



**digital first**

one step closer towards  
a financially inclusive Pakistan

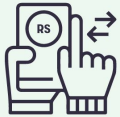


download  
easypaisa app



**telenor microfinance bank limited**  
head office, 19-c, main khayaban-e-nishat, phase 6, DHA Karachi.

# key accomplishments (2022)



**PKR 4 trillion**  
payments in 2022

(6% of GDP)

4 million transactions per day,  
3000 transactions per minute



**500,000+**  
customers on aasan  
digital account

only banking app offering aasan digital  
account with 1 million monthly limit



**750,000+**  
savings customers



**14 million**  
app users  
every month



**1.3 billion**  
total transactions



**PKR 32 billion**  
customer deposits  
in 2022



**4.7**  
highest rating  
most downloaded financial  
services app



**3.5 million**  
Raast IDs

doing 1.5 million transactions a month



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**digital first**

# empowering Pakistan's digital financial ecosystem

US  
**\$304**  
MILLION

PKR  
**48**  
BILLION

Long Term

**A**

Short Term

**A1**

VIS & PACRA

# about us



“Over a decade ago, we started off with humble beginnings. Today, we lead Pakistan's fintech revolution by driving innovation and introducing best-in-class digital financial services for all Pakistanis. As an organization operating on a digital-first principle, we have played a crucial role in shaping the country's digital financial ecosystem. With the guidance of our shareholders, Telenor Group - a leading telecom operator in Asia and the Nordics - and Ant Group - the operator of Alipay, the world's largest open digital lifestyle platform - we have been providing secure and convenient digital financial services through our flagship platform, easypaisa.

As the pioneers of introducing branchless banking in Pakistan, we have successfully diversified our offerings and made significant contributions to our country's digital ecosystem. With digital financial services designed to offer a frictionless onboarding experience right from the beginning, customers can enjoy a seamless and convenient banking experience with real-time fulfillment. Our digital-first model offers a range of digital financial services, including payments, savings, investments, and digital lending which can be accessed without the need to visit a physical branch.

Through the power of technology and collaboration, we strive to empower millions of Pakistanis to achieve their full potential and contribute to the growth and development of our nation.”

## vision

Creating a transparent economy that all Pakistanis can participate in

## mission

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

# our strategy





# our digital first philosophy

Everyday banking solutions for everyday people- digital and hassle free!



Our digital first business philosophy revolves around three fundamental principles: a frictionless onboarding experience, real-time fulfillment, and a customer-centric approach to user experience. We envision a future where digital banking services are seamlessly integrated into daily life. To embody this philosophy, we approach our business strategy through three distinct lenses: the payment lens, the lending lens, and our platform-based perspective. By leveraging these principles, we aim to offer our customers an unparalleled digital financial experience from their fingertips.

# our values



## integrity and honesty

Demonstrated by transparency, commitment and truthfulness.



## customer focused

Demonstrated by always keeping customers first. All actions and decisions should bear in mind the impact on both our internal and external customers.



## extreme ownership

Demonstrated by taking responsibility and accepting accountability for all outcomes.



## collaboration and teamwork

Demonstrated by working collectively and helping each other succeed.



# our culture

Our culture centers around our core values of extreme ownership and teamwork, we foster diversity and innovation at work to bring out the best in every individual. While we are fully focused towards the mission of a cashless Pakistan, we make sure that we don't miss on any fun along the way!

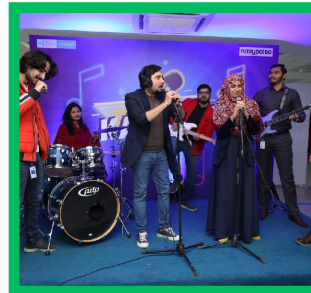


We believe that a strong sense of culture and a good cup of coffee can go a long way in enhancing our productivity and creativity. Our team is not just a group of individuals working together, we are a family.

We have created a supportive and collaborative environment that encourages us to cheer each other up, motivate each other, and root for one another. It has become so ingrained in our work culture that we cannot imagine functioning any other way. Our strong bonds have enabled us to work seamlessly as a team, which is essential for achieving our goals. We take our work seriously, and we put in the hard work and dedication required to succeed. We also know how to have fun and unwind after a long day at work to maintain a healthy work-life balance.

# future leaders program 2022

- 32 future leaders onboarded
- 12 management trainees onboarded



# diversity & inclusion

We take pride in creating a diverse and inclusive workplace, with essential measures such as unconscious bias training for all staff, fostering a fair and just work environment. Furthermore, we are committed to creating employment opportunities for people with disabilities, recognizing their valuable contributions to our organization and society as a whole.

- 11 differently-abled people onboarded
- 8 women onboarded under the "back to-get-her" program





# sustainability

We believe in creating an impact through our actions, whether small or big, our colleagues always remain at the forefront



# ethics

The foundation of our business is based on our Code of Conduct, which holds a sacred place in our organization. We ensure that all our colleagues adhere to our policies and Speak Up! whenever they observe a violation of our Code. Our biggest assets are integrity and honesty, and we prioritize upholding these values in every aspect of our operations. We believe that by maintaining these principles, we can continue to build a sustainable business that positively impacts our stakeholders and the communities we serve.



# meet our gen<sup>o</sup>

## Inspired, empowered, motivated

We take great pride in being a digital first organization and over the years we have evolved into a leading tech company. We are tech savvy, we have disruptive ideas and we are surely ready to rewrite this digital era with our crazy ambitions and that is why we call ourselves **generation easypaisa** aka “**gen<sup>o</sup>**”, a generation that believes in leveraging the power of technology to bring about innovative solutions.



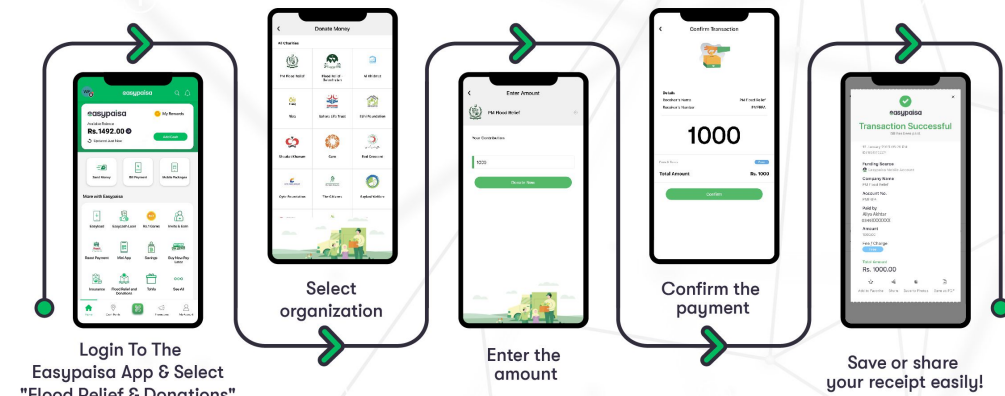
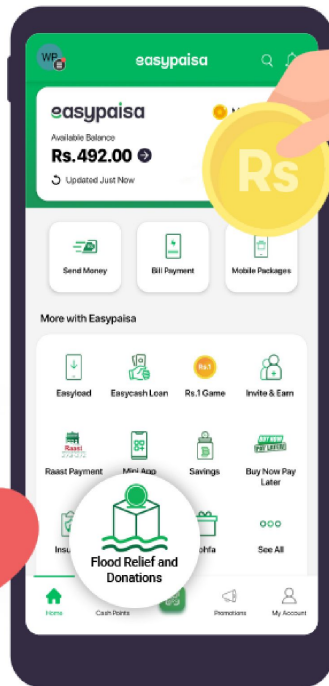
gen<sup>o</sup>



# our response to flood relief efforts

easypaisa, Pakistan's leading digital payments app with over **14 million** monthly active users, made monumental efforts to support flood victims. One of the biggest challenges faced during this crucial time was to collect donations and disburse them timely.

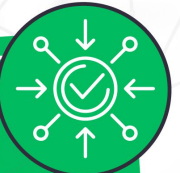
easypaisa enabled its users to donate in a few clicks, without any hassle, by introducing a separate payment option called “**flood relief and donations**”. This convenient feature enabled easypaisa users to support relief efforts of more than 30 government and non-government humanitarian organizations. The user journey was extremely simple whereby one had to enter the donation amount and confirm the payment. The user gets a digital receipt confirming the donation, which they can save and share. The donations are immediately disbursed to the account of the respective humanitarian organization.



The donation process introduced by easypaisa is quick, convenient and secure. Users do not need to remember long account numbers and can easily send their money to any trusted organization of their choice.

## The Impact

The donation service gained significant interest from users. More than **400,000** donation transactions have been processed by easypaisa facilitating collections of donations worth PKR **100M+** between June'22 and Nov'22. Most of the donations were leveraged by the relief organizations to provide essentials to people impacted by the floods and to support them with rebuilding their lives.



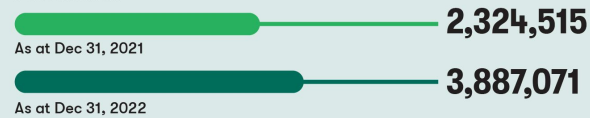
# 2022 at a glance



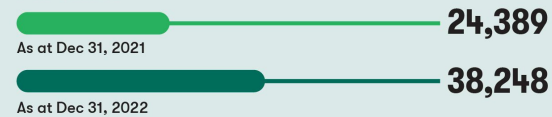
## Digital Lending Disbursed Loans



## Annual Throughput PKR Million



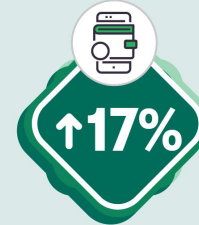
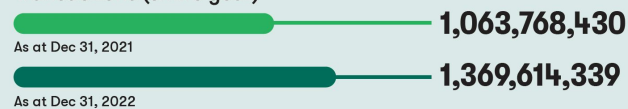
## Balance in Mobile Accounts PKR Million



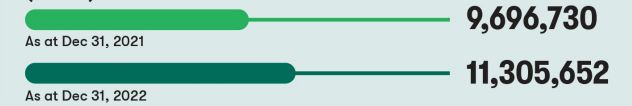
## easypaisa App Users (active)



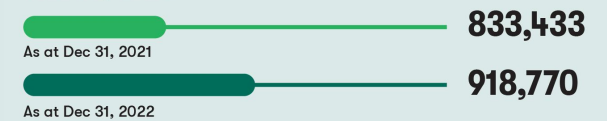
## Volume of easypaisa Transactions (entire year)



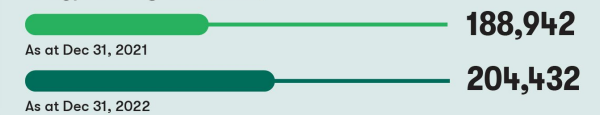
## easypaisa mWallet Accounts (active)



## Total Depositors



## easypaisa Agents (total)



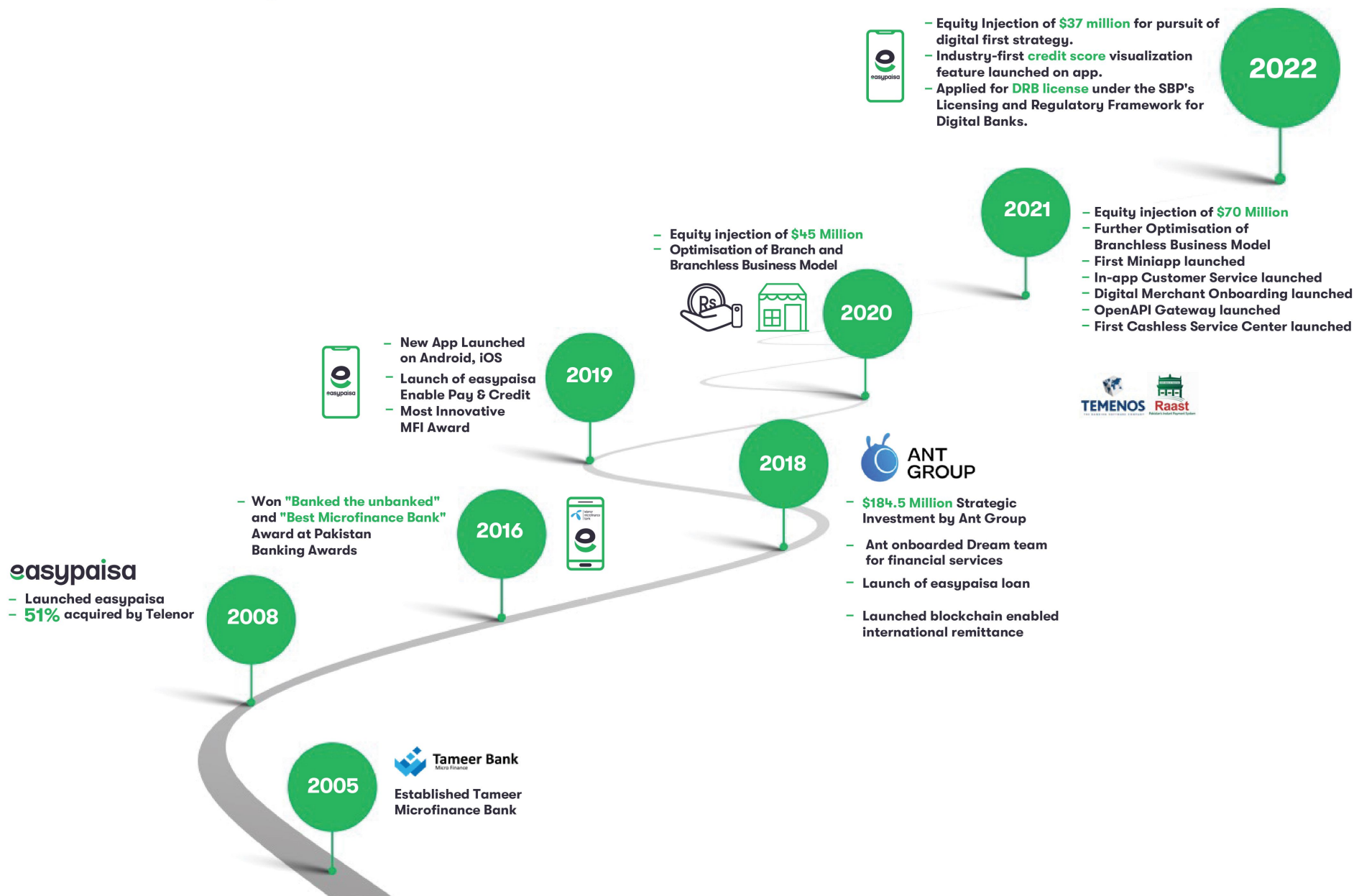
## Total Loans Disbursed (since inception) PKR Billion



## Average transactions per mWallet per month



# our journey

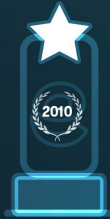




# awards



Best Mobile Money Launch of the year  
First Retail MFC TFC Listed in KSE



Best Mobile Money Transfer Entrant of the Year (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



GSMA Awards: Best Mobile Money Service and Best Mobile Service for Women In Emerging Markets



People's choice award in dow jones & wall street journal's financial inclusion challenge



Best in Digital by PAS  
Best Microfinance Bank, Bank the Unbanked at PBA  
Awarded Most Innovative Application Technology at the Financial Innovation Awards



Best Mobile Payments Solution at the Global Mobile Awards



Gsma mobile money certification



Innovation in Payment Awards of Global Finance Magazine  
Most Innovative MFI at the 13th Citi Microentrepreneurship Awards



One Show Asia Showcase 2020  
Innovation in Payments Award of the Global Finance Magazine  
Ad Stars, Big Golden Roll, Best Financial Inclusion Payments Program by emerging Payments Association



Dragons of Asia, Hands & UNOCHA Award and 7 Effies



**RUNNER UP**

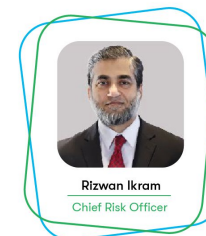
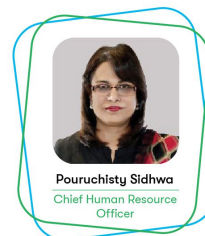
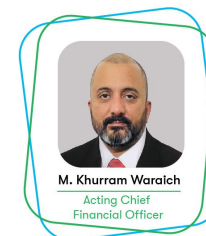
Most Innovative MFI

**14<sup>th</sup>** Citi – PPAF  
Microentrepreneurship Awards

# board of directors



# leadership team





## message from the Chairman



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I would like to convey my heartfelt gratitude to our valued customers and partners, whose confidence and reliance have been pivotal in propelling us to the path of growth and success. We take pride in our ability to cater to millions of Pakistanis, offering them secure, user-friendly, and pioneering digital financial services that cater to their ever-changing requirements. Our unwavering devotion to providing best-in-class technologies and solutions ensures that our customers receive exceptional quality services and support, and we remain committed to this promise.

The year 2022 witnessed both triumphs and tribulations for the worldwide economy, as well as Pakistan. Despite encountering various obstacles, such as geopolitical tensions and surging inflation rates, the nation managed to make some progress. Pakistan found itself in the midst of multiple macroeconomic challenges, which were contained by stringent steps. The road ahead remains challenging, and the country must continue to navigate these obstacles while making strides towards economic stability.

In 2022, Pakistan's economy exhibited real GDP growth rate of 5.97%, driven by progress in agriculture, industry, and services. The administration implemented several reforms targeted at enhancing the investment environment, which culminated in a 2.6% surge in Foreign Direct Investment (FDI) to USD 1.87 B in FY22. Notably, remittances sent to Pakistan witnessed a historic high of \$34.4 billion, signifying an 8.1% increase over the preceding year. However, the impact of the above developments was neutralized by the destabilizing political environment of the country, which ultimately led to loss in investors' confidence.

The State Bank of Pakistan's (SBP) proactive strategy of raising the policy rate by 625 basis points in CY22 to 16.0% is noteworthy. This move was made in reaction to continuous global and domestic supply disruptions, PKR devaluation, and plummeting foreign exchange reserves.

The banking industry also exhibited resilience despite challenges such as mounting inflation and wary depositors. Despite these factors, banking sector deposits saw a modest growth of 6% YoY, influenced by the pandemic's impact, escalating inflation, and depositors' cautious approach in the face of economic unpredictability. The methodical approach undertaken by banks and the State Bank of Pakistan (SBP) is promising for the sector's future.

Moreover, as part of the ground-breaking Licensing and Regulatory Framework for Digital Banks, the State Bank of Pakistan has opened its doors to numerous players, such as Commercial Banks, MFBs, EMLs, PSOs, PSPs, and other relevant participants to apply for a digital bank license. This initiative aims to foster innovation and digitization in the financial sector and promote financial inclusion by encouraging the provision of digital banking services to the unbanked and underbanked population.

In 2022, the microfinance sector encountered obstacles, with remnants of the pandemic related supply shocks and subsequent floods. Nonetheless, the microfinance banking industry effectively catered to over 8.7 million active borrowers, indicating an 8% YoY surge. The State Bank of Pakistan (SBP) sustained its backing for the growth of the microfinance sector through diverse measures and regulations. The central bank promoted the adoption of technology and digital solutions in microfinance operations, leading to increased efficiency and expanded outreach.

Telenor Microfinance Bank, as the forerunner of digital financial inclusion in Pakistan, achieved remarkable milestones in 2022 by streamlining its product lines and broadening its portfolio through its digital-first business philosophy. This pursuit of digitalization enabled the Bank to amplify its reach throughout the country with over 200,000 registered agents nationwide. As a result, the Bank's flagship digital payments platform, easypaisa, attained new heights, firmly establishing itself as a leading player in the digital payments landscape in Pakistan.

In 2022, the easypaisa mobile wallet accounts experienced a surge of 17% in monthly active users. The easypaisa App also clinched the title of the most downloaded app in the finance category, boasting over 7 million monthly active app users. The platform's transactions soared by 29%, with nearly PKR 4 trillion being transferred through the platform, equivalent to 4% of the country's Gross Domestic Product (GDP). On average, easypaisa users conducted 11 transactions per month, underscoring the platform's growing popularity and widespread adoption.

The unwavering support of our shareholders has been instrumental in our success as we strive to create a transparent economy that is accessible to all Pakistanis. Their investment of US\$ 304 million (PKR 48.4 billion) till date, is a testament to their commitment to a cashless and inclusive Pakistan. We are deeply grateful for their continued support and pledge to continue to work towards achieving our vision.

I would like to express my sincere appreciation to the State Bank of Pakistan for granting us a No Objection Certificate (NOC) to establish a digital bank. We applaud the SBP for its innovative and promising policies, which are paving the way for the digitalization of the financial ecosystem. Furthermore, our regulator has been a strong advocate of innovative ideas and has supported us every step of the way.

Lastly, a big token of thanks to our board members, management, and colleagues for their unwavering commitment to our vision. Their passion and dedication have been instrumental in our journey to revolutionize Pakistan's financial services landscape. As we move forward, we remain committed to our shareholders, customers, and stakeholders. We will continue to navigate economic challenges and leverage opportunities to create value and drive growth.

**Irfan Ul Wahab Khan**  
Chairman

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## message from the CEO



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In the initial half of the fiscal year 2022, a decline in Covid cases generated a favorable environment for the economy to sustain its recovery. Nonetheless, the FY22 budget exhibited contractionary measures, and central bank's policies also demonstrated a significant shift towards monetary tightening to combat inflation, thus deviating from the fiscal expansion witnessed in FY20 and FY21.

Despite these challenges, the adoption of accommodative monetary policies and the impact of the State Bank of Pakistan's post-Covid policies prompted stronger growth. These circumstances, coupled with the swiftly escalating global commodity prices, instigated inflationary pressures, external position, and depreciation of the Pakistani Rupee as the year unfolded.

In the face of these headwinds, Telenor Microfinance Bank made noteworthy progress in the digital financial sector of Pakistan. We remained steadfast in our commitment to a digital-first business philosophy, placing a laser focus on our payments, lending, and platform businesses, which demonstrated significant advancement throughout the year.

Through implementing a frictionless onboarding process, enabling real-time fulfillment, and prioritizing a customer-centric user experience, we have achieved substantial growth with impressive results. Our dedication to streamlining these aspects of our operations has yielded tangible success, which we are proud to have accomplished. Such progress would not have been attainable without the unwavering support of our esteemed shareholders, regulators, and the trust of our customers in us as the custodian of their finances.

Our monthly active mobile accounts experienced a growth of 17%, with the customer base expanding to 11.3 million compared to the previous year. Our easypaisa app retained its popularity and continued to be one of the most frequently used financial services apps in the country, with a 45% increase in monthly active app users, reaching a total of 7.3 million, complementing the app to become the most downloaded in Pakistan in the finance category as per research carried out by private market intelligence platforms. Our impact in the financial sector remained substantial, with easypaisa processing over 1.4 billion transactions valuing close to PKR 4 trillion in 2022, equivalent to 4% of the country's GDP. Our telco-agnostic platform also moved 10 percent of the entire industry's airtime recharge.

Moreover, our digital lending has achieved significant progress, particularly through our industry-first credit scoring methodology that uses payment data-based machine learning algorithms. As a result, we were able to disburse 1.5 million nano-loans amounting to PKR 4 billion, reflecting an impressive year-on-year growth rate of 190% and 32%, respectively. I am also happy to report that 100 percent of our productive lending loans were disbursed in customers' mobile wallets, with a completely digitized loan application and repayment process with no need to visit a branch other than gold backed loans.

Throughout the year, we inaugurated 19 additional Cashless Sales Centers (CSC) in various locations, optimizing our network to operate entirely on digital railroads. These CSCs allow for lending services to be provided directly at customers' doorstep, minimizing the time it takes to process applications. Furthermore, by implementing a fully digital and paper-light backend process, not only are cash handling expenses reduced, but the overall process becomes more efficient.

In addition, we have made noteworthy progress in integrating with other businesses, successfully onboarding numerous partner organizations, and introducing a savings feature, which has surpassed 1 million subscribers till date, as well as a mini-app vertical for health, groceries, gaming, and investment management. Throughout the year, the Bank placed significant emphasis on the transformation of our organizational culture. We dedicated ourselves to fostering a culture of continuous learning and development, prioritizing engagement among our colleagues, and recognizing outstanding achievements on various forums. Our steadfast commitment to transforming our organizational culture has allowed us to build a more cohesive, motivated, and high-performing team. Another landmark achievement for us was the successful submission of an application for the digital banking license, as part of the State Bank of Pakistan's most sophisticated and forward looking Licensing and Regulatory Framework for Digital Banks.

I extend my gratitude to the State Bank of Pakistan for selecting us as one of the successful applicants to receive a No Objection Certificate (NOC) to establish a digital bank. This milestone is a validation of our decision to pivot to a digital first strategy three years ago. As we look to the future, we are excited to leverage this opportunity to tap into the growing demand for digital financial services in the country.

I would also like to extend my sincere appreciation for the steadfast backing from our Board of Directors and shareholders Telenor Group and Ant Group, who provided USD 37 million (PKR 7.2 billion) in equity injections in 2022, adding to a cumulative total of USD 304 million (PKR 48 billion) from 2018 to 2022. The Bank remains on a robust financial footing, with a healthy Capital Adequacy Ratio (CAR) of 19.43% as of December 31, 2022.

Finally, I would like to express my gratitude to our team members for their unwavering dedication and hard work. Our 3000 plus team has worked tirelessly towards our goal of a financially inclusive Pakistan, resulting in one in ten Pakistanis being an active user of easypaisa.

Our mission is to foster a digitally powered economy accessible to all Pakistanis through partnerships and collaborations that strengthen the digital finance ecosystem. Telenor Microfinance Bank & easypaisa are well-placed to propel the growth of Pakistan's digital financial services landscape, reducing reliance on cash-based transactions and paving the way for a financially inclusive, digital Pakistan.

**M. Mudassar Aqil,**  
President & CEO

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digital first

# innovation & technology

Fueling innovative solutions through  
the power of technology





# technology

Our Shareholders



## Digital account opening

easypaisa customers can now upgrade to Asaan Digital Account in just a few steps and enjoy enhanced transaction limits of Rs. **10 lakh** without paperwork or visits to branches by using easypaisa App.

## Loan on App

easypaisa customers can now pay loans without visiting a branch by providing details of paid and pending installments, and availed loans.



## Launch of new MiniApps

For smartphone users aged b/w **18-35**, who use easypaisa app as a one-stop payment platform and prefer to have all their payment needs catered within the same platform, Mini Apps provide solutions that makes it easy for the customers to quickly access all their favorite/most-used apps within easypaisa app.

## Savings

Savings product offers customers the opportunity to earn a daily profit on an Annual Profit Rate basis on balance maintained in their easypaisa wallet. No paperwork and amount locking is required. Just follow a simple one-click subscription process and start earning daily.



## In App BVS

With In-App BVS, easypaisa customers can conveniently upgrade their account limit to Rs. **200,000** by performing biometric verification using easypaisa App. Customers are no longer required to visit a retailer or branch.

## Credit Score

Visibility of customers' credit score in the easypaisa App for lending purposes.



## Visa QR issuance for merchants

easypaisa customers can now Scan & Pay using VISA QR.



## Foodpanda integration for merchants

Integration with Foodpanda as a payment method allowing users to pay their food orders directly from Foodpanda app through easypaisa wallets.

## P2P QR Money Transfer

Allows users to generate personal QR from within the app to receive money (through P2P) or send money to other easypaisa and bank users by scanning their QR codes.



## AMA Journey Revamp - Phase 1

With Asaan Mobile Account (AMA), any customer using any SIM can now register for an easypaisa account with few simple steps by dialing **\*2262#** from their mobile phone.

## SP Segregation for A+ Platform

To enable businesses to segregate SP accounts for different campaigns being run in parallel to better control budgets and improve the visibility of campaigns in reports by tagging the campaign name in the SP transaction reports.



## E-Agent

Retailers can now manage their pin change & reset options through their handsets without calling the helpline. Also newly added Account Profile & Limit info feature gives visibility to a retailer of their profile & daily transactional limit details. It also enables editing profile pictures and updating email addresses as well.

## Mintech

Our new Digital Lending Product "EasyCash," is now **LIVE** on both easypaisa App & USSD (**\*786#**). This product will enable millions of customers across the country to easily access the digital loan facility. Moreover, no documentation, security, or collateral is required for the application process!



## Discount vouchers & Promo codes

A new promotional feature allows users to get discounts on transactions through vouchers or promo codes.

## Debit Card Activation through IVR

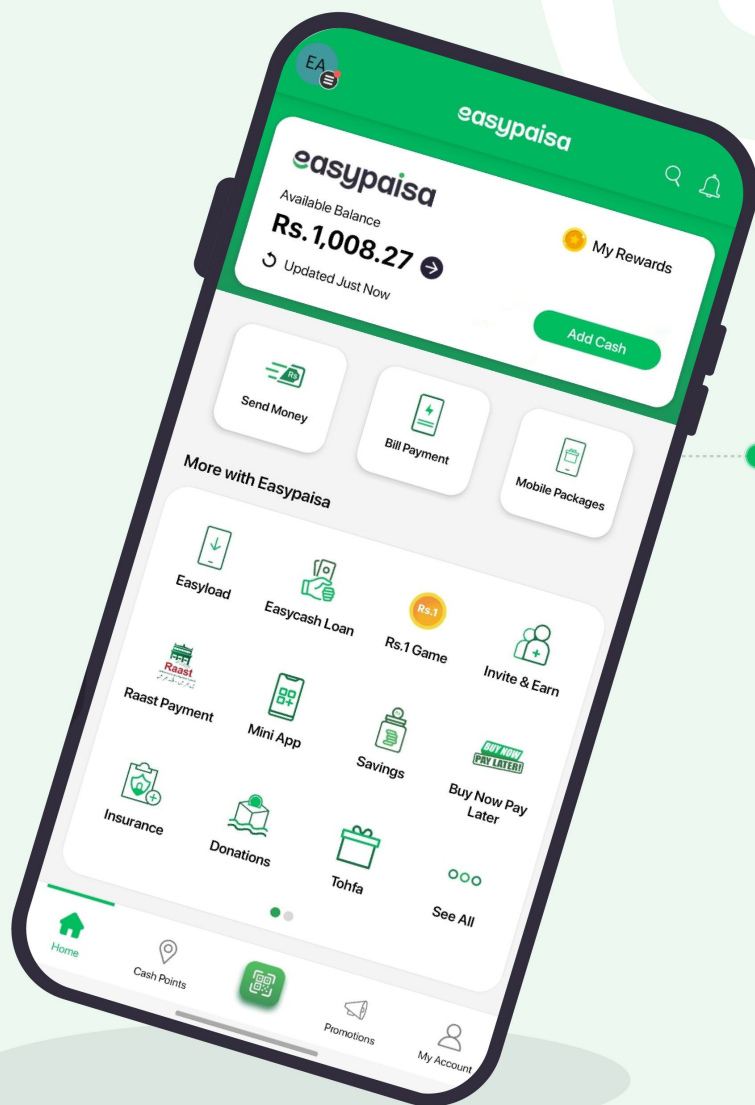
Allows users to generate their debit card pins and activate them through IVR. This option will especially be helpful for customers who are OMO and do not have a smartphone as well.





# experience the easypaisa app

Our Shareholders



## Mini App

All in one app! Shop all you need with easypaisa's mini-app feature.

- Food
- Savings & Investments
- Health
- Vouchers
- Gaming
- Bookings & Tickets



## Credit Score

An industry first initiative which gives our users visibility of their credit score. Users will also get insights on how to improve on their credit score.

## In App Biometric Verification Service (BVS)

With In-App BVS, easypaisa customers can conveniently upgrade their account limit by performing biometric verification through the App.



## Embedded Finance (Buy Now Pay Later)

Buy easyload or mobile bundles with easypaisa now and pay later.



## Raast Transfer

Transfer money via Raast. Send funds to any bank account or receive them in your account through Raast.



**digital first**

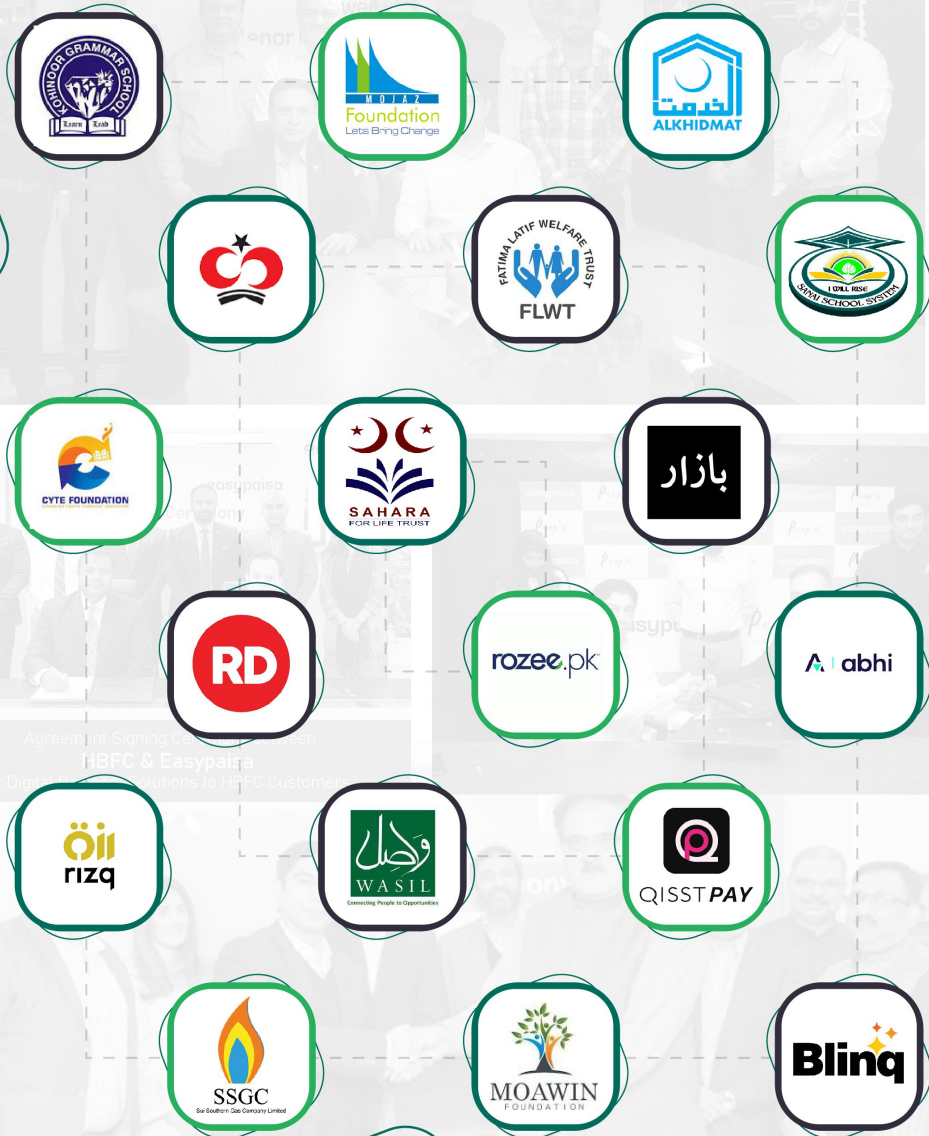
# **new collaborations**

Fostering meaningful  
partnerships





# partnerships



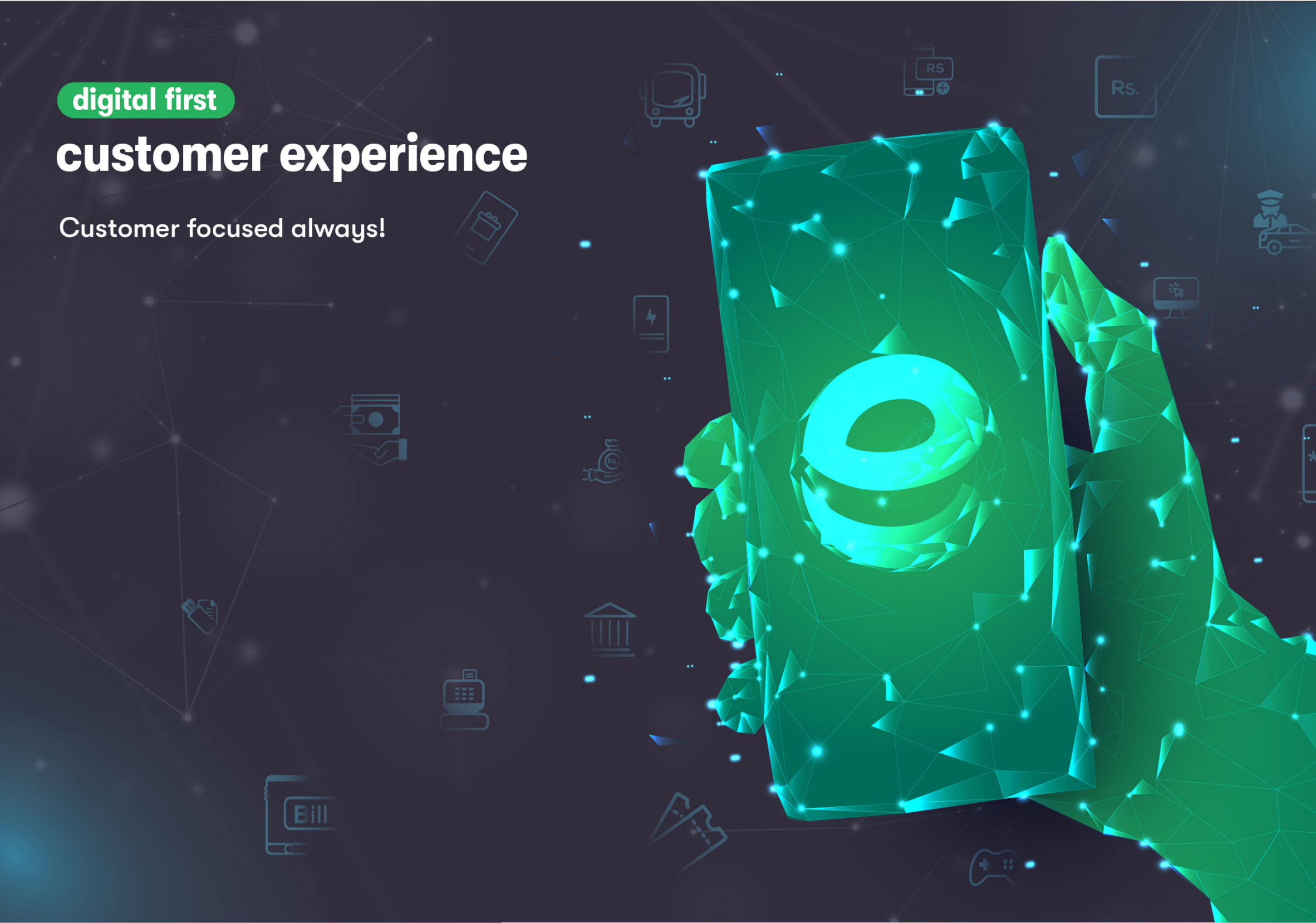
**150** partners onboarded (2022)

2nd largest distribution partner

**digital first**

# **customer experience**

Customer focused always!





# serving Pakistan



**1 in 4**

pakistani adults  
have easypasia

**11M+**

active mobile  
accounts

**7M+**

active users on  
telco-agnostic App

**200K+**

agents

**108**

branches and cashless  
service centers



# digital transformation journey

**26** CSCs currently operating

**19** CSCs opened in 2022

## digital first lending model

As part of our digital first strategy, we have reimagined the microfinance borrowing model. The revamped model is an end-to-end digitized process that has significantly improved customer journey and experience.

In the previous model, customers had to visit the branch for every interaction, taking out time from their busy schedules. However, in the new model, the customer does not need to visit the branch during the entire loan lifecycle. Moreover, a plethora of channels, including the easypaisa App, USSD, retailer, and ATM, are available to interact. The loan application is completed at the customer's doorstep, eliminating the need to visit the branch. Furthermore, the easypaisa App unlocks a host of use cases for productive lending borrowers right from the customer's fingertips, which was not possible before. The digitization of the process has opened avenues for more business productivity, resulting in lower turnaround times and greater ease for customers. Additionally, the paper-light process has reduced the hassles of paper-based methods.

The advantages of the digitized lending process include lower CAPEX & OPEX footprint, stickier customer journey, automated processes, faster decision-making, and decentralization, ensuring greater transparency. Overall, the new lending model has revolutionized the lending process, making it more efficient and customer friendly.



## loans offered



Karobar Loan



MSME Loan



Gold Loan



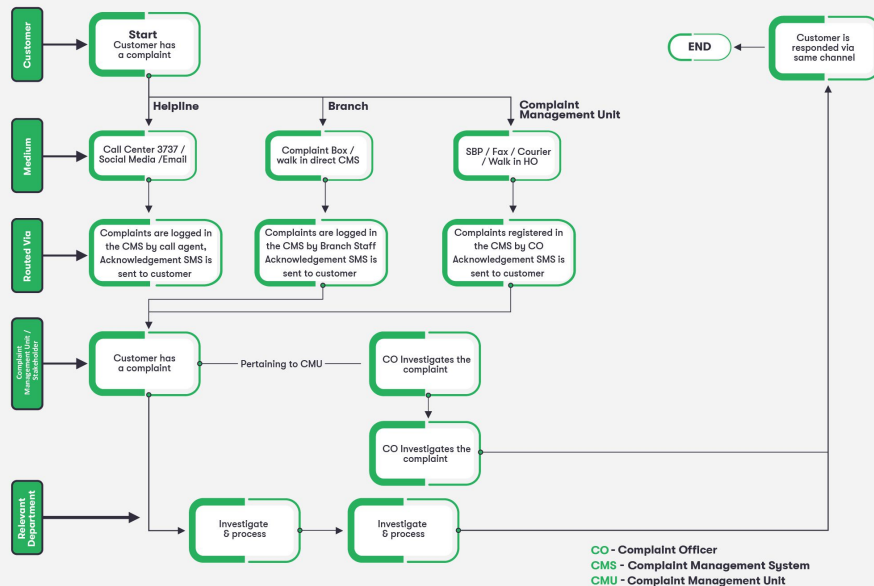


# internal complaint handling mechanism

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

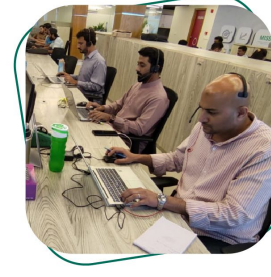
- Provide visible, easily accessible and multiple complaint registration channels to customers
- Prioritize the Voice of Customer received through complaints
- Provide fair and honest resolution to customer complaints
- Ensure all complaints are dealt as per the standard TATs
- Use customer complaints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

## Complaint Handling Process



# initiatives

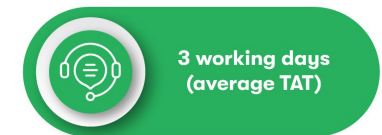
- e-form for complaint registration has been made available on the website.
- In-app complaint lodgement and tracking for frequently occurring complaints launched.
- Customer awareness campaigns and In-app notifications in dual English and Urdu carried out for mass understanding.
- Complaint escalation has been automated for various levels in the hierarchy.
- Implemented Robotic Processing Arm (RPA) for efficient handling of Complaints to ensure E2E satisfaction.



Total number of complaints received (2022)



Average time of complaint closure (2022)



# impacting society

[illegible]



# customer stories

Our Shareholders

telenor group ANT GROUP



**Moiz Hakimuddin**

I was always worried about how to manage my finances while away from home as I work in Peshawar. That was until I discovered easypaisa. Recently I was worried about how I would pay my children's school fees and utility bills, but with easypaisa, I was able to take care of all of that with just a few taps on my phone. easypaisa has made my life so much easier, and I can now travel with peace of mind knowing that I can take care of my finances from anywhere.



**Syed Hajib Hassan Jafri**

I cannot thank easypaisa's digital lending facility enough for the timely support. My mother had to undergo a heart surgery, and I was in urgent need of money to cover her medical expenses. I had no idea how to arrange the funds, but then I remembered about easypaisa's digital lending facility. Without any delay, I quickly applied for a loan without any documentation requirement, and I was surprised at how quickly my application was processed. Within moments, the amount was deposited to my easypaisa mobile account. The entire process was so smooth and hassle-free that it took away a huge burden from my mind during a very stressful time.



**Muhammad Kamran**

I've been using easypaisa for recharging my M-Tag ID for traveling on motorways and I have to say, it has made my life so much easier. As someone who frequently travels on the motorway for work, I'm often in a hurry to get to the office on time. With easypaisa, I can quickly and easily top-up my M-Tag on-the-go, without having to worry about stopping at a toll plaza and waiting in long lines. What's even more exciting is that I get 100% real-time cashback on all service fees, which is a great way to save money on my travels. It's truly a game-changer for anyone who travels on the motorway regularly!



**Shiza Khan**

I recently discovered the easypaisa Mini Apps, and I am blown away by the variety of services offered. From ordering food to paying bills, the options are endless. The platform is user-friendly, and the transactions are quick and secure. I no longer have to switch between different apps for different services; everything is available in one place. The integration with easypaisa makes it even more convenient for me to manage my finances and make payments.



**Syed Sahim Samran**

As a low-income family, it is challenging to sustain a comfortable lifestyle for the family, especially with the rapidly changing economy and rising inflation. Thanks to the secure and easily accessible savings options available with easypaisa, it is now possible for an average, hard-working Pakistani like me to fulfill their dreams. Not too long ago, the option to invest securely from the palm of your hand didn't even exist. Now, I know that easypaisa has my back in difficult times and that is reassuring for the whole family.



**Syed Zain Qamar**

Last year, my hometown was hit by devastating floods that left many families homeless and in need of urgent relief. I wanted to help in any way that I could, and that's when I learned about easypaisa's initiative to facilitate flood relief donations. Using the easypaisa app, I was able to easily donate to a reputable relief organization that was working on the ground to provide aid to those affected by the floods. easypaisa made it possible for me to make a difference, even when I couldn't be physically present in my hometown.

# retailer stories

Our Shareholders

telenor group ANT GROUP



**Niaz**

How long have they been a retailer of easypaisa?  
Almost 3+ Years

## How has easypaisa positively impacted their business?

easypaisa gives forward thinkers and dreamers a place to turn their visions into reality. easypaisa impacted my business substantially as it constantly tries to bring new products which helped me to create more business. It helped me move to new heights.

My name is Niaz, I am from Islamabad and I have been an easypaisa retailer since more than 3 years. easypaisa provides a platform for forward thinkers and dreamers like me to make their ideas and dreams a reality. easypaisa has had a significant influence on my business since it is always introducing new services, which has helped me in growing my business. It enabled me to take on more challenges and reach new heights.



**Ahmed**

How long have they been a retailer of easypaisa?  
Almost 3+ Years

## How has easypaisa positively impacted their business?

easypaisa helped me start my business from scratch as I was unemployed before. easypaisa offers a lot of exciting services for customers which helped my business grow over the period.

As I was previously unemployed, easypaisa assisted me in starting my own business from the ground up. easypaisa provides a variety of innovative services to its customers, which has helped my company grow over time. It has been more than 3 years since I have been using easypaisa and it literally has changed my life for the better.



**Mukhtar Ahmed**

How long have they been a retailer of easypaisa?  
Almost 8+ Years

## How has easypaisa positively impacted their business?

For the last 8+ years I have been using easypaisa for my business, and the experience has been great. The services and opportunities that easypaisa has come up with over the years have played a crucial role in the lives of many Pakistanis including me. I can easily say that easypaisa has given me the opportunity to turn dreams into a reality for me.



**Umair Ilyas Kiyani**

How long have they been a retailer of easypaisa?  
Almost 5+ Years

## How has easypaisa positively impacted their business?

I have been a mobile shop owner, one thing that I was always worried about was the cash, keeping it at the shop and then going to the bank to deposit it always seemed risky. But it's been 5 years since I have started using easypaisa and it has taken away all that stress. Now my customers easily transfer payments to my account. It has been very easy to keep a check on the transactions happening daily, weekly and monthly. I love how they keep introducing new products and services to help their customers.

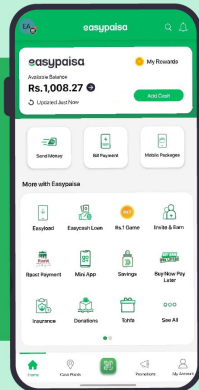
# credit score feature

We have incorporated industry-first **Credit Score** feature on our easypaisa app, which will enable our customers to view and improve their credit scores.

Here's a visual guide on how you can access this feature and benefit from it:

01

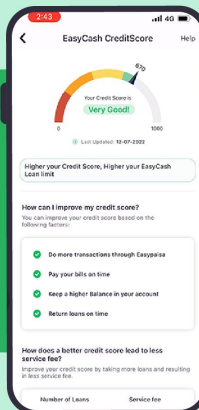
Tap the Easycash or Buy Now Pay Later icon on your easypaisa home screen to access the credit score visibility feature.



View your Credit Score category while availing Easycash or Buy Now Pay Later.

02

Click on credit score details to view your current credit score and learn how you can improve it.



03

# easypaisa savings feature

Introducing first of its kind in-app Savings feature that earns you profit daily!

Earn up to 14% annual profit daily on your account balance through a simple, one-click subscription process. Enjoy zero entry/exit restrictions without any amount locking and enjoy the new way to save. So now, let your bank balance increase every day, and bid farewell to age-old ways of banking!

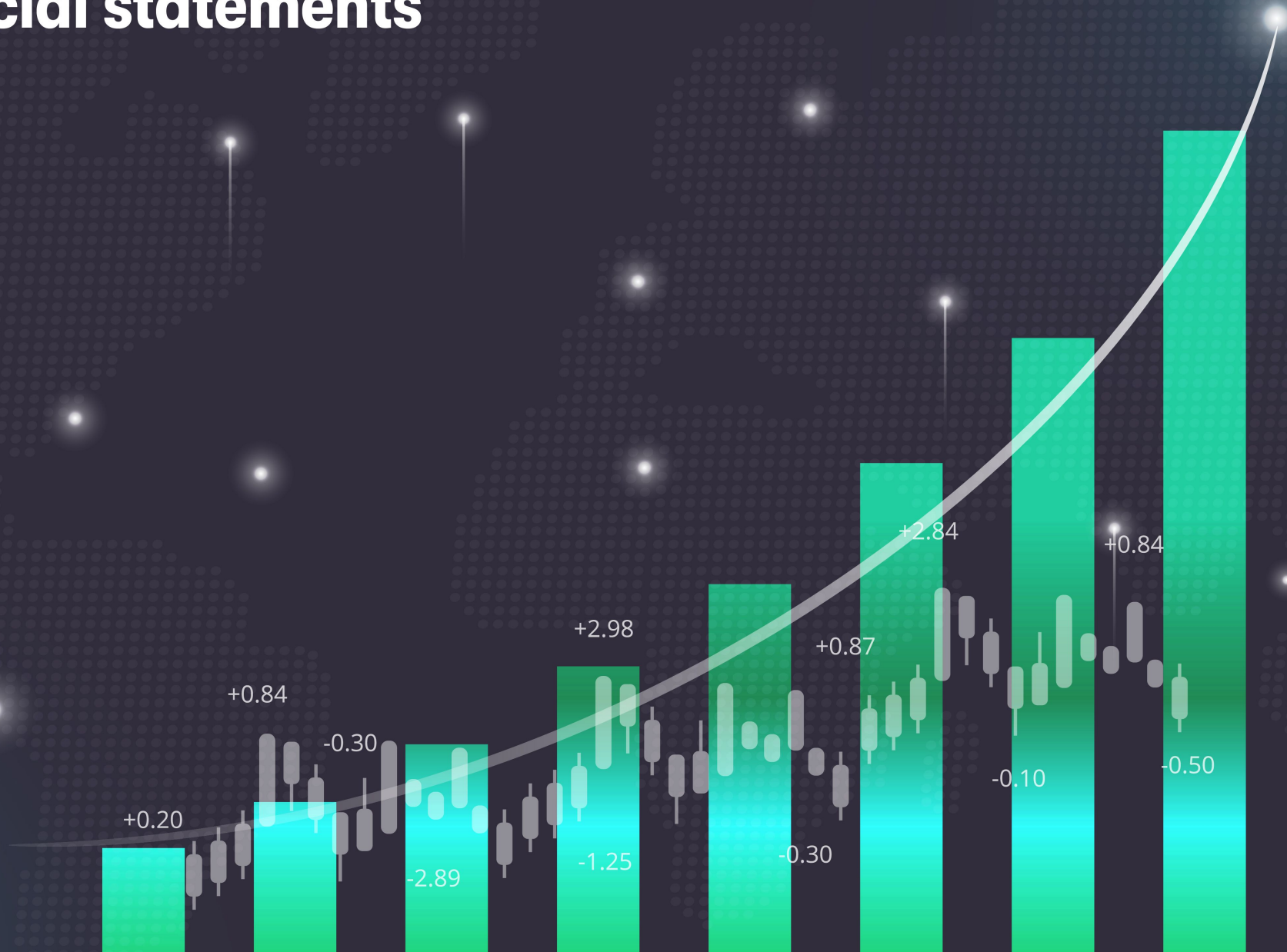
Download easypaisa now





digital-first

# 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, 2022.

## Macro-economic review:

### Global Overview

In 2022, many economists predicted that the world economy would continue to grow steadily. As the supply felt short to meet demand, economic activity began to experience a sharper-than-expected slowdown due to rising inflation levels in most countries. Geopolitical environment was also a source of uncertainty for the global economy, affecting trade and investment flows.

Despite relaxed COVID-19 regulations, global development remained comparatively modest in 2022. Major growth inhibitors included greater than anticipated global inflation, a decline in global output, the impact of climate change, tighter financial conditions, and spillovers from the conflict in Ukraine. Pakistan's economy was also impacted by these issues.

Trade and economics of other nations have been significantly impacted by the Russia-Ukraine conflict. This conflict hampered trade between the two regions, with the EU being Ukraine's biggest trading partner. Since Russia is one of the biggest oil producers in the world, the sanctions imposed on it have also had an impact on international trade, resultantly hampering and fueled an increase in oil and gas prices. Reduction in overall oil supply caused by the interruption of Russian shipments subsequently led to an increase in oil prices globally.

In reaction to the economic recovery, central banks in several nations tightened monetary policy to address the economic slump. To stop financial imbalances and rein in inflation, they raised interest rates. Even the most stable economies saw the need to act urgently to stop the decline in their economies; as a result, US and UK both kept their high interest rates at 4 percent and 4.5 percent, respectively.

IMF forecasts a decline in global growth from an anticipated 3.4 percent in 2022 to 2.9 percent in 2023 and a decline in global inflation from 8.8 percent in

2022 to 6.6 percent in 2023.

### Pakistan's Overview

Global economy experienced a variety of outcomes in Year 2022 with nations facing their own unique set of challenges and opportunities. Pakistan's economy made significant progress in 2022, achieving an improved real GDP growth rate on back of advancements in agriculture, large scale manufacturing (LSM), and services. Overall, the entire year was challenging due to political and administrative uncertainty, continued balance of payment crisis, declining foreign exchange reserves, and rising inflation. Despite these challenges, the government implemented structural reforms aimed at attracting foreign investment.

Real GDP growth for FY'22 was 5.97 percent, on account of growth in agriculture and LSM. Nominal GDP posted a growth of 20 percent amounting to PKR 66.9 B. Current account deficit (CAD) was marked by deterioration due to rising international commodity prices, flight of capital, and local currency depreciation. As the government slashed imports and applied stern measures to curtail the gap in balance of payments, CAD improved by 2.9 percent annually and was recorded at USD 11.77 B for CY22 compared to USD 12.1 B in CY21.

FX reserves held by the country were at a significantly high level of USD 22.08 B in Jan'22. Domestic and international commitments resulted in drastic fall of FX reserves to USD 10.8 B in Dec'22. Local currency at the start of the Year was at PKR 176.75 per USD, lost its resilience against the dollar from May'22 onwards owing to depleting FX reserves, widening the current account deficit and high import payments. Perpetual deterioration led the local currency to end the FY'22 at PKR 226.4 per USD.

Annual CPI of 19.72 percent reflected the myriad

global and domestic challenges. On the back of supply-demand imbalances, increase in production costs and devaluation of currency, the inflation rate remained elevated in 2022. GDP per capita was recorded at USD 1,658, with only a meagre increase of USD 93.9 compared to 2021. This further reiterates the adverse impacts on purchasing power while further slowing economic growth in all segments of society.

At the onset of 2022, the policy rate was 9.75 percent. Amid the rising inflation, tough IMF conditions, and economic distress, SBP followed the trend of global monetary tightening and continued to raise the policy rate. After a cumulative hike of 625 bps, Year 2022 closed with the policy rate of 16 percent.

Government of Pakistan implemented several structural reforms in 2022 aimed at improving the investment climate and attracting foreign investment. These measures, including tax exemptions, subsidies, and streamlined procedures, led to an increase of 2.6 percent in Foreign Direct Investment (FDI), reaching USD 1.87 B in FY'22. Remittances remained strong and reached a historic high of USD 34.4 billion, increase of 8.1 percent compared to the previous year. This was mainly attributed to the measures taken by the government to incentivize the use of formal channels for remittance inflows.

Unemployment rate improved to 6.2 percent compared to 6.5 percent in 2021, due to the creation of new job opportunities in various sectors, particularly in the IT and telecommunications industries alongside government's efforts to support small and medium-sized enterprises.

In 2023, global economy will remain overshadowed with inflation and supply chain related challenges which will continue to affect Pakistan's macro-environment.

### Banking Sector Review

Despite challenges on the economic front, banking sector remained resilient and continued to post profits in the Year 2022. Balance sheet growth and asset repricing have improved core interest earnings, while increasing volumes have helped non-interest income. Strategic measures taken by banks augmented financial strength of the sector, enabling them to absorb the impacts of macro-economic challenges and nation-wide floods.

Banking sector deposits grew by a modest 6 percent YoY owing to a first-time imposition of low ADR tax by GoP coupled with rising inflation, and the cautious approach taken by depositors in the face of economic uncertainty.

Aggressive stance of SBP in increasing the policy rate by 625 bps in CY22 to 16 percent is noteworthy. This decision was taken in response to persistent global and domestic supply shocks, PKR devaluation and depleting FX reserves. SBP's proactive measures helped stabilize the economy and strengthen the banking sector in the long run.

Overall, the resilience of the banking sector and its improved profitability in the face of economic challenges is noteworthy, and the systematic approach taken by banks along with SBP is encouraging for the future of the sector.

### Microfinance Banks (MFB) overview

Microfinance Banks played a vital role in the country's financial landscape in 2022 by offering microloans, savings, and insurance products to under-banked communities and MSMEs. The sector grew significantly and became a tool for reducing poverty and promoting financial inclusion.

Owing to rising interest rates, inflation, and floods, mainly impacting regions of Sindh, Southern Punjab and KPK, affected the average loan size of the microfinance industry resulting in decline by 15 percent (YoY). MFB sector served over 9.1 million active borrowers at the end 2022, which is an increase of 12 percent YoY, providing access to financial services to individuals and enterprises that would otherwise remain unserved.

Gross Loan Portfolio also increased with the rise in active borrowers, reaching 491 billion PKR, which is a 25 percent increase on a year-on-year basis

In general, industry PAR improved to 5.6 percent in Q4'22. Savings subscriber base increased by 4.7 percent take advantage of the rising interest rates and reached 93 million at the end of Q4 2022. TMFB lead the growth by 9.5 percent, adding 2.8 million depositors to its saver's portfolio. Overall, branchless banking players continued to dominate the market with a total of 77 million active saver base. The average saving balance was recorded at PKR 5,474.

SBP continued to support the development of the microfinance sector through various initiatives and regulations. Central bank encouraged the use of technology and digital solutions in microfinance operations, which resulted in improved efficiency and greater reach. Additionally, SBP issued NOCs to 5 applicants, including Telenor Microfinance Bank, for establishing digital retail banks.

COVID-19 pandemic and the recent floods significantly impacted the microfinance sector, with many customers facing financial difficulties and loan repayment challenges. In response, microfinance



industry issued a moratorium on loan repayments, providing other support measures to mitigate the impact.

## Business Review

TMB emerged as a leading player in the digital financial sector and witnessed a substantial rise in its monthly active mobile accounts, reaching 11.3 M users, 17 percent percentage growth as compared to the previous year. Easypaisa app, which is one of the most widely used financial services apps in the country, recorded 45 percent increase in its monthly active app users, reaching 7.3 million users. Easypaisa also processed 10 percent of the entire industry's mobile recharge, demonstrating its capability to operate on a telco agnostic platform.

TMB focused on acquiring high-quality customers while reducing acquisition and retention costs. Despite facing inflationary pressures and the impact of rising USD-denominated platform, TMB continued to provide uninterrupted services to its customers. In 2022, Easypaisa handled over 1.4 billion transactions, valuing more than PKR 3.9 trillion, accounting for moving 4 percent of the country's GDP.

In 2022, TMB's open API and mini-app integration grew significantly while 150 partners were onboarded. Savings feature on the app was introduced in the second quarter of the year and closed the year with 744,000 users. The Bank introduced its mini app vertical focusing on health, groceries, gaming, and wealth aimed at encouraging customers to use a single app to manage everyday needs.

TMB's through its digital first business philosophy transformed into Pakistan's "digital first bank" where by 100 percent of the productive lending loans were disbursed in users' mobile wallets, loan application and repayment process has been completely digitized with minimum branch visits.

The Bank disbursed PKR 13 B loans in Year 2022 whereas PKR 11.5 B was disbursed last year under productive lending with reduction in PAR to 5.2 percent as compared to 17.08 percent last year. Natural calamities with the likes of floods coupled with rising inflation levels continued to cause disruption in lending business and reducing the repayment capacity of obligors.

Further TMB's digital first ideology revolves around three fundamental principles 1) Frictionless onboarding 2) Real time fulfillment and 3) Customer centric approach to user experience. TMB envisions a future where digital banking services are seamlessly integrated into daily lives. To embody this philosophy

TMB approaches its business strategy through three distinct lenses i.e. payment, lending and platform based perspective.

Digital Lending powered by TMB's in house industry leading credit scoring model using a payment data-based machine learning algorithm was launched. 1.5 million nano-loans amounting to PKR 4 billion were disbursed in 2022 which is a YoY growth of 190 percent and 32 percent, respectively.

During 2022, our internationally recognized and reputable shareholders continued to support the transformation journey of the Bank with equity injections of USD 37 M. The cumulative equity injection between the Year 2018-2022 aggregated to a total of USD 304 M. TMB remains highly liquid, and CAR stood as at Dec 31, 2022, was 19.43 percent, which is well above the SBP stipulated 15 percent benchmark.

TMB remains dedicated to providing high-quality services to its customers, extending its financial inclusion net, supporting micro businesses, and maintaining its competitive position in the fintech industry in Pakistan.

## Financial Review

TMB's financial performance for the year ending December 31, 2022, was encouraging with top line revenue increasing significantly owing to a 40 percent YoY increase in sales, improved unit economics coupled with OPEX reduction. Net interest income improved by multiple folds, growing from negative PKR 861 million in 2021 to PKR 5.1 billion in 2022 directly correlated to the growth in investments and advances. Non-mark-up income also increased by c.12 percent from PKR 7.7 billion in 2021 to PKR 8.6 billion in 2022, attributed to increase in fee-based, commission-based, and other income.

The Bank recorded a loss after tax of PKR 7.1 billion, 34 percent less than the loss of PKR 10.8 billion in 2021. This was made possible by a boost in top line revenues and the optimization of OPEX.

The overall asset base increased from PKR 54 billion in 2021 to PKR 63 billion in 2022, a growth of around 17 percent. On the liabilities side, the Bank's CASA and CA ratios significantly increased in 2021 from 77 percent and 69 percent to 98 percent and 83 percent, respectively. At year's end, the bank's net advances to deposit (ADR) ratio was 24 percent, which reflects the conservative approach adopted by TMB after relaunch of lending operations last year and the stability of its well-diversified deposit base, which is mostly made up of granular branchless deposits. The Bank's cash and cash equivalents closed at PKR 11.1 B.

Deposits at the bank increased by 18 percent from PKR 39 billion in 2021 to PKR 46 billion in 2022, a sign of growing consumer trust. Advances book increased by 5 percent year over year.

Moreover, credit impairment costs decreased from PKR 2.9 billion in 2021 to PKR 1.5 billion in 2022, showing the Bank was able to write off some of its bad loans in the prior year.

In Year 2022, shareholders contributed USD 37 M, bringing the total shareholders' equity to PKR 6.2 B as of December 31, 2022. Strong shareholder support has enabled a capital adequacy ratio (CAR) of 19.43 percent adheres to SBP regulatory requirements.

Overall, Telenor Microfinance Bank has shown improvement in several key areas in 2022, which is a positive sign for the bank's future. To guarantee long-term viability, the bank will concentrate on increasing profitability and cutting back on accumulated losses.

## Changes in Composition in Board of Directors

During the year under review, Mr. Yi Zhou and Mr. Guoming Chen were elected on the Board of Directors of the Bank on behalf of Alipay (Hong Kong) Holding Limited, in place of the previous Directors Mr. Hua Hao and Mr. Zhang Lu. Furthermore, Ms. Uzma Munaf Khan's term as Independent Director expired on 15th November 2022 and hiring of new Independent Director is in process. Appointment of all the directors is under FPT approval process with the SBP.

## Existing Shareholding

TMB is jointly owned held by Telenor Pakistan B.V, a joint stock company based in Amsterdam with 55 percent shareholding and Alipay (Hong Kong) Holding Limited with 45 percent shareholding.

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).

During the year, Telenor Pakistan B.V and Alipay (Hong Kong) Holding further invested USD 22 million and USD 15 million in the Bank during the months of Feb'22 and Nov'22 respectively, in proportion of existing shareholding. The shareholders also have plans of injecting equity amounting to USD 15 M in the Year 2023.

## 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:

- a. 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.
- b. Proper books of account of the Bank have been maintained.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d. The Bank followed all applicable accounting standards, as applicable to Microfinance Banks in Pakistan, in preparation of these financial statements.
- e. During the year, the Bank reported a net of tax loss of PKR 10,765 million, details for which have been elaborated in the financial performance.
- f. The system of internal control is sound in design and has been effectively implemented and monitored.
- g. 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.
- h. Despite the aforementioned losses, the management has reasonable expectations that the Bank has adequate resources to continue in operational existence for the foreseeable future, as elaborated in note 1.5 to the financial statements. Accordingly, the financial statements have been prepared on a going concern basis.
- i. During the year, twelve board meetings were held. These meetings were attended by the directors as under:

Name of Director	Designation	Meetings	Meetings Attended
<b>Existing Members</b>			
Mr. Irfan Ul Wahab Khan	Chairman	8	8
Mr. Mohammad Mudassar Aqil	President & CEO	8	8
Mr. Zhixian Li	Director	8	8
Mr. Henning Thronsen	Director	8	8
Mr. Lars Erik Tellman	Director	8	7
Ms. Uzma Munaf Khan	Independent Director	8	7
Mr. Amjad Waheed	Independent Director	8	8
Mr. Yi Zhou *	Director	2	1
Mr. Guoming Chen *	Director	2	2

#### Outgoing Members

Mr. Hua Hao *	Director	6	6
Mr. Zhang Lu *	Director	6	6

\*Attended 1/2 meetings as observer; FPT under SBP approval process

j. 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 consists of three members comprising of two non-executive directors: Mr. Henning Thronsen along with Mr. Zhixian Li and one Independent Director, Dr. Amjad Waheed (Chairperson).

#### Credit Rating

PACRA has retained the long-term and short-term rating of the Bank to "A" and "A-1" respectively, while JCR VIS maintained a long and short-term rating of "A" and "A-1" respectively to the Bank.

#### External Audit Report

The External Auditors of the Bank, without qualifying their opinion, have drawn attention of the shareholders to the following point as a para of emphasis:

i. As the Bank incurred a net loss of Rs. 7,100 million during the year and resultantly accumulated losses aggregated to Rs. 45,088 million as at year end, the external auditors have emphasized on going concern assumption used in preparation of financial statements. Management believes that the Bank will continue to meet its capital adequacy requirement, operate its business, realize its assets and discharge its liabilities in the normal course of business. Following key factors have been considered for appropriateness of going concern assumption:

a. During the year, the Bank revised its business plan, which also envisages additional sponsor capital injection in the year 2023. The sponsors of the Bank have also made equity injection of USD 22 million in February 2022 and USD 15 million in November 2022 in accordance with approved business plan.

b. Capital Adequacy Ratio (CAR) of the Bank was 19.43% as at 31 December 2022, which is fully compliant with the regulatory requirements

c. The Bank is regulated by the State Bank of Pakistan (SBP) and both the sponsors of the Bank remain committed to the regulatory framework under the terms of the approval of SBP regarding their acquisition of the shares of the Bank. Accordingly, they remain committed to financially support the Bank in complying with the Minimum Capital Requirement and CAR as prescribed by SBP from time to time.

d. The Bank has continued to maintain an acceptable liquidity position and the deposit base as expected in line with the business plan.

e. In terms of the business plan and strategy approved by the Board the Bank intends to expand its digital platforms to grow the business and rationalize cost structure to achieve profitability going forward.

The Board of Directors endorses the management's view of having a reasonable expectation that the Bank has adequate resources and support from its shareholders to continue in operational existence for the foreseeable future.

#### External Auditors Appointment for 2023

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, 2023, 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, 2022, is as follows:

No. of shareholders	Shareholders	No. of shares	% Shareholding
1	Telenor Pakistan B. V	322,603,231	55%
1	Alipay (Hong Kong) Holding Limited	263,948,112	45%
1	Ms. Uzma Munaf Ahmed Khan	10	Less than 0.001%
1	Mr. Amjad Waheed	10	Less than 0.001%
<b>4</b>		<b>586,551,363</b>	<b>100%</b>

#### Financial Highlights

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

#### Earnings per Share

Loss per share of the Bank for the year ended 2022 is PKR 12.75 compared to PKR 22.27 as at end of Year 2021.

#### Employee Benefits Schemes

Value of investments including accrued income of provident and gratuity funds as at December 31, 2022, on the basis of respective un-audited financial statements are:

Provident fund:	PKR 833.68 million
Gratuity fund:	PKR 1,029.38 million

#### Remuneration of Chief Executive Officer and Directors

The details of Directors' fees and remuneration of Chief Executive Officer are given in Note 34 and note 34.1 to the Financial Statements.

#### Economic Outlook

Outlook for Year 2023 is likely to stagger with GDP projected to grow by around 2 percent. Inflation, current account deficit, and high debt levels remain key challenges that need to be addressed to ensure sustained economic growth in the long run. Inflation is expected to remain elevated, driven by global and domestic factors such as supply chain disruptions and rising energy prices.

Current account deficit is also expected to remain a concern, particularly if the government is unable to increase exports and reduce imports. Pakistan's high debt levels, both domestic and external, pose a risk to the country's economic stability and may limit its

ability to attract investors in key sectors.

Without IMF backing, economic recovery seems an uphill task as USD 35 B annual repayments are due for the country. Pakistan requires a sustainable economic policy and stable political environment coupled with strong structural reforms which will encourage foreign direct investments in the country.

#### Business Outlook

Telenor Microfinance Bank is well-positioned to tap into the growing demand for digital financial services in Pakistan, with an NOC from the State Bank of Pakistan to establish a Digital Retail Bank. Despite challenges posed by depleting FX reserves, downgraded credit ratings of sovereign debt and soaring inflation, Telenor Bank focuses on providing its customers best in class digital financial services.

The digitization of unsecured lending, including onboarding and loan disbursement, has made the process convenient for customers, with state-of-the-art Cashless Sales Centers providing complete digital solutions. The revamp of secured lending operations will enhance Telenor Bank's ability to provide tailored financial solutions. Overall, TMB's strategic focus on digitization and agile business model bodes well for future growth and success in the digital banking space in Pakistan.

#### 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

**Mr. Mohammad Mudassar Aqil**  
President / Chief Executive Officer

**Mr. Irfan Ul Wahab Khan**  
Chairman

**Place:** Karachi  
**Dated:** 17 March 2023



## six-year financial summary:

### Balance Sheet

	Rs.'000					
	2022	2021	2020	2019	2018	2017
<b>Assets</b>						
Cash and balances with SBP & NBP	5,604,020	3,900,068	2,881,781	3,463,741	4,210,306	3,497,633
Balances with other banks	5,508,160	10,717,441	6,352,885	7,408,549	3,864,399	4,310,776
Lending to financial institutions	3,000,000	-	6,971,827	4,950,000	5,473,364	3,368,059
Investments	27,971,506	17,752,663	11,855,007	13,773,400	9,008,445	6,767,309
Advances - net of provisions	11,290,600	10,769,884	11,090,960	19,998,939	32,944,819	24,761,653
Operating fixed assets	7,129,405	8,366,835	8,650,391	7,667,057	3,001,351	1,729,560
Other assets	3,195,621	3,037,994	4,462,097	3,598,248	3,963,292	3,052,877
Deferred tax asset - net	-	-	-	-	-	-
<b>Total Assets</b>	<b>63,699,312</b>	<b>54,544,885</b>	<b>52,264,948</b>	<b>60,859,934</b>	<b>62,465,976</b>	<b>47,487,867</b>
<b>Liabilities</b>						
Deposits and other accounts	46,597,944	39,042,927	36,963,810	41,170,537	42,274,909	36,664,927
Borrowings	-	-	-	-	-	-
Other liabilities	10,889,623	9,476,029	10,136,501	11,369,058	6,369,572	5,805,111
Deferred tax liabilities	-	-	-	-	-	12,034
<b>Total Liabilities</b>	<b>57,487,567</b>	<b>48,518,956</b>	<b>47,100,311</b>	<b>52,539,595</b>	<b>48,644,481</b>	<b>42,482,072</b>
<b>Net Assets</b>	<b>6,211,745</b>	<b>6,025,929</b>	<b>5,164,637</b>	<b>8,320,339</b>	<b>13,821,495</b>	<b>5,005,795</b>
<b>REPRESENTED BY:</b>						
Share capital	5,709,017	5,479,488	4,277,589	4,277,589	3,547,269	1,346,939
Advance against future issue of right shares	3,357,060	-	7,442,699	-	-	-
Reserves	42,248,428	38,527,068	20,616,746	20,585,009	10,412,953	1,405,571
Accumulated (Loss) / Profit	(45,087,689)	-	(27,205,476)	(16,556,869)	(192,172)	2,229,020
	6,226,816	6,007,330	5,131,558	8,305,729	13,768,050	4,981,530
Surplus / (Deficit) on revaluation of assets - net of tax	(29,405)	2,797	15,809	(4,130)	(2,359)	(911)
Deferred grants	14,334	15,802	17,270	18,740	55,804	25,176
	6,211,745	6,025,929	5,164,637	8,320,339	13,821,495	5,005,795

## six-year financial summary:

### Profit and Loss Statement

	Rs.'000					
	2022	2021	2020	2019	2018	2017
Mark-up / return / interest earned	7,966,927	3,998,418	5,981,102	9,288,624	8,721,206	6,063,887
Mark-up / return / interest expensed	(1,254,243)	(1,926,625)	(2,771,116)	(3,671,426)	(2,595,036)	(1,767,054)
Net mark-up / interest income	6,712,684	2,071,793	3,209,986	5,617,198	6,126,170	4,296,833
Reversal / (provision) against non-performing loans and advances	(1,505,073)	(2,881,607)	(1,929,693)	(8,819,976)	(1,365,385)	(217,003)
Bad debts written off directly	(29,291)	(52,083)	(85,021)	(49,502)	(21,124)	(24,746)
	(1,534,364)	(2,933,690)	(2,014,714)	(8,869,478)	(1,386,509)	(241,749)
<b>Net mark-up / Interest Income after provisions</b>	<b>5,178,320</b>	<b>(861,897)</b>	<b>1,195,272</b>	<b>(3,252,280)</b>	<b>4,739,661</b>	<b>4,055,084</b>
Non mark-up / interest income						
Fee, commission and brokerage income	6,605,787	6,257,904	6,302,800	8,241,218	8,172,650	8,352,400
Other income	2,045,438	1,482,709	893,850	296,886	214,128	135,108
Total non mark-up / interest income	8,651,225	7,740,613	7,196,650	8,538,104	8,386,778	8,487,508
	<b>13,829,545</b>	<b>6,878,716</b>	<b>8,391,922</b>	<b>5,285,824</b>	<b>13,126,439</b>	<b>12,542,592</b>
Non mark-up / interest expenses						
Administrative expenses	(20,379,667)	(17,000,461)	(18,774,865)	(20,818,968)	(14,948,448)	(11,811,976)
Other provisions / write offs	(186,259)	(321,246)	(38,429)	(250,891)	(272,601)	(29,549)
Other charges	(4,310)	(1,133)	(210)	(116)	(19,358)	(13,623)
Total non mark-up / interest expenses	(20,570,236)	(17,322,840)	(18,813,504)	(21,069,975)	(15,240,407)	(11,855,148)
	<b>(6,740,691)</b>	<b>(10,444,124)</b>	<b>(10,421,582)</b>	<b>(15,784,151)</b>	<b>(2,113,968)</b>	<b>687,444</b>
<b>(Loss) / Profit before taxation</b>	<b>(6,740,691)</b>	<b>(10,444,124)</b>	<b>(10,421,582)</b>	<b>(15,784,151)</b>	<b>(2,113,968)</b>	<b>687,444</b>
Taxation	(359,220)	(320,647)	(282,369)	(447,382)	(401,770)	(270,688)
<b>(Loss) / Profit after taxation</b>	<b>(7,099,911)</b>	<b>(10,764,771)</b>	<b>(10,703,951)</b>	<b>(16,231,533)</b>	<b>(2,515,738)</b>	<b>416,756</b>

## six-year financial summary: Cashflow statement

	Rs.'000					
	2022	2021	2020	2019	2018	2017
Cash flow from operating activities	(1,343,132)	77,060	(8,981,482)	(615,487)	(7,095,671)	(1,954,717)
Cash flow from investing activities	(9,052,817)	(5,974,340)	323,779	(6,688,057)	(3,858,171)	4,071,948
Cash flow from financing activities	6,890,620	11,280,123	7,020,079	10,101,129	11,220,138	15,315
Net increase in cash and cash equivalents	(3,505,329)	5,382,843	(1,637,624)	2,797,585	2,66,296	2,132,546
Cash and cash equivalents at beginning of the year	14,617,509	9,234,666	10,872,290	8,074,705	7,808,409	5,675,863
<b>Cash and cash equivalents at end of the year</b>	<b>11,112,180</b>	<b>14,617,509</b>	<b>9,234,666</b>	<b>10,872,290</b>	<b>8,074,705</b>	<b>7,808,409</b>

	2022	2021	2020	2019	2018	2017
<b>Financial Ratios:</b>						
Return on Equity (RoE)	(114%)	(179%)	(207%)	(195%)	(18%)	8%
Return on Assets (RoA)	(11%)	(20%)	(20%)	(27%)	(4%)	1%
Deposits to Liabilities	81%	80%	78%	78%	87%	86%
Net Advance to Deposit	24%	28%	30%	49%	78%	68%
Investment to Deposit	60%	45%	32%	33%	21%	18%
Total Asset to Shareholders' Fund	10.3	9.1	10.1	7.3	4.5	9.5
Capital Adequacy ratio (CAR)	19.4%	18.3%	18.7%	24.6%	35.2%	19.0%
(Loss) / Earning Per Share - PKR	(12.75)	(22.27)	(25.02)	(44.92)	(9.64)	1.86
<b>Other Information:</b>						
Number of Branches	61	66	89	120	103	85
Number of Employees	3,215	3,240	2,592	3,694	3,559	3,420
Number of Borrowers	488,471	177,987	305,619	896,694	694,441	535,413
Number of Depositors	33,038,566	24,651,621	23,247,513	17,182,377	9,198,446	8,122,495

# 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 2022, 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 a summary of significant accounting policies 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 2022 and of the loss, other comprehensive loss, 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.

### Material Uncertainty Related to Going Concern

We draw attention to note 1.5 to the financial statements, which indicates that the Bank has incurred a net loss after tax of Rs. 7,100 million and due to continuing losses particularly from the last financial year, its accumulated losses amount to Rs. 45,088 million as of 31 December 2022. The said note also describe the management's future plans and key risks and uncertainties in relation thereto. These conditions indicate the existence of material uncertainty which may cast significant doubt about the Bank's ability to continue as a going concern. In order to support the operations of the bank, the sponsors of the Bank have also made equity injection of Rs. 3,898 million (USD 22 million) in February 2022 and Rs 3,357 million (USD 15 million) in November 2022 in accordance with the approved business plan. Our opinion is not qualified in respect of this matter.

### 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 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.

EY Ford Rhodes  
Chartered Accountants

Place: Karachi  
Date: 24 March 2023  
UDIN: AR20221019msGFWjXYL

balance sheet  
as at 31 december 2022

2022	2021		2022	2021	
(USD in '000)			Note	(Rupees in '000)	
ASSETS					
Cash and balances with State Bank of Pakistan and					
24,749	17,224	National Bank of Pakistan	6	5,604,020	3,900,068
24,326	47,332	Balances with other banks	7	5,508,160	10,717,441
13,249	-	Lending to financial institutions	8	3,000,000	-
123,532	78,402	Investments	9	27,971,506	17,752,663
49,863	47,564	Advances - net of provisions	10	11,290,600	10,769,884
31,486	36,951	Operating fixed assets	11	7,129,405	8,366,835
14,113	13,417	Other assets	12	3,195,621	3,037,994
-	-	Deferred tax asset - net	13	-	-
281,318	240,890	TOTAL ASSETS		63,699,312	54,544,885
LIABILITIES					
205,793	172,428	Deposits and other accounts	14	46,597,944	39,042,927
-	-	Borrowings		-	-
-	-	Subordinated debt		-	-
48,092	41,850	Other liabilities	15	10,889,623	9,476,029
-	-	Deferred tax liabilities - net	13	-	-
253,885	214,278	TOTAL LIABILITIES		57,487,567	48,518,956
27,433	26,612	NET ASSETS		6,211,745	6,025,929
REPRESENTED BY:					
25,213	24,199	Share capital	16	5,709,017	5,479,488
14,826	-	Advance against future issue of right shares	16	3,357,060	-
186,584	170,149	Reserves		42,248,428	38,527,068
(199,123)	(167,818)	Accumulated Losses		(45,087,689)	(37,999,226)
27,500	26,530			6,226,816	6,007,330
(130)	12	(Deficit) / Surplus on revaluation of assets -net of deferred tax	17	(29,405)	2,797
63	70	Deferred grants	18	14,334	15,802
27,433	26,612			6,211,745	6,025,929
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 2022

2022	2021			2022	2021
(USD in '000)			Note	(Rupees in '000)	
35,185	17,658	Mark-up / return / interest earned	20	7,966,927	3,998,418
(5,539)	(8,509)	Mark-up / return / interest expensed	21	(1,254,243)	(1,926,625)
29,646	9,149	Net mark-up / return / interest income		6,712,684	2,071,793
(6,647)	(12,726)	Provision against non-performing loans and advances - net	10.3	(1,505,073)	(2,881,607)
-	-	Provision for diminution in the value of investments		-	-
(129)	(230)	Bad debts written off directly	10.4	(29,291)	(52,083)
(6,776)	(12,956)			(1,534,364)	(2,933,690)
22,870	(3,807)	Net mark-up /return/interest income/(expense)after provisions		5,178,320	(861,897)
NON MARK-UP / NON INTEREST INCOME					
29,174	27,637	Fee, commission and brokerage income	22	6,605,787	6,257,904
-	-	Dividend income		-	-
9,033	6,548	Other income	23	2,045,438	1,482,709
38,207	34,185	Total non-mark-up / non-interest income		8,651,225	7,740,613
61,077	30,378			13,829,545	6,878,716
NON MARK-UP / NON INTEREST EXPENSES					
(90,004)	(75,080)	Administrative expenses	24	(20,379,667)	(17,000,461)
(823)	(1,419)	Other provisions / write-offs	25	(186,259)	(321,246)
(19)	(5)	Other charges	26	(4,310)	(1,133)
(90,846)	(76,504)	Total non-mark-up / non-interest expenses		(20,570,236)	(17,322,840)
(29,769)	(46,126)	LOSS BEFORE TAXATION		(6,740,691)	(10,444,124)
(1,682)	(1,247)	Taxation - current	27	(380,935)	(282,470)
38	(140)	- prior	27	8,687	(31,595)
58	(29)	- deferred	27	13,028	(6,582)
(1,586)	(1,416)			(359,220)	(320,647)
(31,355)	(47,542)	LOSS AFTER TAXATION		(7,099,911)	(10,764,771)
(167,818)	(120,149)	Accumulated loss brought forward		(37,999,226)	(27,205,476)
(31,073)	(47,555)	Total comprehensive loss for the year		(7,035,813)	(10,767,874)
(198,891)	(167,704)			(45,035,039)	(37,973,350)
Appropriations:					
Transfer to:					
-	-	Statutory reserve		-	-
-	-	Capital reserve		-	-
(233)	(114)	Depositors' Protection Fund		(52,650)	(25,876)
-	-	Revenue reserve		-	-
-	-	Proposed cash dividend		-	-
(233)	(114)			(52,650)	(25,876)
(199,124)	(167,818)	Accumulated loss carried forward		(45,087,689)	(37,999,226)
(USD)				(Rupees)	
(0.06)	(0.10)	Loss per share - Basic and diluted	28.1	(12.75)	(22.27)

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

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 2022

2022	2021			2022	2021
----- (USD in '000) -----			Note	----- (Rupees in '000) -----	
(31,355)	(47,542)	Loss after taxation		(7,099,911)	(10,764,771)
Other Comprehensive income / (loss)					
Item not to be reclassified to statement of profit and loss in subsequent periods - net of tax					
399	(19)	Remeasurement gain / (loss) on defined benefit obligation	32.3.4	90,279	(4,370)
(116)	6	Related tax impact	13.2	(26,181)	1,267
283	(13)			64,098	(3,103)
(31,072)	(47,555)	Comprehensive loss for the year transferred to equity		(7,035,813)	(10,767,874)
Component of comprehensive income / (loss) for the year not transferred to equity					
Item to be reclassified to statement of profit and loss subsequently on sale - net of tax					
(200)	(81)	Deficit on revaluation of 'available for sale' investments		(45,354)	(18,327)
58	23	Related tax impact	13.2	13,153	5,315
(142)	(58)	Comprehensive loss for the year not transferred to equity		(32,201)	(13,012)

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 2022

	Share capital	Advance against future issue of right share	Capital reserves				Total capital reserves	Accumulated losses	Total
			Share premium	Statutory reserve	Depositors' protection fund				
Note						(Rupees in '000)			
<b>Balance as at 01 January 2021</b>	4,277,589	7,442,699	19,471,229	802,481	343,036	20,616,746	(27,205,476)	5,131,558	
<b>Comprehensive loss for the year</b>									
Loss after tax for the year	-	-	-	-	-	-	(10,764,771)	(10,764,771)	
Other comprehensive loss - net of tax	-	-	-	-	-	-	(3,103)	(3,103)	
Total comprehensive loss for the year	-	-	-	-	-	-	(10,767,874)	(10,767,874)	
<b>Transfer to statutory reserve *</b>	-	-	-	-	-	-	-	-	
<b>Advance against future issue of right shares</b>	-	11,643,646	-	-	-	-	-	11,643,646	
<b>Issue of share capital</b>	1,201,899	(19,086,345)	17,884,446	-	-	17,884,446	-	-	
<b>Transfer to Depositors' Protection Fund **</b>									
- return on investments	-	-	-	-	25,876	25,876	(25,876)	-	
<b>Balance as at 31 December 2021</b>	5,479,488	-	37,355,675	802,481	368,912	38,527,068	(37,999,226)	6,007,330	
<b>Comprehensive loss for the year</b>	-	-	-	-	-	-	-	-	
Loss after tax for the year	-	-	-	-	-	-	(7,099,911)	(7,099,911)	
Other comprehensive loss - net of tax	-	-	-	-	-	-	64,098	64,098	
Total comprehensive loss for the year	-	-	-	-	-	-	(7,035,813)	(7,035,813)	
<b>Transfer to statutory reserve *</b>	-	-	-	-	-	-	-	-	
<b>Advance against future issue of right shares</b>	16.5	7,255,299	-	-	-	-	-	7,255,299	
<b>Issue of share capital</b>	229,529	(3,898,239)	3,668,710	-	-	3,668,710	-	-	
<b>Transfer to Depositors' Protection Fund **</b>									
- return on investments	-	-	-	-	52,650	52,650	(52,650)	-	
<b>Balance as at 31 December 2022</b>	5,709,017	3,357,060	41,024,385	802,481	421,562	42,248,428	(45,087,689)	6,226,816	

\* 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 2022

2022	2021		2022	2021
(USD in '000)			(Rupees in '000)	
<b>(42,172)</b>	<b>(65,344)</b>	<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>(6,740,691)</b>	<b>(10,444,124)</b>
		Loss before taxation		
<b>6,559</b>	<b>5,657</b>	<b>Adjustments for non cash and other items:</b>	<b>1,048,372</b>	<b>904,211</b>
<b>1,778</b>	<b>1,973</b>	Depreciation	<b>284,197</b>	<b>315,387</b>
<b>2,193</b>	<b>2,210</b>	Depreciation on right-of-use assets	<b>350,441</b>	<b>353,212</b>
-	-	Amortisation		
<b>1,612</b>	<b>2,012</b>	Mark-up / Return / Interest expense on lease liability against right-of-use assets	<b>257,581</b>	<b>321,635</b>
<b>9,416</b>	<b>18,029</b>	Provision against non-performing loans and advances	<b>1,505,073</b>	<b>2,881,607</b>
<b>183</b>	<b>326</b>	Bad debts written off directly	<b>29,291</b>	<b>52,083</b>
<b>1,123</b>	<b>999</b>	Provision for gratuity	<b>179,471</b>	<b>159,667</b>
<b>(5)</b>	<b>1,880</b>	Provision and write-offs against other assets	<b>(758)</b>	<b>300,483</b>
	-	Provision for impairment	<b>125,156</b>	<b>-</b>
<b>387</b>	<b>130</b>	Write-offs against operating fixed assets	<b>61,861</b>	<b>20,763</b>
<b>(15,297)</b>	<b>(7,579)</b>	Amortisation of discount on available for sale securities	<b>(2,444,944)</b>	<b>(1,211,306)</b>
<b>(9)</b>	<b>(9)</b>	Grant income (recognized)	<b>(1,468)</b>	<b>(1,468)</b>
<b>(2,957)</b>	<b>(101)</b>	Gain on termination of lease	<b>(472,552)</b>	<b>(16,122)</b>
<b>(48)</b>	<b>9</b>	(Gain) / Loss on disposal of operating fixed assets	<b>(7,709)</b>	<b>1,465</b>
<b>4,935</b>	<b>25,536</b>		<b>914,012</b>	<b>4,081,617</b>
		<b>(Increase) / decrease in operating assets</b>		
<b>(18,769)</b>	<b>43,619</b>	Lending to financial institutions	<b>(3,000,000)</b>	<b>6,971,827</b>
<b>(12,858)</b>	<b>(16,346)</b>	Advances	<b>(2,055,080)</b>	<b>(2,612,614)</b>
<b>68</b>	<b>8,646</b>	Other assets (excluding advance taxation and receivable from define benefit plan)	<b>10,827</b>	<b>1,381,952</b>
<b>(31,559)</b>	<b>35,919</b>		<b>(5,044,253)</b>	<b>5,741,165</b>
		<b>Increase / (Decrease) in operating liabilities</b>		
<b>47,268</b>	<b>13,008</b>	Deposits and other accounts	<b>7,555,017</b>	<b>2,079,117</b>
<b>16,433</b>	<b>(5,271)</b>	Other liabilities (excluding lease liability against right-of-use assets)	<b>2,626,494</b>	<b>(842,497)</b>
<b>63,701</b>	<b>7,737</b>		<b>10,181,511</b>	<b>1,236,620</b>
<b>(3,099)</b>	<b>(2,481)</b>	Income tax paid	<b>(495,326)</b>	<b>(396,582)</b>
<b>(991)</b>	<b>(886)</b>	Contribution to defined benefit plan	<b>(158,385)</b>	<b>(141,636)</b>
<b>(9,185)</b>	<b>481</b>		<b>(1,343,132)</b>	<b>77,060</b>
		<b>Net cash flows from operating activities</b>		
<b>(48,945)</b>	<b>(29,437)</b>	<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>(7,823,136)</b>	<b>(4,704,985)</b>
<b>(7,828)</b>	<b>(7,956)</b>	Net Investment in available for sale securities	<b>(1,251,248)</b>	<b>(1,271,707)</b>
-	-	Investments in operating fixed assets	-	-
<b>135</b>	<b>15</b>	Proceeds from redemption of available for sale securities	<b>21,567</b>	<b>2,352</b>
<b>(56,638)</b>	<b>(37,378)</b>	Sale proceeds from disposal of operating fixed assets	<b>(9,052,817)</b>	<b>(5,974,340)</b>
		<b>Net cash flows from investing activities</b>		
<b>45,393</b>	<b>72,848</b>	<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>7,255,299</b>	<b>11,643,646</b>
<b>(2,282)</b>	<b>(2,274)</b>	Proceeds against future issue of right shares	<b>(364,079)</b>	<b>(363,523)</b>
<b>43,111</b>	<b>70,574</b>	Payment of lease liability against right-of-use assets		
		Net cash generated from financing activities	<b>6,890,620</b>	<b>11,280,123</b>
<b>(22,712)</b>	<b>33,677</b>	<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(3,505,329)</b>	<b>5,382,843</b>
<b>91,454</b>	<b>57,776</b>	Cash and cash equivalents at beginning of the year	<b>14,617,509</b>	<b>9,234,666</b>
<b>68,742</b>	<b>91,453</b>	<b>Cash and cash equivalents at end of the year</b>	<b>11,112,180</b>	<b>14,617,509</b>

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 2022

### 1. STATUS AND NATURE OF BUSINESS

1.1 Telenor Microfinance Bank Limited (the Bank) was incorporated in Pakistan on 01 August 2005 as a public limited company under the Companies Ordinance, 1984 (Repealed with the enactment of the Companies Act, 2017 on 30 May 2017). The Bank obtained microfinance banking license from the State Bank of Pakistan (SBP) on 05 August 2005 to operate on a nationwide basis and received the certificate of commencement of business from the Securities and Exchange Commission of Pakistan (SECP) on 05 September 2005.

1.2 The Bank's principal business is to provide Microfinance banking and related services to the poor and under-served segment of the society with a view to alleviate poverty under the Microfinance Institutions Ordinance, 2001. In 2009, the Bank also started Branchless Banking services under the Branchless Banking license from the SBP.

The Bank's registered office is situated at 19-C, Main Khayaban-e-Nishat, Phase VI, DHA, Karachi.

1.3 The Bank is jointly held by Telenor Pakistan B.V, a joint stock company based in Amsterdam with 55% shareholding (31 December 2021: 55%) and Alipay (Hong Kong) Holding Limited with 45% (31 December 2021: 45%) shareholding.

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 30, 2022 is as follows:

Credit rating company	Long term	Short term
PACRA	A	A1
JCR-VIS	A	A1

1.5 Going concern basis of accounting

During the year ended 31 December 2022, the Bank has incurred a net loss after tax of Rs. 7,100 million and due to continuing losses its accumulated losses amount to Rs. 45,088 million as at 31 December 2022. In order to mitigate the impact of losses, the shareholders have injected equity amounting to Rs. 26,341 million (USD 152.2 million) during the years 2020, 2021 and 2022 and a further capitalization plan has also been approved by the Board of Directors based on the future business financial projections and business plan of the Bank keeping in view the capital adequacy requirements of the State Bank of Pakistan.

These factors indicates the existence of the material uncertainties regarding sustainability of future operations of the Bank, however, these financial statements have been prepared on going concern basis as the Directors have reasonable expectation that the Bank will have the resources to continue its business and comply with regulatory capital requirements based on the following factors:

- During the period the Board of Directors of the Bank has approved the business plan which envisages further injections in the Bank's equity in the year 2023. The sponsors of the Bank have also made equity injection of Rs. 3,898 million (USD 22 million) in February 2022 and Rs. 3,357 million (USD 15 million) in November 2022 in accordance with the approved business plan.
- Capital Adequacy Ratio (CAR) of the Bank was 19.43% at 31 December 2022 and was compliant with the regulatory requirements.
- The Bank is regulated by the State Bank of Pakistan (SBP) and both the sponsors of the Bank remain committed to the regulatory framework under the terms of the approval of SBP regarding their acquisition of the shares of the Bank. Accordingly, they remain committed to financially support the Bank in complying with the Minimum Capital Requirement and CAR as prescribed by SBP from time to time.
- The Bank has continued to maintain an acceptable liquidity position and the deposit base as expected in line with the business plan.
- In terms of the business plan and strategy approved by the Board the Bank intends to expand its digital platforms to grow the business and rationalize cost structure to achieve profitability going forward.

The key risks and uncertainties associated with the above referred matters includes the ability of the Bank to achieve the results set out as per the revised business plan. In this respect particular challenges include, (but not limited to) Bank's ability to maintain and improve the level of asset quality, ensure capital inflows as per the approved business plan and execution of cost optimization initiatives envisaged under the aforementioned plan.

The assessment of the appropriateness of using the going concern basis of accounting has been subject to a due governance process involving the Audit Committee and Board of Directors of the Bank. In making such assessments, the Board has taken into account all facts and circumstances as referred to in above paragraphs and have concluded that the current situation along with the risk and uncertainties set out above and their consequential effects, represents a material uncertainty which may cast significant doubt upon the Bank's ability to continue as a going concern. In case, the Bank is unable to continue as a going concern, the Bank may not be able to realize its assets and discharge its liabilities in the normal course of business. Nevertheless, after considering the financial projections, in particular, those for the period up to 31 December 2023, the Directors have reasonable expectations that the Bank will have adequate resources to continue its business over this period. For these reasons, the Board of Directors and the management of the Bank continued to adopt the going concern basis in preparing these financial statements.

### 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.

### 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. 226.4309 per US Dollar has been used for 2022 and 2021.

#### 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.



**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;
- 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**

The actual impact of adopting IFRS 9 on the Bank's financial statements in the year 2024 may not be accurately estimated because it will be dependent on the financial instruments that the Bank would hold during next year and economic conditions at that time as well as accounting elections and judgements that it will make in future. Bank will finalise impact of IFRS 9 in the year 2023."

Further, 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, 2023
- IAS 8 - Definition of Accounting Estimates (Amendments)	January 01, 2023
- IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies	January 01, 2023
- IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)	January 01, 2023
- IFRS 16 - Lease Liability in a Sale and Leaseback (Amendments)	January 01, 2023
- IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)	Not yet announced

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, 2009
- IFRS 17 – Insurance Contracts(ents)	January 01, 2023

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**5.1 Cash and cash equivalents**

For the purpose of cash flow statement, 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 and deposit accounts and TDRs having a maturity up to 3 months. Cash and cash equivalents are carried at cost in the balance sheet.

**5.2 Lendings to financial institutions**

Lendings include term lendings and unsecured lendings to financial institutions. These are stated net of provision, if any. Mark-up on such lendings is charged to profit and loss account on a time proportionate basis using effective interest rate method except that mark-up on impaired / delinquent lendings are recognized on receipt basis.

**5.3 Investments**

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

**Initial measurement**

All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognised at the trade date. The trade date is the date on which the Bank commits to purchase or sell the investment.

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

**Subsequent measurement****Held-for-trading**

These represent investments, which are either acquired for the purpose of generating profit from short-term fluctuations in prices or dealer's margin or are securities included in the portfolio in which a pattern of short-term profit making exists. Investments classified as held-for-trading are subsequently measured at fair value. Any unrealised surplus / deficit arising on revaluation is taken to the profit and loss account in accordance with the requirements prescribed by SBP.

**Held-to-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.

**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 years 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 (OAEM)	Nil	Nil	10%
Substandard	25%	25%	25%
Doubtful	50%	50%	50%
Loss	100%	100%	100%

In addition, a general provision is made in accordance with the requirements of the Prudential Regulations equivalent to 1% of the net outstanding unsecured balance (advances net of specific provisions) for potential loan losses. The Bank also recognises general and specific provisions in addition to the above general provisions when the circumstances indicate delinquency in the portfolio.

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). Cost includes expenditure that are directly attributable to the acquisition of items.

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.

Gains and losses on disposal of assets are determined by comparing the sale proceeds with the carrying amount are included in the profit and loss account.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. Normal repairs and maintenance are charged to the profit and loss account as and when incurred. Major repairs and renovations that increase the useful life of an asset are capitalised.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

### 5.5.2 Capital work-in-progress

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

### 5.5.3 Intangible assets and amortisation

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.

### 5.5.4 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 Impairment

### 5.6.1 Non-financial assets (except for deferred tax assets)

The carrying amounts of the Bank's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated pre-tax future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

### 5.6.2 Financial assets

A financial asset, other than advances, is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in the profit and loss account.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost reversal is recognised in the profit and loss account. However, impairment against the loans and advances are recognised in the manner explained in note 5.4 above.

## 5.7 Financial instruments

### 5.7.1 Financial assets and financial liabilities

All financial assets and liabilities are recognized at the time when the Bank becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the Bank loses control of the contractual rights that comprise the financial asset. Financial liabilities are derecognized when these are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is taken to profit and loss account.



Financial assets and liabilities carried on the balance sheet include cash and bank balances, lending to financial institutions, investments, advances, deposits and certain other payables / receivables. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the relevant policy notes.

#### 5.7.2 Off setting

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

#### 5.8 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.

#### 5.9 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.

#### 5.10 Staff retirement benefits

##### 5.10.1 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 (31 December 2021) 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.

##### 5.10.2 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.

#### 5.11 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.
- Gain or loss on sale of securities is accounted for in the period in which the sale / settlement occurs.
- Fee, commission and service fee income is recognised as services are rendered except that in case of nano loans, the fee income is spread over the period of loan.
- 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.

#### 5.12 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. Deductible temporary differences (deferred tax assets) are temporary differences that are deductible from the taxable income of future periods when the carrying amount of the asset or liability is recovered or settled. Taxable temporary differences (deferred tax liabilities) are temporary differences that will result in a tax liability in future periods when the carrying amount of the asset or liability is recovered or settled. Deferred tax is calculated at the tax rates that are expected to be applicable to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted as at the Balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Where objective evidence exists that the carrying value of a deferred tax asset may not be recoverable, the deferred tax asset is reduced to its recoverable value. The difference between the carrying value and the recoverable value is recognised through the profit and loss account as a deferred tax expense.

#### 5.13 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.

#### 5.14 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 2021.

#### 5.15 Dividend distribution

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

#### 5.16 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.

#### 5.17 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.

#### 5.18 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 corresponding 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.

When an unvested right lapse either by virtue of an employee not conforming to the vesting conditions or failure to exercise the rights during the exercise window, after recognition of an employee compensation expense in the profit and loss account, such employee compensation expense is reversed in the profit and loss account equal to the amortized portion with a corresponding effect to the liability.

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) Classification and provisioning of investments (notes 5.3 and 9)

##### *Held-to-maturity*

As described in note 5.3, held-to-maturity securities are investments where the management has positive intent and ability to hold to maturity. The classification of these securities involves management judgment as to whether the financial assets are held-to-maturity investments.

##### *Held-for-trading*

Investments classified as held-for-trading are those which the Bank has acquired with an intention to trade by taking advantage of short term market interest rate movements.

##### *Available-for-sale*

Investments which are not classified as held-for-trading or held-to-maturity are classified as available-for-sale.

#### ii) Provision against advances (notes 5.4 and 10)

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.

#### iii) Current and deferred taxation (notes 5.12)

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.

#### iv) Payable against staff retirement benefits (notes 5.10)

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.

#### v) 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. Such change is accounted for as change in accounting estimates in accordance with International Accounting Standards - 8, "Accounting Policies, Changes in Accounting Estimates and Errors".

#### vi) Right-of-use assets and their related lease liability (note 5.5.4)

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.

#### vii) Fair value of share appreciation right

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.

#### viii) Impairment

The carrying amount of non-financial assets is reviewed at each financial statement date to determine whether there is any indication of impairment of any asset or a group of assets. If such indication exists, the recoverable amount of such asset is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

All impairment losses are recognized in the profit and loss account. Provisions for impairment are reviewed at each financial statement date and are adjusted to reflect the current best estimates. Changes in the provisions are recognized as income or expense.

		2022	2021
	Note	----- (Rupees in '000) -----	
<b>6. CASH AND BALANCES WITH STATE BANK OF PAKISTAN AND NATIONAL BANK OF PAKISTAN</b>			
Cash in hand - local currency		195,956	595,237
Balance with State Bank of Pakistan - current account		5,405,888	3,272,156
Balance with National Bank of Pakistan - current account		2,176	32,675
	6.1	5,408,064	3,304,831
		5,604,020	3,900,068

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.

		2022	2021
	Note	----- (Rupees in '000) -----	
<b>7. BALANCES WITH OTHER BANKS</b>			
In Pakistan			
- Current accounts		298,517	261,857
- PLS deposit accounts	7.1 & 7.2	5,209,643	7,955,584
- Fixed term deposits	7.3	-	2,500,000
		5,508,160	10,717,441

7.1 This represents demand deposits with various financial institutions carrying markup at rates ranging between 14.5% to 17.5% per annum (31 December 2021: 7% to 13.00% per annum).

7.2 Certain guarantees of Rs. 157 million (31 December 2021: Rs. 124.5 million) which have been given on behalf of the Bank by other financial institution for the Bank's branchless banking customers/ service providers. These guarantees are secured against the profit and loss sharing deposits maintained with the same financial institution.

7.3 This represent fixed term deposit with a commercial bank carrying mark-up rate at Nil (31 December 2021: 12.30% per annum) and having maturity in Nil (31 December 2021: January 2022).

		2022	2021
	Note	----- (Rupees in '000) -----	
<b>8. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Call money lendings - unsecured	8.1	3,000,000	-
		3,000,000	-

8.1 This represent call money lendings to various financial institutions carrying mark-up rate ranging from 15.7% to 16% per annum and having maturity in January 2023.

		2022	2021
		----- (Rupees in '000) -----	
<b>9. INVESTMENTS</b>			
Federal Government Securities - available for sale			
Market Treasury Bills	9.1	28,012,921	17,748,724
Surplus / (deficit) on revaluation of investment	17	(41,415)	3,939
		27,971,506	17,752,663

9.1 These carry mark-up at rates ranging between 15.46% to 16.82% (31 December 2021: 10.40% to 10.94%) per annum and having maturities up to Apr 2023 (31 December 2021: March 2022). These securities have an aggregate face value of Rs. 28,900 million (31 December 2021: Rs. 18,031 million).



## 10. ADVANCES - net of provisions

Loan Type	Note	2022		2021	
		Number of loans outstanding	(Rupees in '000)	Number of loans outstanding	(Rupees in '000)
<b>Micro credit</b>					
<b>Advances - gross</b>					
- Secured	10.1	37,254	4,131,416	41,779	3,959,619
- Unsecured	10.1	451,217	7,462,195	136,208	7,836,452
		488,471	11,593,611	177,987	11,796,071
<b>Less: Provision held</b>					
- Specific	10.1	42,046	(230,696)	32,829	(957,472)
- General	10.2		(72,315)		(68,715)
	10.3		(303,011)		(1,026,187)
<b>Advances - net of provisions</b>			11,290,600		10,769,884

### 10.1 Particulars of non-performing advances

Advances include Rs. 736.31 million (31 December 2021: Rs. 2,007.31 million) which have been placed under non-performing status as detailed below:

	2022			Provision required	Provision held
	Secured	Unsecured	Total		
	(Rupees in '000)				
<b>Other Assets Especially</b>					
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

	2021			Provision required	Provision held
	Secured	Unsecured	Total		
	(Rupees in '000)				
<b>Other Assets Especially</b>					
Mentioned (OAEM)	114,275	314,235	428,510	-	-
Substandard	64,334	275,465	339,799	68,866	68,866
Doubtful	10,294	673,332	683,627	336,666	336,666
Loss	3,445	551,939	555,383	551,940	551,940
	192,348	1,814,971	2,007,319	957,472	957,472

10.2 This represents general provision of Rs. 72.315 million (31 December 2021: Rs. 68.715 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.

### 10.3 Particulars of provision against non-performing advances

Note	2022			2021		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)			(Rupees in '000)		
Opening balance	957,472	68,715	1,026,187	1,572,518	63,016	1,635,534
Charge for the year	1,525,875	3,600	1,529,475	2,988,543	5,699	2,994,242
Reversals	(24,402)	-	(24,402)	(112,635)	-	(112,635)
	1,501,473	3,600	1,505,073	2,875,908	5,699	2,881,607
Amount written off	(2,228,248)	-	(2,228,248)	(3,490,954)	-	(3,490,954)
<b>Closing balance</b>	<b>230,697</b>	<b>72,315</b>	<b>303,011</b>	<b>957,472</b>	<b>68,715</b>	<b>1,026,187</b>

### 10.4 Particulars of write offs

	2022	2021
	(Rupees in '000)	
Against provisions	2,228,248	3,490,954
Directly charged to the profit and loss account	29,291	52,083
	2,257,539	3,543,037

## 11. OPERATING FIXED ASSETS

Note	2022	2021
	(Rupees in '000)	
Property and equipment	11.1	3,026,855
Intangible assets	11.2	2,487,616
Capital work-in-progress	11.3	611,364
Right-of-use assets	11.4	1,003,570
	7,129,405	8,366,835

### 11.1 Property and equipment

	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
	(Rupees in '000)							
Leasehold improvement	642,276	164,246	729,120	285,532	53,154	316,904	(87,137)	325,079
		(77,402)			(21,782)			
Office furniture and fixtures	351,657	36,238	370,269	168,441	31,632	189,188	(9,645)	171,436
		(17,626)			(10,885)			
Office equipments	937,656	79,568	933,158	630,161	129,020	688,500	(28,373)	216,285
		(84,065)			(70,681)			
Computer equipments	5,651,972	355,183	5,973,531	2,863,349	830,575	3,660,300	-	2,313,231
		(33,624)			(33,624)			
Vehicles	136,831	-	126,084	131,887	3,991	125,260	-	824
		(10,747)			(10,618)			
	7,720,392	635,235	8,132,162	4,079,370	1,048,372	4,980,152	(125,155)	3,026,855
		(223,404)			(147,590)			

	2021							
	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
	(Rupees in '000)							
Leasehold improvement	607,365	57,483	642,276	239,602	56,638	285,532	-	356,744
		(22,572)			(10,708)			
Office furniture and fixtures	371,644	1,187	351,657	150,783	30,564	168,441	-	183,216
		(21,174)			(12,906)			
Office equipments	908,919	42,516	937,656	498,318	141,764	630,161	-	307,495
		(13,778)			(9,921)			
Computer equipments	4,290,672	1,361,300	5,651,972	2,198,105	665,244	2,863,349	-	2,788,623
		-			-			
Vehicles	160,865	-	136,831	145,319	10,001	131,887	-	4,944
		(24,034)			(23,433)			
	6,339,465	1,462,486	7,720,392	3,232,127	904,211	4,079,370		3,641,022
		(81,558)			(56,968)			

11.1.1 Property and equipment include assets costing Rs. 2,241.41 million (31 December 2021: Rs. 1,967.57 million) which are fully depreciated and still in use.

**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)						
<b>Vehicles</b>							
Toyota Corolla	1,926	1,926	-	-	-	Bank's Policy	Employee
Suzuki Cultus	1,147	1,147	-	975	975	Bank's Policy	Auction
Suzuki Cultus	1,146	1,089	57	1,070	1,013	Bank's Policy	Auction
<b>2022</b>	<b>4,220</b>	<b>4,162</b>	<b>56</b>	<b>2,044</b>	<b>1,988</b>		
<b>2021</b>	<b>23,306</b>	<b>22,777</b>	<b>527</b>	<b>527</b>	<b>-</b>		

## 11.2 Intangible assets

	2022						
	As at 1 January	Cost Additions / (disposals / write-offs)	As at 31 December	As at 1 January	Amortisation Additions / (disposals / write-offs)	As at 31 December	Book value As at 31 December
	(Rupees in '000)						
<b>Computer software</b>	<b>3,339,511</b>	<b>513,938</b>	<b>3,853,449</b>	<b>1,015,392</b>	<b>350,441</b>	<b>1,365,833</b>	<b>2,487,616</b>
							<b>6.7 - 33</b>
	2021						
	As at 1 January	Cost Additions / (disposals / write-offs)	As at 31 December	As at 1 January	Amortisation Additions / (disposals / write-offs)	As at 31 December	Book value As at 31 December
	(Rupees in '000)						
<b>Computer software</b>	<b>1,255,191</b>	<b>2,084,320</b>	<b>3,339,511</b>	<b>662,180</b>	<b>353,212</b>	<b>1,015,392</b>	<b>2,324,119</b>
							<b>6.7 - 33</b>

**11.2.1** Intangible assets include software costing Rs. 716.902 million (31 December 2021: Rs. 514.57 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)					
<b>As at 01 January 2022</b>	-	-	-	<b>110,027</b>	<b>399,107</b>	<b>509,134</b>
Additions during the year	<b>26,928</b>	<b>6,119</b>	-	<b>238,861</b>	<b>307,250</b>	<b>579,158</b>
Capitalized during the year	-	(17)	-	(163,356)	(307,561)	(470,934)
Adjustments during the year	-	-	-	-	(5,995)	(5,995)
<b>As at 31 December 2022</b>	<b>26,928</b>	<b>6,103</b>	-	<b>185,532</b>	<b>392,801</b>	<b>611,364</b>
	Civil works	Office Equipment	Furniture and Fixtures	Computer Equipment	Computer Softwares	Total
	(Rupees in '000)					
<b>As at 01 January 2021</b>	-	-	-	797,828	1,986,404	2,784,232
Additions during the year	-	-	-	347,214	313,536	660,750
Capitalized during the year	-	-	-	(1,035,015)	(1,675,040)	(2,710,055)
Adjustments during the year	-	-	-	-	(225,793)	(225,793)
<b>As at 31 December 2021</b>	-	-	-	<b>110,027</b>	<b>399,107</b>	<b>509,134</b>

## 11.4 Right-of-use assets - buildings

	2022	2021
	(Rupees in '000)	
Opening	<b>1,892,560</b>	2,165,810
Additions during the year	<b>570,808</b>	185,580
Deletions during the year	<b>(1,175,601)</b>	(144,579)
Impact of remeasurement during the year	-	1,136
Depreciation charge	<b>(284,197)</b>	(315,387)
<b>Closing</b>	<b>1,003,570</b>	<b>1,892,560</b>

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

## 11.5 Impairment testing

In view of accumulated losses as mentioned in note 1.5, the Bank carried out an exercise to test its non-financial assets for impairment as of 31 December 2022.

For impairment testing purposes, the recoverable amount of cash generating units is determined based on a value-in-use calculation using cash flow projections from Business Plan of two years as approved by the Board of Directors of the Bank which is further extrapolated to 5 year period and applying the expected value approach. The discount rate applied to cash flow projections is 23% per annum for impairment testing of cash generating units. The growth rate used to extrapolate the cash flows beyond the four-year period is 4%. As a result of such test, the management has concluded that the recoverable amount of cash generating units is higher than their carrying value and accordingly, no provision for impairment is required in the financial statements.

## Key assumptions used in value-in-use calculations

The calculation of value-in-use is most sensitive to the following assumptions:

- Discount rates
- Key business assumptions

## Discount rates

The discount rate reflects current market assessment of the rate of return required for the business and is calculated using the Capital Asset Pricing Model. The discount rate reflects the target Weighted Average Cost of Capital of the Bank.

## Key business assumptions

These assumptions are based on business plan approved by the Board of Directors which includes revenue improvements on the basis of multiple strategies planned including increase in loan disbursement through conventional and digital channel, increase in mobile account users and rationalization of acquisition cost etc.

## Sensitivity to changes in assumptions

Management believes that after considering the various scenarios no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

## 12. OTHER ASSETS

	2022	2021
	(Rupees in '000)	
<b>Note</b>		
Mark-up / return / interest accrued	<b>669,416</b>	883,364
Service fee receivable on digital loans	<b>82,212</b>	24,560
Receivable from branchless banking agents	<b>455,797</b>	497,272
Loans to employees	<b>232,859</b>	225,054
Security deposits	<b>411,582</b>	369,159
Prepayments	<b>229,766</b>	117,982
Receivable from defined benefit plan	<b>146,910</b>	77,717
Branchless banking transaction fee receivable	<b>717,282</b>	628,663
Advance tax - net	<b>211,036</b>	118,403
Advance sales tax	<b>247,913</b>	332,625
Others	<b>180,001</b>	158,976
	<b>3,584,774</b>	3,433,775
Less: Provision held against other assets	<b>(389,153)</b>	(395,781)
	<b>3,195,621</b>	<b>3,037,994</b>



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:

	2022	2021
Note	------(Rupees in '000)-----	
Commission receivable from Benazir Income Support Program (BISP)	362,462	362,462
Commission receivable from utility companies	124,909	111,362
Commission receivable from insurance companies	73,588	43,826
Commission on disbursement services from financial institutions	74,435	3,091
Commission receivable from the Federal and Provincial Governments	56,991	81,631
Others	24,897	26,291
	<b>717,282</b>	<b>628,663</b>

12.3.1 This represents commission receivable for disbursements on behalf of the entities.

12.4 Movement in advance tax - net

Balance as at 1 January	118,403	15,230
Taxes paid during the year	464,881	396,582
Provision for taxation for the year	(372,248)	(293,409)
	<b>211,036</b>	<b>118,403</b>

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:

	2022	2021
	------(Rupees in '000)-----	
<b>Deductible temporary differences</b>		
- Un-absorbed tax depreciation	339,494	365,745
- Deficit on revaluation of assets (investments)	12,011	-
	<b>351,505</b>	<b>365,745</b>
<b>Taxable temporary differences</b>		
- Accelerated tax depreciation allowance	(291,023)	(330,302)
- Remeasurement gain on defined benefit obligation	(60,482)	(34,301)
- Surplus on revaluation of assets (investments)	-	(1,142)
	<b>(351,505)</b>	<b>(365,745)</b>
	<b>-</b>	<b>-</b>

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

	Balance as at 1 January 2021	Recognised in statement of profit or loss	Recognised in other comprehensive income	Deficit on revaluation of assets	Balance as at 31 December 2021	Recognised in statement of profit or loss	Recognised in other comprehensive income	Deficit on revaluation of assets	Balance as at 31 December 2022
<b>Deductible temporary differences arising in respect of:</b>									
- Un-absorbed tax depreciation	294,180	71,565	-	-	365,745	(26,251)	-	-	339,494
<b>Taxable temporary differences arising in respect of:</b>									
- Accelerated tax depreciation allowance	(252,155)	(78,147)	-	-	(330,302)	39,279	-	-	(291,023)
- Remeasurment of defined benefit liability	(35,568)	-	1,267	-	(34,301)	-	(26,181)	-	(60,482)
- Deficit / (surplus) on revaluation of assets	(6,457)	-	5,315	-	(1,142)	-	13,153	-	12,011
	(294,180)	(78,147)	6,582	-	(365,745)	39,279	(13,028)	-	(339,494)
	<b>-</b>	<b>(6,582)</b>	<b>6,582</b>	<b>-</b>	<b>-</b>	<b>13,028</b>	<b>(13,028)</b>	<b>-</b>	<b>-</b>

13.3 As of 31 December 2022, the carry forward tax loss and other deductible temporary difference amount to Rs. 45,518 million (2021: Rs. 35,817 million) and Rs. 511 million (2021: Rs. 1,241 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. 13,349 million (2021: Rs. 10,746 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

	2022		2021	
	Number of accounts	(Rupees in '000)	Number of accounts	(Rupees in '000)
Current deposits	32,283,122	38,827,258	24,459,615	26,933,710
Saving deposits	754,375	6,725,546	183,681	3,143,373
Fixed deposits	1,069	1,045,140	8,325	8,965,844
	33,038,566	46,597,944	24,651,621	39,042,927

##### 14.1 Particulars of deposits by ownership

	2022		2021	
	Number of accounts	(Rupees in '000)	Number of accounts	(Rupees in '000)
Individual depositors	33,037,656	42,393,173	24,650,715	37,385,789
Institutional depositors				
- Corporations / firms etc	800	2,867,079	838	1,569,317
- Banks / financial institutions	110	1,337,692	68	87,821
	33,038,566	46,597,944	24,651,621	39,042,927

#### 15. OTHER LIABILITIES

	Note	2022	2021
		----- (Rupees in '000) -----	
Mark-up / return / interest payable		6,460	64,047
Accrued expenses		2,636,358	2,620,355
Payable to related parties	15.1	919,003	821,335
Commission payable - branchless banking		183,050	173,577
Provision for staff bonus		325,000	225,000
Withholding tax payable		140,377	140,259
Payable to defined contribution plan		4,131	3,987
Payable to Worker's Welfare Fund	15.2	102,453	102,453
Lease liability against right-of-use assets	15.4	1,110,122	2,298,447
Bills payable		189,407	189,693
Switch settlement liability - net		1,424,776	229,642
Payable against branchless banking transactions	15.3	2,944,781	2,079,599
Employee share appreciation right liability	15.5	156,056	40,126
Provisions against contingencies		166,685	191,260
Others		580,964	296,249
		10,889,623	9,476,029

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

Alipay Singapore Pte. Ltd	604,230	307,898
Telenor Pakistan (Private) Limited	(1,864)	180,813
Telenor Procurement Company	249,668	260,986
Telenor Financial Services	3,504	15,899
Telenor Global Shared Services	62,505	54,779
Telenor ASA	960	960
	919,003	821,335

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 SSWF 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.

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

	Note	2022	2021
		----- (Rupees in '000) -----	
Over counter transactions	15.3.1	1,590,263	1,454,031
Utility bills collections		1,287,735	586,734
Others		48,630	38,834
		2,926,628	2,079,599

15.3.1 This includes Rs. 921.857 million (31 December 2021: Rs. 944.401 million) outstanding for more than one year in respect of 'over the counter' transactions.

##### 15.4 Lease liability against right-of-use assets

	2022	2021
	----- (Rupees in '000) -----	
Opening	2,298,447	2,314,659
Additions during the year	566,926	182,287
Deletions during the year	(1,648,153)	(159,711)
Impact of remeasurement during the year	-	3,100
Finance Cost	257,581	321,635
Payment of lease liability	(364,679)	(363,523)
Closing	1,110,122	2,298,447

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:

	2022	2021
	----- (Number in '000) -----	
Opening	11,576	3,366
Granted during the year	-	12,786
Forfeited during the year	(2,804)	(4,575)
Closing	8,773	11,576



## 16. SHARE CAPITAL

### 16.1 Authorised capital

2022	2021		2022	2021
---(Number of shares in '000)---			---(Rupees in '000)---	
<b>2,200,000</b>	<b>2,200,000</b>	Ordinary shares of Rs.10 each	<b>2,200,000</b>	<b>2,200,000</b>

### 16.2 Issued, subscribed and paid-up capital

2022	2021		2022	2021
---(Number of shares in '000)---			---(Rupees in '000)---	
<b>570,902</b>	<b>547,949</b>	Ordinary shares of Rs.10 each fully paid in cash	<b>5,709,017</b>	<b>5,479,488</b>

### 16.3 Reconciliation of number of shares outstanding

		2022	2021
	Note	---(Number of shares in '000)---	
Number of shares outstanding at the beginning of the year		547,949	427,759
Issuance of right shares	16.3.1	22,953	120,190
<b>Number of shares outstanding at the ending of the year</b>		<b>570,902</b>	<b>547,949</b>

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 2022, the shareholding of Telenor Pakistan B.V. and Alipay (Hong Kong) Holding Limited was 55% and 45% respectively.

16.5 During the year Company made a offer for right issue of 38.603 million shares and received advance against right issue of Rs. 7,255 million. Out of this 22.95 million shares have been issued against amount of Rs. 3,898 million and 15.65 million shares have been issued subsequent to the year end against amount of Rs. 3,357 million.

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

		2022	2021
		---(Rupees in '000)---	
Deficit on Available-for-sale investments			
Federal Government Securities	9	(41,415)	3,939
Related tax effect	13	12,010	(1,142)
		<b>(29,405)</b>	<b>2,797</b>

## 18. DEFERRED GRANTS

Grant received from			
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
Karandaaz Pakistan	18.8	4,473	5,941
	<b>18.9</b>	<b>14,334</b>	<b>15,802</b>

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.

8.2 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:

	2022	2021
	---(Rupees in '000)---	
Balance as at 01 January	<b>5,941</b>	7,409
Amount recognized as income during the year	<b>(1,468)</b>	(1,468)
<b>Balance as at 31 December</b>	<b>4,473</b>	<b>5,941</b>

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	2022	2021
		---(Rupees in '000)---	
Contingent liabilities	19.1	<b>1,026,220</b>	292,050
Commitments in respect of:			
Acquisition of operating fixed assets		<b>820,474</b>	251,488
		<b>1,846,694</b>	<b>543,538</b>

### 19.1 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. No provision has been recorded as the Bank's tax advisor is confident of a favorable decision.

Further, during the year, SRB has 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."

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. The Bank acquired a stay order against this demand from Lahore High Court. The Bank also filed an appeal before the Commissioner (Appeals) where the matter is still sub-judice. As the demand is considered unlawful and has been raised without proper verification of facts, no provision has been made in the books and a favorable outcome is expected in appeals.

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.

19.1.5 During the ongoing year, the Bank received another assessment Order for Tax Year 2016 wrongfully raising a demand of Rs. 58 million without considering the reliefs obtained by the Bank from Commissioner (Appeals) in earlier assessment proceedings. The Bank has successfully been able to get relief from Commissioner (Appeals) and this demand is hence no more in the field.

## 20. MARK-UP / RETURN / INTEREST EARNED

		2022	2021
	Note	---(Rupees in '000)---	
On:			
Advances		3,576,513	1,889,058
Available-for-sale investments in Government Securities		2,444,944	1,211,306
Deposits with financial institutions / banks		607,131	349,290
Call money lendings		1,075,828	418,445
Repurchase agreement lendings		262,511	130,319
		<b>7,966,927</b>	<b>3,998,418</b>

## 21. MARK-UP / RETURN / INTEREST EXPENSED

On:			
Deposits		996,282	1,604,990
Borrowings		380	-
Lease liabilities against right-of-use assets	21.1	257,581	321,635
		<b>1,254,243</b>	<b>1,926,625</b>

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

## 22. FEE, COMMISSION AND BROKERAGE INCOME

		2022	2021
	Note	---(Rupees in '000)---	
Loan processing fee	22.1	800,009	562,986
Income from branchless banking	22.2	5,805,778	5,694,918
		<b>6,605,787</b>	<b>6,257,904</b>

22.1 This includes fee of Rs. 459.548 million (31 December 2021: Rs. 313.931 million) in respect of nano-loans advanced during the year.

## 22.2 Income from branchless banking

	2022	2021
	---(Rupees in '000)---	
Service fee on money transfer services	3,361,481	3,768,708
Commission on funds collection services on behalf of corporate clients	2,149,660	1,741,158
Commission from insurance companies	208,777	142,651
Commission on disbursement services on behalf of financial institutions	85,860	42,401
	<b>5,805,778</b>	<b>5,694,918</b>

## 23. OTHER INCOME

		2022	2021
	Note	---(Rupees in '000)---	
Cheque book fees, ATM fees and other service charges		157,053	84,193
Recoveries against advances written off		1,446,968	1,389,010
Grant income	18.8	1,468	1,468
Gain / (loss) on sale of operating fixed assets		7,709	(1,465)
Gain on termination of lease contracts		472,552	16,122
Loss on sale of securities		(40,312)	(6,619)
		<b>2,045,438</b>	<b>1,482,709</b>

## 24. ADMINISTRATIVE EXPENSES

Salaries and other allowances		4,343,001	3,653,476
Charge for defined benefit plan	32.3.3	179,471	159,667
Contribution to defined contribution plan	33	148,273	130,063
Staff welfare		120,510	74,199
Training and capacity building		57,413	80,552
Employee share appreciation right expense	15.5	115,930	25,009
Non-executive directors' fees, allowances and other expenses		6,400	7,000
Commission - Branchless Banking	24.1	4,880,471	4,309,924
Customer Incentives		1,146,384	713,397
Advertisement		2,026,189	1,668,149
Professional consultancy charges		464,989	454,405
Customer verification charges		512,941	298,303
Legal and professional charges		247,308	207,326
Depreciation	11.1	1,048,372	904,211
Depreciation on right-of-use assets	11.4	284,197	315,387
Amortisation	11.2	350,441	353,212
Repairs and maintenance - IT		1,662,586	1,269,672
Insurance		351,420	352,561
Repairs and maintenance - General		284,212	260,383
Security services		222,190	221,998
Travelling and conveyance		169,086	99,644
Communication		356,917	452,015
Bank charges		756,482	441,538
Utilities		167,438	124,102
Printing and stationery		134,939	228,519
Auditors' remuneration	24.2	7,762	6,859
Other expenses		334,345	188,890
		<b>20,379,667</b>	<b>17,000,461</b>

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



## 24.2 Auditors' remuneration

	2022	2021
	---(Rupees in '000)---	
Audit fee	4,022	3,575
Half year review fee	1,671	1,375
Fee for other services as statutory auditors	1,347	1,120
Out-of-pocket expenses	723	789
	7,762	6,859

## 25. OTHER PROVISIONS / WRITE OFFS

Write off against Operating Fixed Assets	61,861	20,763
Provision for impairment against Operating Fixed Assets	125,156	-
(Reversal) / Provision against other Assets	(6,628)	251,506
Other provisions	5,870	48,977
	186,259	321,246

## 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

	2022	2021
	---(Rupees in '000)---	
	Note	
Current tax		282,470
Prior tax		31,595
Deferred tax	13.2	6,582
		359,220
		320,647

27.1 The Bank has filed returns upto tax year 2021 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.

27.2 As the Bank is currently in losses, the current tax expense represents minimum turnover tax and tax on certain services treated as final tax in accordance with the relevant provisions of Income Tax Ordinance, 2001.

## 28. LOSS PER SHARE

28.1 Basic	2022	2021
	---(Rupees in '000)---	
Loss after taxation for the year	(7,099,911)	(10,764,771)
	---(Number in '000)---	
Weighted average ordinary shares	556,878	483,310
	---(Rupees)---	
Loss per share - Basic and diluted	(12.75)	(22.27)

## 29. CASH AND CASH EQUIVALENTS

	2022	2021
	---(Rupees in '000)---	
	Note	
Cash and balances with SBP and NBP	6	3,900,068
Balances with other banks	7	10,717,441
		11,112,180
		14,617,509

## 29.1 Reconciliation of movement of liabilities to cash flows arising from financing activities

	2022						
	Liabilities		Equity				
	Deposits and other accounts	Other liabilities	Share capital (including share premium)	Reserves	Accumulated loss	Deferred grant	Total
	---(Rupees in '000)---						
Balance as at 1 January 2022	39,042,927	9,476,029	5,479,488	38,527,068	(37,999,226)	15,802	54,542,088
Changes from financing cash flows							
Issuance of share capital (including share premium)	-	-	3,586,589	3,668,710	-	-	7,255,299
Other changes - liability related							
Changes in deposits and other accounts	7,555,017	-	-	-	-	-	7,555,017
Changes in other liabilities	-	1,413,594	-	-	-	-	1,413,594
Changes in deferred grants	-	-	-	-	-	(1,468)	(1,468)
Total liability related to other changes	7,555,017	1,413,594	-	-	-	(1,468)	8,967,143
Total equity related other changes	-	-	-	52,650	(7,088,463)	-	(7,035,813)
Balance as at 31 December 2022	46,597,944	10,889,623	9,066,077	42,248,429	(45,087,689)	14,334	63,728,717

	2021						
	Liabilities		Equity				
	Deposits and other accounts	Other liabilities	Share capital (including share premium)	Reserves	Accumulated loss	Deferred grant	Total
	---(Rupees in '000)---						
Balance as at 1 January 2021	36,963,810	10,265,105	11,720,288	20,616,746	(27,205,476)	17,270	52,377,743
Changes from financing cash flows							
Issuance of share capital (including share premium)	-	-	(6,240,800)	17,884,446	-	-	11,643,646
Other changes - liability related							
Changes in deposits and other accounts	2,079,117	-	-	-	-	-	2,079,117
Changes in other liabilities	-	(789,076)	-	-	-	-	(789,076)
Changes in deferred grants	-	-	-	-	-	(1,468)	(1,468)
Total liability related to other changes	2,079,117	(789,076)	-	-	-	(1,468)	1,288,573
Total equity related other changes	-	-	-	25,876	(10,793,750)	-	(10,767,874)
Balance as at 31 December 2021	39,042,927	9,476,029	5,479,488	38,527,068	(37,999,226)	15,802	54,542,088

### 30. NUMBER OF EMPLOYEES

	2022			2021		
	Credit / sales staff	Banking / support staff	Total	Credit / sales staff	Banking / support staff	Total
	(Numbers)			(Numbers)		
Permanent	679	1,499	2,178	592	1,608	2,200
Contractual	407	630	1,037	441	599	1,040
	1,086	2,129	3,215	1,033	2,207	3,240

### 31. NUMBER OF BRANCHES

	2022	2021
	---(Numbers)---	
As at 01 January	66	89
Opened during the year	-	-
Closed during the year	(5)	(23)
As at 31 December	61	66

### 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:

	2022	2021
	---(% per annum)---	
- Discount rate	14.50	11.75
- Salary increase rate	13.50	10.75
- Expected rate of return on plan assets	14.50	11.75
- Mortality rates assumed	SLIC 2001-05	SLIC 2001-05

#### 32.3 Amount recognised in balance sheet

	2022	2021
	---(Rupees in '000)---	
Present value of defined benefit obligations	32.3.1 877,045	810,632
Fair value of plan assets	32.3.2 (1,023,955)	(888,349)
	(146,910)	(77,717)

#### 32.3.1 Movement in present value of defined benefit obligations

	2022	2021
	---(Rupees in '000)---	
Balance as at 1 January	810,632	788,446
Current service cost	32.3.3 200,418	179,305
Interest cost	83,897	64,266
Benefits paid by the plan	(150,523)	(197,649)
Remeasurement loss / (gain) on obligations	(67,379)	(23,736)
Balance as at 31 December	877,045	810,632

#### 32.3.2 Movement in fair value of plan assets

Balance as at 1 January	888,349	888,564
Contributions to the fund	158,385	141,636
Benefits paid by the plan	(150,523)	(197,649)
Expected return on plan assets	104,843	83,904
Remeasurement loss on plan assets	22,901	(28,106)
Balance as at 31 December	32.5 1,023,955	888,349

#### 32.3.3 Amount recognised in the profit or loss account

Current service cost	32.3.1 200,418	179,305
Net interest	(20,946)	(19,638)
	179,472	159,667

#### 32.3.4 Remeasurements recognised in other comprehensive income (OCI)

Remeasurement loss / (gain) on obligation - due to experience adjustment	(67,379)	(23,736)
Remeasurement loss on fair value of plan assets	(22,901)	28,106
Remeasurement loss for the year - net	(90,280)	4,370

#### 32.4 Movement in defined benefit plan

Expense charged in the current year	(77,717)	(100,118)
Remeasurements recognised in OCI during the year	32.3.3 179,472	159,667
Contributions to gratuity fund	32.3.4 (90,280)	4,370
Balance as at 31 December	32.3.2 (158,385)	(141,636)
	(146,910)	(77,717)

#### 32.5 Plan assets consist of the following:

Bank balances		
Term Deposit Receipt (TDRs)	134,826	555,080
	889,129	333,269
	1,023,955	888,349



### 32.6 Maturity profile of defined benefit obligation

	Years	
	2022	2021
Weighted average duration of the present value of defined benefit obligation	8.43	9.32

### Distribution of timing of benefit payments years

	Benefit payments	
	2022	2021
Years	(Rupees in '000)	
1	100,970	102,994
2	87,300	70,615
3	96,221	70,159
4	83,186	75,090
5	79,918	62,626
6 - 10	444,803	295,351
11+	4,591,385	3,031,155

### 32.7 Sensitivity analysis on significant actuarial assumptions:

#### Defined benefit liability

Base	877,046	780,351
Discount rate +1%	809,243	713,212
Discount rate -1%	955,186	858,654
Future salary increases +1%	959,596	862,522
Future salary increases -1%	804,381	708,858

### 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 2023 would be Rs. 147 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

	2022			2021		
	President / Chief Executive Officer	Directors	Executives	President / Chief Executive Officer	Directors	Executives
	(Rupees in '000)			(Rupees in '000)		
Fees	-	6,400	-	-	7,000	-
Managerial remuneration	32,423	-	1,124,018	30,087	-	950,120
Charge for defined benefit plan	3,242	-	106,762	3,009	-	88,347
Contribution to defined						
Contribution plan	4,053	-	140,390	3,761	-	118,430
Rent and house maintenance	9,727	-	337,206	9,026	-	285,036
Utilities	3,242	-	112,402	3,009	-	95,012
Medical	5,268	-	177,896	4,889	-	147,925
Conveyance	9,000	-	208,948	-	-	173,573
Special allowance	5,540	-	67,795	9,940	-	48,399
	72,495	6,400	2,275,417	63,721	7,000	1,906,842
Number of persons	1	2	737	1	2	642

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	2022					2021				
	Major Shareholder / Sponsors	Associates	Key management personnel (note 35.2)	Directors	Retirement benefit plans	Total	Major Shareholder / Sponsors	Associates	Key management personnel	Directors
	(Rupees in '000)						(Rupees in '000)			
Loans										
At 1 January	-	-	9,922	-	-	9,922	-	-	19,824	-
Given during the year	-	-	12,000	-	-	12,000	-	-	6,620	-
Repaid during the year	-	-	(10,555)	-	-	(10,555)	-	-	(16,522)	-
At 31 December	35.7	-	11,367	-	-	11,367	-	-	9,922	-
Deposits										
At 1 January	-	5,000	508	560	116,093	122,161	-	9,900	1,358	560
Received during the year	-	48,783,003	24,669	-	493,539	49,301,210	-	44,248,179	24,979	-
Withdrawn during the year	-	(48,777,613)	(22,267)	-	(548,418)	(49,348,300)	-	(44,253,079)	(25,829)	-
At 31 December	-	7,389	2,909	560	61,174	73,032	-	5,000	508	560
Other Assets										
Receivable from defined benefit plan	-	-	-	-	148,910	148,910	-	-	-	-
At 31 December	-	-	-	-	148,910	148,910	-	-	-	-
Other Liabilities										
Payable against goods and services	-	919,003	-	-	-	919,003	-	821,335	-	-
Payable to defined contribution plan	-	-	-	-	4,131	4,131	-	-	-	-
Payable to defined benefit plan	-	-	-	-	-	-	-	-	-	-
At 31 December	-	919,003	-	-	4,131	923,134	-	821,335	-	-
Capital Expenditure										
At 31 December	-	118,000	-	-	-	118,000	-	39,710	-	-
Transactions during the period										
Directors' meeting fees	-	-	-	6,400	-	6,400	-	-	-	7,000
Remuneration of Key Management Personnel	-	-	220,199	72,495	-	292,694	-	-	179,387	63,721
Mark-up expense	-	-	-	-	4,258	4,258	-	-	-	25,997
Communication expense	-	80,015	-	-	-	80,015	-	65,845	-	-
Rent against lease of premises	-	21,282	-	-	-	21,282	-	19,705	-	-
Professional consultancy charges	-	286,302	-	-	-	286,302	-	150,849	-	-
Other expenses	-	20,201	-	-	-	20,201	-	3,384	-	-
Repair and maintenance	-	380,891	-	-	-	380,891	-	483,963	-	-
Expenditure against air time / bundle for customers	7,255,299	597,186	-	-	-	597,186	11,643,646	223,163	-	-
Equity injection	7,255,299	1,385,677	220,199	78,895	4,258	8,944,529	11,643,646	946,909	179,387	70,721
At 31 December	7,255,299	1,385,677	220,199	78,895	4,258	8,944,529	11,643,646	946,909	179,387	70,721

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**

	2022				
	Total	Upto one Month	Over one month upto six months	Over six months upto one year	Over one year
(Rupees in '000)					
<b>Interest bearing assets</b>					
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
<b>Other non-earning assets</b>					
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
<b>Total assets</b>	<b>63,699,312</b>	<b>15,948,423</b>	<b>32,883,307</b>	<b>6,860,629</b>	<b>8,006,954</b>
<b>Interest bearing liabilities</b>					
Large time deposits above Rs. 100,000	1,038,501	561,358	467,643	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
<b>Other non-cost bearing liabilities</b>					
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
<b>Total liabilities</b>	<b>57,501,901</b>	<b>50,569,252</b>	<b>3,426,228</b>	<b>774,203</b>	<b>2,732,218</b>

	2021				
	Total	Upto one Month	Over one month upto six months	Over six months upto one year	Over one year
(Rupees in '000)					
<b>Interest bearing assets</b>					
Advances	10,769,884	1,836,427	1,892,820	4,397,121	2,643,516
Investments	17,752,663	7,197,456	10,555,207	-	-
Lending to financial institutions	-	-	-	-	-
Balances with other banks - deposit accounts	10,455,584	10,455,584	-	-	-
	38,978,131	19,489,467	12,448,027	4,397,121	2,643,516
<b>Other non-earning assets</b>					
Cash and balances with SBP and NBP	3,900,068	3,900,068	-	-	-
Balances with other banks - current accounts	261,857	261,857	-	-	-
Operating fixed assets	8,366,835	138,376	696,487	2,331,861	5,200,111
Other assets	3,037,994	908,801	925,071	379,080	825,041
	15,566,754	5,209,102	1,621,558	2,710,941	6,025,152
<b>Total assets</b>	<b>54,544,885</b>	<b>24,698,569</b>	<b>14,069,585</b>	<b>7,108,062</b>	<b>8,668,668</b>
<b>Interest bearing liabilities</b>					
Large time deposits above Rs. 100,000	8,848,984	581,210	2,319,153	4,601,130	1,347,491
All other time deposits (including fixed rate deposits)	116,433	5,495	36,970	57,579	16,389
Other cost bearing deposits	3,143,800	3,143,800	-	-	-
	12,109,217	3,730,505	2,356,123	4,658,709	1,363,880
<b>Other non-cost bearing liabilities</b>					
Current deposits	26,933,710	26,933,710	-	-	-
Other liabilities	9,476,029	2,645,686	2,776,124	475,881	3,578,337
Deferred grant	15,802	-	-	-	15,802
	36,425,541	29,579,396	2,776,124	475,881	3,594,139
<b>Total liabilities</b>	<b>48,534,758</b>	<b>33,309,901</b>	<b>5,132,247</b>	<b>5,134,590</b>	<b>4,958,019</b>

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).

		2022				
	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	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
		38,590,941	1,871,065	30,122,650	5,481,139	1,116,088

	Effective yield / interest rate %	2021				
		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	7.25% to 13%	10,455,584	10,455,584	-	-	-
Lending to financial institutions		-	-	-	-	-
Investment	10.4% to 10.94%	17,752,663	7,197,456	10,555,207		-
Advances	16% to 53%	10,769,884	1,836,427	1,892,820	4,397,121	2,643,516
		38,978,131	19,489,467	12,448,027	4,397,121	2,643,516
Liabilities						
Deposits	4.5% to 14.5%	12,109,217	3,730,505	2,356,123	4,658,709	1,363,880
Lease liability against right-of-use assets	9.8% to 15%	2,298,447	80,442	111,347	(60,385)	2,167,043
		24,570,467	15,678,520	9,980,557	(201,203)	(887,407)

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. Investments are made in the government securities.

**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	2022		2021	
	Financial assets	Maximum exposure	Financial assets	Maximum exposure
(Rupees in '000)				
Bank balances	10,916,224	5,510,336	14,022,272	10,750,116
Lendings to financial institutions	3,000,000	3,000,000	-	-
Advances	11,290,600	11,290,600	10,769,884	10,769,884
Other receivables	3,187,465	3,187,465	3,575,223	3,575,223
	28,394,289	22,988,401	28,367,379	25,095,223

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:

	2022	2021
	---(Rupees in '000)---	
Distributors and retailers	455,797	497,272
Financial institutions	13,918,877	13,083,975
Employees	232,859	225,054
Individuals	12,039,575	10,729,757
Corporates	1,015,796	515,595
Others	731,386	3,315,727
	<b>28,394,290</b>	<b>28,367,379</b>

### 37.2.3 Bank balances

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

	Long term	2022 Short term	Amount (Rupees in '000)
<b>Bank</b>			
Allied Bank Limited	AAA	A1+	479,664
Bank Alfalah Limited	AA+	A1+	8,734
Bank Of Punjab	AA+	A1+	1,042
Citi Bank	Aa3	P1	13,064
FINCA Microfinance Bank Limited	A	A1	27
Habib Bank Limited	AAA	A1+	548,466
JS Bank Limited	AA-	A1+	178,571
MCB Bank Limited	AAA	A1+	277,133
National Bank of Pakistan	AAA	A1+	2,175
Samba Bank Limited	AA	A-1	-
Soneri Bank Limited	AA-	A1+	3,339
Standard Chartered Bank Limited	AAA	A1+	309,787
The First Micro Finance Bank Limited	A+	A1	2,039,400
United Bank Limited	AAA	A1+	1,648,934
			<b>5,510,336</b>

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

	2022							
	Carrying amount				Fair value			
	Available for sale	Cash and cash equivalents	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Total
<b>Financial assets measured at fair value</b>								
- Investments - market treasury bills	28,012,921	-	-	-	28,012,921	-	27,971,506	27,971,506
<b>Financial assets not measured at fair value</b>								
- Cash and bank balances with SBP and NBP	-	5,604,020	-	-	5,604,020	-	-	-
- Balances with other banks	-	5,508,160	-	-	5,508,160	-	-	-
- Advances	-	-	11,290,600	-	11,290,600	-	-	-
- Other assets	-	-	3,195,621	-	3,195,621	-	-	-
	28,012,921	11,112,180	14,486,221	-	53,611,322	-	27,971,506	27,971,506
<b>Financial liabilities not measured at fair value</b>								
- Deposits and other accounts	-	-	-	(46,597,944)	(46,597,944)	-	-	-
- Other liabilities	-	-	-	(10,889,623)	(10,889,623)	-	-	-
	-	-	(57,487,567)	-	(57,487,567)	-	-	-
	<b>28,012,921</b>	<b>14,617,509</b>	<b>14,486,221</b>	<b>(57,487,567)</b>	<b>(3,676,245)</b>	<b>-</b>	<b>27,971,506</b>	<b>27,971,506</b>

### On balance sheet financial instruments

	2021							
	Carrying amount				Fair value			
	Available for sale	Cash and cash equivalents	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Total
<b>Financial assets measured at fair value</b>								
- Investments - market treasury bills	17,748,724	-	-	-	17,748,724	-	17,752,663	17,752,663
<b>Financial assets not measured at fair value</b>								
- Cash and bank balances with SBP and NBP	-	3,900,068	-	-	3,900,068	-	-	-
- Balances with other banks	-	10,717,441	-	-	10,717,441	-	-	-
- Advances	-	-	10,769,884	-	10,769,884	-	-	-
- Other assets	-	-	3,037,994	-	3,037,994	-	-	-
	17,748,724	14,617,509	13,807,878	-	46,174,111	-	17,752,663	17,752,663
<b>Financial liabilities not measured at fair value</b>								
- Deposits and other accounts	-	-	-	(39,042,927)	(39,042,927)	-	-	-
- Other liabilities	-	-	-	(9,476,029)	(9,476,029)	-	-	-
	-	-	(48,518,956)	-	(48,518,956)	-	-	-
	<b>17,748,724</b>	<b>14,617,509</b>	<b>13,807,878</b>	<b>(48,518,956)</b>	<b>(2,344,845)</b>	<b>-</b>	<b>17,752,663</b>	<b>17,752,663</b>

### 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 2022, the Bank's eligible capital for MCR was as follows:

	2022	2021
	---(Rupees in '000)---	
Fully paid-up ordinary shares	5,709,017	5,479,488
Advance against future issue of right shares	3,357,060	-
Balance in share premium account	41,024,385	37,355,675
Accumulated losses	(45,087,689)	(37,999,226)
<b>Eligible capital for MCR</b>	<b>5,002,773</b>	<b>4,835,937</b>
Statutory reserve	802,481	802,481
Depositors protection fund	421,562	368,912
<b>Net assets (before revaluation surplus / deficit and deferred grants)</b>	<b>6,226,816</b>	<b>6,007,330</b>

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 2022, the Bank's Capital adequacy ratio (CAR) was 19.43% (31 December 2021: 18.26%) 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
		2022 2021
		---(Rupees in '000)---
Idemia Pakistan Pvt Limited	ATM Card Production	85,731 187,937

### 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 17 March 2023.

\_\_\_\_\_  
President and  
Chief Executive Officer

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director



# pattern of shareholding

The pattern of shareholding of the Bank as at **31st December 2022** is as follows:

Name	%age Holding (2021)	%age Holding (2022)
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%	Less than 0.001%
Ms. Uzma Munaf Khan	Less than 0.001%	Less than 0.001%
Sub Total	100%	100%
Sponsors Total		
Individuals (Local & Foreign)		
Grand Total	100%	100%

# credits

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& Adjar Advertising LLP

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