

Telenor Microfinance Bank Limited
Condensed Interim Financial Statements
For the three months ended March 31, 2023 (Un-audited)

Telenor Microfinance Bank Limited
Condensed Interim Balance Sheet (Un-audited)
As at 31 March 2023

31 March 2023 (Un-audited) (USD in '000)	31 December 2022 (Audited)		Note	31 March 2023 (Un-audited) (Rupees in '000)	31 December 2022 (Audited)
ASSETS					
18,781	19,747	Cash and balances with State Bank of Pakistan and National Bank of Pakistan	6	5,329,826	5,604,020
16,387	19,409	Balances with other banks	7	4,650,502	5,508,160
63,147	10,571	Lendings to financial institutions	8	17,920,532	3,000,000
56,261	98,563	Investments	9	15,966,547	27,971,506
43,965	39,785	Advances - net of provisions	10	12,476,785	11,290,600
24,763	25,122	Operating fixed assets	11	7,027,477	7,129,405
11,533	11,260	Other assets		3,272,966	3,195,621
-	-	Deferred tax asset - net	13	-	-
234,837	224,457	Total assets		66,644,635	63,699,312
LIABILITIES					
171,963	164,198	Deposits and other accounts	12	48,801,792	46,597,944
-	-	Borrowings		-	-
-	-	Subordinated debt		-	-
37,165	38,371	Other liabilities		10,546,998	10,889,623
-	-	Deferred tax liability - net	13	-	-
209,128	202,569	Total liabilities		59,348,790	57,487,567
25,709	21,888	NET ASSETS		7,295,845	6,211,745
REPRESENTED BY:					
20,668	20,117	Share capital		5,865,514	5,709,017
4,868	11,829	Advance against future issue of right shares		1,381,395	3,357,060
160,215	148,871	Reserves		45,467,594	42,248,428
(159,990)	(158,876)	Accumulated losses		(45,403,790)	(45,087,689)
25,761	21,941			7,310,713	6,226,816
(103)	(104)	Surplus / (Deficit) on revaluation of assets - net of deferred tax		(29,202)	(29,405)
51	51	Deferred grants		14,334	14,334
25,709	21,888			7,295,845	6,211,745
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 2023

Quarter ended			Quarter ended		
31 March 2023	31 March 2022		31 March 2023	31 March 2022	Note
(USD in '000)			(Rupees in '000)		
9,272	5,569	Mark-up / return / interest earned	2,631,274	1,580,348	15
(756)	(1,532)	Mark-up / return / interest expensed	(214,576)	(434,675)	16
8,516	4,037	Net mark-up / return / interest income	2,416,698	1,145,673	
(751)	(1,955)	Provision against non-performing loans and advances - net	(213,141)	(554,877)	10.3
-	-	Provision for diminution in the value of investments	-	-	
(25)	(53)	Bad debts written off directly	(7,187)	(14,901)	10.4
(776)	(2,008)		(220,328)	(569,778)	
7,740	2,029	Net mark-up / return / interest income after provisions	2,196,370	575,895	
NON MARK-UP / NON INTEREST INCOME					
7,893	5,744	Fee, commission and brokerage income	2,239,977	1,629,965	17
1,115	1,644	Other income	316,521	466,543	
9,008	7,388	Total non-mark-up / non-interest income	2,556,498	2,096,508	
16,748	9,417		4,752,868	2,672,403	
NON MARK-UP / NON INTEREST EXPENSES					
(17,527)	(17,112)	Administrative expenses	(4,974,032)	(4,856,153)	
129	(5)	Other provisions / Write offs	36,634	(1,500)	
-	-	Other charges	(12)	(74)	
(17,398)	(17,117)	Total non-mark-up / non-interest expenses	(4,937,410)	(4,857,727)	
(650)	(7,700)		(184,542)	(2,185,324)	
-	-	Extraordinary / unusual items	-	-	
(650)	(7,700)	LOSS BEFORE TAXATION	(184,542)	(2,185,324)	
(398)	(315)	Taxation - current	(113,039)	(89,502)	
-	-	- prior	-	-	
-	(9)	- deferred	83	(2,426)	
(398)	(324)		(112,956)	(91,928)	
(1,048)	(8,024)	LOSS AFTER TAXATION	(297,498)	(2,277,252)	
(USD)			(Rupees)		
(0.002)	(0.015)	Basic and diluted loss per share	(0.51)	(4.16)	

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 2023

Quarter ended			Quarter ended	
31 March 2023	31 March 2022		31 March 2023	31 March 2022
(USD in '000)			(Rupees in '000)	
(1,048)	(8,024)	Loss after taxation for the period	(297,498)	(2,277,252)
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	-	-
(1,048)	(8,024)	Comprehensive loss for the period transferred to equity	(297,498)	(2,277,252)
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>				
1	(29)	Surplus / (Deficit) on revaluation of 'available for sale' investments	285	(8,364)
1	9	Related tax impact	(83)	2,426
2	(20)	Comprehensive (loss)/profit for the year not transferred to equity	202	(5,938)

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Telenor Microfinance Bank Limited
Condensed Interim Statement of Changes in Equity (Un-audited)
For the three months ended 31 March 2023

	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 2022 (Audited)	5,479,488	-	37,355,675	802,481	368,912	38,527,068	(37,999,226)	6,007,330
Total comprehensive income for the period								
Loss after tax for the period	-	-	-	-	-	-	(2,277,252)	(2,277,252)
Other comprehensive loss - 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	-	-	-	-	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
Total comprehensive income for the period								
Loss after tax for the period	-	-	-	-	-	-	(4,822,659)	(4,822,659)
Other comprehensive loss - net of tax	-	-	-	-	-	-	64,098	64,098
	-	-	-	-	-	-	(4,758,561)	(4,758,561)
Transfer to statutory reserve *	-	-	-	-	-	-	-	-
Advance against future issue of right shares	-	3,357,060	-	-	-	-	-	3,357,060
Issue of share capital	229,529	(3,898,239)	3,668,710	-	-	3,668,710	-	-
Transfer to Depositors' Protection Fund - return on investments	-	-	-	-	43,184	43,184	(43,184)	-
Balance as at 31 December 2022 (Audited)	5,709,017	3,357,060	41,024,385	802,481	421,562	42,248,428	(45,087,689)	6,226,816
Total comprehensive loss for the period								
Loss after tax for the period	-	-	-	-	-	-	(297,498)	(297,498)
Other comprehensive income - net of tax	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	(297,498)	(297,498)
Transfer to statutory reserve *	-	-	-	-	-	-	-	-
Advance against future issue of right shares	-	1,381,395	-	-	-	-	-	1,381,395
Issue of share capital	156,497	(3,357,060)	3,200,563	-	-	3,200,563	-	-
Transfer to Depositors' Protection Fund - return on investments	-	-	-	-	18,603	18,603	(18,603)	-
Balance as at 31 March 2023 (Un-audited)	5,865,514	1,381,395	44,224,948	802,481	440,165	45,467,594	(45,403,790)	7,310,713

* In accordance with the requirements of the Microfinance Institutions Ordinance, 2001 and the Prudential Regulations for Microfinance Banks issued by the SBP (Prudential Regulations), the Bank is required to transfer an amount equivalent to 20% of profit after tax to the statutory reserve. No amount has been allocated to this reserve in the current year as there is a loss after tax for the year.

** In accordance with the requirements of the Microfinance Institutions Ordinance, 2001 and the Prudential Regulations, the Bank is required to transfer an amount equivalent to 5% of profit after tax to the Depositors' Protection Fund, plus the return earned on such funds. Although there is loss after tax for the year, an amount equal to the profit earned on the investments of the fund has been credited to this fund during the year.

The annexed notes 1 to 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 2023

Quarter ended			Quarter ended	
31 March 2023	31 March 2022		31 March 2023	31 March 2022
(USD in '000)			(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES				
(650)	(7,700)	Loss before taxation	(184,542)	(2,185,324)
Adjustments for non cash and other items:				
1,270	1,206	Depreciation and amortisation	360,527	342,306
181	265	Depreciation on right-of-use assets	51,462	75,068
-	-	Mark-up / Return / Interest expense on		
139	275	Lease liability against right-of-use assets	39,501	78,046
776	2,008	Provision against non-performing loans and advances - net	220,328	569,778
136	140	Provision for gratuity	38,483	39,596
12	-	Provision and write-offs against other assets	3,363	-
(441)	-	Reversal of provision for impairment	(125,156)	-
300	-	Write-offs against operating fixed assets	85,158	-
(3,110)	(847)	Amortisation of discount on available-for-sale securities	(882,710)	(240,318)
125	(27)	(Gain) / Loss on sale of operating fixed assets	35,394	(7,804)
(612)	3,020		(173,650)	856,672
Decrease / (increase) in operating assets				
(52,576)	(22,772)	Lending to financial institutions	(14,920,532)	(6,462,498)
(4,956)	(973)	Advances	(1,406,513)	(276,056)
(205)	53	Other assets (excluding advance taxation and receivable from defined benefit plan)	(58,278)	15,052
(57,737)	(23,692)		(16,385,323)	(6,723,502)
(Decrease) / increase in operating liabilities				
7,766	(1,011)	Deposits and other accounts	2,203,848	(287,032)
(1,286)	1,527	Other liabilities (excluding lease liability against right-of-use assets and payable to defined benefit plan)	(365,041)	433,444
6,480	516		1,838,807	146,412
(566)	(283)	Income tax paid	(160,753)	(80,443)
(47)	(93)	Contribution to defined benefit plan	(13,199)	(26,397)
(53,132)	(28,232)	Net cash (used in) / generated from operating activities	(15,078,660)	(8,012,582)
CASH FLOW FROM INVESTING ACTIVITIES				
45,412	23,120	Net Investment in available for sale securities	12,887,954	6,561,249
(1,000)	(718)	Investments in operating fixed assets	(283,886)	(203,780)
71	62	Proceeds from disposal of operating fixed assets	20,038	17,667
44,483	22,464	Net cash used in investing activities	12,624,106	6,375,137
CASH FLOW FROM FINANCING ACTIVITIES				
-	-	Proceeds from issuance of share capital	-	-
4,868	13,736	Proceeds against future issue of right shares	1,381,395	3,898,239
(207)	(400)	Payment of lease liability against right-of-use assets	(58,693)	(113,633)
4,661	(400)	Net cash used in financing activities	1,322,702	3,784,606
(3,988)	(6,168)	Net (decrease) / increase in cash and cash equivalents	(1,131,852)	2,147,161
39,156	51,508	Cash and cash equivalents at beginning of the period	11,112,180	14,617,509
35,168	45,340	Cash and cash equivalents at end of the period	9,980,328	16,764,670

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

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Telenor Microfinance Bank Limited
Notes to the Condensed Interim Financial Statements (Un-audited)
For the three months ended 31 March 2023

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, 9th Commercial Lane Main Zamama Boulevard, Phase V, DHA, Karachi.

1.3 The Bank is jointly held by Telenor Pakistan B.V, a joint stock company based in Amsterdam with 55% shareholding (31 December 2021: 55%) and Alipay (Hong Kong) Holding Limited with 45% (31 December 2022: 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:

	Long term	Short term
PACRA	A	A1
JCR-VIS	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 State Bank of Pakistan (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 The Microfinance Institutions Ordinance, 2001 (the MFI Ordinance) and the Companies Act, 2017; and
- Directives issued by the SBP (including Prudential Regulations for Microfinance Banks) and Securities and Exchange Commission of Pakistan (SECP).

Wherever the provisions of and directives issued under the Companies Act, 2017, Microfinance Institutions Ordinance, 2001, the Prudential Regulations for Microfinance Banks and directives issued by SBP and 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 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, 2022. Comparative Balance Sheet is stated from the audited annual financial statements as of 31 December 2022, 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 2022.

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. 283.7919 per US Dollar has been used for 2023 and 2022 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, 2023 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 2022 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 SBP BPRD Circular No. 03 of 2022, the effective date for the implementation of IFRS 9 Financial Instruments is accounting period beginning on or after January 1, 2024. As part of the same circular, SBP has issued detailed instructions on the application of the Standard, including transitional provisions, impact on the Capital Adequacy Ratio (CAR) calculation and reporting requirements.

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

SBP has also directed the banks in Pakistan vide BPRD Circular Letter no. 24 dated July 05, 2022, 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

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 2022.

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 2022.

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 2022.

	Note	31 March 2023 (Un-audited) (Rupees in '000)	31 December 2022 (Audited)
6. CASH AND BALANCES WITH STATE BANK OF PAKISTAN AND NATIONAL BANK OF PAKISTAN			
Cash in hand - local currency		287,520	195,956
Balance with State Bank of Pakistan - current account		5,040,832	5,405,888
Balance with National Bank of Pakistan - current account		1,474	2,176
	6.1	5,042,306	5,408,064
		<u>5,329,826</u>	<u>5,604,020</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	31 March 2023 (Un-audited) (Rupees in '000)	31 December 2022 (Audited)
7. BALANCES WITH OTHER BANKS			
In Pakistan			
- Current accounts		334,006	298,517
- PLS deposit accounts	7.1 & 7.2	4,316,496	5,209,643
		<u>4,650,502</u>	<u>5,508,160</u>

7.1 This represents demand deposits with various financial institutions carrying markup at rates ranging between 15.5% to 20.75% per annum (31 December 2022: 14.5% to 17.5% per annum).

7.2 Certain guarantees of Rs. 157 million (31 December 2022: Rs. 157 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.

	Note	31 March 2023 (Un-audited) (Rupees in '000)	31 December 2022 (Audited)
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings - unsecured	8.1	14,700,000	3,000,000
Repurchase agreement lendings (reverse repo)	8.2	3,220,532	-
		<u>17,920,532</u>	<u>3,000,000</u>

8.1 This represent call money lending to various financial institutions carrying mark-up rate ranging from 19% to 19.1% per annum (31 December 2022: 15.7% to 16% per annum) and having maturity in April 2023 (31 December 2022: January 2023).

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

	31 March 2023 (Un-audited)			31 December 2022 (Audited)		
	Held by Bank	Further given as	Total	Held by Bank	Further given as collateral	Total
	(Rupees in '000)					
Market treasury bills (face value)	3,500,000	-	-	-	-	-
	<u>3,500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

	Note	31 March 2023 (Un-audited) (Rupees in '000)	31 December 2022 (Audited)
9. INVESTMENTS			
Federal Government Securities - available for sale			
Market Treasury Bills	9.1	16,007,677	28,012,921
Surplus / (Deficit) on revaluation of investment		(41,130)	(41,415)
		<u>15,966,547</u>	<u>27,971,506</u>

9.1 These carry mark-up at rates ranging between 17.54% to 17.80% (31 December 2022: 15.46% to 16.82%) per annum, having maturities up to May 2023 (December 31, 2022: April 2023). These securities have an aggregate face value of Rs. 16,200 million (31 December 2022: Rs. 28,900 million).

10. ADVANCES - net of provisions	Note	31 March 2023 (Un-audited)		31 December 2022 (Audited)	
		Number of loans outstanding	(Rupees in '000)	Number of loans outstanding	(Rupees in '000)
Advances - gross					
- Secured		36,996	4,525,572	37,254	4,131,416
- Unsecured	10.1	634,116	8,273,436	451,217	7,462,195
		<u>671,112</u>	<u>12,799,008</u>	<u>488,471</u>	<u>11,593,611</u>
Less: Provision held					
- Specific	10.1	85,234	(241,956)	42,046	(230,696)
- General	10.2		(80,267)		(72,315)
	10.3		(322,223)		(303,011)
Advances - net of provisions			<u>12,476,785</u>		<u>11,290,600</u>

10.1 Advances include Rs. 692.964 million (31 December 2022: Rs. 736.31 million) which have been placed under non-performing status as detailed below:

	31 March 2023 (Un-audited)			31 December 2022 (Audited)		
	Amount outstanding	Provision required	Provision held	Amount outstanding	Provision required	Provision held
	----- (Rupees in '000) -----					
Other Assets Especially						
Mentioned (OAEM)	184,465	3,920	3,920	216,153	5,365	5,365
Substandard	184,945	41,370	41,370	193,602	40,546	40,546
Doubtful	248,026	122,507	122,507	279,411	137,687	137,687
Loss	75,528	74,159	74,159	47,146	47,098	47,098
	<u>692,964</u>	<u>241,956</u>	<u>241,956</u>	<u>736,312</u>	<u>230,695</u>	<u>230,695</u>

10.2 This represents general provision of Rs. 80.267 million (31 December 2022: Rs. 72.315 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 2023 (Un-audited)			31 December 2022 (Audited)		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
Opening balance	230,696	72,315	303,011	957,472	68,715	1,026,187
Charge for the period / year	222,717	7,952	230,669	1,525,874	3,600	1,529,474
Reversals	(17,528)	-	(17,528)	(24,402)	-	(24,402)
	<u>205,189</u>	<u>7,952</u>	<u>213,141</u>	<u>1,501,472</u>	<u>3,600</u>	<u>1,505,072</u>
Amount written off	(193,929)	-	(193,929)	(2,228,248)	-	(2,228,248)
Closing balance	<u>241,956</u>	<u>80,267</u>	<u>322,223</u>	<u>230,696</u>	<u>72,315</u>	<u>303,011</u>

10.4 Particulars of write offs	31 March 2023 (Un-audited)	31 December 2022 (Audited)
	(Rupees in '000)	
Against provisions	193,929	2,228,248
Directly charged to the profit and loss account	7,187	29,291
	<u>201,116</u>	<u>2,257,539</u>

11. OPERATING FIXED ASSETS

	31 March 2023 (Un-audited)	31 December 2022 (Audited)
Property and equipment	2,924,641	3,026,855
Intangible assets	2,430,307	2,487,616
Capital work-in-progress	678,813	611,364
Right-of-use assets	993,716	1,003,570
	<u>7,027,477</u>	<u>7,129,405</u>

11.1 Additions during the period - at cost

	31 March 2023 (Un-audited)	31 December 2022 (Audited)
Improvements to leasehold buildings	49,047	164,246
Furniture and fixtures	-	36,238
Office equipments	17,155	79,568
Computer equipments	115,423	355,183
Intangible assets	32,760	513,938
	<u>214,385</u>	<u>1,149,173</u>

		31 March 2023 (Un-audited)	31 December 2022 (Audited)
11.2 Disposals during the period - at cost			
Furniture and fixtures		14,281	8,689
Office equipments		121,783	838
Vehicles		-	24,034
		<u>136,064</u>	<u>33,561</u>
12. DEPOSITS AND OTHER ACCOUNTS			
Current deposits		41,175,130	38,827,258
Saving deposits		7,607,462	6,725,546
Fixed deposits		19,200	1,045,140
		<u>48,801,792</u>	<u>46,597,944</u>
12.1 Particulars of deposits by ownership			
Individual depositors		46,218,901	42,393,173
Institutional depositors			
- Corporations / firms etc		1,834,889	2,867,079
- Banks / financial institutions		748,002	1,337,692
		<u>48,801,792</u>	<u>46,597,944</u>
13. DEFERRED TAX LIABILITY - NET			
Deferred tax asset comprises of deductible / (taxable) timing differences in respect of the following:			
Deductible temporary differences			
- Un-absorbed tax depreciation		349,667	339,494
- Deficit on revaluation of assets (investments)		11,928	12,011
		<u>361,595</u>	<u>351,505</u>
Taxable temporary differences			
- Accelerated tax depreciation allowance		(301,113)	(291,023)
- Remeasurement gain/(loss) on defined benefit obligation		(60,482)	(60,482)
- Surplus on revaluation of assets (investments)		-	-
		<u>(361,595)</u>	<u>(351,505)</u>
		<u>-</u>	<u>-</u>
14. MEMORANDUM / OFF BALANCE SHEET ITEMS			
Contingent liabilities	14.1	1,026,220	1,026,220
Commitments in respect of Acquisition of operating fixed assets		932,972	820,474
		<u>1,959,192</u>	<u>1,846,694</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, during the year, SRB has also served the Bank with an order disallowing input tax aggregating to Rs. 758.29 million alleged to be claimed unlawfully during the tax periods from July 2016 till June 2020. The Bank's tax advisor is confident of a favorable outcome in appeal, since the Order is illegal and devoid of merit and has been passed without considering factual and legal submissions of the Bank.		
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. During Feb 2021, Appellate Tribunal, KPK has remanded the case back to KPRA for fresh adjudication. The afore-said decision of KPRA-Tribunal was challenged by the Bank before Peshawar High Court and on May 24, 2022 the Court has set aside the order of Tribunal with direction to Tribunal to address the legal issue of time limitation of show cause notice that became basis of the whole proceeding, until then the appeal shall be deemed to be pending with Tribunal.		
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** During the preceding two years, the Bank received amended assessment orders with respect to Tax Years 2015 to 2019 raising a demands of Rs. 74.51 million, Rs. 51.73 million, Rs. 88 million, Rs. 92.74 million and Rs. 40.70 million. The Bank got favorable outcome from Commissioner (Appeals) in respect of all major add-backs and filed appeals with Tribunal in respect of the remaining issues.
- 14.2.5** Last 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.

		Quarter ended	
		31 March	31 March
		2023	2022
		(Un-audited)	
		(Rupees in '000)	
15.	MARK-UP / RETURN / INTEREST EARNED		
	On:		
	Advances	1,051,041	850,193
	Available-for-sale investments in Government Securities	882,710	240,318
	Deposits with financial institutions / Banks	220,916	126,169
	Call money lendings	344,941	309,847
	Repurchase agreement lendings	131,666	53,821
		<u>2,631,274</u>	<u>1,580,348</u>
16.	MARK-UP / RETURN / INTEREST EXPENSED		
	On:		
	Deposits	175,075	356,549
	Borrowings	-	80
	Lease liabilities against right-of-use assets	39,501	78,046
		<u>214,576</u>	<u>434,675</u>
17.	FEE, COMMISSION AND BROKERAGE INCOME		
	Loan processing fee	376,609	150,281
	Income from branchless banking	1,863,368	1,479,684
		<u>2,239,977</u>	<u>1,629,965</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 2023 (Un-audited)						31 December 2022 (Audited)					
	Major Shareholder / Sponsors	Associates	Key management personnel	Directors	Retirement benefit plans	Total	Major Shareholder / Sponsors	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	(Rupees in '000)						(Rupees in '000)					
Loans												
At 1 January	-	-	11,367	-	-	11,367	-	-	9,922	-	-	9,922
Given during the period	-	-	1,000	-	-	1,000	-	-	12,000	-	-	12,000
Repaid during the period	-	-	(8,284)	-	-	(8,284)	-	-	(10,555)	-	-	(10,555)
18.1	-	-	4,083	-	-	4,083	-	-	11,367	-	-	11,367
Deposits												
At 1 January	-	10,388	2,910	560	61,214	75,072	-	5,000	508	560	116,093	122,161
Received during the period	-	12,445,455	23,690	-	147,970	12,617,115	-	48,783,003	24,669	-	493,539	49,301,210
Withdrawn during the period	-	(12,450,843)	(14,358)	-	(152,358)	(12,617,559)	-	(48,777,615)	(22,267)	-	(548,418)	(49,348,300)
	-	5,000	12,242	560	56,826	74,628	-	10,388	2,910	560	61,214	75,073
Other Assets												
Receivable from defined benefit plan	-	-	-	-	121,626	121,626	-	-	-	-	146,910	146,910
	-	-	-	-	121,626	121,626	-	-	-	-	146,910	146,910
Other Liabilities												
Payable against goods and services	-	1,395,753	-	-	-	1,395,753	-	919,003	-	-	-	919,003
Payable to defined contribution plan	-	-	-	-	29,669	29,669	-	-	-	-	4,131	4,131
	-	1,395,753	-	-	29,669	1,425,422	-	919,003	-	-	4,131	923,134
Capital Expenditure												
	-	-	-	-	-	-	-	118,000	-	-	-	118,000
Transactions during the period												
Directors' meeting fees	-	-	-	800	-	800	-	-	-	6,400	-	6,400
Remuneration of Key Management Personnel	-	-	45,962	21,091	-	67,053	-	-	220,199	72,495	-	292,694
Mark-up expense	-	-	-	-	802	802	-	-	-	-	4,258	4,258
Communication expense	-	22,855	-	-	-	22,855	-	80,015	-	-	-	80,015
Rent against lease of premises	-	-	-	-	-	-	-	21,282	-	-	-	21,282
Professional consultancy charges	-	84,687	-	-	-	84,687	-	286,302	-	-	-	286,302
Other expenses	-	14,319	-	-	-	14,319	-	20,201	-	-	-	20,201
Repair and maintenance	-	416,360	-	-	-	416,360	-	380,891	-	-	-	380,891
Expenditure against air time / bundle for custome	-	32,447	-	-	-	32,447	-	597,186	-	-	-	597,186
Equity injection	1,381,395	-	-	-	-	-	7,255,299	-	-	-	-	7,255,299
	1,381,395	570,668	45,962	21,891	802	639,323	7,255,299	1,385,877	220,199	78,895	4,258	8,944,529

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, the amounts are not 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 27 April 2023.

**President & Chief Executive
Officer**

Chairman

Director

Director