

leading with digital excellence

moving beyond banking, towards
Pakistan's digital financial inclusion



download
easypaisa app



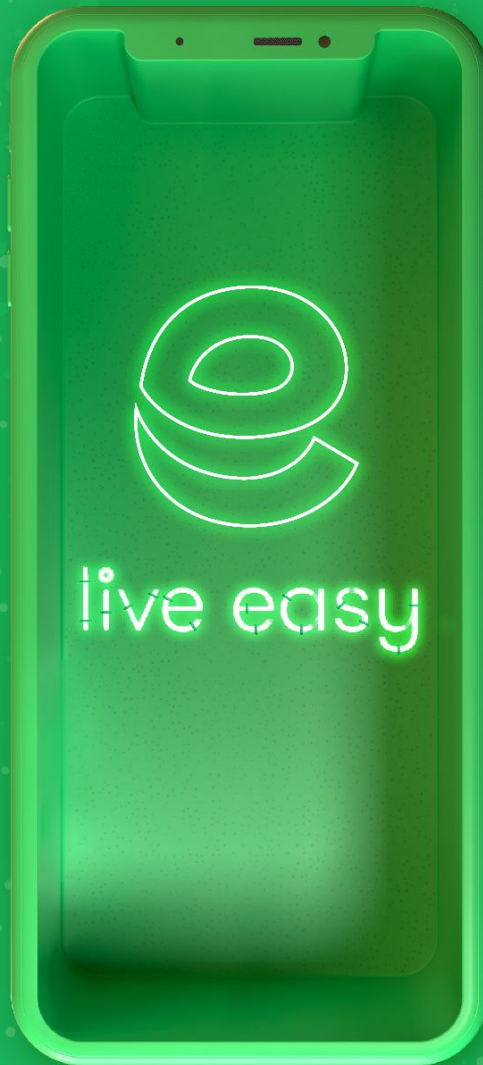
Telenor Microfinance Bank Limited

Head Office 19-C, 9th Commercial Lane, Main Zamzama Boulevard,

DHA Phase 5, Karachi, Pakistan

www.telenorbank.pk

easypaisa 2023 remarkable numbers

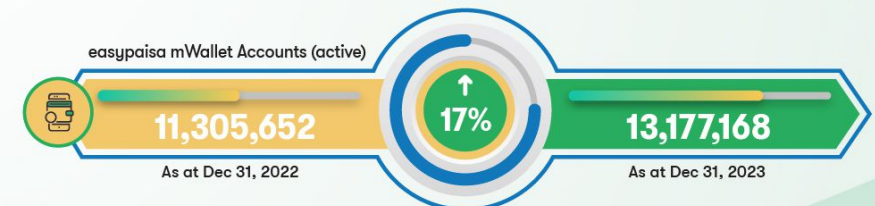
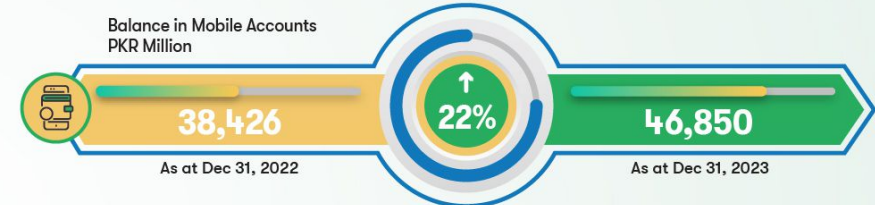
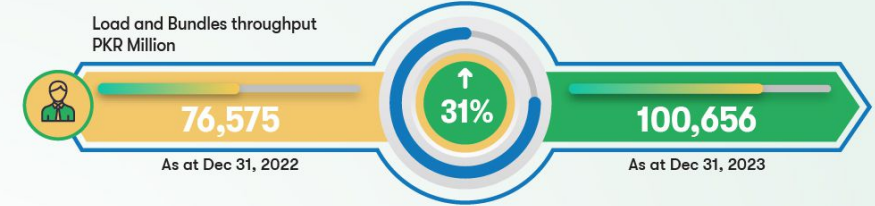
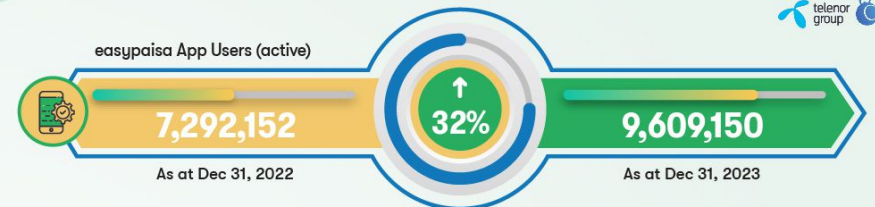
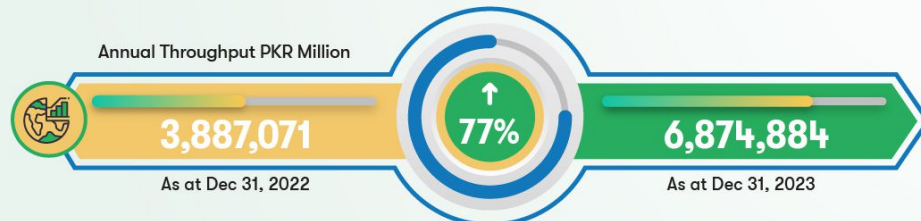
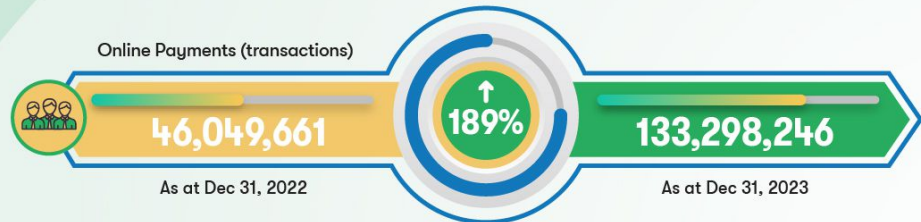
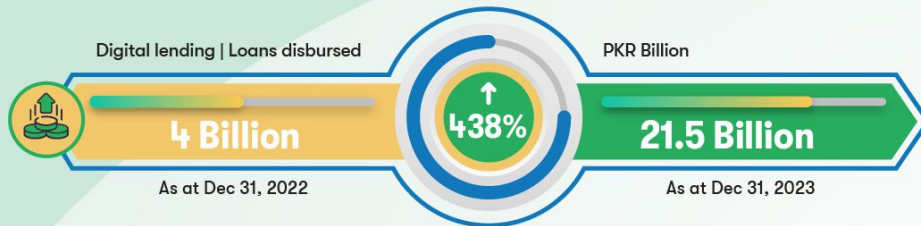


1 in 4
adults in Pakistan
use easypaisa (Telenor Bank)
40Mn+ registered users
13Mn MAUs

Pakistan's largest app*
4.5 ratings with
1Mn reviews



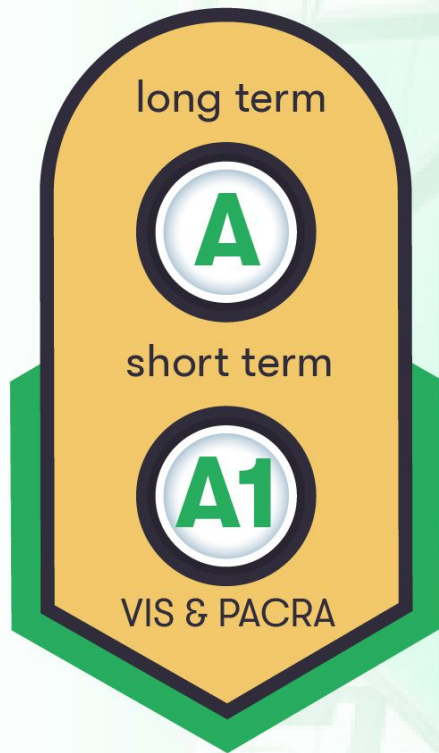
2023 – snapshot



Productive Lending



leading the charge for **Pakistan's** digital banking revolution



Contents

01	2023 – snapshot	14	our values	31	redefining customer journeys	45	our culture
03	rating	15	awards	33	customer stories	49	the rise of gene
07	about us	17	board of directors	34	our retailer/agents	51	financial empowerment of women
08	our strategy	18	leadership team	35	digital transformation journey	55	national financial literacy program
09	our journey	19	message from the Chairman	37	internal complaint handling mechanism	59	financial statements
11	DRB License	20	message from the CEO	39	Unparalleled relationships	109	pattern of shareholding
13	our business philosophy	21	evolution & technological innovation	43	driving cultural excellence		

about us

“

Over a decade ago, we began our journey to transform financial services in Pakistan. Today, we lead the country's fintech revolution through pioneering innovation and top-tier digital financial offerings.

As a digital-first financial institution, we have advanced Pakistan's digital finance landscape. Backed by our shareholders, Telenor Group—the leading telecom operator in Asia and the Nordics—and Ant Group—the force behind Alipay, the world's largest open digital lifestyle platform, we deliver secure, convenient financial solutions to millions of Pakistanis through our flagship digital financial services platform, easypaisa.

We introduced branchless banking to Pakistan and have since expanded our offerings significantly, including digital payments, lending, investments, and platform services. Our frictionless digital financial services enable customers to bank seamlessly anytime, anywhere.

By embracing an open platform strategy and a plug-n-play API architecture, we have championed frictionless financial transactions, integrating third-party services onto our platform. Our cohesive “digital-first” transition has positioned us as Pakistan's premier digital bank aspirant.

Our aspiration is to become the top digital banking choice for every Pakistani. This vision gained affirmation in 2023 when we received a No Objection Certificate and later, an In-Principal Approval from the State Bank of Pakistan, under its progressive Licensing and Regulatory Framework for Digital Banks, to establish a Digital Retail Bank. This achievement fills us with great pride.

Through harnessing the power of technology, we are empowering millions of Pakistanis to drive national progress.

”

vision

creating a transparent economy that all Pakistanis can participate in.

mission

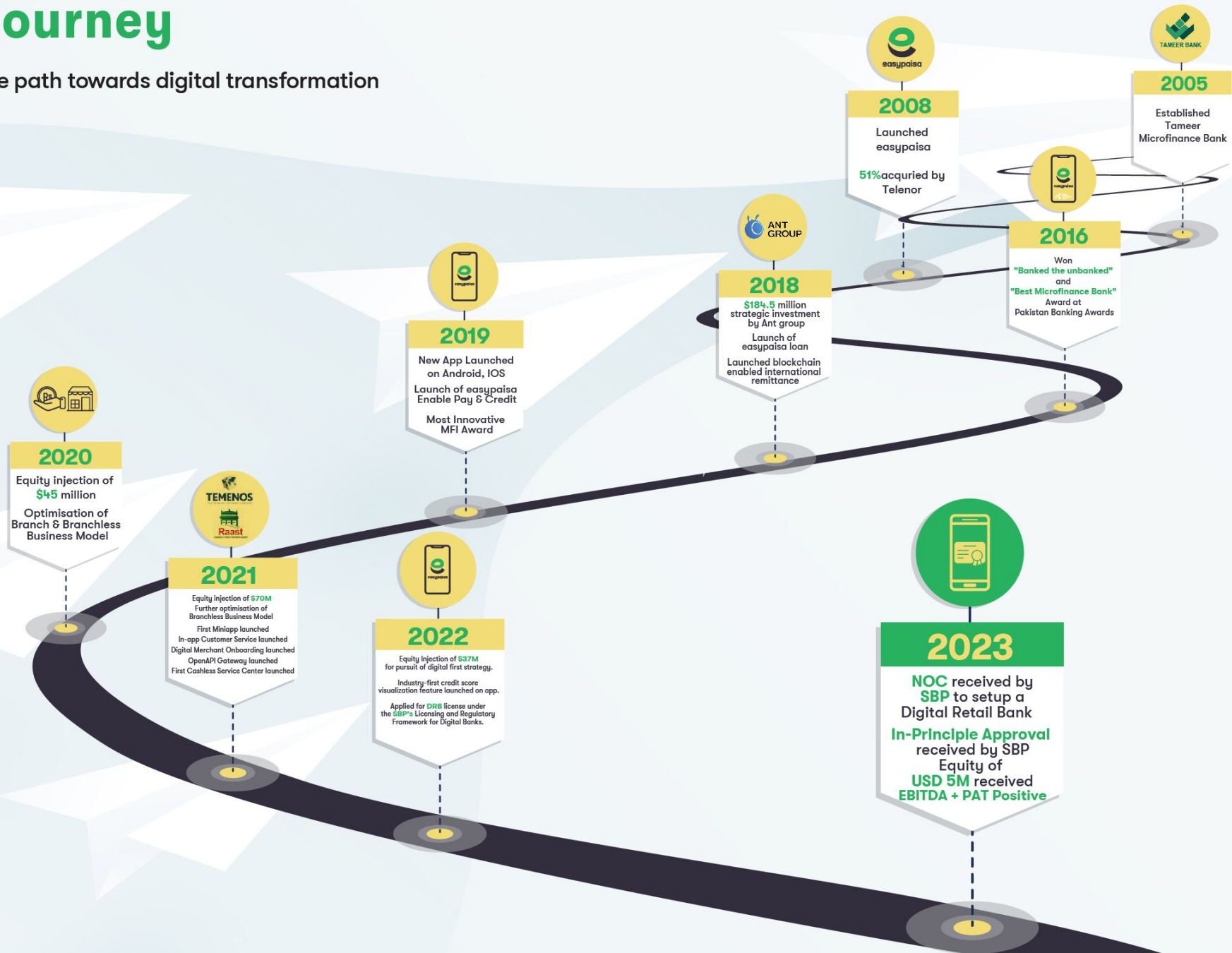
transforming Pakistan into a cashless and financially inclusive society by creating value through the power of collaboration and technology.

our strategy



our journey

carving the path towards digital transformation



Telenor Microfinance Bank receives In-Principle Approval for Digital Retail Bank license from the State Bank of Pakistan under the Licensing and Regulatory Framework for Digital Banks.

In September 2023, Telenor Microfinance Bank received In-Principle Approval (IPA) for Digital Retail Bank (DRB) license from the State Bank of Pakistan (SBP) under the Licensing and Regulatory Framework for Digital Banks. This remarkable achievement positions TMB as a digital bank poised to offer a wide array of exciting financial services primarily through digital channels, revolutionizing the digital banking experience for millions of Pakistanis.

The SBP hosted a ceremony in Karachi to officially grant in-principle approval to five banks, including TMB. The event saw the presence of sponsors of TMB along with senior management including Kashif Ahmed, Acting CEO, Amna Abbas, Chief Legal Officer, Solomon Jamin, Vice President, Investment Management, Telenor Asia, and Douglas Feagin, Senior Vice President, Global Strategic Partnerships and Investments, Ant Group.

In January 2022, SBP introduced a Licensing and Regulatory Framework for Digital Banks and planned to issue up to five digital banks' licenses. Earlier in 2023, TMB was selected amongst 5 applicants after a rigorous assessment process as per the requirements of the framework and was awarded a No Objection Certificate (NOC) to set up a digital bank.



our business philosophy

centered on digital-first principle and a mobile-first focus

We prioritize a seamless mobile-first, digital banking experience built on frictionless onboarding, instant transactions, and a user-centric design. We envision daily life seamlessly interwoven with digital banking through mobile devices. Our core offerings, including payments & savings, investments, lending, and platform services, are all mobile-optimized and leverage open banking. This empowers us to deliver an exceptional digital banking experience, conveniently accessible at your fingertips.

Payments, Savings & Investments



Lending



Platform



our values



awards



Best Mobile Money Transfer Entrant Of The Year At The World's First Money Transfer Awards

Three Base Of Pyramid Awards By Sbp



Best New Entrant In Global Mobile Money Transfer Awards



Mobile Money Sprinter By Gsma Mmu



Best Mobile Money Service At The Gsma Awards

Best Mobile Service For Women In Emerging Markets At The Gsma Awards



People's Choice Award In Dow Jones & Wall Street Journal's Financial Inclusion Challenge



Best In Digital By Pakistan Advertising Society
Best Microfinance Bank Award At The Pakistan Banking Awards

Bank The Unbanked Award At The Pakistan Banking Awards

Financial Innovation Award In The Category Of Most Innovative Application Technology At The Financial Innovation Awards



Best Microfinance Bank Award At The Pakistan Banking Awards

Bank The Unbanked At The Pakistan Banking Awards

Best Mobile Payments Solution At The Global Mobile Awards



Gsma Mobile Money Certification



Innovation In Payment Awards Under 'The Innovators 2019' Banner Of Global Finance Magazine

Most Innovative Mfi In The 13th Citi Microentrepreneurship Awards



One Show Asia Showcase 2020
Innovation In Payments Award Under 'The Innovators 2020' Banner Of The Global Finance Magazine

Ad Stars Award

Big Golden Roll Award

Best Financial Inclusion Payments Program By The Emerging Payments Association



Dragons Of Asia.
Hand & Unocha Awards And 7 Effles



Runner Up
Most Innovative Mfi
14 Citi - Ppaf
Microentrepreneurship Awards



- Recognizing Gender Diversity at Workplace Award 2023 - CFA Society Pakistan
- Winner of 4 Effles
- 2023 Dragons of Pakistan

board of directors



Irfan Ul Wahab Khan
Chairman & Director



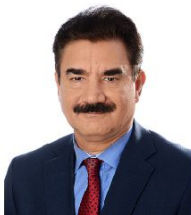
Kashif Ahmed
Acting President & CEO



Ms. Musharaf Hai
Director



Douglas Feagin
Director



Amjad Waheed
Director



Mr. Solomon Jamin
Director



Mr. Yi Zhou
Director



Mr. Zhixian Li
Director



Mr. Henning Thorsen
Director

People Committee

Mr. Irfan Ul Wahab Khan
Dr. Amjad Waheed
Mr. Zhixian Li

Chairman
Member
Member

IT Committee

Mr. Zhixian Li
Mr. Irfan Wahab Khan
Mr. Yi Zhou
Mr. Solomon

Chairman
Member
Member
Member

Audit Committee

Dr. Amjad Waheed
Mr. Henning Thorsen
Mr. Yi Zhou
Mr. Solomon Jamin

Chairman
Member
Member
Member

Legal Advisors

M/s. Haidermota & Co.
Advocates and Corporate Counsel

Compliance Committee

Mr. Solomon Jamin
Dr. Amjad Waheed
Mr. Zhixian Li
Ms. Musharaf Hai

Chairman
Member
Member
Member

Risk Management Committee

Mr. Henning Thorsen
Mr. Yi Zhou
Ms. Musharaf Hai
Mr. Solomon Jamin

Chairman
Member
Member
Member

Auditors

M/s. Ernst & Young
Chartered Accountants

Company Registration No.: 0051908
National Tax Number: 2486636-9

leadership team



Kashif Ahmed
Acting President & CEO



Pouruchisty Sidhwa
Chief Human Resource Officer



M. Khuram Waraich
Head of Digital Lending & Data Science



Syed Umar Viqar
Head of Operations



Amna Abbas
Chief Legal Officer & Company Secretary



Amin Sukhiani
Chief Financial Officer



Rizwan Ikram
Chief Risk Officer



M. Hasan Ayaz
Chief Technology Officer



Farhan Hassan
Head of easypaisa Wallet Business



Shahzad Khan
Head of Channels, Corporate Business & Productive Lending



Junaid Yousuf Kara
Chief Audit Executive

easypaisa



easypaisa



message from the Chairman



It is with immense pride that I announce a pivotal transformation for Telenor Microfinance Bank (TMB). We are transitioning from a microfinance institution to a full-fledged Digital Retail Bank (DRB), following the receipt of a No Objection Certificate (NOC) and In-Principle Approval from the State Bank of Pakistan (SBP). This momentous occasion unlocks a new era of financial empowerment, innovation, and unparalleled accessibility for all citizens of Pakistan.

This journey has not been without its learning experiences. While we faced challenges in the past four years, we are proud to report a significant turnaround in 2023. Through strategic planning and adaptation, we achieved profitability, delivering a pre-tax profit of PKR 1.2 billion. This achievement is a testament to the unwavering commitment and strategic execution of our dedicated staff and leadership team. Their efforts have positioned TMB for an exciting future as a DRB, building upon the resilience and ingenuity of the TMB family.

The DRB license will be a game-changer. It empowers us to expand our product offerings beyond microfinance, reaching the vast unbanked and underbanked population of Pakistan. We are committed to fostering financial inclusion at its core. By launching innovative lending, payment, investment, and deposit products tailored for the needs of every individual, we aim to empower people across the country, regardless of their socioeconomic background.

Technology remains the cornerstone of our success. We are pleased to unveil two innovative cloud-based lending features on our app: Cash Loans and Buy Now Pay Later! These functionalities facilitate instant loan disbursement within seconds, emphasizing our commitment to speed, convenience, and a seamless banking experience.

To further amplify our technological capabilities, we are integrating state-of-the-art components into our tech stack. Through strategic partnerships with industry leaders, we aim to leverage the power of cloud computing throughout our growth journey. This will enhance security, scalability, time-to-market, and ultimately, deliver an unparalleled customer experience. Our app, already considered one of the nation's leading and most extensive, will continue to evolve. We'll incorporate cutting-edge products and features to remain at the forefront of innovation.

At TMB, we recognize that our employees are the driving force behind our success. We are deeply committed to investing in our human resources. By fostering a culture of innovation, agility, and continuous learning, we empower our team to be at the forefront of the digital banking revolution. Combined with our robust technology platform, this exceptional team guarantees an exceptional digital banking experience for every customer.

I would like to express my sincere appreciation to the State Bank of Pakistan for their forward-thinking policies that actively promote the digitalization of the financial sector. These innovative measures have paved the way for significant advancements in the financial ecosystem. We are grateful for the unwavering support and guidance provided by the SBP, which has positioned us to become a leading digital bank in Pakistan.

Lastly, our deepest gratitude goes to our esteemed customers, whose trust in us and our flagship digital payments platform, easypaisa, continues to be our driving force. It is a great privilege to serve millions of individuals across Pakistan by delivering convenient and secure digital financial services.

As we look to the future, I am filled with optimism. Through unwavering dedication and a commitment to continuous innovation, I am confident that TMB & easypaisa will continue to empower millions of Pakistanis, bringing us ever closer to our vision of a financially inclusive, digital Pakistan.

Irfan Wahab Khan
Chairman of the Board,
Telenor Microfinance Bank

message from the CEO



Much like 2022, the past year presented significant challenges on both global and national fronts. However, Telenor Microfinance Bank (TMB) remained steadfast in its commitment to innovation, resilience, and customer-centric strategies.

In 2023, TMB achieved a significant milestone by securing a No Objection Certificate followed by an In-Principle Approval from the State Bank of Pakistan for initiating the process of transformation and attaining operational readiness before seeking Digital Retail Bank (DRB) License, a clear demonstration of our commitment to revolutionizing the banking experience for all Pakistanis.

Our consistent focus on a Digital-First strategy has been a cornerstone of our success. This approach enables seamless integration of third-party solutions within our platform, making banking more accessible and versatile for everyone. By prioritizing this strategy, we have solidified our position as pioneers in the digital banking landscape, ensuring we remain at the forefront of innovation.

As we embark on this transformation from a microfinance institution to a Digital Retail Bank, we have optimized our branch networks. This optimization includes digitization of the borrower journey and the adoption of a digital-first approach to customer support. This strategic shift has not only streamlined our operations but more importantly, has significantly enhanced the overall customer experience.

easypaisa, TMB's flagship digital platform, has experienced phenomenal growth. In 2023, we witnessed a 17% year-over-year increase in monthly active mobile accounts, reaching 13.2 million users. Monthly active users within the easypaisa app surged by 32% to 9.6 million, with the app maintaining an impressive 4.5-star rating on the App Store. The platform processed a staggering 2.1 billion transactions worth PKR 6.8 trillion in 2023, effectively facilitating 7% of Pakistan's GDP and empowering millions through financial inclusion.

TMB continues to champion innovation, particularly in the realm of digital lending. Our data-driven credit scoring model, powered by a payment-based machine learning algorithm, has facilitated a remarkable 4x increase in daily nano loan disbursements, reaching 40,000 loans per day. In 2023, the bank disbursed a staggering 8.5 million nano loans totaling PKR 21.5 billion, compared to 1.5 million loans worth PKR 4 billion in 2022.

In 2023, The Productive Lending program's PAR (portfolio at risk) also reduced from 5.2% to 4.2%, while loan disbursements reached PKR 19.6 billion. Despite challenging macroeconomic conditions in 2022, we navigated disruptions and supported borrowers' repayment capacity.

Furthermore, we have rolled out innovative embedded finance products like Buy Now Pay Later (BNPL) for airline and utility bill payments. The launch of the easypaisa Karobar app further caters to the needs of over 2 million retail merchants across Pakistan.

We have actively expanded our mini-app ecosystem, focusing on integrating services for everyday needs such as wealth management, food delivery, healthcare, gaming, ticketing, and insurance. Partnerships facilitated through open API and mini-app integrations reached approximately 1,200, further strengthening our comprehensive platform.

TMB enhanced its tech infrastructure with cloud integrations and optimized the easypaisa app. On the technology side, over 300 projects have been introduced across wealth management, digital lending, payments, and innovative services. We also stabilized our core banking platform, adopted advanced testing, implemented robust governance, fostered collaboration, and formed significant partnerships, showcasing our commitment to technological advancement and digital transformation.

Amidst the evolving economic landscape and operational challenges, including those arising from the global pandemic, the Bank has significantly improved upon its already robust Risk Management platform. This proactive measure ensures enhanced risk governance and mitigation strategies, enabling the Bank to stay ahead of emerging risks and maintain a resilient stance in the face of dynamic market conditions.

In response to inflationary pressures, the Bank has implemented a cost-effective approach, taking several measures to mitigate technological and operational costs while developing new, cost-effective alternative solutions that adhere to regulatory and industry best practices. This had significantly contributed to profits and supported TMB's strategy to exceed revenue targets.

Our financial results for the year ended December 31, 2023, paint a clear picture of our strong performance. Pre-tax profit surged by an impressive 118% year-on-year, reaching PKR 1.2 billion, effectively off-setting the impact of inflation. Customer deposits grew by a healthy 9.3%, and our capital adequacy ratio (CAR) of 21.91% significantly exceeds regulatory requirements.

Beyond financial results, we remain committed to fostering an inclusive and empowering work environment for our colleagues. This commitment is reflected in our core values and the new initiatives we have introduced. We actively promote a culture of continuous learning, growth, and collaboration, encouraging our team members to embrace innovation and strive for excellence. Additionally, guided by the regulatory framework on promoting gender equality in the banking sector, we have implemented targeted programs aimed at empowering women within our organization.

Our success is a testament to the steadfast dedication of our team, the strategic vision of our board of directors, and the trust and loyalty of our valued customers. I would like to extend my heartfelt gratitude to the State Bank of Pakistan for their support and guidance, our shareholders for their confidence in our vision, and most importantly, our customers for their unwavering trust and loyalty.

Together, we will continue to chart new territories and create a brighter future for all, solidifying our position as a pioneering force in the digital banking landscape of Pakistan.

Kashif Ahmed
Acting President & CEO
Telenor Microfinance Bank

evolution & technological innovation

Unleashing the power of technology for
best-in-class digital banking experience!

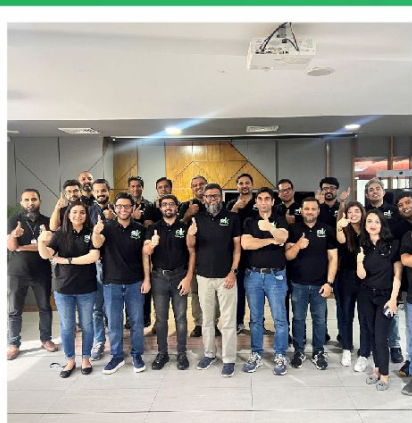
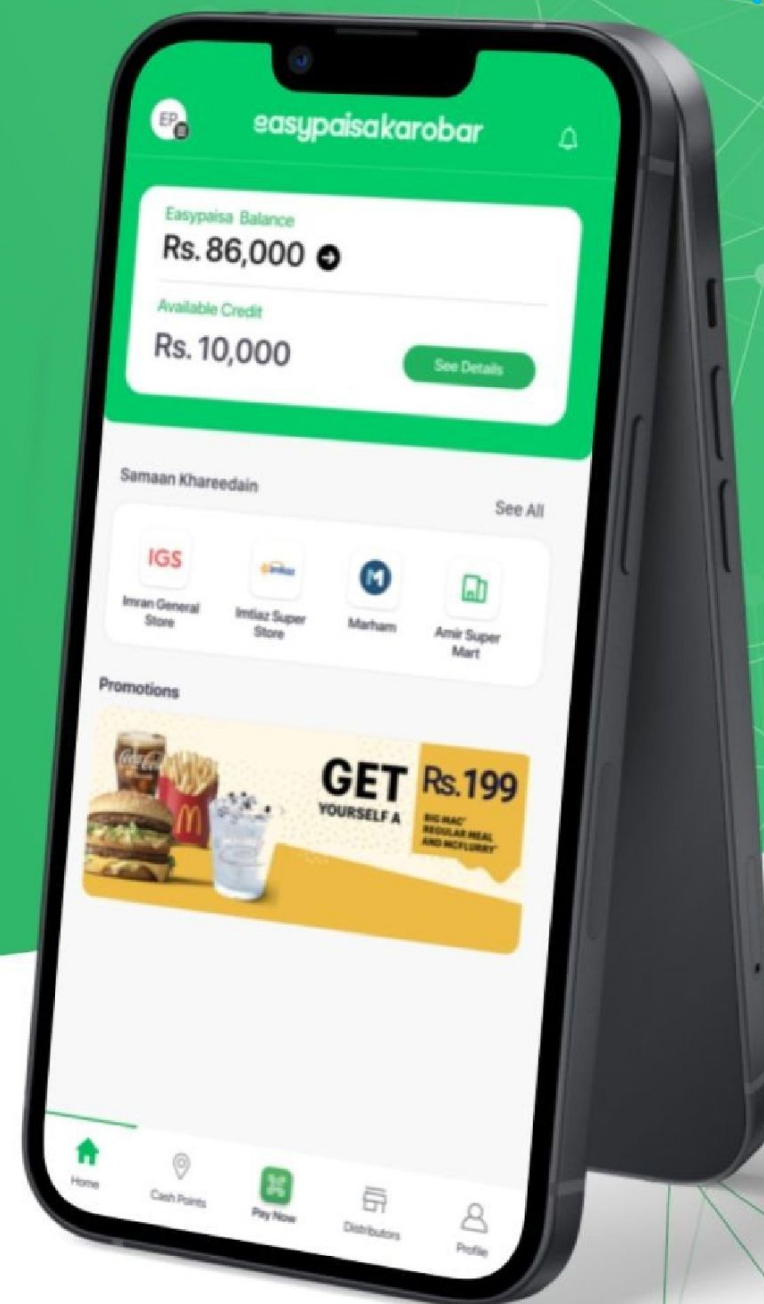


easypaisakarobar

easypaisa Karobar powered by Dukan, was launched in 2023 which is a platform designed specifically to address unmet banking needs of two million retail merchants across the country.

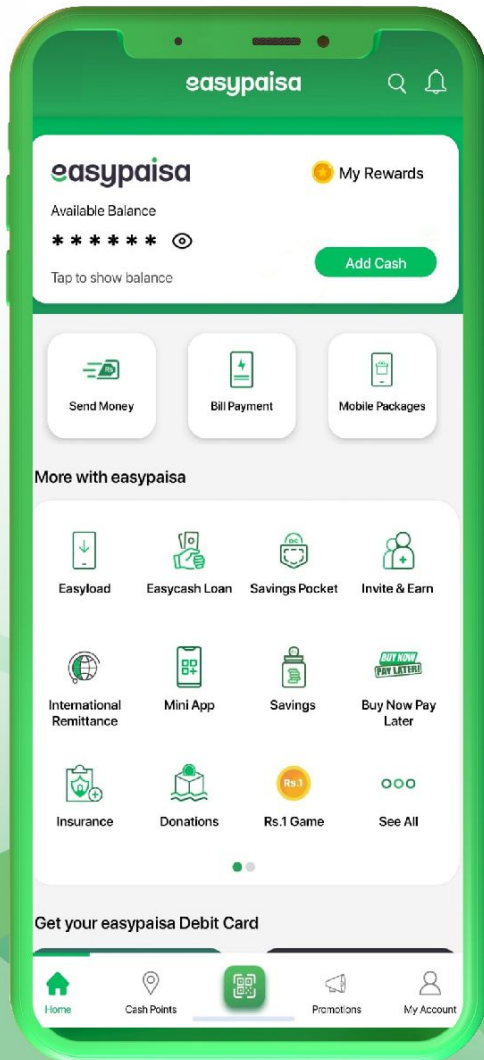
Being Pakistan's first digital banking app for retailers, easypaisa Karobar enables merchants to manage their financing needs digitally, reduce operational complexities, and become part of the digital economy.

The easypaisa Karobar app streamlines merchant operations with advanced features, enabling cashless payments from the easypaisa Wallet to distributors. The app also provides flexible digital lending options for daily stock purchases to retailers.



easypaisa app

making your everyday transactions easy, one tap at a time!
#liveeasy



mobile load packages

With easypaisa you can recharge your own, or anyone else's number straight from your home. Not just that, also enjoy special discounted packages from all mobile networks of Pakistan!



savings

Subscribe a savings plan of your choice and get up to 18% annual profit. With zero documentation and no fixed deposits, choose your plan with just one tap!



mini app

Food, Health, Telco, Gaming
Bookings & Tickets
Savings & Investments
Vouchers, Insurance
Entertainment

utility bills

It's no trouble anymore; as we have brought more than 1500+ billers all on the easypaisa app. So whether it's electricity bills, gas, water or telephone, there's the easypaisa app for that!



visa debit cards

Pay like a pro at thousands of restaurants & outlets. Withdraw cash from 1000s of ATMs, get real-time transaction alerts and avail cashbacks.



money transfer

With easypaisa, you can send money to any one you want, on any network, on any number!





1 in 4

Pakistani adults have
easypaisa



9Mn+

active users on
telco-agnostic app



213K+

agents



118

branches & cashless
service centers



13Mn+

active mobile accounts

technology



Transformation to Digital Retail Bank

TMB has recently received In Principal Approval from SBP for Digital Retail Banking and is currently undergoing enhancements to its digital infrastructure. This initiative aims to empower the public by providing them with access to digital bank accounts.

Uptimes

Achieved uptimes surpassing **99%+** for the overall enterprise & majority business lines.



Technology Enhancements and Optimizations

In pursuit of improving customer experience, TMB & easypaisa has significantly bolstered its infrastructure and embraced cloud integrations, resulting in a seamless and resilient mobile application.

Projects Delivery

Over the course of the year, the easypaisa platform has introduced over **300** projects focusing on Wealth Management, Digital Lending, Productive Lending, and Payments. These endeavors are dedicated to delivering innovative services to our customers, such as the Youth Account, Visa Virtual Card, Embedded Finance, Savings Pocket, Karobar App, Invite and Earn, Corporate Portal, and numerous others. This was duly supported with our automated quality assurance process in the delivery pipeline.



Core Banking Platform

Implemented major stabilization initiatives on the core banking platforms, enhancing system efficiency and recently achieving phenomenal **100%** uptime in Q4 2023.



Automations

Continuous focus on business process simplification, process automation programmatically & also via use of **RPA**.

Governance Standards

Implemented robust Technology Governance practices to enhance transparency in our processes.



Collaboration and Empowerment

Cultivated a culture of collaboration and empowerment by realigning squads in alignment with the business strategy. This with a continued focus on implementation of TMB values in our working culture.

3rd Party Integrations

Established significant partnerships with Dukan and Mintech. Enriched the easypaisa portfolio with the addition of over **30** new billers and mini apps.



Platform Upgrades

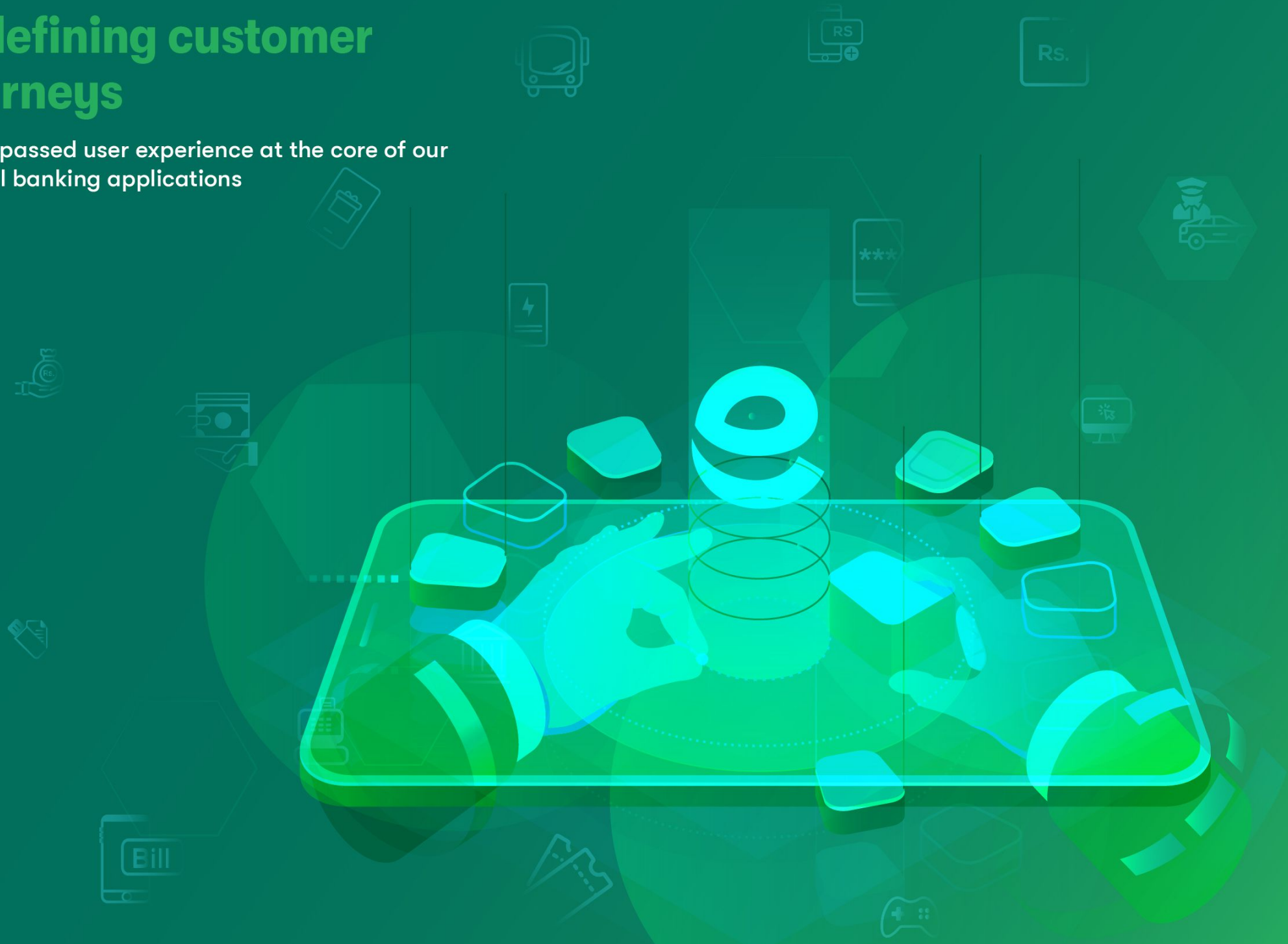
Implemented several platform initiatives, encompassing the IRIS Switch, IRIS Payments, and API GW Transformation, as part of our commitment to technological advancement. Also initiated major Wallet platform upgrade programs for our future scalability needs.

Cloud Adoption

During 2023, TMB & easypaisa have started leveraging the power of cloud by utilization of SaaS based solution for internal collaboration (0365), the digital lending suite & also entered into an enterprise agreement with a leading cloud service provider.

redefining customer journeys

Unsurpassed user experience at the core of our digital banking applications



customer stories



Sumaiyah Rahu
Savings Feature

As a busy mom having school-going children, managing my finances has never been easier. I was always worried about managing my finances and payment of children's school fees on time. It was difficult for me to set aside money and pay school fees and utility bills on time. However one day I came to know about easypaisa's saving feature and I started using it. The savings feature enabled me to set aside money effortlessly. It's like having a piggy bank on my phone. With just a few taps on my phone, I can conveniently put aside money for school fees, utility bills or those special purchases I have been dreaming of.



Arshad Ali
Digital Loan

Last month, my car broke down unexpectedly, and I was stuck in a tight spot. The mechanic quoted a repair cost that I simply couldn't afford at that moment. That's when I remembered easypaisa's digital loan service. Without wasting a second, I whipped out my phone, applied for the loan, and within minutes, the money was in my easypaisa account. I got my car fixed right away and was back on the road in no time. What's even better is that easypaisa offered me flexible repayment options. I could pay back the loan in easy installments, which took off a huge burden from my shoulders. easypaisa not only saved the day but also made the whole process stress-free.



Imad Ghazanfar
Insurance

Working in a private job often comes with its uncertainties, and the fear of losing my job was a constant worry for me and my family. My wife and I were both worried about our future and ensuring financial security for our children. That's when I discovered easypaisa's insurance feature and secured an insurance plan for myself. The peace of mind it brought was unparalleled. Now, knowing that my family will be taken care of in case of any unforeseen circumstances has lifted a huge weight off my shoulders. easypaisa's Insurance feature has not only provided financial protection but also a sense of reassurance and stability for my family's future.



Moiz Hakimuddin
Online Payments

Being away on an official assignment can be challenging, especially when unexpected emergencies arise back home. Recently, I found myself in a tight spot when my daughter fell ill, and there was no cash at home to cover the medical expenses while I was out of city. In a moment of panic, I turned to the easypaisa app for a solution. With just a few taps, I transferred the required amount to my wife, who was able to take our daughter to the doctor and purchase the necessary medicines without any delay. easypaisa's seamless payments feature not only saved the day but also spared me from unnecessary stress. Knowing that I could rely on easypaisa to handle urgent financial matters, even from a distance, was truly reassuring.



Rida Asif
Consult Doctor

During our family trip to the northern areas, my husband unexpectedly fell ill, leaving us in a state of worry and uncertainty. With no health facility and a specialist doctor nearby, the situation seemed challenging. That's when easypaisa's Consult Doctor miniapp feature came to our rescue. Using just my phone, I connected with a qualified doctor remotely. The convenience was unmatched. The doctor provided expert guidance and prescribed medication to my husband. Despite being miles away from a medical facility, we were able to pick up the prescribed medicines from a nearby medical store. easypaisa's miniapp Consult Doctor not only provided us with peace of mind but also bridged the gap in accessing essential healthcare during our time of need. The service ensured my husband received the care he needed, even in remote areas.

our retailer/agents



digital transformation journey

67 CSCs Currently operating

Telenor Microfinance Bank's digital transformation journey for productive lending customers continued its evolutionary path in 2023, marked by significant milestones. Debit Cards emerged as the primary channel for cash withdrawals, enabling customers to access their funds seamlessly and conveniently as per their requirements. This new channel empowered loan customers by providing them with a bundled debit card alongside their loan, granting them greater flexibility and control over their cash withdrawal requirements. This strategic move positions the Bank well for its digital banking transition, with plans to convert an additional 31 branches into cashless sales centers in 2024.

Furthermore, the Bank has taken a stride towards enhancing the customer experience by developing a feature that will allow productive lending customers to submit requests for repeat loans directly through the easypaisa App. This innovative solution is set to roll out for existing customers in 2024, streamlining the loan renewal process and fostering a seamless digital journey for borrowers. These advancements underscore the Bank's commitment to leveraging technology to deliver exceptional services and support the financial inclusion of its customer base.

Aligning with its digital-first transformation strategy, TMB successfully converted 24 branches into lean and capital-efficient cashless sales centers in 2023. These centers streamline the unsecured loan application process, eliminating the need for borrowers to visit for cash transactions. By year-end, the Bank operated 58 branches with cash counters, while the remaining were cashless sales centers.

The customer segment further embraced self-service channels, with 25% opting for loan repayments via the App and USSD. Debit cards emerged as the preferred cash withdrawal method over the agent network. The Bank also digitized the gold lending process for cashless sales centers, enabling continued portfolio growth in 2024 while aligning with its business direction.

The pilot of a new Loan Origination System performed exceptionally, enhancing the Bank's ability to launch and customize products for its productive lending business.



Lending customer journey:

- Customer is approached at their business premises
- Business Officer fills the loan application on-site
- Application goes through digital approval process, including field visit
- Upon approval, loan amount is disbursed to customer's easypaisa wallet
- Customer can withdraw funds as needed from retailers or via debit card
- Customer can manage loan and make payments through the easypaisa app

Loans offered



Karobar Loan



MSME Loan



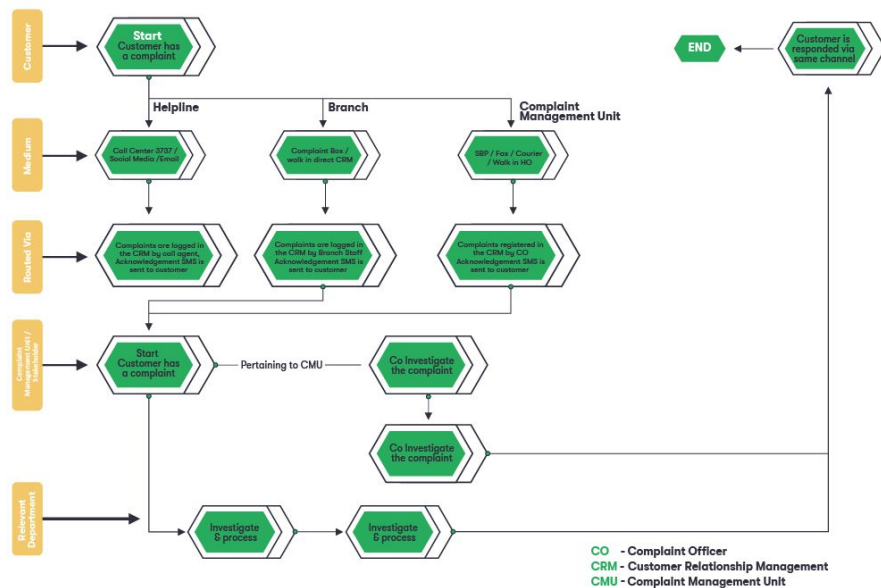
Gold Loan

internal complaint handling mechanism

At Telenor Microfinance Bank the Customer Services and Quality Assurance Department manages all the complaints received directly and indirectly by the Bank. The Department has an independent hierarchy system and procedures to deal with customer complaints received from all channels. These channels have been made available considering the wide-ranging demographics of our customer base. The following points are given special consideration.

- Provide visible, easily accessible and multiple complaint registration channels to customers
- Prioritize the Voice of Customer received through complaints
- Provide fair and honest resolution to customer complaints
- Ensure all complaints are dealt as per the standard TATs
- Use customer complaints as opportunity to improve and ensure minimum recurrence
- Enhance the scope to post closure quality assurance on closed complaints
- Conduct complaints handling and Fair Treatment of Customer (FTC) awareness training sessions for front and back-end staff.

Complaint Handling Process



initiatives

- Enhanced escalation matrix and various automations in the Bank's complaint management system.
- Improved quality and delivery timelines with process improvement through Robotic Processing.
- Enriched digital training module over complaint handling via easypaisa academy.
- Enabled In-App feature to log complaints for specific work codes, offering real-time registration convenience for customers.
- Implemented inhouse surveys over the app and via call back to obtain post-complaint closure feedback.
- Implemented push notification and awareness campaigns to raise awareness over bank complaint and redressal channels for our active customers.
- Implemented Quality Assurance framework over complaints via contact centre quality monitoring.



Total number of complaints received (2023)



Average time of complaint closure (2023)



Total number of complaints resolved (2023)



unparalleled relationships

Working together for the greater good!



partnerships

Our Shareholders



Our Shareholders

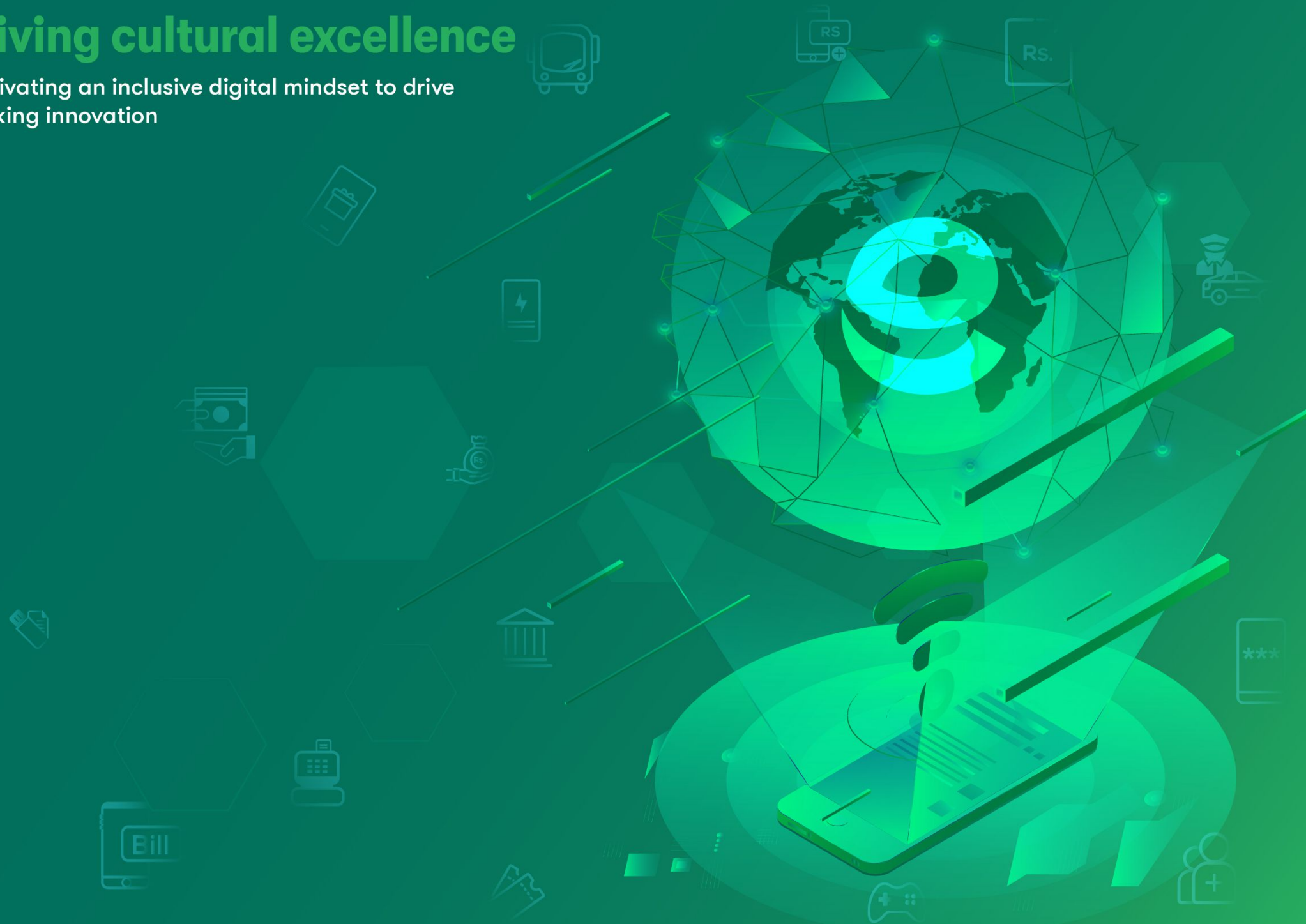


Strategic Alliances Partnership
of Telenor Microfinance Bank (easypaisa)



Cultivating an inclusive digital mindset to drive banking innovation

Cultivating an inclusive digital mindset to drive banking innovation



our culture

In our journey towards becoming a digital-first bank for millions of Pakistanis, our colleagues have played a pivotal role in driving our digital transformation. We continue to foster a culture where collaboration and support are paramount.

Beyond being a team, we see ourselves as a tightly knit family, sharing not only our workload but also our successes and challenges. Encouragement, motivation, and mutual support are the cornerstones of our workplace environment.

This culture of camaraderie has become deeply embedded in our ethos, enabling us to work seamlessly towards our common objectives. We understand remain dedicated to our mission, while understand the importance of maintaining a healthy work-life balance, allowing us to recharge and approach each day with renewed energy and enthusiasm.

diversity, equity & inclusion

Our Bank received the “Recognizing Gender Diversity at Workplace Award 2023” at the Annual Excellence Awards by CFA Society Pakistan. This was a testament to all our efforts in advocating for equality, empowering diverse voices, breaking barriers, and creating a more inclusive space for all!



giving back to the society

At our core, we are driven by the belief that every action, no matter how seemingly insignificant or monumental, has the power to create a lasting impact. In this pursuit, our colleagues are always at the forefront, leading the way with their unwavering commitment and dedication.



ethics

The bedrock of our organization is our Code of Conduct. It is a testament to our unwavering commitment to upholding the highest ethical standards. We instill in every member of our team the courage to Speak Up! – to raise their voices against any violation of our code, for it is their integrity and honesty that form the very fabric of our success.

Our greatest assets lie in the enduring values we uphold. Integrity and honesty are the beacons that illuminate our path, ensuring that every aspect of our operations is conducted with utmost transparency and accountability. It is this steadfast adherence to principles that empowers us to touch the lives of our stakeholders and the communities we serve.

We are a force driven by a shared purpose, united in our pursuit of excellence, and fueled by the belief that through our actions, we can create a ripple effect of goodness that resonates across generations. Together, we are crafting a legacy that will stand as a testament to the power of ethical conduct and the enduring impact of doing what is right.



the rise of geno

We are generation easypaisa, a.k.a. gen e, the torchbearers of a digital renaissance. We stand tall, a pioneering force in the realm of technology, forging a path that defies convention and embraces the future with ambition.

At our core, we are a digital-first bank, a testament to the relentless pursuit of innovation and technological prowess. Over the years, we have evolved into a leading tech company, a beacon of disruption that illuminates the way forward. We are tech-savvy, our minds brimming with disruptive ideas, ready to rewrite this digital era with our crazy ambitions.

We believe in harnessing the power of collaboration technology to bring about transformative solutions. We are the architects of change, the visionaries who dare to dream big and make those dreams a reality.



Our Shareholders



geno

49 annual
report 2023

annual 50
report 2023

financial empowerment of women

FEMPOWER – Management Trainee Program

For the first time an all-female cohort has been onboarded through our flagship program Fempower across diverse functions to help us carry forward our mission of a financially inclusive Pakistan.

Back to Get Her

Inducted the **2nd** Batch of Back to Get Her to improve the gender mainstreaming ratio and provide a unique opportunity to women to rejoin the workforce and reignite their professional journey.

Weave Together – PWD Program

With an unwavering dedication and commitment to the cause of weaving diversity and inclusion, we onboarded the all-female batch of differently abled through our program “Weave Together” across various departments.

Kamyambi Ka Safar

We take great pride in being a diverse and inclusive workplace where everyone is given an equal chance to excel. As part of our women inclusion program, “Kamyabi Ka Safar”, we onboarded **54 +** Female Bank Officers and **16** Female Recovery Officers, serving in various branches across Punjab and Sindh.





guest speaker sessions

Our senior management and leadership team held speaking sessions at 6 top universities in Karachi, Lahore and Islamabad engaging over 300 female participants. Participants were provided insights to promote financial wellness and empower women's economic futures. Topics included budgeting, saving, investing and financial planning tailored for young women. The sessions received an overwhelmingly positive response.

partnership with Unikrew

We partnered with Unikrew and the United States Agency for International Development (USAID) to empower women through groundbreaking and innovative financial solutions. This collaboration aimed to integrating women-centric products within the easypaisa app, leveraging digital technology to enhance financial inclusion and independence



SheLeads- Female Career Development

Introduced a new platform tailored exclusively for the incredible women who are part of our mentorship program. This innovative initiative was designed to provide female participants with a holistic training experience, while also expanding and enriching their professional networks.



Women's day celebrations

On Women's Day, we hosted an inspiring panel discussion featuring distinguished female leaders from various industries. These remarkable women graciously shared their personal journeys, offering invaluable insights to empower and uplift their fellow women.

national financial literacy program

The State Bank of Pakistan (SBP) has initiated the National Financial Literacy Program to institutionalize the promotion of financial literacy. As part of this program, banks have been allocated specific targets for conducting awareness sessions on financial literacy and inclusion. At Telenor Microfinance Bank, we believe in the transformative power of financial literacy as a cornerstone of a more inclusive Pakistan. To ensure our bank officers are not just equipped but empowered to impart crucial financial knowledge effectively, we embarked on a heartfelt journey. Through a comprehensive three-day training in collaboration with SBP BSC offices, our dedicated officers were enriched with the skills and insights needed to touch lives and ignite change.

These officers, driven by our collective vision of a financially empowered nation, took to the streets and classrooms, delivering a wealth of knowledge on topics ranging from customer rights to the nuances of digital banking. Every session, whether in a bustling city or a remote village, was a testament to our commitment to reaching every corner of Pakistan with the light of financial literacy.

With a goal as ambitious as conducting **105** sessions for over **3,000** beneficiaries across **12** diverse districts. By the end of 2023, we had already touched countless lives through **45** successful sessions, paving the way for even greater impact in the months ahead. This is not just a program; it's a heartfelt commitment to building a brighter, more inclusive future for every Pakistani.



Karobar Qarza for Women

Karobari Qarza for Women is a specialized loan product for Female microentrepreneurs engaged in income generating activities. The Loan is designed for small-scale female entrepreneurs helping them meet their working capital or business expansion needs to keep their business growing.

Karobari Qarza for Women helps them meet their business needs through a simple and hassle-free process along with quality service and support.

Benefits & Features

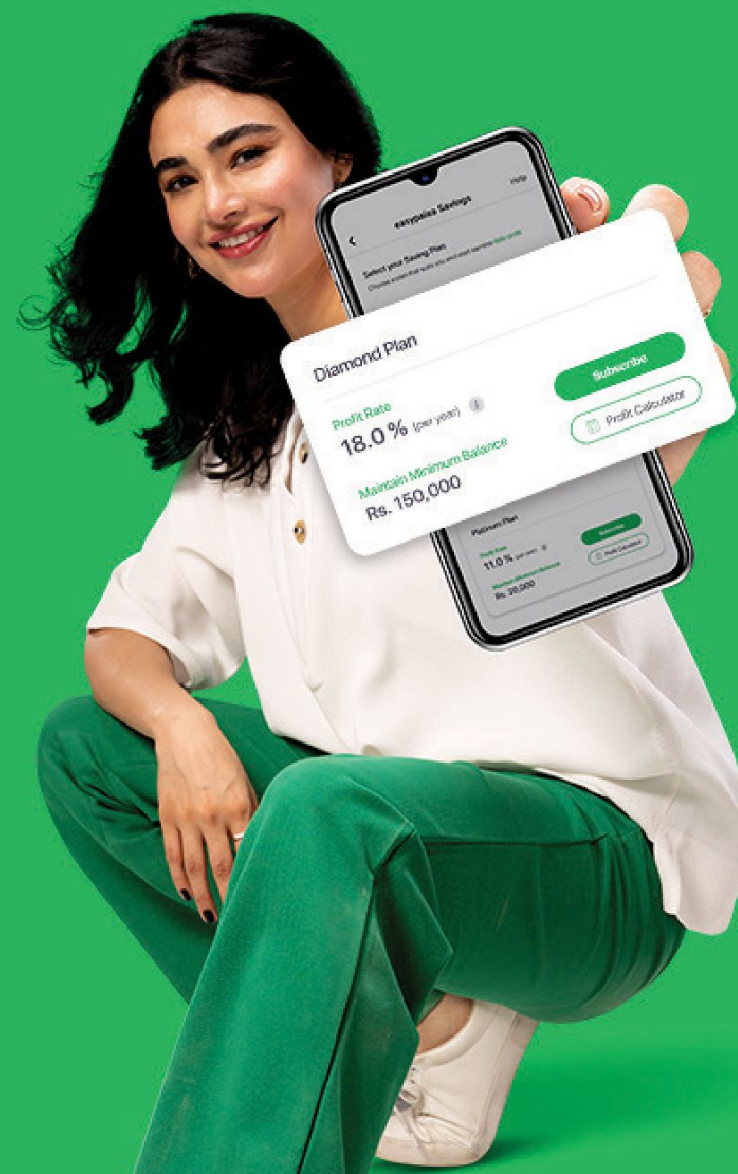
- Equal monthly installment based loan
- Loan amount available from Rs. **50,000** up to Rs. **150,000**
- Financing tenure up to **18** months
- Quick Turnaround Time
- Borrower age limit from **20** years to maximum **65** years (at maturity)
- Easy and convenient disbursement and repayment via easypaisa Mobile wallet

insurance ki tension?

don't mention!



ab milay 18% tak annual profit!
jitni zyada savings, utni zyada earnings.



financial statements



directors' report to the shareholders

On behalf of the Board of Directors, we are pleased to present the Directors' Report and audited financial statements of Telenor Microfinance Bank Limited (TMB/ Bank), for the year ended December 31, 2023.

Economic review:

Global Overview

2023 proved to be a turbulent year for the global financial landscape, characterized by several key challenges and shifting tides. The year began with high hopes of a "soft landing" - curbing inflation without triggering a recession. However, stubborn inflation, exacerbated by the ongoing war in Ukraine and lingering effects of the pandemic, forced central banks to raise interest rates aggressively. This, coupled with tighter financial conditions and subdued global trade, led to a significant slowdown in economic growth, particularly in advanced economies. Emerging markets faced additional pressures, with commodity exporters grappling with fiscal volatility and others struggling with rising debt levels.

Financial fragmentation, evident in trade protectionism and de-globalization trends, further added to uncertainties. Despite these risks, the global financial system demonstrated resilience, with banks maintaining adequate capital buffers and liquidity. However, concerns remained regarding potential vulnerabilities exposed by prolonged high inflation and rising geopolitical tensions.

Towards the latter half of 2023, there were tentative signs of a shift in fortunes. Inflation appeared to show signs of easing in some regions, although concerns about its persistence remained. Financial markets experienced cautious optimism, with stock markets rallying and emerging market currencies appreciating. However, the outlook for 2024 remains uncertain, with downside risks like further escalation of geopolitical conflicts, financial stress, and climate-related disasters looming large. While navigating the uncertainties of the coming year, international cooperation on issues like debt relief, trade integration, and climate change will be crucial for navigating towards a more stable and sustainable global financial future.

Pakistan's Overview

Pakistan's financial performance in 2023 resembled a rollercoaster ride, marked by both progress and significant hurdles. While the government managed to narrow the fiscal deficit and bolster foreign exchange reserves, the overall economic picture remained grim.

The year witnessed a stagnant growth in GDP (estimated at 0.29 percent) due to devastating floods and global slowdown. Inflation skyrocketed, peaking at nearly 30 percent, eroding purchasing power and impacting livelihoods. To combat inflation, the central bank aggressively raised the discount rate, reaching 22 percent by June 2023. The trade balance improved modestly, thanks to import compression measures and lower global commodity prices. However, stagnant export growth failed to fully offset the widening current account deficit. The Pakistani Rupee also depreciated by roughly 20 percent against the USD, pushing up import costs.

Pakistan received crucial support from international agencies. The friendly countries provided USD 6 B support in terms of loans (rollover) and deposits, while the IMF approved a USD 6 B Extended Fund Facility program, conditional on implementing fiscal reforms. These lifelines helped stabilize the economy. Nevertheless, significant challenges remain. Managing the high debt burden, diversifying exports, and navigating global uncertainties demand continued austerity measures and structural reforms. Political stability will also be critical for attracting investments and ensuring sustainable growth. Addressing the social impact of economic hardship through effective social programs remains equally important.

In conclusion, while 2023 threw its fair share of economic curveballs at Pakistan, the country managed to make some headway on key fronts. However, navigating the path to a robust and inclusive economy requires decisive action on multiple fronts, with both domestic reforms and continued international support playing crucial roles.

Banking Sector Review

Despite turbulent economic headwinds, Pakistan's banking sector displayed resilience in 2023. Banks posted record profits, primarily driven by rising interest rates and a surge in non-interest income sources like fees, commissions and gain on the sale of securities. Deposits also grew steadily to the tune of PKR 28 trillion, up by 24% YoY. Advances also saw moderate growth, albeit impacted by the cautious lending approach adopted by banks due to rising interest rates, accelerating inflation and economic uncertainty.

The discount rate was regularly tweaked upwards to combat rising inflation, however, had a dual impact on the sector. While it contributed to higher profits, it also increased banks' borrowing costs and impacted overall borrowers. Consequently, non-performing loans (NPLs) remained a concern, though manageable. Banks implemented stricter recovery measures and proactively addressed NPLs to minimize their impact on profitability.

The regulator, State Bank of Pakistan (SBP) introduced several new regulations in 2023, aiming to strengthen the sector's stability and promote innovation. These included initiatives to encourage digital banking, enhance cybersecurity, and improve financial inclusion. These regulations presented both opportunities and challenges. While digital banking holds immense potential for growth and inclusion, banks need to invest in infrastructure and cybersecurity to effectively tap into this space.

Going forward, the banking sector faces both significant opportunities and challenges. The growing mobile phone penetration and government initiatives can further fuel financial inclusion and digital banking adoption. However, rising inflation and economic uncertainty pose risks to credit demand and asset quality. Navigating these challenges will require continued focus on prudent risk management, innovation, and adapting to the evolving regulatory landscape. The success of Pakistan's banking sector in 2024 will hinge on its ability to strike a balance between profitability and supporting the broader economic recovery.

Microfinance Banks (MFB) overview

Pakistan's microfinance sector experienced robust growth in 2023, expanding its reach and assets. However, rising inflation and interest rates presented significant headwinds, impacting profitability and loan repayment.

The sector serves over 9.4 million active borrowers, a 3.4% YoY increase, providing financial access to underserved individuals and businesses. The Gross Loan Portfolio reached PKR 546 billion, an 11.2% YoY increase. The savings subscriber base surged by 16.9%

to 108.7 million, with TMFB leading the growth.

Despite the growth, the sector faced significant headwinds. Rising inflation and interest rates squeezed profit margins, making loan repayment harder for borrowers. Increased risk to capital positions emerged due to a rise in non-performing loans (NPLs).

The future of Pakistan's microfinance sector hinges on its ability to address these challenges while leveraging opportunities. By striking a balance between growth and risk management, and embracing innovation, the sector can continue empowering Pakistan's underserved communities.

The first Digital Bank in Pakistan

2023 marked a significant year for TMB, characterized by two key achievements: securing the In-Principle Approval (IPA) for Digital Retail Bank (DRB) license in Nov 2023 and achieving a remarkable financial turnaround. TMB demonstrated financial resilience by achieving a profit before tax of PKR 1.2 billion in 2023, a remarkable feat compared to the previous year's loss of PKR 6.7 billion. This turnaround underpins TMB's commitment to becoming a self-sustainable digital retail bank.

TMB was recognized by the State Bank of Pakistan (SBP) for its commitment to digital innovation. This recognition materialized through the award of both a Non-Objection Certificate (NOC) and an IPA for a DRB license during the year. Notably, among the five institutions receiving this approval, TMB stands out as the sole entity with established nationwide banking operations, offering a unique advantage in this new digital landscape.

The bank is undergoing a significant transformation, transitioning from its microfinance roots to become a fully-fledged DRB. This journey commenced in January 2023 with the acquisition of an NOC from the SBP. Leveraging this momentum, a comprehensive conversion plan secured IPA in September 2023, paving the way for operational preparations.

TMFB is now positioned for launch as a DRB, having submitted a detailed Operational Readiness Report demonstrating its preparedness to the SBP. This pivotal move involves the surrender of the MFB license while retaining branchless banking authorization. This marks a new chapter for TMB, empowering wider financial inclusion through innovative digital solutions and an expanded product portfolio. Subject to final SBP approval, TMFB is set to redefine the banking landscape in Pakistan, creating a future where accessible and convenient banking becomes a reality for all.

Business Review:

-easypaisa

The Bank continued to solidify its position as a leading player in Pakistan's digital financial sector in 2023. Today, 1 out of 4 Pakistani adults is a registered easypaisa user. The bank witnessed a significant 17% year-on-year increase in monthly active mobile accounts, reaching 13.2 million users. This growth was driven by the Easypaisa app, which saw a remarkable 32% surge in monthly active users to 9.6 million, maintaining its position as the country's top financial services app with a 4.5-star rating on the Play Store. TMB's ability to operate on a telco-agnostic platform was further underscored by processing nearly 19% of the industry's mobile recharge transactions. Focused on acquiring high-quality customers while optimizing costs, TMB prioritized organic growth channels. Despite facing inflationary pressures and a rising USD-denominated platform cost, the bank remained committed to delivering uninterrupted service. In 2023, Easypaisa processed over 2.1 billion transactions, valued at over PKR 7 trillion, effectively moving 8% of the country's GDP. This represents a substantial 56% growth in transactions and 77% growth in volume compared to the previous year. Continuing its "Super App" journey, TMB expanded its mini-app ecosystem, focusing on everyday use cases like wealth management, food delivery, healthcare, gaming, ticketing, and insurance. The Bank is further developing its ecosystem by incorporating numerous partnerships via open APIs and mini app integrations.

Multiple savings product variants were introduced throughout the year, resulting in 1.8 million users with PKR 9 billion in savings deposits by year-end.

Regulatory compliance costs significantly impacted easypaisa's profitability during the year. These costs stemmed from an increase in SMS rates by mobile operators and the requirement for biometric verification of cash transactions. While the bank obtained pilot approval to replace transaction SMS with in-app notifications, ongoing discussions with regulators are necessary to find alternatives for biometric verification. The goal is to reduce the financial impact while maintaining regulatory compliance.

- Productive Lending

Year 2023 marked a significant transition for TMB, shifting gears from a conventional microfinance business model to a "Digital First" bank. Branch networks were optimized, and the borrowers' journey was fully digitized, eliminating the need for physical branch visits. Customer support embraced a digital model, offering dynamic IVR through the call center and in-app support.

Loan disbursements reached PKR 19.6 billion in 2023, compared to PKR 13.1 billion the previous year. Notably, the productive lending program saw a PAR reduction from 5.2% to 4.2%. While facing challenging macroeconomic conditions in 2022, TMB successfully navigated disruptions and supported borrowers' repayment capacity.

- Digital Lending

As a leading player in the payment space, TMB continues to offer innovative products, particularly in the digital lending realm. Launched in 2022, its data-driven credit scoring model using a payment-based machine learning algorithm has facilitated a remarkable 4x growth in daily nano loan disbursements, reaching 40,000 per day. In 2023, the bank disbursed 8.5 million nano loans totalling PKR 21.5 billion, compared to 1.5 million loans worth PKR 4 billion in 2022. Additionally, TMB rolled out innovative embedded finance products like Buy Now Pay Later (BNPL) for airtime and utility bill payments. The launch of the easypaisa karobar app further catered to the needs of over 2 million retail merchants across Pakistan. Looking ahead, TMB remains committed to its mission of providing high-quality services, expanding financial inclusion, supporting micro businesses, and maintaining its competitive edge in the Pakistani fintech landscape.

Financial Review

TMB recorded impressive financial results for the year ended December 31, 2023, achieving significant growth across key metrics. Pre-tax profit amounted to PKR 1.2 billion compared to a loss of PKR 6.7 billion last year. This robust performance effectively absorbed the impact of higher regulatory compliance costs (SMS cost) and depreciation of the PKR, as well as inflationary pressures.

Revenue grew by 70% YoY, standing at PKR 28 billion compared to PKR 16.5 billion in 2022. Net markup income experienced significant growth of 90%, driven by higher average deposits, a strong focus on low-cost deposits, and a favorable discount rate environment. Non-markup income also increased by 65% YoY to PKR 14 billion, with growth observed across all fee income lines, particularly SMS fees, load and bundles, online payments, bank transfer, and corporate revenue.

The Bank effectively managed expenses while simultaneously building revenue momentum through ongoing investments in new products, digital technologies, information security, and human resources. PKR depreciation, high cost of regulatory compliance and accelerated inflation-related effects contributed to an increase in operating expenses.

Customer deposits grew by 9.3% to PKR 50.9 billion in

2023 compared to PKR 46.6 billion in 2022. The liability side witnessed further positive developments, with CASA and CA ratios of 100% and 82.8%, respectively, in 2023 compared to 98% and 83.3% in 2022. This trend reflects the effectiveness of new product offerings and improved service delivery.

The advances book experienced a notable 60% YoY increase, reaching PKR 18.6 billion in 2023 compared to PKR 11.6 billion in 2022. As of December 2023, the net advances to deposit (ADR) ratio was 35%. Credit impairment costs were reduced from PKR 1.5 billion in 2022 to PKR 1.4 billion in 2023 which includes a general provision charge booked against all NPLs past due by 60 days. This, coupled with a 1.4x YoY increase in loan disbursements, underscores the Bank's robust credit control and enhanced portfolio quality.

Shareholders' contribution of USD 5 million in 2023 brought the total shareholders' equity to PKR 8 billion as of December 31, 2023. This strong shareholder support, combined with the year's net profit, enabled the Bank to maintain a capital adequacy ratio (CAR) of 21.91%, exceeding the State Bank of Pakistan's regulatory requirements.

TMB's 2023 performance demonstrates positive momentum across various key areas, positioning the Bank for continued success. Moving forward, the Bank will prioritize strengthening the balance sheet, improving asset quality, and reducing accumulated losses to ensure long-term sustainability.

Changes In Composition In Board of Directors

The Board of Directors of the Bank saw several changes during the year under review. Mr. Solomon Jamin and Mr. Douglas Feagin joined the board as representatives of Telenor Pakistan B.V. and Alipay (Hong Kong) Holding Limited, respectively, replacing Mr. Lars Eric Tellmann and Mr. Hua Hao. Additionally, Ms. Musharaf Hai was appointed as an Independent Director, succeeding Ms. Uzma Munaf Khan whose term had expired. Mr. Kashif Ahmed assumed the role of Acting President/CEO in July 2023, succeeding Mr. Mudassar Aqil. The directors and CEO appointments adhered to the State Bank of Pakistan's Fit and Proper Test (FPT) approval process.

TMB Shareholding and Capital Injection

TMB is a joint venture between Telenor Pakistan B.V., a public limited company headquartered in Amsterdam, Netherlands, holding a 55% majority shareholding, and Alipay (Hong Kong) Holding Limited, holding a 45% minority shareholding. Telenor Pakistan B.V. is a subsidiary of Telenor ASA, a Norwegian telecommunications company, while Alipay (Hong Kong) Holding Limited is a subsidiary of Ant Group

Co., Ltd., a Chinese financial technology company.

In March 2023, both Telenor Pakistan B.V. and Alipay (Hong Kong) Holding Limited contributed an additional USD 5 million to TMB, maintaining their existing shareholding proportions. This capital injection demonstrates the continued commitment of both shareholders to the growth and success of the Bank.

Corporate Governance

The Board of Directors of the Bank is responsible to the shareholders for the management of the Bank. It acknowledges the responsibility for the system of sound internal controls and is committed to uphold the highest standards of Corporate Governance.

Statement of Corporate Governance:

The Directors are pleased to state that:

- The financial statements, prepared by the management of the Bank present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Bank have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- The Bank followed all applicable accounting standards, as applicable to Microfinance Banks in Pakistan, in preparation of these financial statements.
- During the year, the Bank reported a net of tax profit of PKR 502 M, details for which have been elaborated in the financial performance.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- Risk management platform of the Bank has been adequately augmented while remaining fully abreast with the evolving challenges under the dynamic economic and operating environment including the challenges resulting from global pandemic.
- During the year, seven board meetings were held. These meetings were attended by the directors as below:

Name of Director	Designation	Number of Meetings Attended	Meetings Attended
Existing Members			
Mr. Irfan Ul Wahab Khan	Chairman	7	7
Mr. Kashif Ahmed	President & CEO	4	4
Mr. Zhixian Li	Director	7	7
Mr. Henning Thronsen	Director	7	7
Mr. Solomon Jamin **	Director	1	1
Ms. Musharaf Hai	Independent Director	4	4
Mr. Amjad Waheed	Independent Director	7	7
Mr. Yi Zhou	Director	5	5
Mr. Douglas Feagin *	Director	0	0
Outgoing Members			
Mr. Lars Erik Tellman	Director	2	2
Mr. Mohammad Mudassar Aqil	Director	3	3
* Received FPT clearance from SBP on January 10, 2024			
** Received FPT clearance from SBP on October 24, 2023			

i. The key information as to operating and financial data of the Bank is available in the annual report. The categories and pattern of shareholding as required by the Companies Act, 2017 are also included in the annual report.

Audit Committee

The Audit Committee is comprised of four members: three non-executive directors, Mr. Henning Thronsen, Mr. Yi Zhou, and Mr. Solomon Jamin, and one independent director, Dr. Amjad Waheed (Chairperson).

Credit Rating

PACRA has affirmed the Bank's long-term and short-term ratings at "A" and "A-1", respectively, with a stable outlook.

External Auditors Appointment for 2024

The retiring Auditors Messrs. EY Ford Rhodes, Chartered Accountants, being eligible have offered themselves for reappointment as external auditors for the year ending December 31, 2024, in the forthcoming Annual General Meeting of the Bank.

Audit Committee of the Board also recommended the reappointment of EY Ford Rhodes for the next term.

Pattern of Shareholding

The pattern of shareholding of the bank as of December 31, 2023, is as follows:

No. of shareholders	Shareholders	No. of shares	% Shareholding
1	Telenor Pakistan B. V	325,472,345	55%
1	Allpay (Hong Kong) Holding Limited	266,295,569	45%
1	Ms. Musharaf Hai	10	Less than 0.001%
1	Mr. Amjad Waheed	10	Less than 0.001%
4		591,767,934	100%

Financial Highlights

Key performance highlights for the last six years are summarized and annexed to this report.

Earnings per Share

The Bank's earnings per share (EPS) for the year ended 2023 reported to PKR 0.86, marking a significant turnaround compared to a loss per share of PKR 12.73 for 2022.

Employee Benefits Schemes

Value of investments and placements including accrued income of provident and gratuity funds as of December 31, 2023, on the basis of un-audited financial statements are:

Provident fund:	PKR 943 million
Gratuity fund:	PKR 1,110 million

Remuneration of Chief Executive Officer and Directors

The details of Directors' fees and remuneration of Chief Executive Officer are given in Note 34 to the Financial Statements.

Business Outlook – Year 2024

The Bank positions itself to become Pakistan's first Digital Retail Bank (subject to regulatory approvals). TMB envisions a cashless and financially inclusive society, creating value through collaborative partnerships and innovative technology. Despite economic challenges, the bank remains committed to providing best-in-class digital financial services to its

customers.

Leveraging its leadership in payments, TMB will continue to introduce innovative lending products through a fully digitized process, encompassing onboarding, loan disbursement, and Cashless Sales Centers. This streamlined approach enhances TMB's ability to offer tailored financial solutions under the DRB framework.

Overall, TMB's strategic focus on digitization and its agile business model position it well for future growth and success in the Pakistan's digital retail banking landscape.

Appreciation and Acknowledgment

We take this opportunity to express our gratitude to our customers and business partners for their continued support and trust. We offer sincere appreciation to the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan for their guidance and cooperation extended to the Bank. Finally, we are also thankful to our associates, staff and colleagues for their committed services provided to our valued customers.

On behalf of the Board of Directors

Place: Karachi

Dated: 8-March-2024

Mr. Irfan Wahab Khan
Chairman

Mr. Kashif Ahmed
Acting Chief Executive Officer

six-year financial summary:

Balance Sheet

	Rs.'000					
	2023	2022	2021	2020	2019	2018
		(Restated)	(Restated)			
Assets						
Cash and balances with SBP & NBP	6,355,404	5,604,020	3,900,068	2,881,781	3,463,741	4,210,306
Balances with other banks	7,044,873	5,508,160	10,717,441	6,352,885	7,408,549	3,864,399
Lending to financial institutions	5,000,000	3,000,000	-	6,971,827	4,950,000	5,473,364
Investments	28,588,040	27,971,506	17,752,663	11,855,007	13,773,400	9,008,445
Advances - net of provisions	17,579,972	11,290,600	10,769,884	11,090,960	19,998,939	32,944,819
Operating fixed assets	7,366,255	7,129,405	8,366,835	8,650,391	7,667,057	3,001,351
Other assets	4,395,565	3,251,237	3,037,994	4,590,701	3,598,248	3,963,292
Deferred tax asset - net	-	-	-	-	-	-
Total Assets	76,330,109	63,754,928	54,544,885	52,393,552	60,859,934	62,465,976
Liabilities						
Deposits and other accounts	50,937,750	46,597,944	39,042,927	36,963,810	41,170,537	42,274,909
Borrowings	-	-	-	-	-	-
Other liabilities	17,383468	11,086,342	9,625,439	10,265,105	11,369,058	6,369,572
Deferred tax liabilities	-	-	-	-	-	-
Total Liabilities	68,321,218	57,684,286	48,668,366	47,228,915	52,539,595	48,644,481
Net Assets	8,008,891	6,070,642	5,876,519	5,164,637	8,320,339	13,821,495
REPRESENTED BY:						
Share capital	5,917,680	5,709,017	5,479,488	4,277,589	4,277,589	3,547,269
Advance against future issue of right shares	-	3,357,060	-	7,442,699	-	-
Reserves	46,989,831	42,248,428	38,527,068	20,616,746	20,585,009	10,412,953
Accumulated (Loss) / Profit	(44,881,967)	(45,228,793)	(38,148,636)	(27,205,476)	(16,556,869)	(192,172)
	8,025,544	6,085,713	5,857,920	5,131,558	8,305,729	13,768,050
Surplus / (Deficit) on revaluation of assets - net of tax						
Deferred grants	(29,518)	(29,405)	2,797	15,809	(4,130)	(2,359)
	12,865	14,334	15,802	17,270	18,740	55,804
	8,008,891	6,070,642	5,876,519	5,164,637	8,320,339	13,821,495

six-year financial summary:

Profit and Loss Statement

	Rs.'000					
	2023	2022	2021	2020	2019	2018
		(Restated)				
Mark-up / return / interest earned	13,778,324	7,966,927	3,998,418	5,981,102	9,288,624	8,721,206
Mark-up / return / interest expensed	(1,045,803)	(1,254,243)	(1,926,625)	(2,771,116)	(3,671,426)	(2,595,036)
Net mark-up / interest income	12,732,521	6,712,684	2,071,793	3,209,986	5,617,198	6,126,170
Reversal / (provision) against non-performing loans and advances	(1,389,175)	(1,505,073)	(2,881,607)	(1,929,693)	(8,819,976)	(1,365,385)
Bad debts written off directly	(43,079)	(29,291)	(52,083)	(85,021)	(49,502)	(21,124)
	(1,432,254)	(1,534,364)	(2,933,690)	(2,014,714)	(8,869,478)	(1,386,509)
Net mark-up / Interest income after provisions	11,300,267	5,178,320	(861,897)	1,195,272	(3,252,280)	4,739,661
Non mark-up / interest income						
Fee, commission and brokerage income	12,857,895	6,517,787	6,257,904	6,302,800	8,241,218	8,172,650
Other income	1,248,610	2,045,438	1,482,709	893,850	296,886	214,128
Total non mark-up / interest income	14,106,505	8,563,186	7,740,613	7,196,650	8,538,104	8,386,778
	25,406,772	13,741,506	6,878,716	8,391,922	5,285,824	13,126,439
Non mark-up / interest expenses						
Administrative expenses	(24,008,787)	(20,283,322)	(17,000,461)	(18,774,865)	(20,818,968)	(14,948,448)
Other provisions / write offs	(162,661)	(186,259)	(321,246)	(38,429)	(250,891)	(272,601)
Other charges	(1,385)	(4,310)	(1,133)	(210)	(116)	(19,358)
Total non mark-up / interest expenses	(24,172,833)	(20,473,385)	(17,322,840)	(18,813,504)	(21,069,975)	(15,240,407)
	1,233,939	(6,732,385)	(10,444,124)	(10,421,582)	(15,784,151)	(2,113,968)
Profit/(Loss) before taxation	1,233,939	(6,732,385)	(10,444,124)	(10,421,582)	(15,784,151)	(2,113,968)
Taxation	(731,661)	(359,220)	(320,647)	(282,369)	(447,382)	(401,770)
Profit/(Loss) after taxation	502,278	(7,091,605)	(10,764,771)	(10,703,951)	(16,231,533)	(2,515,738)

six-year financial summary:

Cashflow statement

	Rs.'000					
	2023	2022	2021	2020	2019	2018
		(Restated)				
Cash flow from operating activities	5,646,118	4,101,118	77,060	(8,981,482)	(615,487)	(7,095,671)
Cash flow from investing activities	(2,414,245)	(11,414,245)	(5,974,340)	323,779	(6,688,057)	(3,858,171)
Cash flow from financing activities	1,056,223	6,890,620	11,280,123	7,020,079	10,101,129	11,220,138
Net increase in cash and cash equivalents	4,288,097	(505,329)	5,382,843	(1,637,624)	2,797,585	2,66,296
Cash and cash equivalents at beginning of the year	14,112,180	14,617,509	9,234,666	10,872,290	8,074,705	7,808,409
Cash and cash equivalents at end of the year	18,400,277	14,112,180	14,617,509	9,234,666	10,872,290	8,074,705

	2023	2022	2021	2020	2019	2018
		(Restated)				
Financial Ratios:						
Return on Equity (RoE)	6%	(117%)	(183%)	(207%)	(195%)	(18%)
Return on Assets (RoA)	1%	(11%)	(20%)	(20%)	(27%)	(4%)
Deposits to Liabilities	75%	81%	80%	78%	78%	87%
Net Advance to Deposit	35%	24%	28%	30%	49%	78%
Investment to Deposit	56%	60%	45%	32%	33%	21%
Total Asset to Shareholders' Fund	9.5	10.3	9.1	10.1	7.3	4.5
Capital Adequacy ratio (CAR)	21.9%	19.4%	18.3%	18.7%	24.6%	35.2%
(Loss) / Earning Per Share - PKR	0.86	(12.73)	(22.27)	(25.02)	(44.92)	(7.09)
Other Information:						
Number of Branches	48	61	66	89	120	103
Number of Employees	3,010	3,215	3,240	2,592	3,694	3,559
Number of Borrowers	1,392,072	488,471	177,987	305,619	896,694	694,441
Number of Depositors	42,839,209	33,038,566	24,651,621	23,247,513	17,182,377	9,198,446

independent auditor's report

To the members of Telenor Microfinance Bank Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Telenor Microfinance Bank Limited (the Bank), which comprise the balance sheet as at 31 December 2023, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and 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, profit and loss account, the statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and give the information required by the Microfinance Institution Ordinance, 2001 and Companies Act, 2017 (XIX of 2017), 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 for the year then ended.

Basis for Opinion

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

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

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

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

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

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan, and the requirements of the Microfinance Institution Ordinance, 2001 and Companies Act, 2017 (XIX of 2017) 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.

The Board of Directors are responsible for overseeing

the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide to the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

1. Based on our audit, we further report that in 1. 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, the profit and loss account, the statement of comprehensive income, statement of changes in equity and cash flow statement (together with the notes thereon have been drawn up in conformity with the Companies Act, 2017(XIX of 2017) 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) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditor's report is Arslan Khalid.

Chartered Accountants

Place: Karachi

Date: 15 March 2024

UDIN: AR202310191tGZkbsxjD

balance sheet as at 31 december 2023

2023	2022	2021		2023	2022	2021	
(USD in '000)				Note	(Rupees in '000)		
Restated (note 5.9)	Restated (note 5.9)	Restated (note 5.9)			Restated (note 5.9)	Restated (note 5.9)	
ASSETS							
Cash and balances with State Bank of Pakistan and							
22,548	19,882	13,837	National Bank of Pakistan	6	6,355,404	5,604,020	3,900,068
24,994	19,542	38,024	Balances with other banks	7	7,044,873	5,508,160	10,717,441
17,739	10,644	-	Lending to financial institutions	8	5,000,000	3,000,000	-
101,426	99,239	62,984	Investments	9	28,588,040	27,971,506	17,752,663
62,371	40,057	38,210	Advances - net of provisions	10	17,579,972	11,290,600	10,769,884
26,134	25,294	29,684	Operating fixed assets	11	7,366,255	7,129,405	8,366,835
15,595	11,535	10,778	Other assets	12	4,395,565	3,251,237	3,037,994
-	-	-	Deferred tax asset - net	13	-	-	-
270,807	226,193	193,517	TOTAL ASSETS		76,330,109	63,754,928	54,544,885
LIABILITIES							
180,720	165,323	138,519	Deposits and other accounts	14	50,937,750	46,597,944	39,042,927
61,673	39,332	34,150	Other liabilities		17,383,468	11,086,342	9,625,439
-	-	-	Deferred tax liabilities - net		-	-	-
242,393	204,655	172,699	TOTAL LIABILITIES		68,321,218	57,684,286	48,668,366
NET ASSETS							
28,411	21,538	20,848			8,008,891	6,070,642	5,876,519
REPRESENTED BY:							
20,995	20,255	19,440	Share capital	16	5,917,680	5,709,017	5,479,488
-	11,910	-	Advance against future issue of right shares	16	-	3,357,060	-
166,713	149,891	136,688	Reserves		46,989,831	42,248,428	38,527,068
(159,235)	(160,465)	(135,346)	Accumulated Losses		(44,881,967)	(45,228,793)	(38,148,636)
28,473	21,591	20,782			8,025,544	6,085,713	5,857,920
(105)	(104)	10	(Deficit) / Surplus on revaluation of assets -net of deferred tax	17	(29,518)	(29,405)	2,797
46	51	56	Deferred grants	18	12,865	14,334	15,802
28,411	21,538	20,848			8,008,891	6,070,642	5,876,519
MEMORANDUM / OFF BALANCE SHEET ITEMS							
19							
The annexed notes 1 to 41 form an integral part of these financial statements.							

President and
Chief Executive Officer

Chairman

Director

Director

profit and loss account
for the year ended 31 december 2023

2023		2022			2023		2022	
(USD in '000)		(Rupees in '000)		Note	(Rupees in '000)		(Rupees in '000)	
48,883	28,265	Mark-up / return / interest earned	20	13,778,324	7,966,927			
(3,710)	(4,450)	Mark-up / return / interest expensed	21	(1,045,803)	(1,254,243)			
45,173	23,815	Net mark-up / return / Interest Income		12,732,521	6,712,684			
(4,929)	(5,340)	Provision against non-performing loans and advances - net	10.3	(1,389,175)	(1,505,073)			
-	-	Provision for diminution in the value of investments		-	-			
(153)	(104)	Bad debts written off directly	10.4	(43,079)	(29,291)			
(5,082)	(5,444)			(1,432,254)	(1,534,364)			
40,091	18,371	Net mark-up /return/Interest Income/(expense)after provisions		11,300,267	5,178,320			
		NON MARK-UP / NON INTEREST INCOME						
45,618	23,124	Fee, commission and brokerage income	22	12,857,895	6,517,748			
-	-	Dividend income		-	-			
4,430	7,257	Other income	23	1,248,610	2,045,438			
50,048	30,381	Total non-mark-up / non-Interest Income		14,106,505	8,651,225			
90,139	48,752			25,406,772	13,741,506			
		NON MARK-UP / NON INTEREST EXPENSES						
(85,180)	(71,962)	Administrative expenses	24	(24,008,787)	(20,283,322)			
(577)	(661)	Other provisions / write-offs	25	(162,661)	(186,259)			
(5)	(15)	Other charges	26	(1,385)	(4,310)			
(85,762)	(72,638)	Total non-mark-up / non-interest expenses		(24,172,833)	(20,473,891)			
4,377	(23,886)	PROFIT/(LOSS) BEFORE TAXATION		1,233,939	(6,732,385)			
(2,782)	(1,352)	Taxation - current	27	(784,173)	(380,935)			
83	31	- prior	27	23,471	8,687			
103	46	- deferred	27	29,041	13,028			
(2,596)	(1,275)			(731,661)	(359,220)			
1,781	(25,161)	PROFIT/(LOSS) AFTER TAXATION		502,278	(7,091,605)			
(160,465)	(135,346)	Accumulated loss brought forward		(45,228,793)	(38,148,636)			
1,981	(24,933)	Total comprehensive loss for the year		558,436	(7,027,507)			
(158,484)	(160,279)			(44,670,357)	(45,176,143)			
		Appropriations:						
		Transfer to:						
(356)	-	Statutory reserve		(100,456)	-			
-	-	Capital reserve		-	-			
(394)	(187)	Depositors' Protection Fund		(111,155)	(52,650)			
-	-	Revenue reserve		-	-			
-	-	Proposed cash dividend		-	-			
(750)	(187)			(211,611)	(52,650)			
(159,234)	(160,466)	Accumulated loss carried forward		(44,881,967)	(45,228,793)			
(USD)				(Rupees)				
(0.00)	(0.05)	Profit/(Loss) per share - Basic and diluted	28.1	0.86	(12.73)			

The annexed notes **1 to 41** form an integral part of these financial statements.

**President and
Chief Executive Officer**

Chairman

Director

Director

statement of comprehensive income
for the year ended 31 december 2023

2023	2022			2023	2022
(USD in '000)			Note	(Rupees in '000)	
1,781	(25,161)	Loss after taxation		502,278	(7,091,605)
Other Comprehensive Income / (loss)					
<i>Item not to be reclassified to statement of profit and loss in subsequent periods - net of tax</i>					
327	320	Remeasurement gain / (loss) on defined benefit obligation	32.3.4	92,062	90,279
(127)	(93)	Related tax impact	13.2	(35,904)	(26,181)
200	227			56,158	64,098
1,981	(24,934)	Comprehensive Income/(loss) for the year transferred to equity		558,436	(7,027,507)
Component of comprehensive income / (loss) for the year not transferred to equity					
<i>Item to be reclassified to statement of profit and loss subsequently on sale - net of tax</i>					
(25)	(161)	Deficit on revaluation of 'available for sale' investments		(6,976)	(45,354)
24	47	Related tax impact	13.2	6,863	13,153
(1)	(114)	Comprehensive loss for the year not transferred to equity		(113)	(32,201)

The annexed notes **1 to 41** form an integral part of these financial statements.

**President and
Chief Executive Officer**

Chairman

Director

Director

statement of changes in equity for the year ended 31 december 2023

			Capital reserves							
	Share capital	Advance against future issue of right share	Share premium	Statutory reserve	Depositors' protection fund	Total capital reserves	Accumulated losses	Total		
Note	(Rupees in '000)									
Balance as at 01 January 2022	5,479,488	-	37,355,675	802,481	368,912	38,527,068	(37,999,226)	6,007,330		
Change in accounting policy (Note 5.9)	-	-	-	-	-	-	(149,410)	(149,410)		
Balance as at January 01, 2022 (restated)	5,479,488	-	37,355,675	802,481	368,912	38,527,068	(38,148,636)	5,857,920		
Comprehensive loss for the year										
Loss after tax for the period - restated (note 5.9)	-	-	-	-	-	-	(7,091,605)	(7,091,605)		
Other comprehensive income - net of tax	-	-	-	-	-	-	64,098	64,098		
Total comprehensive loss for the year	-	-	-	-	-	-	(7,027,507)	(7,027,507)		
Transfer to statutory reserve *	-	-	-	-	-	-	-	-		
Advance against future issue of right shares	-	7,255,299	-	-	-	-	-	-		
Issue of share capital	229,529	(3,898,239)	3,668,710	-	-	3,668,710	-	7,255,299		
Transfer to Depositors' Protection Fund **										
- return on investments	-	-	-	-	52,650	52,650	(52,650)			
Balance as at 31 December 2022 - restated (note 5.9)	5,709,017	3,357,060	41,024,385	802,481	421,562	42,248,428	(45,228,793)	6,085,713		
Comprehensive Profit for the year	-	-	-	-	-	-	-	-		
Profit after tax for the year	-	-	-	-	-	-	502,278	502,278		
Other comprehensive income - net of tax	-	-	-	-	-	-	56,158	56,158		
Total comprehensive Income for the year	-	-	-	-	-	-	558,436	558,436		
Transfer to statutory reserve *	-	-	-	100,456	-	100,456	(100,456)	-		
Advance against future Issue of right shares	16.5	-	1,381,395	-	-	-	-	1,381,395		
Issue of share capital	208,663	(4,738,455)	4,529,792	-	-	4,529,792	-			
Transfer to Depositors' Protection Fund **										
- 5% of the Profit After Tax	-	-	-	-	25,114	25,114	(25,114)	-		
- return on investments	-	-	-	-	86,041	86,041	(86,041)	-		
	-	-	-	-	111,155	111,155	(111,155)	-		
Balance as at 31 December 2023					532,717	46,989,831	(44,881,967)	8,025,544		

* In accordance with the requirements of the Microfinance Institutions Ordinance, 2001 and the Prudential Regulations for Microfinance Banks issued by the SBP (Prudential Regulations), the Bank is required to transfer an amount equivalent to 20% of profit after tax to the statutory reserve. No amount has been allocated to this reserve in the current year as there is a loss after tax for the year.

** 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. Although there is loss after tax for the year, an amount equal to the profit earned on the investments of the fund has been credited to this fund during the year.

The annexed notes 1 to 41 form an integral part of these financial statements.

President and
Chief Executive Officer

Chairman

Director

Director

cash flow statement for the year ended 31 december 2023

2023	2022	2023	2022
(USD in '000)		(Rupees in '000)	
Restated (note 5.9)		Restated (note 5.9)	
7,721	(42,172)	1,233,939	(6,732,385)
6,945	6,559		
1,360	1,778	1,110,017	1,048,372
2,741	2,193	217,331	284,197
-	-	438,135	350,441
1,067	1,612	170,597	257,581
8,691	9416	1,389,175	1,505,073
270	183	43,079	29,291
1,073	1,123	171,454	179,471
1,159	(5)	185,179	(758)
642	783	(125,156)	125,156
(9)	387	102,638	61,861
(14)	(9)	(1,469)	(1,468)
116	(2,957)	(2,304)	(472,552)
24,041	(48)	18,505	(7,709)
	21,015	3,717,181	3,358,956
(48,310)	(12,858)		
(8,753)	(280)	(7,721,626)	(2,055,080)
(57,063)	(13,138)	(1,399,102)	(44,789)
27,152	47,268	(9,120,728)	(2,099,869)
39,081	16,729		
66,233	63,997	4,339,806	7,555,017
(4,738)	(3,099)	6,246,419	2,673,804
(83)	(991)	10,586,225	10,228,821
36,111	25,662	(757,300)	(495,326)
		(13,199)	(158,385)
		5,046,118	4,101,812
(3,901)	(64,242)		
(11,439)	(7,828)	(623,510)	(10,268,080)
235	135	(1,828,284)	(1,251,248)
(15,105)	(71,935)	37,549	21,567
8,643	45,393		
(2,034)	(2,282)	1,381,394	7,255,299
6,609	43,111	(325,171)	(364,679)
27,615	(3,162)	1,056,223	6,890,620
88,293	91,454		
115,908	88,292	4,288,097	(505,329)
		14,112,180	14,617,509
		18,400,277	14,112,180

The annexed notes 1 to 41 form an integral part of these financial statements.

President and
Chief Executive Officer

Chairman

Director

Director

notes to the financial statements

for the year ended 31 december 2023

1. STATUS AND NATURE OF BUSINESS

1.1 "Telenor Microfinance Bank Limited (the Bank) is incorporated in Pakistan as a public limited company and is engaged in providing microfinance and branchless banking service. The Bank's registered office is situated at 19-C, 9th Commercial Lane Main Zamama Boulevard, Phase V, DHA, Karachi. The Bank is operating through 111 locations (December 31, 2022: 108 locations). Out of the 111 locations, 48 (December 31, 2022: 61) are branches, 10 (December 31, 2022: 21) are Service Centers and 53 (December 31, 2022: 26) are Cashless Service Centers.

During the year, the Bank has received NOC and In-principal approval for Digital Retail Bank license from State Bank of Pakistan.

1.2 The Bank is jointly owned by Telenor Pakistan B.V, a joint stock company based in Amsterdam with 55% shareholding (December 31, 2022: 55%) and Alipay (Hong Kong) Holding Limited with 45% (December 31, 2022: 45%) shareholding.

1.3 The holding company of Telenor Pakistan B.V. is Telenor ASA, Norway, while the holding company of Alipay (Hong Kong) Holding Limited is Ant Group Co. Ltd. China (Formerly Ant Small and Micro Financial Services Group Company Limited).

1.4 The credit rating of the Bank as of April 29, 2023 is as follows:

Credit rating company	Long term	Short term
PACRA	A	A1

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).

3. STATEMENT OF COMPLIANCE

3.1 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;
- 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.

3.2 The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies in Pakistan through BSD Circular Letter 10 dated 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. However, investments have been classified and valued in accordance with the requirements of Prudential Regulation for Microfinance Banks or directives issued by SBP.

3.3 IFRS 9 'Financial Instruments

Regulatory Framework applicable to the micro finance banking sector

As per SBP BPRD Circular No. 03 of 2022, the effective date for the implementation of IFRS 9 Financial Instruments is accounting period beginning on or after January 1, 2024. As part of the same circular, SBP has issued detailed instructions on the application of the Standard, including transitional provisions, impact on the Capital Adequacy Ratio (CAR) calculation and reporting requirements.'

The IFRS 9 application instructions and guidelines that have been issued as part of the circular include the following key components:

- Basis for classification and measurement of debt and equity securities;
- Framework for determination of "Expected Credit Losses (ECL)" under the requirements of IFRS 9, including required risk management policies;
- Credit exposures (in local currency) that have been guaranteed by the Government and Government Securities have been exempted from the application of the above ECL Framework;
- In respect of non-performing exposures (Stage 3 exposures) provision would be made considering higher of IFRS 9 ECL or provision computed under existing PRs' requirements;
- In order to mitigate the impact of ECL provisioning on capital, a transitional arrangement is allowed to the banks to absorb the impact on regulatory capital and fully described in Annexure B to the aforementioned circular.

"Impact of adoption of IFRS 9

During 2023, the Bank has performed an impact assessment after applying the SBP's IFRS 9 instructions. The assessment is based on available information and may be subject to changes arising from further reasonable and supportable information being made available to the Bank at the time of finalizing the impact for initial application of IFRS 9."

The Bank will adopt IFRS 9 in its entirety effective January 01, 2024 with a modified retrospective approach for restatement. As permitted by IFRS-9, the Bank will not be restating comparatives on initial application. The cumulative impact of the initial application will be recorded as an adjustment to opening equity as at January 1, 2024.

The Bank do not expect any material additional provision for ECL over and above the current provisioning levels.

4. BASIS OF MEASUREMENT

4.1 Accounting convention

These financial statements have been prepared under historical cost convention except that available-for-sale and held-for-trading investments are measured at fair value.

4.2 Functional and presentation currency

These financial statements have been presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

As an additional information, the US Dollar amounts reported in the balance sheet, profit and loss account, statement of comprehensive income and cash flow statement are stated solely for the convenience of the users of financial statements. For the purpose of translation to US Dollar, spot rate of Rs. 281.8607 per US Dollar has been used for 2023 and 2022.

4.3 Standards, interpretations and amendments to accounting and reporting standards as applicable in Pakistan that are effective in the current year

The Bank has adopted the accounting standards, interpretations and amendments of IFRSs and the improvements to accounting standards which became effective for the current year, however they do not have an impact on the Bank's financial statements.

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

The following IFRS as notified under the Companies Act, 2017 and the amendments thereto will be effective for future periods and not early adopted:

Standards and amendments	Effective date (accounting periods beginning on or after)
- IAS 1 - Classification of liabilities as current or non-current (Amendments)	January 01, 2024
- IFRS 16 - Lease Liability in a Sale and Leaseback (Amendments)	January 01, 2024
- IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)	Not yet announced
- IAS 7 and IFRS 7 Disclosures: Supplier Finance Arrangements (Amendments)	January 01, 2024

The above standards, amendments and improvements are not expected to have any material impact on the unconsolidated financial statements of the Bank for the futures periods.

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

Standards	IASB effective date (accounting periods beginning on or after)
- IFRS 1 – First time adoption of IFRSs	January 01, 2024

5. MATERIAL ACCOUNTING POLICY INFORMATION

The principal accounting policies adopted in the preparation of these financial statements are consistent with those of the corresponding year, except as mentioned.

5.1 Cash and cash equivalents

Cash and cash equivalents represent cash in hand and balances held with State Bank of Pakistan (SBP) and National Bank of Pakistan (NBP), balances held with other banks in current, deposit accounts, TDRs having a maturity up to 3 months and lending to financial institutions. Cash and cash equivalents are carried at cost in the balance sheet.

5.2 Lendings to / borrowings from financial institutions

The Bank enters into transactions of repurchase agreements (repo) and agreements to resell (reverse repo) at contracted rates for a specified period of time. These are recorded as below:

5.2.1 Sale under repurchase agreements

Securities sold subject to a repurchase agreement (repo) are retained in these financial statements as investments and the counter party liability is included in borrowings. The difference between the sale and contracted repurchase price is accrued on a time proportion basis over the period of the contract and recorded as an expense.

5.2.2 Purchase under repurchase agreements

Securities purchased under agreement to resell (reverse repo) are not recognised in these financial statements as investments and the amount extended to the counter party is included in lendings. The difference between the purchase and contracted resale price is accrued on a time proportion basis over the period of the contract and recorded as income.

5.3 Investments

The investments of the Bank, upon initial recognition, are classified as held-to-maturity or available-for-sale, as appropriate.

5.3.1 Initial measurement

Investments are initially measured at fair value plus transaction costs associated with the investments.

5.3.2 Subsequent measurement

5.3.2.1 Held-for-maturity

These are investments with fixed or determinable payments and fixed maturities which the Bank has the intention and ability to hold till maturity.

Investments classified as held-to-maturity are subsequently measured at amortised cost using the effective interest rate method, less any impairment recognised to reflect irrecoverable amounts. Profit on held to maturity investments is recognised on a time proportion basis taking into account effective yield on the investments.

5.3.2.2 Available-for-sale

These are investments which do not fall under the held-for-trading and held-to-maturity categories. After initial measurement, such investments are measured at fair value. Any unrealised surplus / deficit arising on revaluation is recorded in the surplus / deficit on revaluation of securities account (shown as part of equity in Balance Sheet) and is taken to the profit and loss account either when realised upon disposal or when the investment is considered to be impaired.

Premium or discount on securities classified as available-for-sale and held-to-maturity is amortised using effective interest method and taken to the profit and loss account.

5.4 Advances

Advances are stated net of specific and general provisions which are determined on the basis of the Prudential Regulations for Microfinance Banks (the Prudential Regulations) issued by SBP and general provisions as explained below. Advances are written off according to the Prudential Regulations or when there is no realistic prospect of recovery. These regulations prescribe a time based criteria for classification of non-performing advances into the following categories:

Category	General loans	Housing loans	Microenterprise loans
a) Other Assets Especially Mentioned (OAE)	Loan (principal / mark-up) is overdue for 30 or more but less than 60 days	Loan (principal / mark-up) is overdue for 90 or more but less than 180 days	Loan (principal / mark-up) is overdue for 90 or more but less than 180 days
b) Substandard	Loan (principal / mark-up) is overdue for 60 or more but less than 90 days	Loan (principal / mark-up) is overdue for 180 or more but less than one year	Loan (principal / mark-up) is overdue for 180 or more but less than one year
c) Doubtful	Loan (principal / mark-up) is overdue for 90 or more but less than 180 days	Loan (principal / mark-up) is overdue for one year or more but less than two years	Loan (principal / mark-up) is overdue for one year or more but less than 18 months
d) Loss	Loan (principal / mark-up) is overdue for 180 days or more	Loan (principal / mark-up) is overdue for two year or more	Loan (principal / mark-up) is overdue for 18 months or more

In accordance with the Prudential Regulations, the Bank maintains specific provision for potential loan losses for all non-performing advances. The provision is determined on the basis of outstanding principal net of cash collaterals and gold (ornaments and bullion) realizable without recourse to a Court of Law and Forced Sale Value (FSV) of pledged stocks, plant & machinery under charge and mortgaged residential, commercial and industrial properties (land & building only).

Category	General loans	Housing loans	Microenterprise loans
Other Assets Especially Mentioned (OAE)	Nil	Nil	10%
Substandard	25%	25%	25%
Doubtful	50%	50%	50%
Loss	100%	100%	100%

Specific and general provisions against loans and advances are made in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan from time to time and management assumptions.

Non-performing advances are written off after the loan is classified as "Loss" as per the below criteria. However, the Bank continues its efforts for recovery of the written off balances.

Catagories	Criteria for Charging Off NPLs
General loans	One month after being classified as "Loss."
Housing loans	One month after 05 years from the date of classification of loan.
Microenterprise Loans	Loan secured against Mortgaged residential, commercial and industrial properties (Land & building only) is charged off, one month after 05 years from the date of classification of loan. All other loan shall be charged off, one month after 03 years from the date of classification.

5.5 Operating fixed assets

5.5.1 Property and equipment and depreciation

These are stated at cost less accumulated depreciation and accumulated impairment losses (if any).

Depreciation is charged using the straight-line basis over the estimated useful lives of assets. Depreciation on additions is charged from the month in which the assets are available for use. No depreciation is charged from the month in which the assets are disposed off. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date.

5.5.2 Intangible assets

Intangible assets with a definite useful life are stated at cost less accumulated amortisation and impairment (if any). These are amortised from the month, when these assets are available for use, using the straight-line method (on cost less residual value, if any), whereby the cost of the intangible asset is amortised on the basis of the estimated useful life over which economic benefits are expected to flow to the Bank. The residual value (if any), useful lives and the amortisation method is reviewed and adjusted, if appropriate, at each balance sheet date.

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

Right-of-use assets

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

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

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

Lease liability against right-of-use assets

The lease liabilities are initially measured as the present value of the remaining lease payments, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Bank's incremental borrowing rate.

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

Each lease payment is allocated between a reduction of the liability and a finance cost. The finance cost is charged to the profit and loss account as markup expense over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

5.6 Provisions

Provisions are recognised when the Bank has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimates.

5.7 Deferred grant

The grant related to an asset is recognised in the balance sheet initially as deferred income when there is reasonable certainty that it will be received and that the Bank will comply with the conditions attached to it. Grants that compensate the Bank for expenses incurred are recognised as revenue in the profit and loss account on a systematic basis in the same period in which the expenses are incurred. Grants that compensate the Bank for the cost of an asset are recognised in the profit and loss account on a systematic basis over the useful life of the asset acquired from grant proceeds.

5.8.1 Defined benefit plan

The Bank operates a funded gratuity scheme for its eligible permanent employees. Provision is made in these financial statements based on the actuarial valuation carried out on the balance sheet date using the projected unit credit method. When the calculation results in a potential asset for the Bank, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reduction in future contribution to the plan (if material). The above benefits are payable to staff at the time of separation / retirement from the Bank's services subject to the completion of qualifying period of service. Remeasurement component which is the net of actuarial gains and losses is recognized immediately in other comprehensive income where as service cost and net interest income / expense are charged to the profit and loss account.

5.8.2 Defined contribution plan

The Bank also operates a recognised provident fund scheme for its eligible employees. Equal monthly contributions are made, both by the Bank and the employees, to the Fund at the rate of 10% of the basic salary. The contribution of the Bank is charged to the profit and loss account.

5.9 Revenue recognition

Mark-up / return / interest earned on advances, investments and bank balances is recognised on a time proportion basis, except that in the case of advances classified under the Prudential Regulations on which mark-up is recognised on receipt basis.

Commission / Fee income on branchless banking services is recognised at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services. The Bank recognises Commission / fee earned on transaction-based arrangements at a point in time when the Bank has provided the service to the customer. Where the contract requires services to be provided over time, income is recognised on a systematic basis over the life of the related services. Unearned fee and commission are included under Other Liabilities.

Gain or loss on sale of securities is accounted for in the period in which the sale / settlement occurs.

Other income is recognised on accrual basis when the services have been rendered except that early and late payment charges and recovery of written off loans are recognized on receipt basis.

Loan processing fee

During the prior years, loan processing fee is charged by the Bank to its borrowers upfront and is recognized as income as and when received. The Bank also incurs certain initial direct costs related to loan origination activities such as field staff incentives and regulatory charges etc. that were also expensed as incurred. As per IFRS guidance, fees such as loan origination or processing fee that are an integral part of the effective interest income of a financial instrument are generally amortized net of related transaction costs rate over the expected life of the financial instrument.

The Bank has revised its accounting treatment in line with the IFRS guidance and now the loan processing fee is recognized over the tenure of the loan net of incremental cost of loan processing.

This adjustment has been made on a retrospective basis by restatement of prior period presented balances as required by IAS 08 "Accounting Policies, Changes in Accounting Estimates and Errors".

The effect of above change in accounting treatment and error on the prior period financial statements have been summarized below:

	2022 (Rupees in '000)			2021 (Rupees in '000)		
	Balance previously reported	Adjustment	Balance restated	Balance previously reported	Adjustment	Balance restated
Accumulated losses	(45,087,689)	(141,104)	(45,228,793)	(37,999,226)	(149,410)	(38,148,636)
Other assets	3,195,621	55,616	3,251,237	3,037,994	-	3,037,994
Other liabilities	10,889,623	196,720	11,086,343	9,476,029	149,410	9,625,439

Impact on profit and loss account

	2023 (Rupees in '000)			
	Balance previously reported	Adjustment	Reclassification	Balance restated
Fee, commission and brokerage income	6,605,787	(47,310)	(40,729)	6,517,748
Administrative expenses	(20,379,667)	55,616	40,729	(20,283,322)
Loss after taxation	(7,099,911)	8,306	-	(7,091,605)
(Loss) / Earning per share	(12.75)	-	-	(12.73)

5.10 Taxation

Income tax on the profit or loss for the year comprises of current and deferred tax. Income tax is recognised in the profit and loss account, except to the extent that it relates to items recognised directly in the surplus / deficit or revaluation of investments, in which case it is recognised in that surplus / deficit account.

Current

Provision for current taxation is based on the taxable income for the year determined in accordance with the provisions of Income Tax Ordinance, 2001 and is recognized in relation to the income stream taxable under different basis. The charge for tax also includes adjustments, where considered necessary relating to prior years.

Deferred

"Deferred tax is recognised using the balance sheet liability method on all temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

5.11 Foreign currency transactions

Foreign currency transactions are translated into Pakistani Rupees (functional currency) using the exchange rate prevailing at the date of transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees using the exchange rate prevailing at the reporting date. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translations of monetary assets and liabilities denominated in foreign currencies at reporting date are included in the profit and loss account.

5.12 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 as at 31 December 2023.

5.13 Statutory reserve

The Bank is required under the Microfinance Institutions Ordinance, 2001 to maintain a statutory reserve to which an appropriation equivalent to 20% of the annual after tax profit is made till such time the reserves are equal to paid-up capital and thereafter 5% of profit after taxes.

5.14 Depositors' protection fund

The Bank is required under the Microfinance Institutions Ordinance, 2001 to contribute 5% of its annual after tax profit to the Depositors' protection fund for the purpose of providing security or guarantee to persons depositing money in the Bank and profits earned on the investments of the fund shall be credited to the depositors' protection fund and such fund shall either be invested in Government securities or deposited with SBP in a remunerative account.

5.15 Employees Share Appreciation Rights (ESAR)

The Bank grants share appreciation rights to its certain employees under the Bank's Employee Share Appreciation Rights Scheme (ESAR) as approved by the Board of Directors which are settled in cash (Cash Settled Transactions).

Under the terms of ESAR, the vesting of rights is subject to the completion of a minimum service from the grant date upon which the respective employee becomes eligible for the proportionate share appreciation rights. These rights are fully vested upon completion of the service period of four years from the grant date.

Upon completion of the vesting period, these rights are exercisable subject to the terms and conditions of the approved plan and any relevant regulatory requirements at that time, up to an amount equivalent to the appreciation in the fair value of the rights at the time of exercise, over the base price at the grant date, as approved by the Board of Directors.

The amount of appreciation in fair value of rights is recognized as an expense with the increase in liability over the vesting period, net off impact of employee turnover. The liability is remeasured at each reporting date and at settlement date based on the fair value of the right. Any changes in the liability are recognized in the profit and loss account.

5.16 Key accounting estimates and judgments

The preparation of financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires management to make judgment, estimates and assumptions that affect the application of accounting 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 the judgment about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimate. The estimate and underlying assumption are reviewed on an ongoing basis.

Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. In particular, information about significant areas of estimation, uncertainty and critical judgment in applying accounting policies that have most significant effect on the amount recognized in the financial statements are as follows:

i) Provision against advances (note 5.4)

The basis of provision against the advances portfolio are as mentioned in note 5.4. However, the actual results may differ, as provision is made on an estimated basis as per the guidelines given by SBP and Bank's internal assessment.

ii) Current and deferred taxation (notes 5.10)

In making the estimates for income taxes currently payable by the Bank, the management looks at the current income tax laws and the decisions of appellate authorities on certain issues in the past. In making the provision for deferred taxes, estimates of the Bank's future taxable profits are taken into account.

iii) Payable against staff retirement benefits (notes 5.8)

The key actuarial assumptions concerning the valuation of the defined benefit plan and the sources of estimation are disclosed in note 33 to these financial statements.

iv) Operating fixed assets, depreciation and amortisation (notes 5.5)

In making estimates of the depreciation / amortization method, the management uses method and rates which reflects the pattern in which economic benefits are expected to be consumed by the Bank. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits in the assets, the method and depreciation rates are changed to reflect the change in pattern.

v) Right-of-use assets and their related lease liability (note 5.5.3)

Management uses judgement in estimating the incremental borrowing rate for the recognition of lease liability and corresponding right-of-use assets under IFRS 16 including the term of the lease.

vi) Fair value of share appreciation right (note 5.15)

The Bank determines the fair value of share appreciation rights using a board approved pricing model. For these cash-settled rights, the liability needs to be remeasured at the end of each reporting period up to the date of settlement, with any changes in fair value recognised in profit or loss account. This requires a reassessment of the estimates used at the end of each reporting period.

6.	CASH AND BALANCES WITH STATE BANK OF PAKISTAN AND NATIONAL BANK OF PAKISTAN	Note	2023	2022
			------(Rupees in '000)-----	
	Cash in hand - local currency		242,101	195,956
	Balance with State Bank of Pakistan - current account		6,112,090	5,405,888
	Balance with National Bank of Pakistan - current account		1,213	2,176
		6.1	6,113,303	5,408,064
			6,355,404	5,604,020

6.1 This includes current accounts maintained with State Bank of Pakistan (SBP) and National Bank of Pakistan (NBP) to meet the minimum balance requirement equivalent to 5% as cash reserve and 10% as liquidity reserve of the Bank's time and demand liabilities in accordance with the Prudential Regulations.

7.	BALANCES WITH OTHER BANKS	Note	2023	2022
			------(Rupees in '000)-----	
	In Pakistan			
	- Current accounts	7.1 & 7.2	426,567	298,517
	- PLS deposit accounts	7.3	6,618,306	5,209,643
			7,044,873	5,508,160

7.1 This represents demand deposits with various financial institutions carrying markup at rates ranging between 20.5% to 23.5% per annum (31 December 2022: 14.5% to 17.5% per annum).

7.2 Certain guarantees of Rs. 171 million (31 December 2022: Rs. 157 million) which have been given on behalf of the Bank by other financial institution to the Bank's branchless banking corporate customers/ partners. These guarantees are secured against the profit and loss sharing deposits maintained with the same financial institution.

8.	LENDINGS TO FINANCIAL INSTITUTIONS	Note	2023	2022
			------(Rupees in '000)-----	
	Call money lendings - unsecured	8.1	5,000,000	3,000,000
			5,000,000	3,000,000

8.1 This represent call money lendings to various financial institutions carrying mark-up rate of 22% per annum (31 December 2022: 15.7% to 16% per annum) and having maturity in January 2024 (31 December 2022: January 2023).

9.	INVESTMENTS	Note	2023	2022
			------(Rupees in '000)-----	
	Federal Government Securities - available for sale			
	Market Treasury Bills	9.1	25,200,495	28,012,921
	Pakistan Investment Bond	17	3,435,936	-
	Surplus / (deficit) on revaluation of investment		(48,391)	(41,415)
			28,588,040	27,971,506

9.1 These carry mark-up at rates ranging between 21.25% to 21.51% (31 December 2022: 15.46 to 16.82%) per annum and having maturities up to November 2024 (31 December 2022: April 2022). These securities have face value of Rs. 30,000 million (31 December 2022: Rs. 18,031 million).

9.2 These carry mark-up at rate at 22.4% per annum, having maturities up to October 2026. These securities have face value of Rs. 3,500 million.

9.3 Investments includes securities amounting Rs.1,948 million (2022: Rs.1,545 million) which are held by the Bank to comply with 10% statutory liquidity requirement of the Bank's time and demand liabilities in accordance with the Prudential Regulations.

10.	ADVANCES - net of provisions	Note	2023		2022	
			Number of loans outstanding	(Rupees in '000)	Number of loans outstanding	(Rupees in '000)
	Loan Type					
	Micro credit					
	Advances - gross					
	- Secured	10.1	44,976	7,708,194	37,254	4,131,416
	- Unsecured	10.1	1,347,096	10,869,821	451,217	7,462,195
			1,392,072	18,578,015	488,471	11,593,611
	Less: Provision held					
	- Specific	10.1	185,045	(450,238)	42,046	(230,696)
	- General	10.2		(547,805)		(72,315)
		10.3		(998,043)		(303,011)
	Advances - net of provisions			17,579,972		11,290,600

10.1 Particulars of non-performing advances

Advances include Rs. 1,145.99 million (31 December 2022: Rs. 736.31 million) which have been placed under non-performing status as detailed below:

	2023			Provision required	Provision held
	Secured	Unsecured	Total		
	------(Rupees in '000)-----				
Other Assets Especially					
Mentioned (OAEM)	27,648	249,537	277,184	3,217	3,217
Substandard	14,307	243,018	257,325	60,754	60,754
Doubtful	1,545	443,939	445,485	221,969	221,969
Loss	1,702	164,297	165,998	164,297	164,297
	45,203	1,100,790	1,145,993	450,238	450,238

	2022			Provision required	Provision held
	Secured	Unsecured	Total		
	------(Rupees in '000)-----				
Other Assets Especially					
Mentioned (OAEM)	51,126	165,027	216,153	5,365	5,365
Substandard	31,420	162,182	193,602	40,546	40,546
Doubtful	4,037	275,373	279,411	137,687	137,687
Loss	49	47,098	47,146	47,098	47,098
	86,632	649,680	736,312	230,696	230,696

10.2 This represents general provision of Rs. 104.19 million (31 December 2022: Rs. 72.315 million) equivalent to 1% of the net outstanding unsecured advances (advances net of specific provision) held in accordance with the requirements of the Prudential Regulations for Microfinance Banks and Rs. 443.6 million (2022: Nil) in accordance with Bank's policy for loans that are 60 days past due.

10.3	Particulars of provision against non-performing advances	Note	2023			2022		
			Specific	General	Total	Specific	General	Total
			------(Rupees in '000)-----			------(Rupees in '000)-----		
	Opening balance		230,697	72,315	303,012	957,472	68,715	1,026,187
	Charge for the year		929,237	475,490	1,404,727	1,525,875	3,600	1,529,475
	Reversals		(15,333)	-	(15,333)	(24,402)	-	(24,402)
			913,904	475,490	1,389,175	1,501,473	3,600	1,505,073
	Amount written off	10.4	(694,144)	-	(694,144)	(2,228,248)	-	(2,228,248)
	Closing balance		450,457	547,805	998,042	230,697	72,315	303,012

	2023	2022
	----- (Rupees in '000) -----	
Against provisions	694,144	2,228,248
Directly charged to the profit and loss account	43,079	29,291
	737,222	2,257,539

11. OPERATING FIXED ASSETS

		2023	2022
		----- (Rupees in '000) -----	
Property and equipment	Note 11.1	3,119,133	3,026,855
Intangible assets	11.2	2,581,749	2,487,616
Capital work-in-progress	11.3	670,168	611,364
Right-of-use assets	11.4	995,205	1,003,570
		7,366,255	7,129,405

11.1 Property and equipment

Property and equipment	2023									
	As at 1 January	Cost Additions / (disposals / write-offs)	As at 31 December	As at 1 January	Depreciation Additions / (disposals / write-offs)	As at 31 December	Provision for Impairment	Book value As at 31 December	Rate of depreciation per annum %	
	(Rupees in '000)									
Leasehold improvement	729,120	194,192 (125,754)	797,559	316,904	67,691 (40,690)	343,905	-	453,653	10	33
Office furniture and fixtures	370,269	30 (60,878)	309,421	189,188	29,744 (46,706)	172,226	-	137,195	10	
Office equipments	933,158	46,677 (298,676)	681,158	688,500	103,727 (242,795)	549,432	-	131,726		20
Computer equipments	5,973,531	961,349 (370,369)	6,564,511	3,660,300	908,275 (367,400)	4,201,175	-	2,363,336	12.5	33
Vehicles	126,084	33,778 (98,442)	61,420	125,260	580 (97,642)	28,198	-	33,222	20	25
	8,132,162	1,236,026 (954,118)	8,414,069	4,980,152	1,110,017 (795,233)	5,294,937	-	3,119,133		

	2022								
	As at 1 January	Cost Additions / (disposals / write-offs)	As at 31 December	As at 1 January	Depreciation Additions / (disposals / write-offs)	As at 31 December	Provision for Impairment	Book value As at 31 December	Rate of depreciation per annum %
	(Rupees in '000)								
Leasehold improvement	642,276	164,246 (77,402)	729,120	285,532	53,154 (21,782)	316,904	(87,137)	325,079	10 - 33
Office furniture and fixtures	351,657	36,238 (17,626)	370,269	168,441	31,632 (10,885)	189,188	(9,645)	171,436	10
Office equipments	937,656	79,568 (84,065)	933,158	630,161	129,020 (70,681)	688,500	(28,373)	216,285	20
Computer equipments	5,651,972	355,183 (33,624)	5,973,531	2,863,349	830,575 (33,624)	3,660,300	-	2,313,231	12.5 - 33
Vehicles	136,831	- (10,747)	126,084	131,887	3,991 (10,618)	125,260	-	824	20 - 25
	7,720,392	635,235 (223,464)	8,132,162	4,079,370	1,048,372 (147,590)	4,980,152	(125,155)	3,026,855	

11.1.1 Property and equipment include assets costing Rs. 3,011.75 million (31 December 2022: Rs. 2,241.41 million) which are fully depreciated and still in use.

11.1.2 During the year management has carried out fixed asset physical verification and reconciliation exercise, as a result of such exercise assets with a net book value of Rs. 17.4 million have been written off in the financial statements.

11.1.2 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 in '000)						
Furniture and Fixtures							
Glass Door and Partitions	1,009	320	690	149	(541)	Auction	Adam Traders
Glass Door and Partitions	455	144	311	67	(244)	Auction	Adam Traders
Glass Door and Partitions	1,529	484	1,045	225	(819)	Auction	Adam Traders
Glass Door and Partitions	1,657	525	1,132	244	(888)	Auction	Adam Traders
Glass Door and Partitions	2,709	858	1,851	399	(1,452)	Auction	Adam Traders
Glass Door and Partitions	4,283	1,356	2,926	631	(2,295)	Auction	Adam Traders
	11,641	3,686	7,954	1,715	(6,239)		

Office Equipments

Generators	1,356	1,356	-	258	258	Auction	HAH Traders
Generators	1,680	1,680	-	319	319	Auction	HAH Traders
Generators	1,026	1,026	-	195	195	Auction	HAH Traders
Generators	1,348	1,348	-	256	256	Auction	HAH Traders
Generators	1,472	1,472	-	280	280	Auction	HAH Traders
Generators	1,323	1,323	-	252	252	Auction	HAH Traders
Generators	1,389	1,389	-	264	264	Auction	HAH Traders
Generators	1,175	1,175	-	223	223	Auction	HAH Traders
HVAC and FireFighting Equipment	45,200	28,627	16,573	6,660	(9,913)	Auction	Ice Berg Industry
HVAC and FireFighting Equipment	67,095	41,375	25,720	9,886	(15,833)	Auction	Ice Berg Industry
AC PDU & 240 MM Power Cable	1,790	1,134	656	264	(393)	Auction	Adam Traders
Patch Panel and Cabeling	4,025	2,549	1,476	593	(883)	Auction	Adam Traders
Patch Panel and Cabeling	697	441	255	103	(153)	Auction	Adam Traders
Patch Panel and Cabeling	903	572	331	133	(198)	Auction	Adam Traders
	130,478	85,466	45,012	19,687	(25,325)		

Vehicles

Suzuki Cultus	1,171	1,171	-	1,166	1,166	Auction	M.Talha Afaq
Toyota Corolla	1,915	1,915	-	2,790	2,790	Auction	Faisal Sarfaraz
Toyota Corolla	1,942	1,942	-	2,993	2,993	Auction	Ammad Ali
Toyota Corolla	1,882	1,882	-	2,780	2,780	Auction	M.Talha Afaq
Toyota Corolla	1,881	1,881	-	2,779	2,779	Auction	M.Talha Afaq
	8,792	8,792	-	12,509	12,509		
2023	150,910	97,944	52,966	33,911	(19,055)		
2022	4,220	4,162	56	2,044	1,988		

11.2 Intangible assets

		2023							
		Cost		Amortisation		Book value		Rate of Amortisation per annum %	
		As at 1 January	Additions / (disposals / write-offs)	As at 31 December	As at 1 January	Additions / (disposals / write-offs)	As at 31 December		
		(Rupees in '000)							
Computer software	Note								
	11.2.1	3,853,449	532,269	4,385,718	1,365,833	438,136	1,803,969	2,581,749	6.7 - 33
		2022							
		Cost		Amortisation		Book value		Rate of Amortisation per annum %	
		As at 1 January	Additions / (disposals / write-offs)	As at 31 December	As at 1 January	Additions / (disposals / write-offs)	As at 31 December		
		(Rupees in '000)							
Computer software		3,339,511	513,938	3,853,449	1,015,392	350,441	1,365,833	2,487,616	6.7 - 33

11.2.1 Intangible assets include software costing Rs. 764.210 million (31 December 2022: Rs. 716.902 million) which are fully amortised and still in use.

11.3 Capital work-in-progress

	Civil works	Office Equipment	Furniture and Fixtures	Computer Equipment	Computer Softwares	Total
	(Rupees in '000)					
As at 01 January 2023	26,928	141	-	181,054	403,242	611,364
Additions during the year	35,919	35,361	-	393,844	282,592	747,716
Capitalized during the year	(50,162)	(16,615)	-	(73,097)	(457,180)	(597,054)
Adjustments during the year	(281)	-	-	-	(91,577)	(91,858)
As at 31 December 2022	12,403	18,888	-	501,801	137,077	670,168
	Civil works	Office Equipment	Furniture and Fixtures	Computer Equipment	Computer Softwares	Total
	(Rupees in '000)					
As at 01 January 2022	-	-	-	110,027	399,107	509,134
Additions during the year	26,928	158	-	234,383	317,691	579,158
Capitalized during the year	-	(17)	-	(163,356)	(307,561)	(470,934)
Adjustments during the year	-	-	-	-	(5,995)	(5,995)
As at 31 December 2021	26,928	141	-	181,054	403,242	611,364

11.4 Right-of-use assets - buildings

	2023	2022
	(Rupees in '000)	
Opening	1,003,570	1,892,560
Additions during the year	221,866	570,808
Deletions during the year	(12,900)	(1,175,601)
Impact of remeasurement during the year	-	-
Depreciation charge	(217,331)	(284,197)
Closing	995,205	1,003,570

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

12. OTHER ASSETS

	2023	2022
	(Rupees in '000)	
Mark-up / return / interest accrued	1,397,571	669,416
Service fee receivable on digital loans	477,303	82,212
Receivable from branchless banking agents	418,270	455,797
Loans to employees	245,739	232,859
Security deposits	366,904	411,582
Prepayments	675,955	229,766
Receivable from defined benefit plan	80,717	146,910
Branchless banking transaction fee receivable	737,292	717,282
Advance tax - net	207,634	211,036
Advance sales tax	-	247,913
Others	362,512	235,617
Less: Provision held against other assets	(574,332)	(389,153)
	4,395,565	3,251,237

12.1 This represents amount receivable from branchless banking agents against e-cash credited into their M-wallet accounts for providing un-interrupted services to the customers. The balance is unsecured and interest free.

12.2 These represent advance 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.

12.3 Details of the branchless banking transaction fee receivable are as follows:

	2023	2022
	(Rupees in '000)	
Commission receivable from Benazir Income Support Program (BISP)	362,462	362,462
Commission receivable from utility companies	211,524	124,909
Commission receivable from insurance companies	71,526	73,588
Commission on disbursement services from financial institutions	15,604	74,435
Commission receivable from the Federal and Provincial Governments	59,247	56,991
Others	16,930	24,897
	737,292	717,282

12.4 Movement in advance tax - net

	2023	2022
	(Rupees in '000)	
Balance as at 1 January	211,036	118,403
Taxes paid during the year	757,300	464,881
Provision for taxation for the year	(760,702)	(372,248)
Balance as at 31 December	207,634	211,036

Refer note 19.1 also for tax related matters.

13. DEFERRED TAX ASSET / (LIABILITY) - net

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

	2023	2022
	----- (Rupees in '000) -----	
Deductible temporary differences		
- Un-absorbed tax depreciation	314,071	339,494
- Deficit on revaluation of assets (investments)	18,874	12,011
	332,945	351,505
Taxable temporary differences		
- Accelerated tax depreciation allowance	(236,559)	(291,023)
- Remeasurement gain on defined benefit obligation	(96,386)	(60,482)
- Surplus on revaluation of assets (investments)	-	-
13.2	(332,945)	(351,505)
	-	-

13.2 Movement in deferred tax assets / (liability) is as follows:

	Balance as at 1 January 2022	Recognised in statement of profit or loss	Recognised in other comprehensive income	Deficit on revaluation of assets	Balance as at 31 December 2022	Recognised in statement of profit or loss	Recognised in other comprehensive income	Deficit on revaluation of assets	Balance as at 31 December 2023
Deductible temporary differences arising in respect of:									
- Un-absorbed tax depreciation	365,745	(26,251)	-	-	339,494	(25,423)	-	-	314,071
Taxable temporary differences arising in respect of:									
- Accelerated tax depreciation allowance	(330,302)	39,279	-	-	(291,023)	54,464	-	-	(236,559)
- Remeasurment of defined benefit liability	(34,301)	-	(26,181)	-	(60,482)	-	(35,904)	-	(96,386)
- Deficit / (surplus) on revaluation of assets	(1,142)	-	13,153	-	12,011	-	6,863	-	18,874
	(365,745)	39,279	(13,028)	-	(339,494)	54,464	(29,041)	-	(314,071)
	-	13,028	(13,028)	-	-	29,041	(29,041)	-	-

13.3 As of 31 December 2023, the carry forward tax loss and other deductible temporary difference amount to Rs. 43,944 million (2022: Rs. 45,518 million) and Rs. 1,572 million (2022: Rs. 511 million) respectively. Unrecognized deferred tax asset due to carry forward tax losses and other deductible timing differences calculated at the current rate of taxation amounts to Rs. 17,751 million (2022: Rs. 13,349 million). Such deferred tax asset has not been recognized in these financial statements due to uncertainty of realizability of the amount.

14. DEPOSITS AND OTHER ACCOUNTS

	2023		2022	
	Number of accounts	(Rupees in '000)	Number of accounts	(Rupees in '000)
Current deposits	41,019,892	42,158,294	32,283,122	38,827,258
Saving deposits	1,819,315	8,778,956	754,375	6,725,546
Fixed deposits	2	500	1,069	1,045,140
	42,839,209	50,937,750	33,038,566	46,597,944

14.1 Particulars of deposits by ownership

	2023		2022	
	Number of accounts	(Rupees in '000)	Number of accounts	(Rupees in '000)
Individual depositors	42,838,350	49,331,892	33,037,656	42,393,173
Institutional depositors				
- Corporations / firms etc	760	1,489,578	800	2,867,079
- Banks / financial institutions	99	116,280	110	1,337,692
	42,839,209	50,937,750	33,038,566	46,597,944

15. OTHER LIABILITIES

	2023	2022
	----- (Rupees in '000) -----	
Note		Restated (note 5.9)
Mark-up / return / interest payable	48	6,460
Accrued expenses	4,475,705	2,636,358
Payable to related parties	15.1 1,071,511	919,003
Advance sales tax	135,913	-
Commission payable - branchless banking	411,051	183,050
Provision for staff bonus	501,500	325,000
Withholding tax payable	126,714	140,377
Payable to defined contribution plan	31,840	4,131
Payable to Worker's Welfare Fund	15.2 127,132	102,453
Lease liability against right-of-use assets	15.4 1,160,830	1,110,122
Bills payable	165,884	189,408
Switch settlement liability - net	2,074,044	1,424,776
Payable against branchless banking transactions	15.3 4,443,822	2,944,781
Employee share appreciation right liability	15.5 655,327	156,056
Provisions against contingencies	121,525	166,685
Others	1,880,622	777,682
	17,383,468	11,086,342

15.1 Details of amounts payable to related parties are as follows:

	2023	2022
Alipay Singapore Pte. Ltd	619,447	604,230
Telenor Pakistan (Private) Limited	65,418	(1,864)
Telenor Procurement Company	304,481	249,668
Telenor Financial Services	5,083	3,504
Telenor Global Shared Services	75,651	62,505
	1,071,511	919,003

15.2 Through Finance Act, 2008, the Federal Government introduced amendments to the Workers' Welfare Fund (WWF) Ordinance, 1971 whereby the definition of industrial establishment was extended. The amendments were challenged at various levels and conflicting judgments were rendered by the Lahore High Court, Sindh High Court and Peshawar High Court. Appeals against these orders were filed in the Supreme Court. Further, as a consequence of passage of 18th Amendment to the Constitution, levy for Workers Welfare was also introduced by the Government of Sindh (Sindh WWF) which was effective from 01 January 2014.

However, the Supreme Court of Pakistan vide its order dated 10 November 2016 has held that the amendments made in the law introduced by the Federal Government for the levy of Workers Welfare Fund were not lawful as this is not in the nature of tax and therefore could not have been introduced through the money bill. The Federal Board of Revenue has filed review petitions against the above judgment with the prayer that it may kindly be reviewed in the name of justice. These petitions are currently pending with the Supreme Court of Pakistan.

In 2018, the Bank was served with a notice from Sindh Revenue Board (SRB), claiming the SWWF contribution for tax year 2017 and subsequently the Bank obtained a stay order from Sindh High court against said tax demand. However the Bank has continued to maintain the full provision on a prudent basis. At the end of 2023, the Bank was served with another demand notices pertaining to years 2016 and 2017, which have been challenged by the Bank before the Sindh High Court where the matter is pending adjudication.

15.3 Details of amount payable against branchless banking transactions are as follow:

		2023	2022
	Note	----- (Rupees in '000) -----	
Over counter transactions	15.3.1	2,463,257	1,590,263
Utility bills collections		1,926,772	1,287,735
Others		53,792	48,630
		4,443,822	2,926,628

15.3.1 This includes Rs. 1,420 million (31 December 2022: Rs. 921.857 million) outstanding for more than one year in respect of 'over the counter' transactions.

15.4 Lease liability against right-of-use assets

	2023	2022
	----- (Rupees in '000) -----	
Opening	1,110,122	2,298,447
Additions during the year	221,866	566,926
Deletions during the year	(16,584)	(1,648,153)
Impact of remeasurement during the year	-	-
Finance Cost	170,597	257,581
Payment of lease liability	(325,171)	(364,679)
Closing	1,160,830	1,110,122

15.5 The Bank employees are granted share appreciation rights (SARs), settled in cash. The liability for these rights is remeasured at the end of each reporting period until settled, at the fair value of the share appreciation rights, by applying Board approved pricing model, taking into account the terms and conditions on which the share appreciation rights were granted and the extent to which the employees have rendered services to date.

Reconciliation of share appreciation rights from beginning to end of the year is as follows:

	2023	2022
	----- (Number in '000) -----	
Opening	17,382	17,367
Granted during the year	7,464	15
Forfeited during the year	(1,325)	-
Closing	23,521	17,382

16. SHARE CAPITAL

16.1 Authorised capital

2023	2022		2023	2022
---	---		---	---
(Number of shares in '000)---	(Number of shares in '000)---		(Rupees in '000)---	(Rupees in '000)---
2,200,000	2,200,000	Ordinary shares of Rs.10 each	2,200,000	2,200,000

16.2 Issued, subscribed and paid-up capital

2023	2022		2023	2022
---	---		---	---
(Number of shares in '000)---	(Number of shares in '000)---		(Rupees in '000)---	(Rupees in '000)---
591,768	570,902	Ordinary shares of Rs.10 each fully paid in cash	5,917,680	5,709,017

16.3 Reconciliation of number of shares outstanding

	Note	2023	2022
		---	---
		(Number of shares in '000)---	(Number of shares in '000)---
Number of shares outstanding at the beginning of the year		570,902	547,949
Issuance of right shares	16.3.1	20,866	22,953
Number of shares outstanding at the ending of the year		591,768	570,902

16.3.1 These shares were subscribed by Telenor Pakistan B.V. and Alipay (Hong Kong) Holding Limited in proportion to their existing shareholding.

16.4 As at 31 December 2023, the shareholding of Telenor Pakistan B.V. and Alipay (Hong Kong) Holding Limited was 55% and 45% respectively.

17. SURPLUS ON REVALUATION OF ASSETS - net of deferred tax

		2023	2022
		---	---
		(Rupees in '000)---	(Rupees in '000)---
Deficit on Available-for-sale investments			
Federal Government Securities	9	(48,391)	(41,415)
Related tax effect	13	18,873	12,010
		(29,518)	(29,405)

18. DEFERRED GRANTS

Grant received from		2023	2022
		---	---
		(Rupees in '000)---	(Rupees in '000)---
State Bank of Pakistan	18.1	1,426	1,426
Consultative Group to Assist the Poor	18.2	3,347	3,347
Soros Economic Development Fund	18.3	149	149
The Aga Khan Agency for Microfinance	18.4	64	64
Financial Sector Strengthening Programme	18.5	219	219
Frankfurt School of Management	18.6	2,451	2,451
GSMA Mobile for Development Foundation Inc (GSMA Foundation)	18.7	2,205	2,205
Karandaa Pakistan	18.8	3,004	4,473
	18.9	12,865	14,334

18.1 Represents USD grant received from the SBP under the Institutional Strengthening Fund of the Financial Inclusion Program (FIP) sponsored by Department of International Development - UK for the inclusive economic growth and improved livelihood opportunities for poor and marginalized groups in Pakistan and improved access to financial services for these groups.

18.2 Represents USD grant received from International Bank for Reconstruction and Development and International Development Association for Consultative Group to Assist the Poor to assist the Bank in achieving its growth goals for financial services to lower income clients via institutional capacity building and training and to develop, launch and scale up mobile banking using agent distribution network and cell phone technologies.

18.3 Represents USD grant received from Soros Economic Development Fund to assist the Bank in expanding the outreach of microfinance services to low and moderate income clients by connecting to an interbank ATM switch and a payment settlement network.

18.4 Represents USD grant received from Aga Khan Agency for Microfinance to provide finance for life insurance premium of specific depositors.

18.5 Represents USD grant received from Swiss Agency for Development and Corporation under the Financial Sector Strengthening program to provide technical support for maintenance of IT infrastructure of the Bank.

18.6 Represents USD grant received from Frankfurt School of Management to provide financial support to implement a project on Promotion of Renewable Energy Technologies.

18.7 Represents GBP grant received from GSMA Foundation for implementing Solar financing project.

18.8 Represents grant received in Pak Rupees from Karandaz Pakistan to incentivize the development of a product for international remittances. The balance at the year end represents amount utilized for capital expenditure which shall be recorded as income over the useful life of the related asset.

18.8.1 Details of the income recognized during the year is as follows:

	2023	2022
	---(Rupees in '000)---	
Balance as at 01 January	4,473	5,941
Amount recognized as income during the year	(1,469)	(1,468)
Balance as at 31 December	3,004	4,473

18.9 The Bank continues to maintain the above balances till the time of confirmation / clarity has been received from the grantors that it is no more payable to them.

19. MEMORANDUM / OFF BALANCE SHEET ITEMS

	Note	2023	2022
		---(Rupees in '000)---	
Commitments in respect of Acquisition of operating fixed assets	19.1	754,310	820,474
Contingent liabilities		883,120	1,026,220
		1,637,430	1,846,694

19.1 Tax Contingencies

19.1.1 The Bank was served with an order from Sindh Revenue Board (SRB) creating demand on account of alleged non/short payment of output sales tax and alleged inadmissible input tax adjustment amounting to Rs. 73.03 million (including penalty) for the tax periods from July 2011 to June 2016. The Bank had filed an appeal with Commissioner (Appeals) after paying 25% of the tax demand and the proceedings are still in process.

Further, SRB also served the Bank with an order disallowing input tax aggregating to Rs. 758.29 million alleged to be claimed unlawfully during the tax periods from July 2016 till June 2020. The Bank's tax advisor is confident of a favorable outcome in appeal, since the Order is illegal and devoid of merit and has been passed without considering factual and legal submissions of the Bank. The Bank has acquired a stay order from Sindh High Court against recovery during pendency of appeal proceedings.

19.1.2 The Bank was served with an order from Khyber Pakhtunkhwa Revenue Authority (KPRA) creating a demand aggregating to Rs. 13.59 million against input tax disallowances and sales tax withholding in relation to certain tax periods from September 2016 to January 2018. The Bank filed an appeal with Collector (Appeals) which was disposed against the Bank on September 25, 2019. During Feb 2021, Appellate Tribunal, KPK has remanded the case back to KPRA for fresh adjudication. The afore-said decision of KPRA-Tribunal was challenged by the Bank before Peshawar High Court and on May 24, 2022 the Court has set aside the order of Tribunal with direction to Tribunal to address the legal issue of time limitation of show cause notice that became basis of the whole proceeding, until then the appeal shall be deemed to be pending with Tribunal.

19.1.3 During 2019, a recovery notice of Rs. 17.95 million (including penalty and surcharge) was received by the Bank from Punjab Revenue Authority (PRA). The Order against the said notice was passed by the Authority during February 2018 in relation to withholding sales tax for the period January to December 2016, however, it was not received by the Bank till May 23, 2019. As the underlying Order was devoid of merit, the Bank is pursuing available legal remedies and the matter is currently pending before the Lahore High Court.

19.1.4 During the preceding two years, the Bank received amended assessment orders with respect to Tax Years 2015 to 2019 raising a demands of Rs. 74.51 million, Rs. 51.73 million, Rs. 88 million, Rs. 92.74 million and Rs. 40.70 million. The Bank got favorable outcome from Commissioner (Appeals) in respect of all major add-backs and filed appeals with Tribunal in respect of the remaining issues.

20. MARK-UP / RETURN / INTEREST EARNED

	Note	2023	2022
		---(Rupees in '000)---	
On:			
Advances		4,886,097	3,576,513
Available-for-sale investments in Government Securities		4,061,713	2,444,944
Deposits with financial institutions / banks		1,098,888	607,131
Call money lendings		3,041,891	1,075,828
Repurchase agreement lendings		689,735	262,511
		13,778,324	7,966,927

21. MARK-UP / RETURN / INTEREST EXPENSED

On:			
Deposits		873,172	996,282
Borrowings		2,034	380
Lease liabilities against right-of-use assets	21.1	170,597	257,581
		1,045,803	1,254,243

21.1 This represent financial charges on unwinding of lease liabilities related to right-of-use assets.

22. FEE, COMMISSION AND BROKERAGE INCOME

	Note	2023	2022
		---(Rupees in '000)---	
Loan processing fee	22.1	369,033	252,422
Service fee on nano loans	22.2	2,462,464	459,548
Income from branchless banking		10,026,398	5,805,778
		12,857,895	6,517,748

22.1 Income from branchless banking

Fee on payment and money transfer services	3,070,694	2,131,770
Fee on cash deposits through channel	1,663,332	-
Fee on cash withdrawal through channel	899,844	1,229,711
Fee on SMS alert	1,319,059	-
Commission on funds collection services on behalf of corporate clients	2,640,	2,149,660
Commission from insurance companies	249,361	208,777
Commission on disbursement services on behalf of financial institutions	184,041	85,860
	10,026,398	5,805,778

23. OTHER INCOME

		2023	2022
	Note	---(Rupees in '000)---	
Cheque book fees, ATM fees and other service charges		267,530	157,053
Recoveries against advances written off		1,049,195	1,446,968
Grant income	18.8	1,468	1,468
Gain / (loss) on sale of operating fixed assets		(18,505)	7,709
Gain on termination of lease contracts		2,304	472,552
Loss on sale of securities		(53,382)	(40,312)
		1,248,610	2,045,438

24. ADMINISTRATIVE EXPENSES

Salaries and other allowances		4,779,847	4,256,437
Charge for defined benefit plan	32.3.3	171,454	179,471
Contribution to defined contribution plan	33	164,273	148,273
Staff welfare		45,764	120,510
Training and capacity building		79,522	57,413
Employee share appreciation right expense	15.5	499,270	115,932
Non-executive directors' fees, allowances and other expenses		3,200	6,400
Commission - Branchless Banking	24.1	3,563,324	4,880,471
Customer Incentives		750,337	1,146,384
Advertisement		1,603,887	1,549,188
Professional consultancy charges		1,311,249	464,989
Customer verification charges		435,083	503,158
Legal and professional charges		312,705	247,308
Depreciation	11.1	1,110,017	1,048,372
Depreciation on right-of-use assets	11.4	217,331	284,197
Amortisation	11.2	438,135	350,441
Repairs and maintenance - IT		2,959,086	1,662,586
Insurance		373,558	351,420
Repairs and maintenance - General		419,801	284,212
Security services		247,544	222,190
Travelling and conveyance		183,063	169,086
Rent and taxes		22,880	-
Communication		2,583,952	833,918
Bank charges		913,558	756,482
Utilities		227,268	167,438
Printing and stationery	24.2	125,698	134,939
Auditors' remuneration		13,661	7,762
Exchange loss / (gain)		250,069	109,724
Other expenses		203,251	224,621
		24,008,787	20,283,322

24.1 This represents commission paid / payable to retailers and franchisees in respect of branchless banking services.

24.2 Auditors' remuneration

		2023	2022
	Note	---(Rupees in '000)---	
Audit fee		6,273	4,022
Half year review fee		2,268	1,671
Fee for other services as statutory auditors		3,947	1,347
Out-of-pocket expenses		1,173	723
		13,661	7,762

25. OTHER PROVISIONS / WRITE OFFS

	2023	2022
	---(Rupees in '000)---	
Write off against Operating Fixed Assets	102,638	61,861
Provision for impairment against Operating Fixed Assets	(125,156)	125,156
(Reversal) / Provision against other Assets	185,179	(6,628)
Other provisions	-	5,870
	162,661	186,259

26. OTHER CHARGES

This represents penalties imposed by the State Bank of Pakistan (SBP) in respect of various non-compliances of Prudential Regulations for Microfinance Banks and other directives issued by the SBP.

27. TAXATION

	2023	2022
	---(Rupees in '000)---	
Current tax	784,173	380,935
Prior tax	(23,471)	(8,687)
Deferred tax	(29,041)	(13,028)
	731,661	359,220

27.1 The Bank has filed returns upto tax year 2022 which are deemed to be assessed orders under section 120 of the Income Tax Ordinance, 2001 unless any amendments have been made by the Tax Authorities. Certain tax related appeals are pending, details of which are mentioned in note 19.1 to these financial statements.

28. PROFIT PER SHARE

28.1 Basic

	2023	2022
	---(Rupees in '000)---	
Profit/Loss after taxation for the year	502,278	(7,091,605)
	---(Number in '000)---	
Weighted average ordinary shares	586,294	556,878
	---(Rupees)---	
Profit/Loss per share - Basic and diluted	0.86	(12.73)

29. CASH AND CASH EQUIVALENTS

	2023	2022
	---(Rupees in '000)---	
Cash and balances with SBP and NBP	6	6,355,404
Balances with other banks	7	7,044,873
Lendings to financial institutions		5,000,000
	18,400,277	14,112,180

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

	2023					
	Liabilities			Equity		
	Deposits and other accounts	Other liabilities	Share capital (including share premium)	Reserves	Accumulated loss	Deferred grant
	(Rupees in '000)					
Balance as at 1 January 2023	46,597,944	11,175,422	9,066,077	42,248,428	(45,228,793)	14,334
Changes from financing cash flows						
Issuance of share capital (including share premium)	-	-	(3,148,397)	4,529,792	-	-
Other changes - liability related						
Changes in deposits and other accounts	4,339,806	-	-	-	-	-
Changes in other liabilities	-	6,297,126	-	-	-	-
Changes in deferred grants	-	-	-	-	-	(1,469)
Total liability related to other changes	4,339,806	6,297,126	-	-	-	(1,469)
Total equity related other changes	-	-	-	211,611	346,826	-
Balance as at 31 December 2023	50,937,750	17,472,548	5,917,680	46,989,831	(44,881,967)	12,865

	2022					
	Liabilities			Equity		
	Deposits and other accounts	Other liabilities	Share capital (including share premium)	Reserves	Accumulated loss	Deferred grant
	(Rupees in '000)					
Balance as at 1 January 2022	39,042,927	9,476,029	5,479,488	38,527,068	(38,148,636)	15,802
Changes from financing cash flows						
Issuance of share capital (including share premium)	-	-	3,586,589	3,668,710	-	-
Other changes - liability related						
Changes in deposits and other accounts	7,555,017	-	-	-	-	-
Changes in other liabilities	-	1,699,393	-	-	-	-
Changes in deferred grants	-	-	-	-	-	(1,468)
Total liability related to other changes	7,555,017	1,699,393	-	-	-	(1,468)
Total equity related other changes	-	-	-	52,650	(7,080,157)	-
Balance as at 31 December 2022	46,597,944	11,175,422	9,066,077	42,248,428	(45,228,793)	14,334

30. NUMBER OF EMPLOYEES

	2023			2022		
	Credit / sales staff	Banking / support staff	Total	Credit / sales staff	Banking / support staff	Total
	(Numbers)			(Numbers)		
Permanent	970	1,095	2,065	679	1,499	2,178
Contractual	542	403	945	407	630	1,037
	1,512	1,498	3,010	1,086	2,129	3,215

31. NUMBER OF BRANCHES

	2023	2022
	---(Numbers)---	
As at 01 January	61	66
Opened during the year	-	-
Closed during the year	(13)	(5)
As at 31 December	48	61

32. DEFINED BENEFIT PLAN

32.1 General description

As disclosed in note 5.10, the Bank operates a funded gratuity scheme for all its employees, who have completed minimum qualifying period of service. Contributions to the fund are made in accordance with the rules of the fund. Gratuity is payable to the employees on the cessation of employment on death, retirement, resignation, termination or permanent disability. The normal retirement age is 60 years.

The gratuity is payable under the following basis:

Old policy rules before 1 January 2017

Length of service less than 6 months	Nil
Length of service greater than or equal to 6 months but less than 5 years	One month's basic salary for each year of service
Length of service greater than or equal to 5 years	One month's gross salary for each year of service

New policy rules after 1 January 2017

Length of service less than 5 years	Nil
Length of service greater than or equal to 5 years	One month's gross salary for each year of service

32.2 Principal actuarial assumptions

The latest actuarial valuation of the gratuity scheme was carried out as at 31 December 2022. Following are the significant assumptions used in the valuation:

	2023	2022
	---(% per annum)---	
- Discount rate	15.50	14.50
- Salary increase rate	17.50	13.50
- Expected rate of return on plan assets	15.50	14.50
- Mortality rates assumed	SLIC 2001-05	SLIC 2001-05

32.3 Amount recognised in balance sheet

	Note	2023	2022
		---(Rupees in 000)---	
Present value of defined benefit obligations	32.3.1	1,029,129	877,045
Fair value of plan assets	32.3.2	(1,109,846)	(1,023,955)
		(80,717)	(146,910)

32.3.1 Movement in present value of defined benefit obligations

		2023	2022
	Note	---(Rupees in '000)---	
Balance as at 1 January		877,045	810,632
Current service cost	32.3.3	195,052	200,418
Interest cost		114,034	83,897
Benefits paid by the plan		(162,731)	(150,523)
Remeasurement loss / (gain) on obligations		5,729	(67,379)
Balance as at 31 December		1,029,129	877,045

32.3.2 Movement in fair value of plan assets

Balance as at 1 January		1,023,955	888,349
Contributions to the fund		13,199	158,385
Benefits paid by the plan		(162,731)	(150,523)
Benefits paid on behalf of the fund		-	-
Expected return on plan assets		137,632	104,843
Remeasurement loss on plan assets		97,791	22,901
Balance as at 31 December		1,109,846	1,023,955

32.3.3 Amount recognised in the profit or loss account

Current service cost	32.3.1	195,052	200,418
Net interest		(23,598)	(20,946)
		171,454	179,472

32.3.4 Remeasurements recognised in other comprehensive income (OCI)

Remeasurement loss / (gain) on obligation - due to experience adjustment		5,729	(67,379)
Remeasurement loss on fair value of plan assets		(97,791)	(22,901)
Remeasurement loss for the year - net		(92,062)	(90,280)

32.4 Movement in defined benefit plan

Balance as at 1 January		(146,910)	(77,717)
Expense charged in the current year	32.3.3	171,454	179,472
Remeasurements recognised in OCI during the year	32.3.4	(92,062)	(90,280)
Contributions to gratuity fund	32.3.2	(13,199)	(158,385)
Benefits paid on behalf of fund		-	-
Balance as at 31 December		(80,717)	(146,910)

32.5 Plan assets consist of the following:

Bank balances		601,356	134,826
Term Deposit Receipt (TDRs)		508,491	889,129
		1,109,847	1,023,955

32.6 Maturity profile of defined benefit obligation

	Years	
	2023	2022
Weighted average duration of the present value of defined benefit obligation	8.48	8.43

Distribution of timing of benefit payments years

	Benefit payments	
	2023	2022
	(Rupees in '000)	
1	111,855	100,970
2	112,871	87,300
3	101,915	96,221
4	101,491	83,186
5	90,296	79,918
6 - 10	590,838	444,803
11+	6,488,522	4,591,385

32.7 Sensitivity analysis on significant actuarial assumptions:

Defined benefit liability

Base	1,029,129	877,046
Discount rate +1%	948,761	809,243
Discount rate -1%	1,121,680	955,186
Future salary increases +1%	1,123,668	959,596
Future salary increases -1%	945,756	804,381

32.8 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. 176 million.

33. DEFINED CONTRIBUTION PLAN

The Bank operates an approved funded contributory provident fund for all its permanent employees to which monthly contributions are made both by the Bank and the employees at the rate of 10% of basic salary.

34. REMUNERATION OF DIRECTORS AND EXECUTIVES

	2023			2022		
	President / Chief Executive Officer	Directors	Executives	President / Chief Executive Officer	Directors	Executives
	(Rupees in '000)			(Rupees in '000)		
Fees	-	3,200	-	-	6,400	-
Managerial remuneration	22,051	-	1,260,292	32,423	-	1,124,018
Charge for defined benefit plan	2,233	-	121,848	3,242	-	106,762
Contribution to defined contribution plan	2,757	-	156,209	4,053	-	140,390
Rent and house maintenance	6,615	-	378,088	9,727	-	337,206
Utilities	2,205	-	126,030	3,242	-	112,402
Medical	3,583	-	200,037	5,268	-	177,896
Conveyance	10,237	-	239,708	9,000	-	208,948
Special allowance	3,230	-	75,754	5,540	-	67,795
	52,911	3,200	2,557,966	72,495	6,400	2,275,417
Number of persons	1	2	823	1	2	737

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

35. RELATED PARTIES TRANSACTIONS AND BALANCES

The Bank has related party relationships with its shareholders, associates, key management personnel, directors and employees' retirement benefit plans.

Contribution / charge in respect of staff retirement benefits are made in accordance with actuarial valuation / term of the contribution plan. Remuneration of key management personnel are in accordance with the terms of their employment.

Other transaction are at agreed terms.

Balance and transactions with related parties are summarised as follows:

Note	Major Shareholder / Sponsors	Associates	Key management personnel (note 35.2)	Directors	Retirement benefit plans	Total	Major Shareholder / Sponsors	Associates	Key management personnel	Directors	Retirement benefit plans	Total
			(Rupees in '000)						(Rupees in '000)			
Loans												
At 1 January	-	-	11,367	-	-	11,367	-	-	9,922	-	-	9,922
Given during the year	-	-	6,990	-	-	6,990	-	-	12,000	-	-	12,000
Repaid during the year	-	-	(13,117)	-	-	(13,117)	-	-	(10,555)	-	-	(10,555)
At 31 December	35.1		5,240			5,240			11,367			11,367
Deposits												
At 1 January	-	10,398	2,910	560	61,214	75,072	-	5,000	508	580	116,093	122,181
Received during the year	-	45,329,184	23,630	-	539,260	45,892,134	-	48,783,003	24,890	-	493,539	49,301,210
Withdrawn during the year	-	(44,904,129)	(26,597)	(560)	(546,239)	(45,477,525)	-	(48,777,815)	(22,287)	-	(548,418)	(49,348,300)
At 31 December		435,443	3		54,236	489,681		10,388	2,910	580	61,214	75,072
Other Assets												
Receivable from defined benefit plan	-	-	-	-	80,717	80,717	-	-	-	-	146,910	146,910
					80,717						146,910	
Other Liabilities												
Payable against goods and services	15.1	-	1,071,511	-	-	1,071,511	-	919,003	-	-	-	919,003
Payable to defined contribution plan	-	-	-	-	31,840	31,840	-	-	-	-	4,131	4,131
Payable to defined benefit plan	-	-	-	-	-	-	-	-	-	-	-	-
		1,071,511			31,840	1,103,351		919,003			4,131	923,134
Capital Expenditure												
												118,000
Transactions during the period												
Expense												
Directors' meeting fees	-	-	-	3,200	-	3,200	-	-	6,400	-	-	6,400
Remuneration of Key Management Personnel	-	-	221,488	52,911	-	274,399	-	220,199	72,495	-	-	292,694
Mark-up expense	-	-	-	-	2,921	2,921	-	-	-	-	4,258	4,258
Communication expense	-	129,672	-	-	-	129,672	-	80,015	-	-	-	80,015
Rent against lease of premises	-	22,984	-	-	-	22,984	-	21,352	-	-	-	21,352
Professional consultancy charges	-	335,636	-	-	-	335,636	-	288,302	-	-	-	288,302
Other expenses	-	16,541	-	-	-	16,541	-	20,201	-	-	-	20,201
Repair and maintenance	-	940,041	-	-	-	940,041	-	380,891	-	-	-	380,891
	-	185,107	-	-	-	185,107	-	603,373	-	-	-	603,373
Expenditure against air time / bundle for customer	-	1,632,581	221,488	66,111	2,921	1,913,501	-	1,492,363	220,199	78,895	4,258	1,955,415
Fee Income												
Commission earned against sale of bundle	-	(331,167)	-	-	-	(331,167)	-	(306,188)	-	-	-	(306,188)
		(331,167)				(331,167)		(306,188)				(306,188)
Equity												
Equity injection	1,381,395	-	-	-	-	1,381,395	7,255,209	-	-	-	-	7,255,209

35.1 This represents interest free loan to the key management personnel of the Bank for a maximum period of 60 months. These are secured against the retirement benefits of the employees.

35.2 Key management personnel represents the senior management of the Bank other than the Chief Executive Officer (included in the 'Directors' column).

36. SCHEDULE OF MATURITY DISTRIBUTION OF ASSETS AND LIABILITIES

	Total	Upto one Month	Over one month upto six months (Rupees in '000)	Over six months upto one year	Over one year
Interest bearing assets					
Advances	17,579,972	1,660,489	5,629,104	8,818,588	1,471,791
Investments	28,588,040	-	-	25,154,190	3,433,850
Lending to financial institutions	5,000,000	5,000,000	-	-	-
Balances with other banks - deposit accounts	6,618,306	6,618,306	-	-	-
	57,786,318	13,278,795	5,629,104	33,972,778	4,905,641
Other non-earning assets					
Cash and balances with SBP and NBP	6,355,404	6,355,404	-	-	-
Balances with other banks - current accounts	426,567	426,567	-	-	-
Operating fixed assets	7,366,255	155,774	1,170,280	992,316	5,041,876
Other assets	4,395,565	2,108,395	1,094,480	618,032	574,658
	18,543,791	9,046,140	2,270,769	1,610,348	5,616,534
Total assets	76,330,109	22,324,935	7,899,873	35,583,126	10,522,175
Interest bearing liabilities					
Large time deposits above Rs. 100,000	5,078,332	5,077,932	-	-	400
All other time deposits (including fixed rate deposits)	3,701,124	3,701,024	100	-	-
	8,779,456	8,778,956	100	-	400
Other non-cost bearing liabilities					
Current deposits	42,158,294	42,158,294	-	-	-
Other liabilities	17,383,468	7,991,972	5,076,358	768,874	3,546,265
	59,541,762	50,150,266	5,076,358	768,874	3,546,265
Total liabilities	68,321,218	58,920,222	5,076,458	768,874	3,546,665
			2022		
	Total	Upto one Month	Over one month upto six months (Rupees in '000)	Over six months upto one year	Over one year
Interest bearing assets					
Advances	11,290,600	961,853	2,672,669	5,552,467	2,103,612
Investments	27,971,506	-	27,971,506	-	-
Lending to financial institutions	3,000,000	3,000,000	-	-	-
Balances with other banks - deposit accounts	5,209,643	5,209,643	-	-	-
	47,471,749	9,171,496	30,644,175	5,552,467	2,103,612
Other non-earning assets					
Cash and balances with SBP and NBP	5,604,020	5,604,020	-	-	-
Balances with other banks - current accounts	298,517	298,517	-	-	-
Operating fixed assets	7,129,405	12,378	1,287,631	765,928	5,063,468
Other assets	3,195,621	862,012	951,502	542,233	839,874
	16,227,563	6,776,927	2,239,133	1,308,161	5,903,342
Total assets	63,699,312	15,948,423	32,883,307	6,860,629	8,006,954
Interest bearing liabilities					
Large time deposits above Rs. 100,000	1,038,501	561,358	4,674,43	8,300	1,200
All other time deposits (including fixed rate deposits)	6,639	3,885	2,404	150	200
Other cost bearing deposits	6,725,546	6,725,546	-	-	-
	7,770,686	7,290,789	470,047	8,450	1,400
Other non-cost bearing liabilities					
Current deposits	38,827,258	38,827,258	-	-	-
Other liabilities	10,889,623	4,451,205	2,956,181	765,753	2,716,484
Deferred grant	14,334	-	-	-	14,334
	49,731,215	43,278,463	2,956,181	765,753	2,730,818
Total liabilities	57,501,901	50,569,252	3,426,228	774,203	2,732,218

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.

37. FINANCIAL RISK MANAGEMENT

37.1 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	Over one month upto six months	Over six months upto one year	Over one year	
(Rupees in '000) -----						
Assets						
Balances with other banks - deposit accounts	20% - 23.5%	6,618,306	6,618,306	-	-	
Lending to financial institutions		5,000,000	5,000,000	-	-	
Investment	21.25% to 22.40%	28,588,040	-	-	3,433,850	
Advances	22% to 5%	17,579,972	1,660,489	5,629,104	1,471,791	
		57,786,318	13,278,795	5,629,104	4,905,641	
Liabilities						
Deposits	5.5% to 18%	8,779,456	8,778,956	100	400	
Lease liability against right-of-use assets	9.8% to 23.68%	1,160,830	15,174	74,650	1,001,377	
		9,940,286	8,794,130	74,750	1,001,777	
On balance sheet		47,846,032	4,484,666	5,554,354	3,903,864	

	Effective yield / interest rate %	2022				
		Total	Exposed to yield / interest risk		Over six months upto one year	Over one year
			Upto one Month	Over one month upto six months		
(Rupees in '000)						
Assets						
Balances with other banks - deposit accounts	14.5% - 17.5%	5,209,643	5,209,643	-	-	-
Lending to financial institutions		3,000,000	3,000,000	-	-	-
Investment	15.57% to 16.97%	27,971,506	-	27,971,506	-	-
Advances	22% to 51%	11,290,600	961,853	2,672,669	5,552,467	2,103,612
		47,471,749	9,171,496	30,644,175	5,552,467	2,103,612
Liabilities						
Deposits	4% to 14.5%	7,770,686	7,290,789	470,047	8,450	1,400
Lease liability against right-of-use assets	9.8% to 17.52%	1,110,122	9,642	51,478	62,878	986,124
On balance sheet gap		8,880,808	7,300,431	521,525	71,328	987,524
		38,590,941	1,871,065	30,122,650	5,481,139	1,116,088

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

37.2 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.

37.2.1 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:

Note	2023		2022	
	Financial assets (Rupees in '000)	Maximum exposure	Financial assets (Rupees in '000)	Maximum exposure
Bank balances	13,158,176	7,046,086	10,916,224	5,510,336
Lendings to financial institutions	5,000,000	5,000,000	3,000,000	3,000,000
Advances	17,579,972	17,579,972	11,290,600	11,290,600
Other receivables	4,384,859	4,384,859	3,187,465	3,187,465
	40,123,007	34,010,917	28,394,289	22,988,401

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

37.2.2 Concentration of credit risk

As at 31 December, the concentration of the financial assets in terms of the economic sectors was as follows:

	2023	2022
---(Rupees in '000)---		
Distributors and retailers	418,270	455,797
Financial institutions	18,219,031	13,918,877
Employees	245,739	232,859
Individuals	19,393,991	12,039,575
Corporates	919,017	1,015,796
Others	926,959	731,386
	40,123,008	28,394,290

37.2.3 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)
Allied Bank Limited	AAA	A1+ 435,838
Bank Alfalah Limited	AA+	A1+ 10,120
Bank Of Punjab	AA+	A1+ 17,338
Citi Bank	Aa3	P1 24,017
FINCA Microfinance Bank Limited	A-	A2 27
Habib Bank Limited	AAA	A1+ 469,209
JS Bank Limited	AA-	A1+ 221,131
MCB Bank Limited	AAA	A1+ 374,835
National Bank of Pakistan	AAA	A1+ 1,213
Soneri Bank Limited	AA-	A1+ 3,898
Standard Chartered Bank Limited	AAA	A1+ 705,289
The First Micro Finance Bank Limited	A+	A1 2,172,232
United Bank Limited	AAA	A1+ 2,610,940
		7,046,086

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

37.3 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.

37.4 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	2023 Fair value			
	level 1	level 2	level 3	Total
---(Rupees in '000)---				
Financial assets measured at fair value				
- Investments - market treasury bills	-	25,154,190	-	25,154,190
- Pakistan Investment Bond	-	3,433,850	-	3,433,850
	-	28,588,040	-	28,588,040

financial instruments	2022 Fair value			
	level 1	level 2	level 3	Total
---(Rupees in '000)---				
Financial assets measured at fair value				
- Investments - market treasury bills	-	27,971,506	-	27,971,506
	-	27,971,506	-	27,971,506

Valuation techniques and inputs used in determination of fair values

Item	Valuation techniques and inputs used
Market treasury bills (MTB) / Pakistan Investment Bond (PIB)	The fair value of MTB/ PIB are derived using PKRV/PKFRV rate available on MUFAP website.

38. CAPITAL RISK MANAGEMENT

38.1 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.

38.2 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.

38.3 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 was as follows:

	2023	2022
---(Rupees in '000)---		
Fully paid-up ordinary shares	5,917,680	5,709,017
Advance against future issue of right shares	-	3,357,060
Balance in share premium account	45,554,177	41,024,385
Accumulated losses	(44,881,967)	(45,228,793)
Eligible capital for MCR	6,589,890	4,861,670
Statutory reserve	902,937	802,481
Depositors protection fund	532,717	421,562
Net assets (before revaluation surplus / deficit and deferred grants)	8,025,544	6,085,713

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 21.91% (31 December 2022: 19.43%) of its weighted exposure, as against the minimum requirement of 15% prescribed by SBP.

39. MATERIAL OUTSOURCING ARRANGEMENTS

In compliance with BPRD Circular No. 06 of 2017 of SBP, the material outsourcing arrangements of the Bank are listed below:

Name of Service Provider	Nature of Services	Estimated Cost of Outsourcing	
		2023	2022
		---(Rupees in '000)---	
Idemia Pakistan Pvt Limited	ATM Card Production	64,860	85,731

40. GENERAL

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

40.2 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.

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

41. 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 8-March-2024.

President and
Chief Executive Officer

Chairman

Director

Director

pattern of shareholding

The pattern of shareholding of the Bank as at **31st December 2023** is as follows:

Name	%age Holding (2022)	%age Holding (2023)
Corporates		
Telenor Pakistan B.V	55.00%	55.00%
Alipay (Hong Kong) Holding Limited	45.00%	45.00%
Sub Total		
Individuals		
Dr. Amjad Waheed	Less than 0.001%	10 Shares
Ms. Musharaf Hai	-	10 Shares
Sub Total	100%	100%
Sponsors Total		
Individuals (Local & Foreign)		
Grand Total	100%	100%

credits

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