities					
Current deposits	-	-	-	-	-
Other liabilities	4,914,139,530	1,991,621,109	369,488,187	1,741,404,402	811,625,832
Deferred grant	-	-	-	-	-
	4,914,139,530	1,991,621,109	369,488,187	1,741,404,402	811,625,832
Total liabilities	12,939,483,749	2,133,489,909	1,352,539,443	1,924,478,190	7,528,976,207

	2022				
	Total	Upto one Month	Over one month upto six months	Over six months upto one year	Over one year
	(Rupees)				
Interest bearing assets					
Advances	18,024,036,940	152,125,249	5,339,158,928	12,527,890,825	4,861,938
Investments	-	-	-	-	-
Lending to financial institutions	-	-	-	-	-
Balances with other banks - deposit accounts	271,500,000	-	271,500,000	-	-
	18,295,536,940	152,125,249	5,610,658,928	12,527,890,825	4,861,938
Other non-earning assets					
Cash and balances with SBP and NBP	1,936,486,696	1,936,486,696	-	-	-
Balances with other banks - current accounts	-	-	-	-	-
Operating fixed assets	266,769,235	-	-	-	266,769,235
Other assets	2,011,111,122	407,957,674	1,149,423,066	336,400,353	117,330,029
	4,214,367,053	2,344,444,370	1,149,423,066	336,400,353	384,099,264
Total assets	22,509,903,993	2,496,569,619	6,760,081,994	12,864,291,178	388,961,202
Interest bearing liabilities					
Large time deposits above Rs. 100,000	-	-	-	-	-
All other time deposits (including fixed rate deposits)	-	-	-	-	-
Borrowings	11,480,731,675	756,625,250	3,839,348,951	1,119,796,269	5,764,961,205
Other cost bearing deposits	-	-	-	-	-
	11,480,731,675	-	-	-	-
Other non-cost bearing liabilities					
Current deposits	-	-	-	-	-
Other liabilities	2,106,628,053	654,221,858	105,396,070	1,025,969,685	321,040,440
Deferred grant	-	-	-	-	-
	2,106,628,053	654,221,858	-	1,025,969,685	-
Total liabilities	13,587,359,728	654,221,858	-	1,025,969,685	-

Above maturity profile has been prepared based on contractual maturities. Consequently, all demand assets and liabilities such as running finance, current accounts and saving accounts are shown as having a maturity up to one month.

30. FINANCIAL RISK MANAGEMENT

30.1 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 Asset and Liability Management Committee (ALCO).

	2023					
		Exposed to yield / interest risk				
	Effective yield / interest rate %	Total	Upto one month	One month to six month	Over six month to one year	Over one year to five years
		(Rupees)				
Assets						
Balances with other banks - deposit accounts	14.5% - 17.5%	1,198,875,426	998,875,426	200,000,000	-	-
Lending to financial institutions		-	-	-	-	-
Investment		-	-	-	-	-
Advances	46.76% to 53.67%	19,472,691,440	41,863,036	8,499,341,457	10,931,114,575	372,372
		20,671,566,866	1,040,738,462	8,699,341,457	10,931,114,575	372,372
Liabilities						
Deposits		-	-	-	-	-
Lease liability against right-of-use assets	9.8% to 17.52%	125,507,685	-	-	99,931,945	25,575,740
On balance sheet gap		20,546,059,181	1,040,738,462	8,699,341,457	10,831,182,630	(25,203,368)

	2022					
		Exposed to yield / interest risk				
	Effective yield/ interest rate %	Total	Upto one month	One month to six month	Over six month to one year	Over one year to five years
		(Rupees)				
Assets						
Balances with other banks - deposit accounts	7.25% to 13%	2,202,991,976	1,931,491,976	271,500,000	-	-
Lending to financial institutions		-	-	-	-	-
Investment		-	-	-	-	-
Advances	40.82% to 46.76%	18,024,036,940	38,748,671	7,867,040,099	10,117,903,501	344,670
		20,227,028,916	1,970,240,647	8,138,540,099	10,117,903,501	344,670
Liabilities						
Deposits						
Lease liability against right-of-use assets	9.8% to 15%	142,308,833	20,484,115	-	67,774,426	54,050,292
On balance sheet gap		20,084,720,083	1,949,756,532	8,138,540,099	10,050,129,075	(53,705,622)

Above workings have been prepared on the basis of the earlier of repricing or contractual maturity of the instruments.

30.2 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, lendings, other receivable 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 and as required based on delinquency. Investments are made in the government securities.

30.2.1 Exposure to credit risk

Credit risk of the Bank arises principally from bank balances, lendings to financial institutions, advances, and other receivables.

In summary, the maximum exposure to credit risk as at 31 December was as follows:

		2023		2022	
	Note	Financial assets	Maximum exposure	Financial assets	Maximum exposure
		(Rupees)			
Cash and balances with banks	*4 & 5*	1,198,871,905	1,182,215,073	2,207,986,696	2,205,951,629
Lendings to financial institutions	*10*	-	-	-	-
Advances	*6*	19,472,691,440	19,472,691,440	18,024,036,940	18,024,036,940
Other assets	*8*	707,193,325	707,193,325	2,011,111,122	2,011,111,122
		21,378,756,670	21,362,099,838	22,243,134,758	22,241,099,691

Investments in Government Securities are not considered as exposed to interest rate risk.

30.2.2 Bank balances

The analysis below summarises the credit quality of the Bank's balances below:

Bank	2023 Long term	Short term	Amount (Rupees in '000)
United Bank Limited	AAA	A-1+	1,023,750,324
MCB Bank Limited	AAA	A1+	1,547,561
National Bank of Pakistan	AAA	A-1+	1,552,205
Habib Bank Limited	AAA	A-1+	1,481,971
Soneri Bank Limited	AA-	A1+	32,864
Standard Chartered Bank (Pakistan) Limited	AAA	A1+	3,192,743
Bank of Punjab	AA+	A1+	316,004
Pak Oman Investment Company Limited	AA+	A-1+	130,000,000
Allied Bank Limited	AAA	A1+	20,341,401
			1,182,215,073

The above ratings are assigned by PACRA, JCR-VIS and Standard and Poor's and are based on the latest available ratings.

30.3 Liquidity risk

Liquidity risk is the risk that the Bank will not be able to raise funds to meet its commitments. At present, the bank is not exposed to this risk as there is sufficient cash placed with various commercial banks at the year end.

The Assets and Liability Management Committee (ALCO) of the Bank is responsible for the oversight of liquidity management and 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.

30.4 Fair value of financial Instruments

Fair value is an amount for which an asset can be exchanged, or liability settled, between knowledgeable willing parties in arm's length transaction. Consequently, differences may arise between the carrying values and the fair values estimates. The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs use 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 input other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

On balance sheet financial instruments	Cash and cash equivalents	Loans and receivables	Other financial liabilities	Total	Fair value Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
- Investments - market treasury bills	-	-	-	-	-	-	-	-
Financial assets not measured at fair value								
- Cash and bank balances with SBP and NBP	18,836,598	-	-	18,836,598	-	-	-	-
- Balances with other banks	1,180,035,307	-	-	1,180,035,307	-	-	-	-
- Advances	-	19,321,846,748	-	19,321,846,748	-	-	-	-
- Other assets	-	707,193,325	-	707,193,325	-	-	-	-
	1,198,871,905	20,029,040,073	-	21,227,911,978	-	-	-	-
Financial liabilities not measured at fair value								
- Deposits and other accounts	-	-	-	-	-	-	-	-
- Other liabilities	-	-	(4,915,285,267)	(4,915,285,267)	-	-	-	-
	-	-	(4,915,285,267)	(4,915,285,267)	-	-	-	-
	1,198,871,905	20,029,040,073	(4,915,285,267)	16,312,626,711	-	-	-	-

On balance sheet financial instruments	Cash and cash equivalents	Loans and receivables	Other financial liabilities	Total	Fair value Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
- Investments - market treasury bills	-	-	-	-	-	-	-	-
Financial assets not measured at fair value								
- Cash and bank balances with SBP and NBP	4,994,720	-	-	4,994,720	-	-	-	-
- Balances with other banks	2,202,991,976	-		2,202,991,976				-
- Advances	-	17,956,296,409		17,956,296,409				-
- Other assets	-	2,011,111,122		2,011,111,122				-
	2,207,986,696	19,967,407,532	-	22,175,394,228	-	-	-	-
Financial liabilities not measured at fair value								
- Deposits and other accounts				-				-
- Other liabilities	-	-	(2,106,628,053)	(2,106,628,053)				-
	-	-	(2,106,628,053)	(2,106,628,053)	-	-	-	-
	2,207,986,696	19,967,407,532	(2,106,628,053)	20,068,766,175	-	-	-	-

31. CAPITAL RISK MANAGEMENT

31.1 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.

31.2 Goals of managing capital

The Bank's objectives when managing its capital are:

- To comply with the capital requirements set by the SBP.
- 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.
- To maintain a strong capital base to support the development of its business.

31.3 Statutory minimum capital requirement (MCR) and management of capital

As per amendments in Prudential Regulation (R-1) issued vide BPRD Circular No. 10 of 2015 dated 03 June 2015, the minimum capital requirement (MCR) for Microfinance Banks operating at national level is Rs. 1 billion. In line with the SBP requirements, the Bank's eligible capital for MCR purposes includes paid up share capital net of losses and balance in share premium reserve.

As of 31 December 2023, the Bank's eligible capital for MCR stood at Rs. 1.5 billion (2022: Rs. 1.5 billion).

Furthermore, in line with requirements of abovementioned circular, the Bank is also required to maintain Capital Adequacy Ratio (CAR) equivalent to at least 15% of its risk weighted assets.

The adequacy of the capital is tested with reference to the risk-weighted assets of the Bank as it enables the Bank to assess the long-term soundness. As the Bank conducts business on a wide area network basis, it is critical that the Bank is able to continuously monitor the exposure across the entire organization.

As at 31 December 2023, the Bank's Capital adequacy ratio (CAR) was 45.41% of its weighted exposure, as against the minimum requirement of 15% prescribed by SBP.

32. NON - ADJUSTING EVENTS AFTER BALANCE SHEET DATE

The Board of Directors have proposed a final dividend for the year ended 31 December 2023 of Rs. 1,000/= (2022: Rs. 667) per share, amounting to Rs. 1,500,000,000/= (2022: Rs. 1,000,500,000) at their meeting held on MARCH 07, 2024.

33. GENERAL

33.1 The comparative information have been re-arranged and reclassified for comparison purposes.

33.2 Captions, as prescribed by BSD Circular No. 11, dated 30 December 2003 issued by SBP, in respect 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.

33.3 Figures have been rounded off to the nearest thousand rupees, unless otherwise specified.

34. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Bank in their meeting held on

MARCH 07, 2024

President and Chief Executive Officer	**Chairman**	**Director**	**Director**