



KPMG Taseer Hadi & Co.
Chartered Accountants

Telenor Micro Finance Bank Limited

Notes to the Condensed
Interim Financial Statements
(Un-audited)
For the six months period ended
30 June 2018

Telenor Micro Finance Bank Limited
 Condensed Interim Statement of Financial Position (Un-audited)
 As at 30 June 2018

	Note	30 June 2018 (Un-Audited) (Rupees in '000)	31 December 2017 (Audited)
ASSETS			
Cash and balances with State Bank of Pakistan and National Bank of Pakistan		9,562,907	3,497,633
Balances with other banks	6	2,920,872	4,154,764
Lending to financial institutions		-	3,368,059
Investments	7	7,506,592	6,767,309
Advances - net of provisions	8	30,063,948	24,761,653
Operating fixed assets	9	2,058,814	1,729,560
Other assets	10	3,681,496	2,848,790
Deferred tax asset - net	11	90,338	-
		55,884,967	47,127,768
LIABILITIES			
Deposits and other accounts	12	43,874,191	36,664,927
Borrowings		-	-
Subordinated debt		-	-
Other liabilities	13	5,846,384	5,445,012
Deferred tax liability - net		-	12,034
		49,720,575	42,121,973
NET ASSETS		6,164,392	5,005,795
REPRESENTED BY:			
Share capital	14	2,285,339	1,346,939
Advance against future issue of right shares	14	531,610	-
Reserves		1,405,571	1,405,571
Unappropriated profit		1,899,705	2,229,020
		6,122,225	4,981,530
Deficit on revaluation of assets - net of deferred tax		(3,427)	(911)
Deferred grants		45,594	25,176
		6,164,392	5,005,795
MEMORANDUM / OFF BALANCE SHEET ITEMS	15		

The annexed notes 1 to 22 form an integral part of the condensed interim financial information.

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 President & Chief
 Executive Officer

 Chairman

 Director

 Director

Telenor Micro Finance Bank Limited
 Condensed Interim Profit and Loss Account (Un-audited)
 For the half year and quarter ended 30 June 2018

	Note	Half year ended		Quarter ended	
		30 June	30 June	30 June	30 June
		2018	2017	2018	2017
		(Rupees in '000)		(Rupees in '000)	
Mark-up / return / interest earned	16	3,963,702	2,778,765	2,097,371	1,450,551
Mark-up / return / interest expensed	17	(1,176,531)	(802,951)	(582,993)	(403,870)
Net mark-up / return / interest income		2,787,171	1,975,814	1,514,378	1,046,681
Provision against non-performing loans and advances	8.2	(223,626)	(77,760)	(130,539)	(44,906)
Provision for diminution in the value of investments		-	-	-	-
Bad debts written off directly		(12,369)	(12,262)	-	(3,663)
		(235,995)	(90,022)	(130,539)	(48,569)
Net mark-up / return / interest income after provisions		2,551,176	1,885,792	1,383,839	998,112
NON MARK-UP / NON INTEREST INCOME					
Fee, commission and brokerage income	18	4,198,108	4,294,085	2,202,997	2,296,297
Dividend income		-	-	-	-
Other income		79,695	62,267	38,288	28,990
Total non-mark-up / non-interest income		4,277,803	4,356,352	2,241,285	2,325,287
		6,828,979	6,242,144	3,625,124	3,323,399
NON MARK-UP / NON INTEREST EXPENSES					
Administrative expenses	19	(6,951,382)	(5,698,242)	(3,747,416)	(2,902,649)
Other provisions / write-offs		(163,046)	(7,745)	-	(7,745)
Other charges		(7,851)	(11,011)	(100)	(8,596)
Total non-mark-up / non-interest expenses		(7,122,279)	(5,716,998)	(3,747,516)	(2,918,990)
		(293,300)	525,146	(122,392)	404,409
Extraordinary / unusual items		-	-	-	-
(LOSS) / PROFIT BEFORE TAXATION		(293,300)	525,146	(122,392)	404,409
Taxation - Current		(113,242)	(172,310)	(64,467)	(138,716)
- Prior years		(24,200)	(43,894)	(24,200)	(43,894)
- Deferred		101,427	6,289	53,951	(3,943)
		(36,015)	(209,915)	(34,716)	(186,553)
(LOSS) / PROFIT AFTER TAXATION		(329,315)	315,231	(157,108)	217,856
Basic and diluted earnings per share - Rupees		(1.96)	2.34	(0.78)	1.62

The annexed notes 1 to 22 form an integral part of the condensed interim financial information.

Signature

 President & Chief
 Executive Officer

 Chairman

 Director

 Director

Telenor Micro Finance Bank Limited
 Condensed Interim Cash Flow Statement (Un-audited)
 For the half year ended 30 June 2018

	30 June 2018	30 June 2017
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss) / profit before taxation	(293,300)	525,146
Adjustments:		
Depreciation and amortisation	320,107	167,209
Provision against non-performing advances - net	235,995	90,022
Provision for gratuity	66,496	151,827
Other provisions / write-offs	163,046	7,745
Amortisation of discount on investments	(201,817)	(201,012)
Grant income	-	(2,817)
Loss / (gain) on sale of operating fixed assets	1,173	(161)
	585,000	212,813
Increase in operating assets		
Lending to financial institutions	3,368,059	243,215
Advances	(5,538,290)	(4,471,442)
Other assets (excluding advance taxation)	(1,014,559)	(2,291,540)
	(3,184,790)	(6,519,767)
Increase in operating liabilities		
Deposits and other accounts	7,209,264	1,317,303
Other liabilities	372,306	770,047
	7,581,570	2,087,350
Income tax paid	(118,635)	(262,774)
Payment to employee gratuity fund	(37,431)	(137,942)
Net cash generated from / (used in) operating activities	4,532,414	(4,095,174)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of investments in available-for-sale securities	(21,706,669)	(20,496,645)
Investments in operating fixed assets	(663,050)	(831,493)
Sale proceeds from disposal of available-for-sale securities	21,165,743	24,864,303
Sale proceeds from disposal of operating fixed assets	12,516	3,073
Net cash (used in) / generated from investing activities	(1,191,460)	3,539,238
CASH FLOW FROM FINANCING ACTIVITIES		
Increase in Share Capital	938,400	-
Advance against future issue of right shares	531,610	-
Grant received	20,418	15,314
Net cash generated from financing activities	1,490,428	15,314
Increase / (decrease) in cash and cash equivalents during the period	4,831,382	(540,622)
Cash and cash equivalents at beginning of the period	7,652,397	5,675,863
Cash and cash equivalents at end of the period	12,483,779	5,135,241

The annexed notes 1 to 22 form an integral part of the condensed interim financial information.

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 President & Chief
 Executive Officer

 Chairman

 Director

 Director

Telenor Micro Finance Bank Limited
 Condensed Interim Statement of Other Comprehensive Income (Un-audited)
 For the half year and quarter ended 30 June 2018

	Half year ended		Quarter ended	
	30 June 2018 (Rupees in '000)	30 June 2017	30 June 2018 (Rupees in '000)	30 June 2017
(Loss) / profit after taxation for the period	(329,315)	315,231	(157,108)	217,856
Other comprehensive income: <i>Items that are not to be reclassified to profit and loss account in subsequent periods</i>				
Remeasurement of defined benefit plan	-	-	-	-
Related tax impact	-	-	-	-
	-	-	-	-
Comprehensive income for the period transferred to equity	(329,315)	315,231	(157,108)	217,856
Comprehensive income for the period not transferred to equity				
<i>Items that may be reclassified to profit and loss account in subsequent periods</i>				
(Deficit) / surplus on revaluation of 'available for sale investments'	(3,458)	844	(1,729)	899
Related tax impact	942	(253)	430	(270)
	(2,516)	591	(1,299)	629
Total comprehensive income for the period - net of tax	(331,831)	315,822	(158,407)	218,485

The annexed notes 1 to 22 form an integral part of the condensed interim financial information.

Telenor

 President & Chief
 Executive Officer

 Chairman

 Director

 Director

Telenor Micro Finance Bank Limited
Condensed Interim Statement of Changes in Equity (Un-audited)
For the half year ended 30 June 2018

Note	Capital reserves						Total
	Share capital	Advance against future issue of right shares	Share premium	Statutory reserve (Rupees in '000)	Depositors' protection fund	Unappropriated profit	
Balance as at 01 January 2017 (Audited)	1,346,939	-	343,469	719,130	224,157	1,943,880	4,577,575
Transactions with owners for the period							
Total comprehensive income for the period							
Profit after taxation for the period	-	-	-	-	-	315,231	315,231
Other comprehensive income - net of tax	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	315,231	315,231
Transfer to statutory reserve *	-	-	-	63,046	-	(63,046)	-
Contribution to depositors' protection fund **	-	-	-	-	22,790	(22,790)	-
Balance as at 30 June 2017 (Un-Audited)	1,346,939	-	343,469	782,176	246,947	2,173,275	4,892,806
Total comprehensive income for the period							
Profit after taxation for the period	-	-	-	-	-	101,525	101,525
Other comprehensive income - net of tax	-	-	-	-	-	(12,801)	(12,801)
Total comprehensive income for the period	-	-	-	-	-	88,724	88,724
Transfer to statutory reserve *	-	-	-	20,305	-	(20,305)	-
Contribution to depositors' protection fund **	-	-	-	-	12,674	(12,674)	-
Balance as at 31 December 2017 (Audited)	1,346,939	-	343,469	802,481	259,621	2,229,020	4,981,530
Loss after taxation for the period	-	-	-	-	-	(329,315)	(329,315)
Other comprehensive income - net of tax	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	(329,315)	(329,315)
Transfer to statutory reserve *	-	-	-	-	-	-	-
Issued subscribed and paidup capital	14	938,400	531,610	-	-	-	1,470,010
Contribution to depositors' protection fund **	-	-	-	-	-	-	-
Balance as at 30 June 2018 (Un-Audited)	2,285,339	531,610	343,469	802,481	259,621	1,899,705	6,122,225

* In accordance with the requirements of the Microfinance Institution Ordinance, 2001 and the Prudential Regulations for Microfinance Banks issued by the SBP (Prudential Regulations), the Bank has transferred an amount equivalent to 20% of profit after tax to the statutory reserve.

** In accordance with the requirements of the Microfinance Institution Ordinance, 2001 and the Prudential Regulations, the Bank has transferred an amount equivalent to 5% of profit after tax to the Depositors' Protection Fund, plus the return earned on such funds.

The annexed notes 1 to 22 form an integral part of the condensed interim financial information.

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President & Chief Executive
Officer

Chairman

Director

Director

Telenor Micro Finance Bank Limited
Notes to the Condensed Interim Financial Information (Un-audited)
For the half year ended 30 June 2018

1. STATUS AND NATURE OF BUSINESS

- 1.1** Telenor Microfinance Bank (the Bank) was incorporated in Pakistan on 01 August 2005 as a public limited company under the Companies Ordinance, 1984. The Bank obtained Microfinance banking license from the 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. The Bank's registered office is situated at 15-A, Block 7 & 8, KCHS, Union, Karachi. The Bank's principal business is to provide micro finance banking and related services to the poor and underserved segment of the society with a view to alleviate poverty under the Microfinance Institution Ordinance, 2001. In 2009, the Bank also started Branchless Banking services with the holding company under the Branchless Banking license from the SBP.
- 1.2** The Bank is a subsidiary of Telenor Pakistan B.V, a joint stock company based in Amsterdam (the holding company), which owns 99.99% shareholding in the Bank.

2. BASIS OF PRESENTATION

These financial statements have been presented in accordance with the requirements of Banking Surveillance Department Circular No. 11, dated 30 December 2003 issued by the State Bank of Pakistan (SBP).

3. STATEMENT OF COMPLIANCE

- 3.1** The condensed interim financial information of the Bank has been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:
- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
 - Provisions of and directives issued under the Microfinance Institution Ordinance, 2001;
 - Provisions of and directives issued under the Companies Act, 2017; and
 - Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

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

- 3.2** The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property'. Further, the Securities and Exchange Commission of Pakistan (SECP) has deferred the applicability of International Financial Reporting Standard (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 this condensed interim financial information. However, investments have been classified and valued in accordance with the requirements prescribed by SBP through various circulars / regulations.

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

The following revised standards, amendments and interpretations with respect to the approved accounting standards would be effective from the dates mentioned below against the respective standard or interpretation:

- **IFRS 9 'Financial Instruments' - effective date: 1 July 2018**

The Bank is currently awaiting instructions from the SBP as the applicability of IAS 39 was deferred by the SBP till further instructions. However, the SBP has instructed banks to prepare potential qualitative and quantitative impact assessments as a result of adoption of IFRS 9 using the performa financial statements for the year ended 31 December 2017. The Bank is required to submit its impact assessment to the SBP in due course of time.

- **IFRS 15 'Revenue from contracts with customers' - effective date: 1 July 2018**

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 'Revenue' which covers contracts for goods and services and IAS 11 'Construction Contracts' which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards. A new five-step process has been introduced which must be applied before revenue can be recognised. Entities will have a choice of full retrospective application, or prospective application with additional disclosures.

The Bank is currently in the process of assessing the potential impacts of changes required in revenue recognition policies upon adoption of the standard.

- **IFRS 16 'Leases' - effective date: 1 January 2019**

IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on statement of financial position. The standard removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The accounting for lessors will not significantly change.

As at the reporting date, the Bank has non-cancellable operating lease commitments. However, the Bank is currently in the process of assessing the potential impacts of changes as a result of adoption of IFRS 16.

There are certain other new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after 1 January 2019 but are considered not to be relevant or will not have any significant effect on the Bank's operations and are therefore not detailed in this condensed interim financial information.

3.4 Standards, interpretations and amendments to approved accounting standards that are effective in the current year

There are certain new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after 1 January 2018 but are considered not to be relevant or do not have any significant effect on the Bank's operations and therefore not detailed in this condensed interim financial information.

4. BASIS OF MEASUREMENT

4.1 This condensed interim financial information have been prepared under the historical cost convention except for available for sale investments which are measured at fair value.

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

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- 4.3 The preparation of this condensed interim financial information in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgment in the application of its accounting policies. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions 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 revision and future periods if the revision affects both current and future periods.

The significant judgements made by management in applying its accounting policies and the key sources of estimation uncertainty were the same as those applied to the annual financial statements for the year ended 31 December 2017.

5. SIGNIFICANT ACCOUNTING POLICIES AND FINANCIAL RISK MANAGEMENT

- 5.1 The accounting policies adopted in the preparation of this condensed interim financial information are consistent with those applied in the preparation of financial statements of the Bank for the year ended 31 December 2017.
- 5.2 The financial risk management objectives and policies adopted by the bank are consistent with those disclosed in the annual financial statements of the bank for the year ended 31 December 2017.

	Note	30 June 2018 (Un-Audited)	31 December 2017 (Audited)
(Rupees in '000)			
6. BALANCES WITH OTHER BANKS			
In Pakistan			
- Current accounts		21,054	16,046
- PLS deposit accounts	6.1	1,899,818	1,738,718
- Term deposit accounts	6.2	1,000,000	2,400,000
		<u>2,920,872</u>	<u>4,154,764</u>

- 6.1 This represents demand deposits with commercial banks carrying mark-up ranging from 4.00% to 7.20% (31 December 2017: 4.00% to 6.10%) per annum.

- 6.2 This represents term deposit with a commercial bank carrying mark-up at a rate of 7.1% (31 December 2017: 6.25% to 6.50%) per annum and will mature by 27 July 2018.

7. INVESTMENTS

Federal Government Securities - available-for-sale

Market Treasury Bills		7,511,352	6,768,610
Deficit on revaluation of assets		(4,760)	(1,301)
		<u>7,506,592</u>	<u>6,767,309</u>

- 7.1 These carry interest rates ranging between 5.8% to 6.7% (31 December 2017: 5.94% to 6.05%) per annum and have maturity upto 30 August 2018. These securities have an aggregate face value of Rs. 7,550 million (31 December 2017: Rs. 6,800 million).

8. ADVANCES - NET OF PROVISIONS

Advances - gross	8.1	30,403,898	25,002,513
Provision against non-performing loans and advances			
- Specific provision	8.1	(108,387)	(61,759)
- General provision		(231,563)	(179,101)
	8.2	(339,950)	(240,860)
Advances - net of provisions		<u>30,063,948</u>	<u>24,761,653</u>

- 8.1 Advances include Rs. 508.714 million (31 December 2017: Rs. 256.738 million) which have been placed under non-performing status as detailed below:

	30 June 2018 (Un-Audited)			31 December 2017 (Audited)		
	Amount outstanding	Provision required	Provision held	Amount outstanding	Provision required	Provision held
	(Rupees in '000)			(Rupees in '000)		
OAEM	230,800	-	-	100,672	-	-
Substandard	111,497	16,083	16,083	60,551	8,699	8,699
Doubtful	130,739	59,099	59,099	72,737	33,643	33,643
Loss	35,678	33,205	33,205	22,778	19,417	19,417
	<u>508,714</u>	<u>108,387</u>	<u>108,387</u>	<u>256,738</u>	<u>61,759</u>	<u>61,759</u>

8.2 Particulars of provision against non-performing advances

	30 June 2018 (Un-Audited)			31 December 2017 (Audited)		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)			(Rupees in '000)		
Opening balance	61,759	179,101	240,860	10,868	99,202	110,070
Charge for the year	198,662	52,462	251,124	172,951	79,899	252,850
Reversals	(27,498)	-	(27,498)	(35,847)	-	(35,847)
	171,164	52,462	223,626	137,104	79,899	217,003
Amount written off	(124,536)	-	(124,536)	(86,213)	-	(86,213)
Closing balance	108,387	231,563	339,950	61,759	179,101	240,860

9. OPERATING FIXED ASSETS

	Note	30 June 2018 (Un-Audited)	31 December 2017 (Audited)
		(Rupees in '000)	
Property and equipment		1,811,681	1,600,088
Intangible assets		141,487	69,645
Capital work-in-progress - advance against purchase of fixed assets		105,646	59,827
		<u>2,058,814</u>	<u>1,729,560</u>

9.1 Additions during the period - at cost

	30 June 2018 (Un-Audited)	30 June 2017 (Audited)
	(Rupees in '000)	
Improvements to leasehold buildings	9,107	16,267
Furniture and fixtures	5,275	39,408
Electrical, office and computer equipments	479,829	339,861
Vehicles - owned	-	50,440
Intangible assets	120,115	20,560
	<u>614,326</u>	<u>466,536</u>

9.2 Disposals during the period - at cost

	30 June 2018 (Un-Audited)	30 June 2017 (Audited)
	(Rupees in '000)	
Electrical, office and computer equipments	7,263	625
Vehicles - owned	20,409	7,071
Vehicles - leased	-	1,560
	<u>27,672</u>	<u>9,256</u>

10. OTHER ASSETS

		30 June 2018 (Un-Audited)	31 December 2017 (Audited)
		(Rupees in '000)	
Mark-up / return / interest accrued		1,560,378	1,203,070
Receivable from branchless banking agents	10.1	493,436	534,900
Loans to employees	10.2	302,300	298,762
Security deposits		40,194	38,610
Prepayments - rent		105,056	101,627
Prepayment - others		132,174	8,488
Branchless banking transaction fee receivable		623,663	364,461
Taxation - net		45,565	64,372
Receivable from SBP against livestock insurance		44,857	44,571
Receivable from SBP against international remittances		12,313	7,007
Others		501,804	242,585
		<u>3,861,740</u>	<u>2,908,453</u>
Less: Provision held against other assets		(180,244)	(59,663)
		<u>3,681,496</u>	<u>2,848,790</u>

10.1 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.

10.2 These represent interest free loans to staff and executives of the Bank for a maximum period of 36 months. These are secured against the retirement benefits of employees.

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11. DEFERRED TAX ASSET - NET	Note	30 June 2018 (Un-Audited) (Rupees in '000)	31 December 2017 (Audited)
Deductible temporary differences arising in respect of:			
Provision against non-performing loans and advances		95,186	72,258
Deficit on revaluation of investments		1,333	390
Remeasurement of defined benefit plan		11,467	11,467
Other Provisions / Write Off		<u>50,469</u>	<u>17,899</u>
		158,455	102,014
Taxable temporary differences arising in respect of:			
Accelerated depreciation allowance		<u>(68,117)</u>	<u>(114,048)</u>
		90,338	(12,034)
12. DEPOSITS AND OTHER ACCOUNTS			
Fixed deposits		20,860,555	18,125,078
Savings deposits		6,769,796	4,173,270
Current accounts		<u>16,243,840</u>	<u>14,366,579</u>
		43,874,191	36,664,927
12.1 Particulars of deposits by ownership			
Individual depositors		20,358,550	24,529,096
Institutional depositors			
- Corporations / firms etc		15,845,376	5,838,150
- Banks / financial institutions		<u>7,670,265</u>	<u>6,297,681</u>
		43,874,191	36,664,927
13. OTHER LIABILITIES			
Mark-up / return / interest payable		406,244	286,931
Payable against branchless banking transactions		2,769,612	1,632,897
Accrued expenses		923,773	1,096,396
Payable against service level agreement	18.1	219,944	497,252
Commission payable - branchless banking	19.1	156,646	118,845
Provision for staff bonus		118,217	246,530
Withholding tax payable		118,804	63,396
Payable to defined contribution plan		69,177	12,661
Payable to defined benefit plan		52,476	23,411
Payable to Workers' Welfare Fund		103,365	102,453
Bills payable		233,686	289,211
ATM settlement account		466,383	887,357
Others		<u>208,057</u>	<u>187,672</u>
		5,846,384	5,445,012
14. SHARE CAPITAL			
14.1 Authorised share capital			
30 June 2018 (Un-Audited) (Number of shares in '000)	31 December 2017 (Audited)	30 June 2018 (Un-Audited) (Rupees in '000)	31 December 2017 (Audited)
<u>270,000</u>	<u>270,000</u>	<u>2,700,000</u>	<u>2,700,000</u>
Ordinary shares of Rs.10 each			
14.2 Issued, subscribed and paid-up share capital			
30 June 2018 (Un-Audited) (Number of shares in '000)	31 December 2017 (Audited)	30 June 2018 (Un-Audited) (Rupees in '000)	31 December 2017 (Audited)
<u>228,534</u>	<u>134,694</u>	<u>2,285,339</u>	<u>1,346,939</u>
Ordinary shares of Rs.10 each fully paid in cash			
14.3 During the period the Bank has issued right shares amounting to Rs. 938.4 million.			
14.4 The Bank is in the process of increasing its authorised share capital for the purpose of issuing further right shares amounting to Rs. 531.6 million.			

Bank

15. MEMORANDUM / OFF BALANCE SHEET ITEMS

There are no memorandum / off balance sheet items as at 30 June 2018 except for the following contingent liabilities :

- During the period, the Bank was served with an order from Sindh Revenue Board (SRB) claiming additional sales tax amounting to Rs. 69.33 million along with penalty of Rs. 3.69 million for tax periods from July 2011 to June 2016. The Bank has filed an appeal with commissioner (appeals) and based on the opinion of its adviser, is confident of a favourable decision.
- The Bank was also served with an order from deputy commissioner Inland revenue claiming additional withholding income tax on profit on debt under section 161 / 205 for tax year 2012 and tax year 2013 amounting to Rs. 5.64 million and Rs. 6.14 million respectively alongwith default surcharge of Rs. 5.04 million and Rs. 4.84 million and penalty of Rs. 0.56 million and Rs. 0.61 million, respectively. The Bank has filed an appeal with commissioner (appeals) and based on the opinion of its adviser, is confident of a favourable decision.

16. MARK-UP / RETURN / INTEREST EARNED

	Half year ended		Quarter ended	
	30 June 2018 (Un-Audited) (Rupees in '000)	30 June 2017	30 June 2018 (Un-Audited) (Rupees in '000)	30 June 2017
On loans and advances	3,609,970	2,489,711	1,910,499	1,304,571
On available for sale investments	201,817	201,012	103,952	97,200
On deposits with financial institutions	50,050	45,471	24,140	21,996
On call money lendings	40,313	20,696	25,148	11,864
On Repurchase agreement lendings	61,552	21,875	33,632	14,920
	3,963,702	2,778,765	2,097,371	1,450,551

17. MARK-UP / RETURN / INTEREST EXPENSED

On deposits	1,176,531	802,894	582,993	403,870
On borrowings	-	57	-	-
	1,176,531	802,951	582,993	403,870

18. FEE, COMMISSION AND BROKERAGE INCOME

Loan processing fee		340,026	251,518	183,337	131,394
Income from branchless banking	18.1	3,848,176	4,028,287	2,014,027	2,154,758
Others		9,906	14,280	5,633	10,145
		4,198,108	4,294,085	2,202,997	2,296,297

- 18.1 The Bank and Telenor Pakistan (Private) Limited entered into a service level agreement in 2017 as per which professional consultancy charges are to be paid by the Bank to Telenor Pakistan (Private) Limited against branchless banking services.

19. ADMINISTRATIVE EXPENSES

	Note	30 June 2018 (Un-Audited) (Rupees in '000)	30 June 2017 (Un-Audited) (Rupees in '000)
Salaries and other allowances		1,460,754	1,287,839
Contribution to defined contribution plan		72,037	61,110
Charge for defined benefit plan		66,496	151,827
Staff welfare		29,539	25,214
Training and capacity building		2,289	649
Rent and taxes		146,279	141,559
Legal and professional charges		17,993	11,772
Utilities		28,221	25,171
Communication		40,801	39,607
Travelling and conveyance		73,774	87,601
Insurance		138,677	95,580
Printing and stationery		31,762	48,471
Repairs and maintenance		232,258	179,406
Depreciation		271,272	153,856
Amortisation		48,835	13,354
Auditors' remuneration		1,891	2,331
Advertisement		981,122	187,219
Security services		109,302	68,550
Customer verification charges		206,802	99,495
Professional consultancy charges	18.1	255,719	268,712
Bank charges		68,988	77,004
Other expenses		78,540	3,564
Commission - Branchless Banking	19.1	2,608,031	2,668,351
		6,951,382	5,698,242

- 19.1 This represents commission expense payable to retailers and franchisees in respect of branchless banking services.

Bank

