

TELENOR MICROFINANCE BANK LIMITED
Condensed Interim Financial Statements
For the nine months ended September 30, 2022 (Un-audited)

TELENOR MICROFINANCE BANK LIMITED
CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)
AS AT SEPTEMBER 30, 2022

September 30, 2022 (Un-audited) (USD in '000)	December 31, 2021 (Audited)		September 30, 2022 (Un-audited) (Rupees in '000)	December 31, 2021 (Audited)
ASSETS				
		Cash and balances with State Bank of Pakistan		
15,484	17,072	and National Bank of Pakistan	3,537,332	3,900,068
7,142	46,913	Balances with other banks	1,631,538	10,717,441
-	-	Lendings to financial institutions	-	-
131,984	77,709	Investments	30,152,013	17,752,663
46,616	47,143	Advances - net of provisions	10,649,500	10,769,884
33,953	36,624	Operating fixed assets	7,756,686	8,366,835
13,446	13,297	Other assets	3,071,937	3,037,994
-	-	Deferred tax asset - net	-	-
248,625	238,758	Total assets	56,799,006	54,544,885
LIABILITIES				
185,818	170,902	Deposits and other accounts	42,450,427	39,042,927
-	-	Borrowings	-	-
-	-	Subordinated debt	-	-
45,656	41,480	Other liabilities	10,430,220	9,476,029
-	-	Deferred tax liability - net	-	-
231,474	212,382	Total liabilities	52,880,647	48,518,956
17,151	26,376	NET ASSETS	3,918,359	6,025,929
REPRESENTED BY:				
24,990	23,985	Share capital	5,709,017	5,479,488
-	-	Advance against future issue of right shares	-	-
184,873	168,644	Reserves	42,234,678	38,527,068
(192,743)	(166,334)	Accumulated loss	(44,032,486)	(37,999,226)
17,120	26,295		3,911,209	6,007,330
(35)	12	(Deficit) / Surplus on revaluation of assets - net of deferred tax	(7,918)	2,797
66	69	Deferred grants	15,068	15,802
17,151	26,376		3,918,359	6,025,929

MEMORANDUM / OFF BALANCE SHEET ITEMS 13

The annexed notes 1 to 19 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, 2022

Nine months ended		Quarter ended			Nine months ended		Quarter ended		
September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021		September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021	
(USD in '000)					(Rupees in '000)				
24,701	12,227	9,470	4,724	Mark-up / return / interest earned	14	5,642,919	2,793,274	2,163,463	1,079,290
(4,467)	(6,418)	(1,228)	(2,090)	Mark-up / return / interest expensed	15	(1,020,540)	(1,466,100)	(280,546)	(477,565)
20,234	5,809	8,242	2,634	Net mark-up / return / interest income		4,622,379	1,327,174	1,882,917	601,725
(5,624)	(9,873)	(1,042)	(4,323)	Provision against non-performing loans and advances - net	9.3	(1,284,916)	(2,255,574)	(238,055)	(987,681)
-	-	-	-	Provision for diminution in the value of investments		-	-	-	-
(131)	(180)	(38)	(52)	Bad debts written off directly	9.4	(29,978)	(41,153)	(8,789)	(11,871)
(5,755)	(10,053)	(1,080)	(4,375)			(1,314,894)	(2,296,727)	(246,844)	(999,552)
14,479	(4,244)	7,162	(1,741)	Net mark-up / return / interest income after provisions		3,307,485	(969,553)	1,636,073	(397,827)
NON MARK-UP / NON INTEREST INCOME									
20,961	22,081	7,160	7,733	Fee, commission and brokerage income	16	4,788,702	5,044,405	1,635,621	1,766,680
6,448	3,533	1,434	588	Other income		1,473,011	807,222	327,505	134,398
27,409	25,614	8,594	8,321	Total non-mark-up / non-interest income		6,261,713	5,851,627	1,963,126	1,901,078
41,888	21,370	15,756	6,580			9,569,198	4,882,074	3,599,199	1,503,251
NON MARK-UP / NON INTEREST EXPENSES									
(66,671)	(53,613)	(22,467)	(17,767)	Administrative expenses		(15,230,811)	(12,248,096)	(5,132,662)	(4,058,891)
(195)	(11)	(19)	(8)	Other provisions / write-offs / (reversals)		(44,588)	(2,543)	(4,367)	(1,800)
(19)	(5)	(4)	-	Other charges		(4,298)	(1,105)	(940)	(5)
(66,885)	(53,629)	(22,490)	(17,775)	Total non-mark-up / non-interest expenses		(15,279,697)	(12,251,744)	(5,137,969)	(4,060,696)
(24,997)	(32,259)	(6,734)	(11,195)			(5,710,499)	(7,369,670)	(1,538,770)	(2,557,445)
-	-	-	-	Extraordinary / unusual items		-	-	-	-
(24,997)	(32,259)	(6,734)	(11,195)	LOSS BEFORE TAXATION		(5,710,499)	(7,369,670)	(1,538,770)	(2,557,445)
(1,223)	(892)	(420)	(306)	Taxation - Current		(279,485)	(203,868)	(95,891)	(69,848)
-	(48)	-	26	- Prior		-	(10,939)	-	5,861
(19)	(38)	8	(15)	- Deferred		(4,376)	(8,675)	1,900	(3,473)
(1,242)	(978)	(412)	(295)			(283,861)	(223,482)	(93,991)	(67,460)
(26,239)	(33,237)	(7,146)	(11,490)	LOSS AFTER TAXATION		(5,994,360)	(7,593,152)	(1,632,761)	(2,624,905)
(USD)		(USD)			(Rupees)		(Rupees)		
(0.05)	(0.07)	(0.01)	(0.02)	Basic and diluted loss per share		(10.76)	(15.90)	(2.85)	(4.69)

The annexed notes 1 to 19 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, 2022

Nine months ended		Quarter ended			Nine months ended		Quarter ended	
September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021		September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
(USD in '000)		(USD in '000)			(Rupees in '000)		(Rupees in '000)	
(26,239)	(33,237)	(7,146)	(11,490)	Loss after taxation for the period	(5,994,360)	(7,593,152)	(1,632,761)	(2,624,905)
				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	-	-	-	-
-	-	-	-		-	-	-	-
(26,239)	(33,237)	(7,146)	(11,490)	Comprehensive loss for the period transferred to equity	(5,994,360)	(7,593,152)	(1,632,761)	(2,624,905)
				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>				
(66)	(131)	12	(52)	(Deficit) / Surplus on revaluation of 'available for sale' investments	(15,091)	(29,913)	2,845	(11,977)
19	38	4	(15)	Related tax impact	4,376	8,675	825	(3,473)
(47)	(93)	16	(67)		(10,715)	(21,238)	3,670	(15,450)
(26,286)	(33,330)	(7,130)	(11,557)	Total comprehensive loss for the period	(6,005,075)	(7,614,390)	(1,629,091)	(2,640,355)

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TELENOR MICROFINANCE BANK LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022

Nine months ended			Nine months ended	
September 30, 2022	September 30, 2021		September 30, 2022	September 30, 2021
(USD in '000)			(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES				
(24,997)	(32,259)	Loss before taxation	(5,710,499)	(7,369,670)
Adjustments for non cash and other items:				
4,463	3,468	Depreciation and amortisation	1,019,688	792,261
957	1,037	Depreciation on right-of-use assets	218,556	236,892
881	1,056	Mark-up / Return / Interest expense on Lease liability against right-of-use assets	201,191	241,296
5,756	10,053	Provision against non-performing loans and advances - net	1,314,894	2,296,727
520	465	Provision for gratuity	118,789	106,227
271	39	Write-offs against operating fixed assets	61,861	8,898
(3)	(3)	Grant Income	(734)	(734)
(95)	(50)	Other provisions / write-offs	(21,773)	(11,355)
(6,297)	(4,361)	Amortisation of discount on available-for-sale securities	(1,438,493)	(996,371)
(1,409)	-	Gain on termination of lease	(321,945)	-
(32)	6	(Gain) /Loss on sale of operating fixed assets	(7,270)	1,477
5,012	11,710		1,144,764	2,675,318
<i>(Increase) / Decrease in operating assets</i>				
-	30,518	Lending to financial institutions	-	6,971,827
(5,229)	(8,764)	Advances	(1,194,510)	(2,002,057)
68	4,679	Other assets (excluding advance taxation)	15,499	1,068,824
(5,161)	26,433		(1,179,011)	6,038,594
<i>Increase / (Decrease) in operating liabilities</i>				
14,916	(4,144)	Deposits and other accounts	3,407,500	(946,691)
6,964	2,175	Other liabilities (excluding lease liability against right-of-use assets and payable to defined benefit plan)	1,590,987	496,858
21,880	(1,969)		4,998,487	(449,833)
(1,402)	(1,358)	Income tax paid	(320,353)	(310,162)
(462)	(413)	Contribution to defined benefit plan	(105,590)	(94,424)
(5,130)	2,144	<i>Net cash (used in) / generated from operating activities</i>	(1,172,202)	489,823
CASH FLOW FROM INVESTING ACTIVITIES				
(48,045)	1,953	Net Investment in available for sale securities	(10,975,948)	446,225
(4,062)	(4,013)	Investments in operating fixed assets	(927,956)	(916,697)
86	10	Proceeds from disposal of operating fixed assets	19,661	2,350
(52,021)	(2,050)	<i>Net cash used in investing activities</i>	(11,884,243)	(468,122)
CASH FLOW FROM FINANCING ACTIVITIES				
17,064	28,712	Proceeds from issuance of share capital	3,898,239	6,559,389
(1,271)	(1,014)	Payment of lease liability against right-of-use assets	(290,433)	(231,607)
15,793	27,698	<i>Net cash generated from financing activities</i>	3,607,806	6,327,782
(41,358)	27,792	Net (decrease) / increase in cash and cash equivalents	(9,448,639)	6,349,483
63,985	40,423	Cash and cash equivalents at beginning of the period	14,617,509	9,234,666
22,627	68,215	Cash and cash equivalents at end of the period	5,168,870	15,584,149

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

President and
Chief Executive Officer

Chairman

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TELENOR MICROFINANCE BANK LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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 January 01, 2021	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	-	-	-	-	-	-	(7,593,152)	(7,593,152)
Other comprehensive loss - 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	-	-	13,104,837	-	-
Transfer to Depositors' Protection Fund **								
- return on investments	-	-	-	-	25,876	25,876	(25,876)	-
Balance as at September 30, 2021 (Un-audited)	5,174,840	-	32,576,066	802,481	368,912	33,747,459	(34,824,504)	4,097,795
Total comprehensive income for the period								
Loss after tax for the period	-	-	-	-	-	-	(3,171,619)	(3,171,619)
Other comprehensive loss - net of tax	-	-	-	-	-	-	(3,103)	(3,103)
	-	-	-	-	-	-	(3,174,722)	(3,174,722)
Transfer to statutory reserve *	-	-	-	-	-	-	-	-
Advance against future issue of right shares	-	5,084,257	-	-	-	-	-	-
Issue of share capital	304,648	(5,084,257)	4,779,609	-	-	4,779,609	-	5,084,257
Transfer to Depositors' Protection Fund **								
- return on investments	-	-	-	-	-	-	-	-
Balance as at December 31, 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	-	-	-	-	-	-	(5,994,360)	(5,994,360)
Other comprehensive income - net of tax	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	(5,994,360)	(5,994,360)
Transfer to statutory reserve *	-	-	-	-	-	-	-	-
Advance against future issue of right shares	-	3,898,239	-	-	-	-	-	3,898,239
Issue of share capital	229,529	(3,898,239)	3,668,710	-	-	3,668,710	-	-
Transfer to Depositors' Protection Fund **								
- return on investments	-	-	-	-	38,900	38,900	(38,900)	-
Balance as at September 30, 2022 (Un-audited)	5,709,017	-	41,024,385	802,481	407,812	42,234,678	(44,032,486)	3,911,209

* 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 19 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, 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 (December 31, 2021: 55%) and Alipay (Hong Kong) Holding Limited with 45% (December 31, 2021: 45%) shareholding.

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

1.4 The credit rating of the Bank as of April 30, 2022 is as follows:

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

1.5 Capital Adequacy Ratio (CAR)

Keeping in view the strategy of the bank, a business plan has been approved by the Board of Directors of the Bank. This plan envisages further equity injection of USD 30 million out of which USD 15 million is expected to be received in November 2022 and the remaining in the year 2023. With the upcoming equity in November the Banks's CAR is expected to increase from 10.16% in September 2022 to above 20% . In terms of the business plan and strategy approved by the Board, the Bank intends to expand its digital platforms to grow the business and rationalize cost structure to achieve profitability going forward.

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, 2021. Comparative condensed interim balance sheet is stated from the audited annual financial statements as of December 31, 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 nine months period ended September 30, 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 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. 228.4520 per US Dollar has been used for September 30, 2022 and December 31, 2021 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, 2022 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 2021 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.

As per the SBP's BPRD Circular Letter no. 24 dated July 05, 2022, the applicability of IFRS 9 to banks in Pakistan has been further deferred to accounting periods beginning on or after January 01, 2024. SBP has also 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. 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.

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, 2021.

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, 2021 except for the following:

During the period State Bank of Pakistan (SBP) vide its Circular No. 02 of 2022 dated March 16, 2022 revised Prudential Regulations which resulted in change in criteria for classification of assets, provisioning requirements and write-off of on-performing loans (NPLs).

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, 2021.

	Note	September 30, 2022 (Un-audited) (Rupees in '000)	December 31, 2021 (Audited)
6. CASH AND BALANCES WITH STATE BANK OF PAKISTAN AND NATIONAL BANK OF PAKISTAN			
Cash in hand - local currency		318,759	595,237
Balance with State Bank of Pakistan - current account		3,207,997	3,272,156
Balance with National Bank of Pakistan - current account		10,576	32,675
	6.1	3,218,573	3,304,831
		3,537,332	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.

	Note	September 30, 2022 (Un-audited) (Rupees in '000)	December 31, 2021 (Audited)
7. BALANCES WITH OTHER BANKS			
In Pakistan			
- Current accounts		130,802	261,857
- PLS deposit accounts	7.1 & 7.2	1,500,736	7,955,584
- Fixed term deposits	7.3	-	2,500,000
		1,631,538	10,717,441

7.1 This represents demand deposits with various financial institutions carrying markup at rate of 13.50% per annum (December 31, 2021: 7% to 13% per annum).

7.2 Certain guarantees amounting to Rs. 157 million (December 31, 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 deposit with commercial banks as at December 31, 2021 carrying mark-up at rates of 12.30% per annum and having maturity in January 2022.

	Note	September 30, 2022 (Un-audited) (Rupees in '000)	December 31, 2021 (Audited)
8. INVESTMENTS			
Federal Government Securities - available for sale			
Market Treasury Bills	8.1	30,163,165	17,748,724
Surplus / (deficit) on revaluation of investment		(11,152)	3,939
		30,152,013	17,752,663

8.1 These carry mark-up at rates ranging between 14.89% to 16.47% (December 31, 2021: 10.4% to 10.94%) per annum, having maturities up to February 2023 (December 31, 2021: Mar 2022). These securities have an aggregate face value of Rs. 30,680 million (December 31, 2021: Rs. 18,031 million).

9. ADVANCES - net of provisions

	Note	September 30, 2022 (Un-audited)		December 31, 2021 (Audited)	
		Number of loans outstanding	(Rupees in '000)	Number of loans outstanding	(Rupees in '000)
Advances - gross					
- Secured		38,362	4,079,723	41,779	3,959,619
- Unsecured	9.1	235,424	6,852,985	136,208	7,836,452
		<u>273,786</u>	<u>10,932,708</u>	<u>177,987</u>	<u>11,796,071</u>
Less: Provision held					
- Specific	9.1	16,818	(216,866)	32,829	(957,472)
- General	9.2		(66,342)		(68,715)
			<u>(283,208)</u>		<u>(1,026,187)</u>
Advances - net of provisions			<u>10,649,500</u>		<u>10,769,884</u>

9.1 Particulars of non-performing advances

Advances include Rs. 679.356 million (December 31, 2021: Rs. 2,007.31 million) which have been placed under non-performing status as detailed below:

	September 30, 2022 (Un-audited)			December 31, 2021 (Audited)		
	Amount outstanding	Provision required	Provision held	Amount outstanding	Provision required	Provision held
	----- (Rupees in '000) -----					
Other Assets Especially Mentioned (OAEM)	249,349	4,613	4,613	428,510	-	-
Substandard	160,192	34,988	34,988	339,799	68,866	68,866
Doubtful	181,805	89,705	89,705	683,627	336,666	336,666
Loss	88,010	87,560	87,560	555,383	551,940	551,940
	<u>679,356</u>	<u>216,866</u>	<u>216,866</u>	<u>2,007,319</u>	<u>957,472</u>	<u>957,472</u>

9.2 This includes general provision of Rs. 66.342 million (December 31, 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.

9.3 Particulars of provision against non-performing advances

	September 30, 2022 (Un-audited)			December 31, 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	1,311,920	-	1,311,920	2,988,543	5,699	2,994,242
Reversals	(24,631)	(2,373)	(27,004)	(112,635)	-	(112,635)
	<u>1,287,289</u>	<u>(2,373)</u>	<u>1,284,916</u>	<u>2,875,908</u>	<u>5,699</u>	<u>2,881,607</u>
Amount written off	(2,027,895)	-	(2,027,895)	(3,490,954)	-	(3,490,954)
Closing balance	<u>216,866</u>	<u>66,342</u>	<u>283,208</u>	<u>957,472</u>	<u>68,715</u>	<u>1,026,187</u>

9.4 Particulars of write offs	September 30, 2022 (Un-audited) (Rupees in '000)	December 31, 2021 (Audited) (Rupees in '000)
Against provisions	2,027,895	3,490,954
Directly charged to the profit and loss account	29,978	52,083
	<u>2,057,873</u>	<u>3,543,037</u>
10. OPERATING FIXED ASSETS		
	September 30, 2022 (Un-audited) (Rupees in '000)	December 31, 2021 (Audited) (Rupees in '000)
	Note	
Property and equipment	3,317,457	3,641,022
Intangible assets	2,124,205	2,324,119
Capital work-in-progress	866,629	509,134
Right-of-use assets	1,448,395	1,892,560
	<u>7,756,686</u>	<u>8,366,835</u>
10.1 Additions during the period - at cost		
Improvements to leasehold buildings	151,849	57,483
Furniture and fixtures	31,314	1,187
Office equipments	72,240	42,516
Computer equipments	278,445	1,361,300
Intangible assets	36,614	2,084,320
	<u>570,462</u>	<u>3,546,806</u>
10.2 Disposals during the period - at cost		
Furniture and fixtures	5,431	21,174
Office and Computer equipments	43,350	13,778
Vehicles	10,747	24,034
	<u>59,528</u>	<u>58,986</u>
	September 30, 2022 (Un-audited)	December 31, 2021 (Audited)
11. DEPOSITS AND OTHER ACCOUNTS		
Current deposits	34,699,400	26,933,710
Saving deposits	4,553,641	3,143,373
Fixed deposits	3,197,386	8,965,844
	<u>42,450,427</u>	<u>39,042,927</u>
11.1 Particulars of deposits by ownership		
Individual depositors	39,626,360	37,385,789
Institutional depositors		
- Corporations / firms etc	1,352,151	1,569,317
- Banks / financial institutions	1,471,916	87,821
	<u>42,450,427</u>	<u>39,042,927</u>

12. DEFERRED TAX LIABILITY - NET

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

	September 30, 2022	December 31, 2021
	(Un-audited)	(Audited)
	(Rupees in '000)	
Deductible temporary differences		
- Un-absorbed tax depreciation	343,029	365,745
- Deficit on revaluation of assets (investments)	3,234	-
	<u>346,263</u>	<u>365,745</u>
Taxable temporary differences		
- Accelerated tax depreciation allowance	(311,962)	(330,302)
- Remeasurement gain/(loss) on defined benefit obligation	(34,301)	(34,301)
- Surplus on revaluation of assets (investments)	-	(1,142)
	<u>(346,263)</u>	<u>(365,745)</u>
	<u>-</u>	<u>-</u>

- 12.1 As of September 30, 2022, the carry forward tax loss and other deductible temporary difference amount to Rs. 43,992 million (December 31, 2021: Rs. 35,817 million) and Rs. 657 million (December 31, 2021: Rs. 1,241 million) respectively. Unrecognized deferred tax asset due to carry forward tax losses and other deductible timing differences calculated at the current rate of taxation excluding any super tax impact amounts to Rs. 12,948 million (December 31, 2021: Rs. 10,746 million). Such deferred tax asset has not been recognized in these financial statements due to uncertainty of realizability of the amount.

13. MEMORANDUM / OFF BALANCE SHEET ITEMS

	Note	September 30, 2022	December 31, 2021
		(Un-audited)	(Audited)
		(Rupees in '000)	
Contingent liabilities	13.1	291,990	292,050
Commitments in respect of fixed assets		665,548	251,488
		<u>957,538</u>	<u>543,538</u>

13.1 Contingencies

- 13.1.1 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, 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.

- 13.1.2 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 and during Feb 2021, Appellate Tribunal, KPK remanded the case back to KPRA for fresh adjudication, the afore-said decision of KPRA-Tribunal was challenged by the Bank before Peshawar High Court and on May 24, 2022 the Court has set aside the order of Tribunal with direction to Tribunal to address the legal issue of time limitation of show cause notice that became basis of the whole proceeding, until then the appeal shall be deemed to be pending with Tribunal.

- 13.1.3** 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.
- 13.1.4** During the preceding 2 years, the Bank received amended assessment Orders with respect Tax Years 2015 to 2019 raising a demands of Rs. 74.51 million, Rs. 51.73 million, Rs. 88 million, Rs. 92.74 million and Rs. 40.70 million.

The Bank got favorable outcome from Commissioner (Appeals) in respect of all major add-backs and filed appeals with Tribunal in respect of the remaining issues. Nothing is payable to FBR presently.

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

	Nine months ended		Quarter ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	(Un-audited)		(Un-audited)	
	(Rupees in '000)		(Rupees in '000)	
14. MARK-UP / RETURN / INTEREST EARNED				
On:				
Advances	2,606,865	1,257,567	926,605	600,795
Available-for-sale investments in Government Securities	1,438,493	996,371	789,044	279,635
Deposits with financial institutions / Banks	474,561	241,282	166,319	99,015
Call money lendings	941,876	205,372	233,457	78,089
Repurchase agreement lendings	181,124	92,682	48,038	21,756
	<u>5,642,919</u>	<u>2,793,274</u>	<u>2,163,463</u>	<u>1,079,290</u>
15. MARK-UP / RETURN / INTEREST EXPENSED				
On:				
Deposits	819,269	1,224,804	225,059	398,433
Borrowings	80	-	-	-
Lease liabilities against right-of-use assets	201,191	241,296	55,487	79,132
	<u>1,020,540</u>	<u>1,466,100</u>	<u>280,546</u>	<u>477,565</u>
16. FEE, COMMISSION AND BROKERAGE INCOME				
Loan processing fee	507,615	414,874	222,961	147,064
Income from branchless banking	4,280,188	4,286,075	1,412,110	1,293,077
Others	899	343,456	550	326,539
	<u>4,788,702</u>	<u>5,044,405</u>	<u>1,635,621</u>	<u>1,766,680</u>

17. 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:

	September 30, 2022 (Un-audited)					December 31, 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	-	9,000	-	-	9,000	-	6,620	-	-	6,620
Repaid during the period	-	(8,947)	-	-	(8,947)	-	(16,522)	-	-	(16,522)
	-	9,975	-	-	9,975	-	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	-	17,576	-	315,378	332,954	-	24,979	-	2,536,180	2,561,159
Withdrawn during the period	(5,000)	(17,815)	-	(364,306)	(387,121)	(4,900)	(25,829)	-	(3,123,524)	(3,154,253)
	-	269	560	67,165	67,994	5,000	508	560	116,093	122,161
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	1,308,187	-	-	-	1,308,187	821,335	-	-	-	821,335
Payable to defined contribution plan	-	-	-	29,791	29,791	-	-	-	3,987	3,987
	1,308,187	-	-	29,791	1,337,978	821,335	-	-	3,987	825,322
Capital Expenditure	118,000	-	-	-	118,000	39,710	-	-	-	39,710
Transactions during the period / year										
Directors' meeting fees	-	-	5,200	-	5,200	-	-	7,000	-	7,000
Remuneration of Key Management Personnel	-	171,341	53,347	-	224,688	-	179,387	63,721	-	243,108
Mark-up expense	-	-	-	3,151	3,151	-	-	-	25,997	25,997
Communication expense	47,553	-	-	-	47,553	65,845	-	-	-	65,845
Rent	21,282	-	-	-	21,282	19,705	-	-	-	19,705
Professional consultancy charges	199,002	-	-	-	199,002	150,849	-	-	-	150,849
Other charges	-	-	-	-	-	3,384	-	-	-	3,384
Repair and maintenance	593,149	-	-	-	593,149	483,963	-	-	-	483,963
Advertisement	159,524	-	-	-	159,524	223,163	-	-	-	223,163
	1,020,510	171,341	58,547	3,151	1,253,549	946,909	179,387	70,721	25,997	1,223,014

17.1 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.

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

18. GENERAL

18.1 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.

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

19. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue by the Board of Directors in their meeting held on 27 October 2022.

**President & Chief Executive
Officer**

Chairman

Director

Director