

Telenor Microfinance Bank Limited
Condensed Interim Financial Statements
For the three months ended March 31, 2022 (Un-audited)

Telenor Microfinance Bank Limited
Condensed Interim Balance Sheet (Un-audited)
As at 31 March 2022

31 March 2022 (Un-audited) (USD in '000)	31 December 2021 (Audited)		Note	31 March 2022 (Un-audited) (Rupees in '000)	31 December 2021 (Audited)
ASSETS					
		Cash and balances with State Bank of Pakistan and National Bank of Pakistan	6	3,740,175	3,900,068
20,385	21,256			13,024,495	10,717,441
70,987	58,413	Balances with other banks	7	6,462,498	-
35,222	-	Lendings to financial institutions	8	11,423,486	17,752,663
62,261	96,756	Investments	9	10,476,162	10,769,884
57,098	58,698	Advances - net of provisions	10	8,143,259	8,366,835
44,383	45,601	Operating fixed assets	11	3,000,684	3,037,994
16,354	16,558	Other assets		-	-
-	-	Deferred tax asset - net	13	56,270,759	54,544,885
306,690	297,282	Total assets			
LIABILITIES					
		Deposits and other accounts	12	38,755,895	39,042,927
211,229	212,793	Borrowings		-	-
-	-	Subordinated debt		-	-
53,816	51,646	Other liabilities		9,873,886	9,476,029
-	-	Deferred tax liability - net	13	-	-
265,045	264,439	Total liabilities		48,629,781	48,518,956
41,645	32,843	NET ASSETS		7,640,978	6,025,929
REPRESENTED BY:					
29,865	29,865	Share capital		5,479,488	5,479,488
21,246	-	Advance against future issue of right shares		3,898,239	-
210,033	209,982	Reserves		38,536,534	38,527,068
(219,568)	(207,105)	Accumulated losses		(40,285,943)	(37,999,226)
41,576	32,742			7,628,317	6,007,330
(17)	15	Surplus / (Deficit) on revaluation of assets - net of deferred tax		(3,142)	2,797
86	86	Deferred grants		15,802	15,802
41,645	32,843			7,640,978	6,025,929
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 three months ended 31 March 2022

Quarter ended				Quarter ended	
31 March 2022	31 March 2021		Note	31 March 2022	31 March 2021
(USD in '000)				(Rupees in '000)	
8,613	3,653	Mark-up / return / interest earned	15	1,580,348	670,250
(2,369)	(2,726)	Mark-up / return / interest expensed	16	(434,675)	(500,106)
6,244	927	Net mark-up / return / interest income		1,145,673	170,144
(3,024)	(3,187)	Provision against non-performing loans and advances - net	10.3	(554,877)	(584,698)
-	-	Provision for diminution in the value of investments		-	-
(81)	(284)	Bad debts written off directly		(14,901)	(52,083)
(3,105)	(3,471)			(569,778)	(636,781)
3,139	(2,544)	Net mark-up / return / interest income after provisions		575,895	(466,637)
NON MARK-UP / NON INTEREST INCOME					
8,884	9,684	Fee, commission and brokerage income	17	1,629,965	1,776,823
2,543	1,363	Other income		466,543	250,081
11,427	11,047	Total non-mark-up / non-interest income		2,096,508	2,026,904
14,566	8,503			2,672,403	1,560,267
NON MARK-UP / NON INTEREST EXPENSES					
(26,467)	(23,291)	Administrative expenses		(4,856,153)	(4,273,405)
(8)	(7)	Other provisions / Write offs		(1,500)	(1,200)
-	(5)	Other charges		(74)	(960)
(26,475)	(23,303)	Total non-mark-up / non-interest expenses		(4,857,727)	(4,275,565)
(11,909)	(14,800)			(2,185,324)	(2,715,298)
-	-	Extraordinary / unusual items		-	-
(11,911)	(14,799)	LOSS BEFORE TAXATION		(2,185,324)	(2,715,298)
(488)	(385)	Taxation - current		(89,502)	(70,620)
-	(92)	- prior		-	(16,800)
(13)	(35)	- deferred		(2,426)	(6,349)
(501)	(512)			(91,928)	(93,769)
(12,412)	(15,311)	LOSS AFTER TAXATION		(2,277,252)	(2,809,066)
(USD)				(Rupees)	
(0.02)	(0.04)	Basic and diluted loss per share		(4.16)	(6.49)

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

President and
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Telenor Microfinance Bank Limited
Condensed Interim Statement of Comprehensive Income (Un-audited)
For the three months ended 31 March 2022

Quarter ended			Quarter ended	
31 March 2022	31 March 2021		31 March 2022	31 March 2021
(USD in '000)			(Rupees in '000)	
(12,412)	(15,310)	Loss after taxation for the period	(2,277,252)	(2,809,066)
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	-	-
(12,412)	(15,310)	Comprehensive loss for the period transferred to equity	(2,277,252)	(2,809,066)
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>				
(46)	(119)	Surplus on revaluation of 'available for sale' investments	(8,364)	(21,893)
13	35	Related tax impact	2,426	6,349
(33)	(84)	Comprehensive loss for the year not transferred to equity	(5,938)	(15,544)

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Telenor Microfinance Bank Limited
Condensed Interim Statement of Changes in Equity (Un-audited)
For the three months ended 31 March 2022

	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 01 January 2021 (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 income for the period								
Loss after tax for the period	-	-	-	-	-	-	(2,775,421)	(2,775,421)
Other comprehensive loss - net of tax	-	-	-	-	-	-	(2,775,421)	(2,775,421)
Advance against future issue of right shares	-	6,559,389	-	-	-	-	-	6,559,389
Transfer to statutory reserve *	-	-	-	-	-	-	-	-
Transfer to Depositors' Protection Fund								
- return on investments	19.4	-	-	-	8,937	8,937	(8,937)	-
Balance as at 31 March 2021 (Un-audited)	4,277,589	14,002,088	19,471,229	802,481	351,973	20,625,683	(29,989,834)	8,915,526
Total comprehensive income for the period								
Loss after tax for the period	-	-	-	-	-	-	(7,989,350)	(7,989,350)
Other comprehensive loss - net of tax	-	-	-	-	-	-	(3,103)	(3,103)
	-	-	-	-	-	-	(7,992,453)	(7,992,453)
Transfer to statutory reserve *	-	-	-	-	-	-	-	-
Advance against future issue of right shares	-	5,084,257	-	-	-	-	-	5,084,257
Issue of share capital	1,201,899	(19,086,345)	17,884,446	-	-	17,884,446	-	-
Transfer to Depositors' Protection Fund								
- return on investments	19.4	-	-	-	16,939	16,939	(16,939)	-
Balance as at 31 December 2021 (Audited)	5,479,488	-	37,355,675	802,481	368,912	38,527,068	(37,999,226)	6,007,330
Total comprehensive loss for the period								
Loss after tax for the period	-	-	-	-	-	-	(2,277,252)	(2,277,252)
Other comprehensive income - net of tax	-	-	-	-	-	-	(2,277,252)	(2,277,252)
Advance against future issue of right shares	-	3,898,239	-	-	-	-	-	3,898,239
Transfer to statutory reserve *	-	-	-	-	-	-	-	-
Transfer to Depositors' Protection Fund								
- return on investments	19.4	-	-	-	9,466	9,466	(9,466)	-
Balance as at 31 March 2022 (Un-audited)	5,479,488	3,898,239	37,355,675	802,481	378,378	38,536,534	(40,285,943)	7,628,317

* 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.

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Telenor Microfinance Bank Limited
Condensed Interim Cash Flow Statement (Un-audited)
For the three months ended 31 March 2022

Quarter ended			Quarter ended	
31 March 2022	31 March 2021		31 March 2022	31 March 2021
(USD in '000)			(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES				
(11,911)	(14,799)	Loss before taxation	(2,185,324)	(2,715,298)
Adjustments for non cash and other items:				
1,866	1,445	Depreciation and amortisation	342,306	265,208
409	432	Depreciation on right-of-use assets	75,068	79,214
-	-	Mark-up / Return / Interest expense on		
425	440	Lease liability against right-of-use assets	78,046	80,780
3,105	3,471	Provision against non-performing loans and advances - net	569,778	636,781
216	238	Provision for gratuity	39,596	43,694
-	(1,934)	Other provisions / write-offs	-	(354,915)
(1,310)	-	Amortisation of discount on available-for-sale securities	(240,318)	-
(43)	6	(Gain) / Loss on sale of operating fixed assets	(7,804)	1,035
4,668	4,098		856,672	751,797
Decrease / (increase) in operating assets				
(35,222)	6,715	Lending to financial institutions	(6,462,498)	1,232,027
(1,505)	70	Advances	(276,056)	12,862
82	1,385	Other assets (excluding advance taxation and receivable from defined benefit plan)	15,052	254,100
(36,645)	8,170		(6,723,502)	1,498,989
(Decrease) / increase in operating liabilities				
(1,564)	1,085	Deposits and other accounts	(287,032)	199,079
2,362	(1,609)	Other liabilities (excluding lease liability against right-of-use assets and payable to defined benefit plan)	433,444	(295,254)
798	(524)		146,412	(96,175)
(438)	(486)	Income tax paid	(80,443)	(89,175)
(144)	(159)	Contribution to defined benefit plan	(26,397)	(29,187)
(43,672)	(3,700)	Net cash (used in) / generated from operating activities	(8,012,582)	(679,049)
CASH FLOW FROM INVESTING ACTIVITIES				
35,763	(44,142)	Net Investment in available for sale securities	6,561,249	(8,099,049)
(1,111)	(762)	Investments in operating fixed assets	(203,780)	(139,893)
96	7	Proceeds from disposal of operating fixed assets	17,667	1,252
34,748	(44,897)	Net cash used in investing activities	6,375,137	(8,237,690)
CASH FLOW FROM FINANCING ACTIVITIES				
-	-	Proceeds from issuance of share capital	-	-
21,246	35,750	Proceeds against future issue of right shares	3,898,239	6,559,389
(619)	(283)	Payment of lease liability against right-of-use assets	(113,633)	(51,991)
20,627	35,467	Net cash used in financing activities	3,784,606	6,507,398
11,703	(13,130)	Net (decrease) / increase in cash and cash equivalents	2,147,161	(2,409,341)
79,669	50,331	Cash and cash equivalents at beginning of the period	14,617,509	9,234,666
91,372	37,201	Cash and cash equivalents at end of the period	16,764,670	6,825,325

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

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Director

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Telenor Microfinance Bank Limited

Notes to the Condensed Interim Financial Statements (Un-audited)

For the three months ended 31 March 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 2020: 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, 2021 is as follows:

PACRA	Long term	Short term
JCR-VIS	A+	A1
	A	A1

2. BASIS OF PRESENTATION

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 30 December 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 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 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 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 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 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 As per the SBP's BPRD Circular Letter no. 24 dated July 05, 2021, the applicability of IFRS 9 to banks in Pakistan has been deferred to accounting periods beginning on or after January 01, 2022. However, SBP has directed the banks in Pakistan to submit IFRS 9 parallel run results and proforma financial statements on periodic basis based on the instructions issued by the SBP for parallel run of IFRS 9 and the Bank has been complying with these requirements. The impact of the application of IFRS 9 on Bank's financial statements is being assessed based on parallel run guidelines while final implementation guidelines are awaited. Accordingly, these interim financial statements have been prepared based on the criteria defined in note 5.1.

3.4 The disclosures made in these condensed interim financial statements have been limited based on International Accounting Standard 34 - "Interim Financial Reporting". 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, 2021. Comparative Balance Sheet is stated from the audited annual financial statements as of 31 December 2021, 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 three months period ended 31 March 2021.

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 solely for the convenience of the users of financial statements. For the purpose of translation to US Dollar, spot rate of Rs. 183.4782 per US Dollar has been used for 2022 and 2021 as it was the prevalent rate on the reporting date.

5. SIGNIFICANT ACCOUNTING POLICIES

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 audited financial statements of the Bank for the year ended 31 December 2021 except for the following:

5.1 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
Other Assets Especially Mentioned (OAEM)	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
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
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
Loss	Loan (principal / mark-up) is overdue for 180 days or more	Loan (principal / mark-up) is overdue for two year or more	Loan (principal / mark-up) is overdue for 18 months or more

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

Category	General loans	Housing loans	Microenterprise loans
Other Assets Especially Mentioned (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

5.2 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 audited financial statements for the year ended 31 December 2021.

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 2021.

	<i>Note</i>	31 March 2022 (Un-audited) (Rupees in '000)	31 December 2021 (Audited)
6. CASH AND BALANCES WITH STATE BANK OF PAKISTAN AND NATIONAL BANK OF PAKISTAN			
Cash in hand - local currency		627,017	595,237
Balance with State Bank of Pakistan - current account		3,080,681	3,272,156
Balance with National Bank of Pakistan - current account		32,477	32,675
	6.1	3,113,158	3,304,831
		3,740,175	3,900,068

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.

	<i>Note</i>	31 March 2022 (Un-audited) (Rupees in '000)	31 December 2021 (Audited)
7. BALANCES WITH OTHER BANKS			
In Pakistan			
- Current accounts		122,587	261,857
- PLS deposit accounts	7.1 & 7.2	6,901,908	7,955,584
- Fixed term deposits	7.3	6,000,000	2,500,000
		13,024,495	10,717,441

7.1 This represents demand deposits with various financial institutions carrying markup at rates ranging between 8.25% to 12.55% per annum (31 December 2021: 7% to 13% per annum).

7.2 Certain guarantees of Rs. 149.5 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 represents fixed term deposits with commercial banks carrying mark-up rate ranging from 13% to 14% per annum (31 December 2021: 12.30% per annum) and having maturity in April 2022 (31 December 2021: January 2022).

	<i>Note</i>	31 March 2022 (Un-audited) (Rupees in '000)	31 December 2020 (Audited)
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings - unsecured	8.1	4,500,000	-
Repurchase agreement lendings (reverse repo)		1,962,498	-
		6,462,498	-

8.1 This represent call money lending to various financial institutions carrying mark-up rate ranging from 9.25% to 10.30% per annum (31 December 2021: nil) and having maturity in April 2022 (31 December 2021: nil).

	<i>Note</i>	31 March 2022 (Un-audited) (Rupees in '000)	31 December 2021 (Audited)
9. INVESTMENTS			
Federal Government Securities - available for sale			
Market Treasury Bills	9.1	11,427,911	17,748,724
Surplus / (Deficit) on revaluation of investment		(4,425)	3,939
		11,423,486	17,752,663

9.1 These carry mark-up at rates ranging between 10.65% to 10.99% (31 December 2021: 10.40% to 10.94%) per annum, having maturities up to May 2022 (December 31, 2021: March 2022). These securities have an aggregate face value of Rs. 11,500 million (31 December 2021: Rs. 18,031 million).

10. ADVANCES - net of provisions	Note	31 March 2022 (Un-audited)		31 December 2021 (Audited)	
		Number of loans outstanding	(Rupees in '000)	Number of loans outstanding	(Rupees in '000)
Advances - gross					
- Secured		39,109	3,838,552	41,779	3,959,619
- Unsecured	10.1	122,384	7,318,757	136,208	7,836,452
		161,493	11,157,309	177,987	11,796,071
Less: Provision held					
- Specific	10.1	25,372	(614,103)	32,829	(957,472)
- General	10.2		(67,044)		(68,715)
	10.3		(681,147)		(1,026,187)
Advances - net of provisions			10,476,162		10,769,884

10.1 Advances include Rs. 1,359.835 million (31 December 2021: Rs. 2,007.319 million) which have been placed under non-performing status as detailed below:

	31 March 2021 (Un-audited)			31 December 2021 (Audited)		
	Amount outstanding	Provision required	Provision held	Amount outstanding	Provision required	Provision held
	----- (Rupees in '000) -----					
Other Assets Especially						
Mentioned (OAEM)	200,871	2,957	2,957	428,510	-	-
Substandard	200,958	37,756	37,756	339,799	68,866	68,866
Doubtful	764,997	380,753	380,753	683,627	336,666	336,666
Loss	193,010	192,638	192,638	555,383	551,940	551,940
	1,359,835	614,103	614,103	2,007,319	957,472	957,472

10.2 This represents general provision of Rs. 67.004 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

	31 March 2022 (Un-audited)			31 December 2021 (Audited)		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
Opening balance	957,472	68,715	1,026,187	1,572,518	63,016	1,635,534
Charge for the period / year	587,282	-	587,282	2,988,543	5,699	2,994,242
Reversals	(30,735)	(1,671)	(32,406)	(112,635)	-	(112,635)
	556,547	(1,671)	554,876	2,875,908	5,699	2,881,607
Amount written off	(899,916)	-	(899,916)	(3,490,954)	-	(3,490,954)
Closing balance	614,103	67,044	681,147	957,472	68,715	1,026,187

10.4 Particulars of write offs

	31 March 2022 (Un-audited)	31 December 2021 (Audited)
	(Rupees in '000)	
Against provisions	899,916	3,490,954
Directly charged to the profit and loss account	14,901	52,083
	914,817	3,543,037

11. OPERATING FIXED ASSETS

	31 March 2022	31 December 2021
Property and equipment	3,478,546	3,641,022
Intangible assets	2,262,417	2,324,119
Capital work-in-progress	557,603	509,134
Right-of-use assets	1,844,693	1,892,560
	8,143,259	8,366,835

11.1 Additions during the period - at cost

Improvements to leasehold buildings	1,869	57,483
Furniture and fixtures	767	1,187
Office equipments	337	42,516
Computer equipments	103,996	1,361,300
Intangible assets	21,141	2,084,320
	<u>128,109</u>	<u>3,546,806</u>

11.2 Disposals during the period - at cost

Furniture and fixtures	-	8,689
Office equipments	42,135	838
Vehicles	10,747	24,034
	<u>52,882</u>	<u>33,561</u>

12. DEPOSITS AND OTHER ACCOUNTS

Current deposits	29,059,501	26,933,710
Saving deposits	2,432,187	3,143,373
Fixed deposits	7,264,207	8,965,844
	<u>38,755,895</u>	<u>39,042,927</u>

12.1 Particulars of deposits by ownership

Individual depositors	37,592,681	35,430,364
Institutional depositors		
- Corporations / firms etc	1,113,222	1,432,642
- Banks / financial institutions	49,992	100,804
	<u>38,755,895</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:

Deductible temporary differences

- Deficit on revaluation of assets (investments)	1,283	-
- Un-absorbed tax depreciation	481,998	365,745
	<u>483,281</u>	<u>365,745</u>

Taxable temporary differences

- Accelerated tax depreciation allowance	(448,980)	(330,302)
- Remeasurement gain/(loss) on defined benefit obligation	(34,301)	(34,301)
- Surplus on revaluation of assets (investments)	-	(1,142)
	<u>(483,281)</u>	<u>(365,745)</u>
	<u>-</u>	<u>-</u>

14. MEMORANDUM / OFF BALANCE SHEET ITEMS

		31 March	31 December
		2022	2021
	<i>Note</i>	(Un-audited)	(Audited)
		(Rupees in '000)	
Contingent liabilities	14.1	291,990	292,050
Commitments in respect of Acquisition of operating fixed assets		378,224	251,488
		<u>670,214</u>	<u>543,538</u>

14.1 Contingencies

14.2.1 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, 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.

14.2.2 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.

14.2.3 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.

14.2.4 The Bank's income tax assessments are open for Tax Years 2015 to 2019 and the proceedings are pending at different appellate forums. The Bank expects a favorable outcome based on the merits of the cases and has provided for some partial exposure as a matter of prudence.

14.2.5 The Bank had received notice from FBR regarding selection for audit u/s. 177 of the Income Tax Ordinance, 2001 for the tax year 2016. Based on the information submitted with respect to tax year 2016, tax officer has initiated amendment of assessment proceedings during the year which are still at the show cause notice stage. No demand has been raised by tax authorities.

14.2.6 The Bank's references with respect to withholding income tax audits of markup payments for tax years 2012, 2014 and 2015 are pending with Sindh High Court. Though the Bank expects a favorable outcome in view of the legal position, potential exposure has been fully provided for in the books as an abundant caution.

15. MARK-UP / RETURN / INTEREST EARNED

On:

	Quarter ended	
	31 March 2022	31 March 2021
Advances	850,193	133,170
Available-for-sale investments in Government Securities	240,318	354,915
Deposits with financial institutions / Banks	126,169	58,584
Call money lendings	309,847	81,494
Repurchase agreement lendings	53,821	42,087
	<u>1,580,348</u>	<u>670,250</u>

16. MARK-UP / RETURN / INTEREST EXPENSED

On:

Deposits	356,549	419,326
Borrowings	80	-
Lease liabilities against right-of-use assets	78,046	80,780
	<u>434,675</u>	<u>500,106</u>

17. FEE, COMMISSION AND BROKERAGE INCOME

Loan processing fee	150,281	133,512
Income from branchless banking	1,479,684	1,643,311
	<u>1,629,965</u>	<u>1,776,823</u>

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:

	31 March 2022 (Un-audited)					31 December 2021 (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	-	9,922	-	-	9,922	-	19,824	-	-	19,824
Given during the period	-	4,000	-	-	4,000	-	6,620	-	-	6,620
Repaid during the period	-	(1,607)	-	-	(1,607)	-	(16,522)	-	-	(16,522)
	-	12,314	-	-	12,314	-	9,922	-	-	9,922
Deposits										
At 1 January	5,000	508	560	116,093	122,161	9,900	1,358	560	703,437	715,255
Received during the period	-	7,107	-	75,577	82,684	-	24,979	-	2,536,180	2,561,159
Withdrawn during the period	(4,000)	(7,022)	-	(127,388)	(138,410)	(4,900)	(25,829)	-	(3,123,524)	(3,154,253)
	1,000	593	560	64,282	66,435	5,000	508	560	116,093	122,162
Other Assets										
Receivable from defined benefit plan	-	-	-	64,518	64,518	-	-	-	77,717	77,717
	-	-	-	64,518	64,518	-	-	-	77,717	77,717
Other Liabilities										
Payable against goods and services	965,781	-	-	-	965,781	821,335	-	-	-	821,335
Payable to defined contribution plan	-	-	-	27,452	27,452	-	-	-	3,987	3,987
Payable to defined benefit plan	-	-	-	-	-	-	-	-	-	-
	965,781	-	-	27,452	993,233	821,335	-	-	3,987	825,322
Capital Expenditure										
	-	-	-	-	-	39,710	-	-	-	39,710
Transactions during the period										
Directors' meeting fees	-	-	1,800	-	1,800	-	-	7,000	-	7,000
Remuneration of Key Management Personnel	-	53,972	15,055	-	69,027	-	179,387	63,721	-	243,108
Mark-up expense	-	-	-	1,003	1,003	-	-	-	25,997	25,997
Communication expense	14,871	-	-	-	14,871	65,845	-	-	-	65,845
Rent	-	-	-	-	-	19,705	-	-	-	19,705
Professional consultancy charges	78,983	-	-	-	78,983	150,849	-	-	-	150,849
Other charges	-	-	-	-	-	3,384	-	-	-	3,384
Repair and maintenance	193,746	-	-	-	193,746	483,963	-	-	-	483,963
Advertisement	67,592	-	-	-	67,592	223,163	-	-	-	223,163
	355,192	53,972	16,855	1,003	427,022	946,909	179,387	70,721	25,997	1,223,014

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.

19. GENERAL

- 19.1** Comparative information has been reclassified or rearranged in these condensed interim financial statements for the purpose of better presentation. However, the amounts are not material.
- 19.2** The figures have been rounded off to the nearest thousand rupees, unless otherwise stated.
- 19.3** Figures of these condensed interim profit and loss account have not been subjected to limited scope review by the auditors.
- 19.4** 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.

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 28 April 2022.

**President & Chief Executive
Officer**

Chairman

Director

Director