

TELENOR MICROFINANCE BANK LIMITED
CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)
AS AT SEPTEMBER 30, 2021

September 30, 2021 (Un-audited) (USD in '000)	December 31, 2020 (Audited)		September 30, 2021 (Un-audited) (Rupees in '000)	December 31, 2020 (Audited)
ASSETS				
		Cash and balances with State Bank of Pakistan		
21,626	16,886	and National Bank of Pakistan	3,690,595	2,881,781
69,692	37,226	Balances with other banks	11,893,554	6,352,885
-	40,853	Lendings to financial institutions	-	6,971,827
72,515	69,467	Investments	12,375,240	11,855,007
63,263	64,990	Advances - net of provisions	10,796,290	11,090,960
49,955	50,689	Operating fixed assets	8,525,210	8,650,391
20,440	26,146	Other assets	3,488,180	4,462,097
-	-	Deferred tax asset - net	-	-
297,491	306,257	Total assets	50,769,069	52,264,948
LIABILITIES				
211,049	216,596	Deposits and other accounts	36,017,119	36,963,810
-	-	Borrowings	-	-
-	-	Subordinated debt	-	-
62,365	59,398	Other liabilities	10,643,048	10,136,501
-	-	Deferred tax liability - net	-	-
273,414	275,994	Total liabilities	46,660,167	47,100,311
24,077	30,263	NET ASSETS	4,108,902	5,164,637
REPRESENTED BY:				
30,323	25,065	Share capital	5,174,840	4,277,589
-	43,612	Advance against future issue of right shares	-	7,442,699
197,710	120,808	Reserves	33,740,735	20,616,746
(204,021)	(159,416)	Accumulated loss	(34,817,780)	(27,205,476)
24,012	30,069		4,097,795	5,131,558
(32)	93	(Deficit) / Surplus on revaluation of assets - net of deferred tax	(5,429)	15,809
97	101	Deferred grants	16,536	17,270
24,077	30,263		4,108,902	5,164,637

MEMORANDUM / OFF BALANCE SHEET ITEMS 14

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

**President and
Chief Executive Officer**

Chairman

Director

Director

TELENOR MICROFINANCE BANK LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

Nine months ended		Quarter ended			Nine months ended		Quarter ended		
September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020		September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020	
(USD in '000)					(Rupees in '000)				
16,368	26,092	6,324	7,137	Mark-up / return / interest earned	15	2,793,274	4,452,739	1,079,290	1,218,034
(8,591)	(12,957)	(2,798)	(3,450)	Mark-up / return / interest expensed	16	(1,466,100)	(2,211,285)	(477,565)	(588,750)
7,777	13,135	3,526	3,687	Net mark-up / return / interest income		1,327,174	2,241,454	601,725	629,284
(13,217)	(9,630)	(5,788)	(3,006)	Provision against non-performing loans and advances - net	10.3	(2,255,574)	(1,643,439)	(987,681)	(512,921)
-	-	-	-	Provision for diminution in the value of investments		-	-	-	-
(241)	(364)	(70)	(145)	Bad debts written off directly	10.4	(41,153)	(62,063)	(11,871)	(24,754)
(13,458)	(9,994)	(5,858)	(3,151)	Net mark-up / return / interest income after provisions		(2,296,727)	(1,705,502)	(999,552)	(537,675)
(5,681)	3,141	(2,332)	536			(969,553)	535,952	(397,827)	91,609
NON MARK-UP / NON INTEREST INCOME									
29,559	28,064	10,352	8,597	Fee, commission and brokerage income	17	5,044,405	4,789,335	1,766,680	1,467,075
4,730	3,823	788	1,327	Other income		807,222	652,385	134,398	226,407
34,289	31,887	11,140	9,924	Total non-mark-up / non-interest income		5,851,627	5,441,720	1,901,078	1,693,482
28,608	35,028	8,808	10,460			4,882,074	5,977,672	1,503,251	1,785,091
NON MARK-UP / NON INTEREST EXPENSES									
(71,770)	(81,338)	(23,784)	(28,511)	Administrative expenses		(12,248,096)	(13,880,943)	(4,058,891)	(4,865,622)
(15)	1,006	(11)	(7)	Other provisions / write-offs		(2,543)	171,676	(1,800)	(1,220)
(6)	(1)	-	-	Other charges		(1,105)	(210)	(5)	-
(71,791)	(80,333)	(23,795)	(28,518)	Total non-mark-up / non-interest expenses		(12,251,744)	(13,709,477)	(4,060,696)	(4,866,842)
(43,183)	(45,305)	(14,987)	(18,058)			(7,369,670)	(7,731,805)	(2,557,445)	(3,081,751)
-	-	-	-	Extraordinary / unusual items		-	-	-	-
(43,183)	(45,305)	(14,987)	(18,058)	LOSS BEFORE TAXATION		(7,369,670)	(7,731,805)	(2,557,445)	(3,081,751)
(1,195)	(1,217)	(409)	(393)	Taxation - Current		(203,868)	(207,629)	(69,848)	(67,024)
(64)	14	34	-	- Prior		(10,939)	2,367	5,861	-
(51)	84	(20)	(114)	- Deferred		(8,675)	14,347	(3,473)	(19,384)
(1,310)	(1,119)	(395)	(507)	LOSS AFTER TAXATION		(223,482)	(190,915)	(67,460)	(86,408)
(44,493)	(46,424)	(15,382)	(18,565)			(7,593,152)	(7,922,720)	(2,624,905)	(3,168,158)
(USD)		(USD)			(Rupees)		(Rupees)		
(0.09)	(0.11)	(0.03)	(0.09)	Basic and diluted loss per share		(15.90)	(18.52)	(4.69)	(14.87)

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

President and
Chief Executive Officer

Chairman

Director

Director

TELENOR MICROFINANCE BANK LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

Nine months ended		Quarter ended			Nine months ended		Quarter ended	
September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020		September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
(USD in '000)		(USD in '000)			(Rupees in '000)		(Rupees in '000)	
(44,491)	(46,424)	(15,382)	(18,565)	Loss after taxation for the period	(7,593,152)	(7,922,720)	(2,624,905)	(3,168,158)
Other comprehensive income								
<i>Item not to be reclassified to statement of profit or loss in subsequent periods</i>								
-	-	-	-	Remeasurement loss on defined benefit obligation	-	-	-	-
-	-	-	-	Related tax impact	-	-	-	-
-	-	-	-		-	-	-	-
(44,491)	(46,424)	(15,382)	(18,565)	Comprehensive loss for the period transferred to equity	(7,593,152)	(7,922,720)	(2,624,905)	(3,168,158)
Component of comprehensive income for the period not transferred to equity								
<i>Item to be reclassified to statement of profit or loss subsequently on sale</i>								
(175)	290	(70)	(2)	(Deficit) / Surplus on revaluation of 'available for sale' investments	(29,913)	49,474	(11,977)	(307)
51	(84)	(20)	(1)	Related tax impact	8,675	(14,347)	(3,473)	(89)
(124)	206	(90)	(3)		(21,238)	35,127	(15,450)	(396)
(44,615)	(46,218)	(15,472)	(18,568)	Total comprehensive loss for the period	(7,614,390)	(7,887,593)	(2,640,356)	(3,168,554)

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President and
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TELENOR MICROFINANCE BANK LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

Nine months ended			Nine months ended	
September 30, 2021	September 30, 2020		September 30, 2021	September 30, 2020
(USD in '000)			(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES				
(43,183)	(45,305)	Loss before taxation	(7,369,670)	(7,731,805)
Adjustments for non cash and other items:				
4,642	5,739	Depreciation and amortisation	792,261	979,469
1,388	1,680	Depreciation on right-of-use assets	236,892	286,744
		Mark-up / Return / Interest expense on		
		Lease liability against right-of-use assets	241,296	243,393
1,414	1,426	Provision against non-performing loans and advances - net	2,296,727	1,705,502
13,458	9,994	Provision for gratuity	106,227	149,983
622	879	Write-offs against operating fixed assets	8,898	-
52	-	Grant Income	(734)	-
(4)	-	Other provisions / write-offs	(11,355)	(171,676)
(67)	(1,006)	Amortisation of discount on available-for-sale securities	(996,371)	(1,112,776)
(5,838)	(6,521)	Loss on sale of operating fixed assets	1,477	7,031
9	41			
15,676	12,232		2,675,318	2,087,670
<i>Decrease in operating assets</i>				
40,853	(31,022)	Lending to financial institutions	6,971,827	(5,294,147)
(11,731)	36,942	Advances	(2,002,057)	6,304,516
6,263	(3,329)	Other assets (excluding advance taxation)	1,068,824	(568,058)
35,385	2,591		6,038,594	442,311
<i>Decrease in operating liabilities</i>				
(5,547)	(36,785)	Deposits and other accounts	(946,691)	(6,277,604)
		Other liabilities (excluding lease liability against right-of-use		
		assets and payable to defined benefit plan)	496,858	(875,999)
2,911	(5,133)		(449,833)	(7,153,603)
(2,636)	(41,918)			
(1,817)	(1,201)	Income tax paid	(310,162)	(205,036)
(553)	(942)	Contribution to defined benefit plan	(94,424)	(160,836)
2,872	(74,543)	<i>Net cash generated from / (used in) operating activities</i>	489,823	(12,721,299)
CASH FLOW FROM INVESTING ACTIVITIES				
2,615	17,622	Net Investment in available for sale securities	446,225	3,007,251
(5,372)	(4,126)	Investments in operating fixed assets	(916,697)	(704,204)
14	32	Proceeds from disposal of operating fixed assets	2,350	5,456
(2,743)	13,528	<i>Net cash generated from / (used in) investing activities</i>	(468,122)	2,308,503
CASH FLOW FROM FINANCING ACTIVITIES				
38,436	-	Proceeds from issuance of share capital	6,559,389	7,442,700
(1,357)	(1,818)	Payment of lease liability against right-of-use assets	(231,607)	(310,186)
37,079	(1,818)	<i>Net cash generated from financing activities</i>	6,327,782	7,132,514
37,208	(62,833)	Net increase / (decrease) in cash and cash equivalents	6,349,483	(3,280,282)
54,112	63,708	Cash and cash equivalents at beginning of the period	9,234,666	10,872,290
91,320	875	Cash and cash equivalents at end of the period	15,584,149	7,592,008

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

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TELENOR MICROFINANCE BANK LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

	Share capital	Advance against future issue of right shares	Capital reserves			Total capital reserve	Accumulated losses	Total
			Share premium	Statutory reserve	Depositors' protection fund			
----- (Rupees in '000) -----								
Balance as at January 01, 2020	4,277,589	-	19,471,229	802,481	311,299	20,585,009	(16,556,869)	8,305,729
Total comprehensive income for the period								
Loss after tax for the period	-	-	-	-	-	-	(7,922,720)	(7,922,720)
Other comprehensive loss - net of tax	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	(7,922,720)	(7,922,720)
Transfer to statutory reserve *	-	-	-	-	-	-	-	-
Advance against future issue of right shares	-	7,442,699	-	-	-	-	-	7,442,699
Transfer to Depositors' Protection Fund **								
- return on investments	-	-	-	-	26,575	26,575	(26,575)	-
Balance as at September 30, 2020 (Un-audited)	4,277,589	7,442,699	19,471,229	802,481	337,874	20,611,584	(24,506,164)	7,825,708
Total comprehensive income for the period								
Loss after tax for the period	-	-	-	-	-	-	(2,781,231)	(2,781,231)
Other comprehensive loss - net of tax	-	-	-	-	-	-	87,081	87,081
	-	-	-	-	-	-	(2,694,150)	(2,694,150)
Transfer to statutory reserve *	-	-	-	-	-	-	-	-
Issue of share capital	-	-	-	-	-	-	-	-
Transfer to Depositors' Protection Fund **								
- return on investments	-	-	-	-	5,162	5,162	(5,162)	-
Balance as at December 31, 2020 (Audited)	4,277,589	7,442,699	19,471,229	802,481	343,036	20,616,746	(27,205,476)	5,131,558
Total comprehensive loss for the period								
Loss after tax for the period	-	-	-	-	-	-	(7,593,152)	(7,593,152)
Other comprehensive income - net of tax	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	(7,593,152)	(7,593,152)
Transfer to statutory reserve *	-	-	-	-	-	-	-	-
Advance against future issue of right shares	-	6,559,389	-	-	-	-	-	6,559,389
Issue of share capital	897,251	(14,002,088)	13,104,837	-	-	-	-	-
Transfer to Depositors' Protection Fund **								
- return on investments	-	-	-	-	19,152	19,152	(19,152)	-
Balance as at September 30, 2021 (Un-audited)	5,174,840	-	32,576,066	802,481	362,188	20,635,898	(34,817,780)	4,097,795

* 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 period as there is a loss after tax for the period.

** 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 for the period to the Depositors' Protection Fund, plus the return earned on such funds. Although there is a loss after tax for the period, an amount equal to the profit earned on the investments of the fund has been credited to this fund during the period.

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

**President and
Chief Executive Officer**

Chairman

Director

Director

TELENOR MICROFINANCE BANK LIMITED
Notes to the Condensed Interim Financial Statements (Un-audited)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

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 (December 31, 2020: 55%) and Alipay (Hong Kong) Holding Limited with 45% (December 31, 2020: 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, 2021 is as follows:

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

2. BASIS OF PRESENTATION

2.1 These condensed interim financial statements have been prepared in compliance with the format as prescribed under the Banking Surveillance Department (BSD) Circular No. 11 dated December 30, 2003 issued by the SBP.

3. STATEMENT OF COMPLIANCE

3.1 The condensed interim financial statements of the Bank have 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 International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under 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, 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 vide BSD circular No. 10, dated 26 August 2002 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) vide its SRO 633(1) / 2014 dated July 14, 2014 has deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments : Disclosures'. Accordingly, the requirements of these standards have not been considered in the preparation of these condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements of Prudential Regulation for Microfinance Banks or directives issued by SBP.

3.3 The disclosures made in these condensed interim financial statements have been limited based on IAS 34. Accordingly, these condensed interim financial statements do not include all the information and disclosures required for annual financial statements and should be read in conjunction with the financial statements for the year ended December 31, 2020. Comparative condensed interim balance sheet is stated from the audited annual financial statements as of December 31, 2020, whereas comparative condensed interim profit and loss account, condensed interim other comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity are stated from unaudited condensed interim financial statements for the nine months period ended September 30, 2020.

4. BASIS OF MEASUREMENT

4.1 Accounting convention

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

4.2 Functional and presentation currency

These condensed interim 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 condensed interim balance sheet, condensed interim profit and loss account, condensed interim statement of comprehensive income and condensed interim cash flow statement are stated as additional information, solely for the convenience of the users of financial statements. For the purpose of translation to US Dollar, spot rate of Rs. 170.6576 per US Dollar has been used for September 30, 2021 and December 31, 2020 as it was the prevalent rate on the reporting date.

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

There are certain other new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 01, 2021 but are considered not to be relevant or do not have any significant effect on the Bank's operations and therefore are not detailed in these condensed interim financial statements.

4.4 Standards, interpretations of and amendments to accounting and reporting standards as applicable in Pakistan that are not yet effective in the current period.

As referred to in note 4.4 to the 2020 annual financial statements of the Bank, there are certain amendments to the financial reporting standards which would become effective from the future financial years, however such amendments are not expected to have a material effect on the Bank's financial statements of the period of initial application.

IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. SBP vide its BPRD Circular Letter No. 24 of 2021 dated July 05, 2021 has extended the implementation date of IFRS 9 to January 01, 2022 from earlier effective date of January 01, 2021. However, SBP has directed the banks in Pakistan to submit IFRS 9 parallel run and proforma financial statements on periodic basis and the Bank is currently in process of complying with these requirements.

5. SIGNIFICANT ACCOUNTING POLICIES AND FINANCIAL RISK MANAGEMENT

5.1 The significant accounting policies and method of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2020.

5.2 COVID - 19 Implications

During the period, another wave of COVID-19 caused disruptions in the socio-economic environment in Pakistan which also resulted in increased delinquency rates for the Bank. Particularly, the higher credit loss was also observed for loans that were allowed to rescheduled under the State Bank of Pakistan relief measures last year. The Bank's management and Board is fully cognizant of these challenges posed by the COVID-19 outbreak and lock down, if any, imposed by the Government of Pakistan. The Bank continues its operations to serve customers through its branch network across Pakistan and the digital channels by observing the Government instructions and adopting precautionary measures. Further a significant number of the Bank's staff was working from home through using technology infrastructure during the period ended 30 September 2021 which potentially exposes the Bank to greater challenge of managing cyber security risks.

5.2 Critical accounting estimates and judgements

The basis for accounting estimates adopted in the preparation of these condensed interim financial statements are the same as that applied in the preparation of the annual financial statements for the year ended December 31, 2020.

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 December 31, 2020.

	Note	September 30, 2021 (Un-audited)	December 31, 2020 (Audited)
(Rupees in '000)			
6. CASH AND BALANCES WITH STATE BANK OF PAKISTAN AND NATIONAL BANK OF PAKISTAN			
Cash in hand - local currency		744,804	716,452
Balance with State Bank of Pakistan - current account		2,913,606	2,099,426
Balance with National Bank of Pakistan - current account		32,185	65,903
	6.1	2,945,791	2,165,329
		<u>3,690,595</u>	<u>2,881,781</u>

6.1 This represents 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.

	Note	September 30, 2021 (Un-audited)	December 31, 2020 (Audited)
7. BALANCES WITH OTHER BANKS			
In Pakistan			
- Current accounts		441,727	250,799
- PLS deposit accounts	7.1 & 7.2	8,451,827	4,102,086
- Fixed term deposits	7.3	3,000,000	2,000,000
		<u>11,893,554</u>	<u>6,352,885</u>

7.1 This represents demand deposits with various financial institutions carrying markup at rates ranging between 5.5% to 9% per annum (December 31, 2020: 5.5% to 8% per annum).

7.2 Certain guarantees amounting to Rs. 107.5 million (December 31, 2020: Rs. 7.5 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.

7.4 This represents fixed term deposit with commercial banks carrying mark-up at rates ranging between 8.80% to 9.00% per annum (December 31, 2020: 7.45% to 7.5% per annum) and having maturity in October 2021 (December 31, 2020: January 2021).

	Note	September 30, 2021 (Un-audited)	December 31, 2020 (Audited)
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings - unsecured	8.1	-	4,300,000
Repurchase agreement lendings (reverse repo)	8.2	-	2,671,827
		<u>-</u>	<u>6,971,827</u>

8.1 This represents call money lending to various financial institutions as at December 31, 2020 carrying mark-up at rates ranging between 6.05% to 7.50% per annum and having maturity in January 2021.

8.2 Securities held as collateral against lending to financial institutions (Reverse repo)

	September 30, 2021 (Un-audited)			December 31, 2020 (Audited)		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
----- (Rupees in '000) -----						
Market treasury bills (face value)	-	-	-	2,700,000	-	2,700,000
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

	Note	September 30, 2021 (Un-audited)	December 31, 2020 (Audited)
9. INVESTMENTS			
Federal Government Securities - available for sale			
Market Treasury Bills	9.1	12,382,887	11,832,741
(Deficit) / Surplus on revaluation of investment		(7,647)	22,266
		<u>12,375,240</u>	<u>11,855,007</u>

9.1 These carry mark-up at rates ranging between 7.20% to 7.68% (December 31, 2020: 6.86% to 9.4%) per annum, having maturities up to February 2022 (December 31, 2020: May 2021). These securities have an aggregate face value of Rs. 12,500 million (December 31, 2020: Rs. 12,000 million).

10. ADVANCES - net of provisions

	Note	September 30, 2021 (Un-audited)		December 31, 2020 (Audited)	
		Number of loans outstanding	(Rupees in '000)	Number of loans outstanding	(Rupees in '000)
Advances - gross					
- Secured		47,041	4,273,600	57,254	4,862,413
- Unsecured	10.1	154,756	7,591,072	248,365	7,864,081
		<u>201,797</u>	<u>11,864,672</u>	<u>305,619</u>	<u>12,726,494</u>
Less: Provision held					
- Specific	10.1	47,881	(1,002,495)	56,537	(1,572,518)
- General	10.2		(65,887)		(63,016)
			<u>(1,068,382)</u>		<u>(1,635,534)</u>
Advances - net of provisions			<u><u>10,796,290</u></u>		<u><u>11,090,960</u></u>

10.1 Particulars of non-performing advances

Advances include Rs. 2,042.327 million (December 31, 2020: Rs. 2,103.905 million) which have been placed under non-performing status as detailed below:

	September 30, 2021 (Un-audited)			December 31, 2020 (Audited)		
	Amount outstanding	Provision required	Provision held	Amount outstanding	Provision required	Provision held
	----- (Rupees in '000) -----					
Other Assets Especially Mentioned (OAEM)	227,832	-	-	143,647	-	-
Substandard	346,397	72,753	72,753	104,564	19,282	19,282
Doubtful	1,044,236	506,532	506,532	580,144	279,515	279,515
Loss	423,862	423,210	423,210	1,275,550	1,273,721	1,273,721
	<u>2,042,327</u>	<u>1,002,495</u>	<u>1,002,495</u>	<u>2,103,905</u>	<u>1,572,518</u>	<u>1,572,518</u>

10.2 This includes general provision of Rs. 65.887 million (December 31, 2020: Rs. 63.016 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

	September 30, 2021 (Un-audited)			December 31, 2020 (Audited)		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
Opening balance	1,572,518	63,016	1,635,534	3,993,209	3,468,417	7,461,626
Charge for the period / year	2,422,442	2,871	2,425,313	5,555,338	12,076	5,567,414
Reversals	(169,739)	-	(169,739)	(220,244)	(3,417,477)	(3,637,721)
	<u>2,252,703</u>	<u>2,871</u>	<u>2,255,574</u>	<u>5,335,094</u>	<u>(3,405,401)</u>	<u>1,929,693</u>
Amount written off	(2,822,727)	-	(2,822,727)	(7,755,785)	-	(7,755,785)
Closing balance	<u>1,002,494</u>	<u>65,887</u>	<u>1,068,381</u>	<u>1,572,518</u>	<u>63,016</u>	<u>1,635,534</u>

10.4 Particulars of write offs	September 30, 2021 (Un-audited) (Rupees in '000)	December 31, 2020 (Audited)
Against provisions	2,822,727	7,755,785
Directly charged to the profit and loss account	41,153	85,021
	<u>2,863,880</u>	<u>7,840,806</u>

11. OPERATING FIXED ASSETS

	September 30, 2021 (Un-audited) (Rupees in '000)	December 31, 2020 (Audited)
Note		
Property and equipment	2,808,425	3,107,338
Right-of-use assets	2,003,620	2,165,810
Intangible assets	543,473	593,011
Capital work-in-progress	3,169,692	2,784,232
	<u>8,525,210</u>	<u>8,650,391</u>

11.1 Additions during the period - at cost

Improvements to leasehold buildings	27,303	42,107
Furniture and fixtures	936	85,994
Office equipments	31,159	109,270
Computer equipments	244,249	493,987
Intangible assets	152,888	58,569
	<u>456,535</u>	<u>789,927</u>

11.2 Disposals during the period - at cost

Furniture and fixtures	8,689	51,189
Office and Computer equipments	838	70,345
Vehicles	6,397	19,784
	<u>15,924</u>	<u>141,318</u>

12. OTHER ASSETS

Mark-up / return / interest accrued	1,387,783	1,876,934
Service fee receivable on digital loans	25,270	30,610
Receivable from branchless banking agents	7,434	473,200
Loans to employees	224,232	288,446
Security deposits	189,399	118,430
Prepayments - rent	-	-
Prepayments - others	210,749	109,983
Receivable from defined benefit plan	88,315	-
Branchless banking transaction fee receivable	856,337	658,019
Advance tax - net	110,585	7,571
Advances to suppliers	-	-
Receivable from SBP against livestock insurance	-	24,248
Receivable from SBP against international remittances	13,890	21,380
Advance sales tax	252,038	176,640
Others	255,046	121,294
	<u>3,621,078</u>	<u>3,906,755</u>
Less: Provision held against other assets	<u>(132,898)</u>	<u>(308,507)</u>
	<u>3,488,180</u>	<u>3,598,248</u>

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.

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

	September 30, 2021 (Un-audited)	December 31, 2020 (Audited)
12. DEPOSITS AND OTHER ACCOUNTS		
Current deposits	22,643,365	21,539,432
Saving deposits	3,234,709	3,570,771
Fixed deposits	10,139,045	11,853,607
	<u>36,017,119</u>	<u>36,963,810</u>
12.1 Particulars of deposits by ownership		
Individual depositors	34,744,496	35,430,364
Institutional depositors		
- Corporations / firms etc	1,220,393	1,432,642
- Banks / financial institutions	52,230	100,804
	<u>36,017,119</u>	<u>36,963,810</u>

13. DEFERRED TAX LIABILITY - NET

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

	September 30, 2021	December 31, 2020
	(Un-audited)	(Audited)
	(Rupees in '000)	
Deductible temporary differences		
- Un-absorbed tax depreciation	259,589	294,180
- Deficit on revaluation of assets (investments)	2,218	-
	<u>261,807</u>	<u>294,180</u>
Taxable temporary differences		
- Accelerated tax depreciation allowance	(226,239)	(252,155)
- Remeasurement gain/(loss) on defined benefit obligation	(35,568)	(35,568)
- Surplus on revaluation of assets (investments)	-	(6,457)
	<u>(261,807)</u>	<u>(294,180)</u>
	<u>-</u>	<u>-</u>

- 13.1 As of September 30, 2021, the carry forward tax loss and other deductible temporary difference amount to Rs. 33,022 million (December 31, 2020: Rs. 25,529 million) and Rs. 1,209 million (December 31, 2020: Rs. 1,780 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. 9,927 million (December 31, 2020: Rs. 7,920 million). Such deferred tax asset has not been recognized in these financial statements due to uncertainty of realizability of the amount.

14. MEMORANDUM / OFF BALANCE SHEET ITEMS

	Note	September 30, 2021	December 31, 2020
		(Un-audited)	(Audited)
		(Rupees in '000)	
Contingent liabilities	14.1	265,290	285,830
Commitments in respect of fixed assets		413,824	505,400
		<u>679,114</u>	<u>791,230</u>

14.1 Contingencies

- 14.1.1 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 last year, SRB also initiated proceedings with respect to Sindh Sales Tax paid during the tax periods from July 2016 till June 2020 and the bank has duly submitted requisite details alongwith a legal response to the notice.

- 14.1.2 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. Although, during Feb 2021, Appellate Tribunal, KPK has remanded the case back to KPRA for fresh adjudication, the afore-said decision of KPRA-Tribunal has been challenged by the Bank before Peshawar High Court and Bank expects a favorable outcome in the case. Accordingly, no provision has been made in the books.

During the period, the Bank has been served with an Order from KPRA creating a demand of Rs. 12.62 million against input tax disallowances relating to miscellaneous periods. The Bank has filed an appeal with Collector (Appeals) the proceedings of which are in progress. The Order is illegal and has also been passed without proper verification of facts hence, the Bank expects a favorable outcome in the case. Accordingly, no provision has been made in the books. Subsequent to passing of the Order, a recovery notice has also been served on the Bank against which, the Bank has acquired a stay order from Peshawar High Court as well as Collector (Appeals).

14.1.3 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.

14.1.4 During the year, the Bank received amended assessment Orders with respect Tax Year 2015 raising a demand of Rs. 74.51 million against which the Bank has filed an appeal before the Commissioner Inland Revenue (Appeals).

During last year, the Bank was served with amended assessment Orders with respect to Tax Years 2016, 2018 and 2019 raising demand of Rs. 51.73 million, Rs. 92.74 million and Rs. 40.70 million respectively against which, the Bank has filed appeals before Commissioner Inland Revenue (Appeals).

The Bank, based on the merits of the aforementioned matters expects a favorable outcome and accordingly, only a partial provision has been made in these financial statements as an abundant caution.

14.1.5 The Bank had received notices from FBR regarding selection for audit u/s. 177 of the Income Tax Ordinance, 2001 for the tax years 2016 and 2017.. Based on the information submitted with respect to tax year 2017, tax officer has initiated amendment of assessment proceedings during the quarter while audit proceedings for tax year 2016 are underway.

14.1.6 FBR has initiated audit of Bank's affairs of Sales tax and Federal Excise Duty for the periods January 2016 to December 2016. The Bank has filed factual and legal response during the period.

	Nine months ended		Quarter ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
	(Un-audited)		(Un-audited)	
	(Rupees in '000)		(Rupees in '000)	
15. MARK-UP / RETURN / INTEREST EARNED				
On:				
Advances	1,257,567	2,656,725	600,795	759,669
Available-for-sale investments in Government Securities	996,371	1,112,776	279,635	294,519
Deposits with financial institutions / Banks	241,282	286,967	99,015	64,695
Call money lendings	205,372	302,442	78,089	79,297
Repurchase agreement lendings	92,682	93,829	21,756	19,854
	2,793,274	4,452,739	1,079,290	1,218,034
16. MARK-UP / RETURN / INTEREST EXPENSED				
On:				
Deposits	1,224,804	1,967,180	398,433	513,610
Borrowings	-	712	-	182
Lease liabilities against right-of-use assets	241,296	243,393	79,132	74,958
	1,466,100	2,211,285	477,565	588,750
17. FEE, COMMISSION AND BROKERAGE INCOME				
Loan processing fee	414,874	422,727	147,064	122,593
Income from branchless banking	4,286,075	4,357,388	1,293,077	1,341,706
Others	343,456	9,220	326,539	2,776
	5,044,405	4,789,335	1,766,680	1,467,075

18. RELATED PARTY TRANSACTIONS

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

Contribution to the accounts in respect of staff retirement benefits are made in accordance with actuarial valuation / terms of the contribution plan. Remuneration of key management personnel are in accordance with the terms of their employment. Other transactions are carried out as per agreed terms.

Balances and transactions with related parties are summarised as follows:

Note	September 30, 2021 (Un-audited)					December 31, 2020 (Audited)				
	Associates	Key management personnel	Directors	Retirement benefit plans	Total	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	(Rupees in '000)					(Rupees in '000)				
Loans										
At 1 January	-	19,824	-	-	19,824	-	21,233	-	-	21,233
Given during the period	-	6,620	-	-	6,620	-	15,949	-	-	15,949
Repaid during the period	-	(13,290)	-	-	(13,290)	-	(17,358)	-	-	(17,358)
12.2	-	13,154	-	-	13,154	-	19,824	-	-	19,824
Deposits										
At 1 January	9,900	1,358	560	703,437	715,255	15,575	980	16,036	1,458,447	1,491,038
Received during the period	10,517	20,694	-	1,462,164	1,493,374	3,488	39,587	525	759,259	802,859
Withdrawn during the period	-	(21,064)	-	(2,008,319)	(2,029,383)	(9,163)	(39,209)	(16,001)	(1,514,269)	(1,578,642)
	20,417	988	560	157,281	179,246	9,900	1,358	560	703,437	715,255
Other Assets										
Receivable from defined benefit plan	-	-	-	88,315	88,315	-	-	-	100,118	100,118
	-	-	-	88,315	88,315	-	-	-	100,118	100,118
Other Liabilities										
Payable against goods and services	1,940,683	-	-	-	1,940,683	2,125,255	-	-	-	2,125,255
Payable to defined contribution plan	-	-	-	25,672	25,672	-	-	-	3,987	3,987
	1,940,683	-	-	25,672	1,966,355	2,125,255	-	-	3,987	2,129,242
Capital Expenditure										
	-	-	-	-	-	1,318,634	-	-	-	1,318,634
Transactions during the period / year										
Directors' meeting fees	-	-	4,000	-	4,000	-	-	9,368	-	9,368
Remuneration of Key Management Personnel	-	134,587	48,228	-	182,815	-	250,042	61,270	-	311,312
Mark-up expense	-	-	-	24,064	24,064	-	-	-	128,456	128,456
Communication expense	64,354	-	-	-	64,354	78,478	-	-	-	78,478
Rent	19,705	-	-	-	19,705	25,356	-	-	-	25,356
Professional consultancy charges	317,050	-	-	-	317,050	433,880	-	-	-	433,880
Other charges	3,384	-	-	-	3,384	2,903	-	-	-	2,903
Repair and maintenance	333,950	-	-	-	333,950	136,636	-	-	-	136,636
Advertisement	215,130	-	-	-	215,130	957,981	-	-	-	957,981
	953,573	134,587	52,228	24,064	1,164,452	1,635,234	250,042	70,638	128,456	2,084,370

18.1 This represents interest free loan to staff and executives of the Bank for a maximum period of 60 months. These are secured against the retirement benefits of employees.

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

19. GENERAL

19.1 Comparative information has been reclassified or rearranged in these condensed interim financial statements for the purpose of better presentation. However, there was no material reclassification to report.

19.2 The figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

20. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue by the Board of Directors in their meeting held on 1 November 2021.

**President & Chief Executive
Officer**

Chairman

Director

Director