

TELENOR MICROFINANCE BANK LIMITED
Condensed Interim Financial Statements
For the nine months ended September 30, 2023 (Un-audited)

TELENOR MICROFINANCE BANK LIMITED
CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)
AS AT SEPTEMBER 30, 2023

September 30, 2023 (Un-audited) (USD in '000)	December 31, 2022 (Audited) (Restated note 5.2)		Note	September 30, 2023 (Un-audited) (Rupees in '000)	December 31, 2022 (Audited) (Restated note 5.2)
ASSETS					
		Cash and balances with State Bank of Pakistan			
20,116	19,476	and National Bank of Pakistan	6	5,788,198	5,604,020
25,645	19,143	Balances with other banks	7	7,379,178	5,508,160
50,393	10,426	Lendings to financial institutions	8	14,500,000	3,000,000
78,188	97,212	Investments	9	22,497,960	27,971,506
54,348	39,239	Advances - net of provisions	10	15,638,107	11,290,600
24,465	24,777	Operating fixed assets	11	7,039,440	7,129,405
13,638	11,100	Other assets		3,924,247	3,193,916
-	-	Deferred tax asset - net	13	-	-
266,793	221,373	Total assets		76,767,130	63,697,607
LIABILITIES					
187,846	161,946	Deposits and other accounts	12	54,050,613	46,597,944
-	-	Borrowings		-	-
-	-	Subordinated debt		-	-
51,658	38,522	Other liabilities		14,864,020	11,084,638
-	-	Deferred tax liability - net	13	-	-
239,504	200,468	Total liabilities		68,914,633	57,682,582
27,289	20,905	NET ASSETS		7,852,497	6,015,025
REPRESENTED BY:					
20,566	19,841	Share capital		5,917,680	5,709,017
-	11,667	Advance against future issue of right shares		-	3,357,060
163,141	146,829	Reserves		46,941,924	42,248,428
(156,506)	(157,380)	Accumulated loss		(45,032,786)	(45,284,409)
27,201	20,957			7,826,818	6,030,096
43	(102)	Surplus / (Deficit) on revaluation of assets - net of deferred tax		12,446	(29,405)
46	50	Deferred grants		13,233	14,334
27,290	20,905			7,852,497	6,015,025

MEMORANDUM / OFF BALANCE SHEET ITEMS

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The annexed notes 1 to 21 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, 2023

Nine months ended		Quarter ended				Nine months ended		Quarter ended	
September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022		Note	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
(USD in '000)		(USD in '000)				(Rupees in '000)		(Rupees in '000)	
(Restated note 5.2)		(Restated note 5.2)				(Restated note 5.2)		(Restated note 5.2)	
34,028	19,611	12,953	7,519	Mark-up / return / interest earned	15	9,791,039	5,642,919	3,727,168	2,163,463
(2,519)	(3,547)	(911)	(975)	Mark-up / return / interest expensed	16	(724,903)	(1,020,540)	(262,111)	(280,546)
31,509	16,064	12,042	6,544	Net mark-up / return / interest income		9,066,136	4,622,379	3,465,057	1,882,917
(3,503)	(4,466)	(1,656)	(827)	Provision against non-performing loans and advances - net	10.3	(1,007,946)	(1,284,916)	(476,394)	(238,055)
-	-	-	-	Provision for diminution in the value of investments		-	-	-	-
(106)	(104)	(43)	(31)	Bad debts written off directly	10.4	(30,474)	(29,978)	(12,299)	(8,789)
(3,609)	(4,570)	(1,699)	(858)			(1,038,420)	(1,314,894)	(488,693)	(246,844)
27,900	11,494	10,343	5,686	Net mark-up / return / interest income after provisions		8,027,716	3,307,485	2,976,364	1,636,073
NON MARK-UP / NON INTEREST INCOME									
30,343	16,872	12,910	5,780	Fee, commission and brokerage income	17	8,730,855	4,854,750	3,714,587	1,663,266
2,438	4,779	842	1,021	Other income	18	701,426	1,375,026	242,413	293,923
32,781	21,651	13,752	6,801	Total non-mark-up / non-interest income		9,432,281	6,229,776	3,957,000	1,957,189
60,681	33,145	24,095	12,487			17,459,997	9,537,261	6,933,364	3,593,262
NON MARK-UP / NON INTEREST EXPENSES									
(57,372)	(52,948)	(22,147)	(17,843)	Administrative expenses		(16,508,077)	(15,235,311)	(6,372,461)	(5,134,162)
(466)	(139)	2	(10)	Other provisions / write-offs		(134,091)	(40,088)	589	(2,867)
-	(15)	-	(3)	Other charges		(22)	(4,298)	(10)	(940)
(57,838)	(53,102)	(22,145)	(17,856)	Total non-mark-up / non-interest expenses		(16,642,190)	(15,279,697)	(6,371,882)	(5,137,969)
2,843	(19,957)	1,950	(5,369)			817,807	(5,742,436)	561,482	(1,544,707)
-	-	-	-	Extraordinary / unusual items		-	-	-	-
2,843	(19,957)	1,950	(5,369)	PROFIT BEFORE TAXATION		817,807	(5,742,436)	561,482	(1,544,707)
(1,458)	(971)	(591)	(333)	Taxation - Current		(419,574)	(279,485)	(170,000)	(95,891)
-	-	-	-	- Prior		-	-	-	-
59	(15)	43	7	- Deferred		17,094	(4,376)	12,482	1,900
(1,399)	(986)	(548)	(326)			(402,480)	(283,861)	(157,518)	(93,991)
1,444	(20,943)	1,402	(5,695)	PROFIT AFTER TAXATION		415,327	(6,026,297)	403,964	(1,638,698)
(USD)		(USD)				(Rupees)		(Rupees)	
0.0016	(0.0376)	0.0013	(0.0099)	Earnings / (loss) per share - Basic and diluted		0.47	(10.82)	0.39	(2.86)

The annexed notes 1 to 21 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, 2023

Nine months ended		Quarter ended			Nine months ended		Quarter ended	
September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022		September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
(USD in '000)		(USD in '000)			(Rupees in '000)		(Rupees in '000)	
	(Restated note 5.2)		(Restated note 5.2)			(Restated note 5.2)		(Restated note 5.2)
1,443	(20,944)	1,402	(5,695)	Profit / (loss) after taxation for the period	415,327	(6,026,297)	403,964	(1,638,698)
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	-	-	-	-
-	-	-	-		-	-	-	-
1,443	(20,944)	1,402	(5,695)	Comprehensive income / (loss) for the period transferred to equity	415,327	(6,026,297)	403,964	(1,638,698)
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>								
205	(52)	267	10	Surplus / (Deficit) on revaluation of 'available for sale' investments	58,945	(15,091)	76,881	2,845
(59)	15	77	3	Related tax impact	(17,094)	4,376	22,295	825
146	(37)	344	13		41,851	(10,715)	99,176	3,670
1,589	(20,981)	1,746	(5,682)	Total comprehensive income / (loss) for the period	457,178	(6,037,012)	503,140	(1,635,028)

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**President and
Chief Executive Officer**

Chairman

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TELENOR MICROFINANCE BANK LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023

Nine months ended			Nine months ended	
September 30, 2023	September 30, 2022		September 30, 2023	September 30, 2022
(USD in '000)			(Rupees in '000)	
	(Restated note 5.2)			(Restated note 5.2)
CASH FLOW FROM OPERATING ACTIVITIES				
2,843	(19,957)	Profit before taxation	817,807	(5,742,436)
Adjustments for non cash and other items:				
3,830	3,544	Depreciation and amortisation	1,102,097	1,019,688
562	760	Depreciation on right-of-use assets	161,636	218,556
439	699	Mark-up / Return / Interest expense on Lease liability against right-of-use assets	126,226	201,191
3,503	4,466	Provision against non-performing loans and advances - net	1,007,946	1,284,916
		Bad debts written off directly	30,474	29,978
387	413	Provision for gratuity	111,438	118,789
296	215	Write-offs against operating fixed assets	85,158	61,861
(435)	-	Reversal of provision for impairment	(125,156)	-
(4)	(3)	Grant Income	(1,101)	(734)
605	(76)	Other provisions / write-offs	174,089	(21,773)
(8)	(1,119)	Gain on termination of lease	(2,241)	(321,945)
123	(25)	Loss / (gain) on sale of operating fixed assets	35,439	(7,270)
9,298	8,874		2,706,005	2,583,257
<i>(Increase) / Decrease in operating assets</i>				
(39,967)	-	Lending to financial institutions	(11,500,000)	-
(18,718)	(4,151)	Advances	(5,385,927)	(1,194,510)
(3,061)	54	Other assets (excluding advance taxation)	(880,636)	15,499
(61,746)	(4,097)		(17,766,563)	(1,179,011)
<i>Increase / (Decrease) in operating liabilities</i>				
25,901	11,842	Deposits and other accounts	7,452,669	3,407,500
13,045	5,640	Other liabilities (excluding lease liability against right-of-use assets and payable to defined benefit plan)	3,753,643	1,622,924
38,946	17,482		11,206,312	5,030,424
(1,882)	(1,113)	Income tax paid	(541,598)	(320,353)
(46)	(367)	Contribution to defined benefit plan	(13,198)	(105,590)
(12,587)	822	<i>Net cash (used in) / generated from operating activities</i>	(3,591,235)	266,292
CASH FLOW FROM INVESTING ACTIVITIES				
19,228	(43,145)	Net Investment in available for sale securities	5,532,491	(12,414,441)
(3,678)	(3,225)	Investments in operating fixed assets	(1,058,177)	(927,956)
72	68	Proceeds from disposal of operating fixed assets	20,736	19,661
15,622	(46,302)	<i>Net cash generated / (used) in investing activities</i>	4,495,050	(13,322,736)
CASH FLOW FROM FINANCING ACTIVITIES				
4,801	13,548	Proceeds from issuance of share capital	1,381,395	3,898,239
(799)	(1,009)	Payment of lease liability against right-of-use assets	(230,013)	(290,433)
4,002	12,539	<i>Net cash generated from financing activities</i>	1,151,382	3,607,806
7,037	(32,941)	Net increase / (decrease) in cash and cash equivalents	2,055,196	(9,448,639)
38,619	50,801	Cash and cash equivalents at beginning of the period	11,112,180	14,617,509
45,656	17,860	Cash and cash equivalents at end of the period	13,167,376	5,168,870

The annexed notes 1 to 21 form an integral part of these condensed interim financial statements.

President and
Chief Executive Officer

Chairman

Director

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TELENOR MICROFINANCE BANK LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023

	Share capital	Advance against future issue of right	Capital reserves			Total capital reserve	Accumulated losses	Total
			Share premium	Statutory reserve	Depositors' protection fund			
----- (Rupees in '000) -----								
Balance as at January 01, 2022 (as previously reported)	5,479,488	-	37,355,675	802,481	368,912	38,527,068	(37,999,226)	6,007,330
Prior period adjustment (Note 5.2)	-	-	-	-	-	-	(149,410)	(149,410)
Balance as at January 01, 2022 (restated)	5,479,488	-	37,355,675	802,481	368,912	38,527,068	(38,148,636)	5,857,920
Total comprehensive income for the period								
Loss after tax for the period - restated	-	-	-	-	-	-	(6,026,297)	(6,026,297)
Other comprehensive loss - net of tax	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	(6,026,297)	(6,026,297)
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	(44,213,833)	3,729,862
Total comprehensive income for the period								
Loss after tax for the period - restated	-	-	-	-	-	-	(1,120,924)	(1,120,924)
Other comprehensive loss - net of tax	-	-	-	-	-	-	64,098	64,098
	-	-	-	-	-	-	(1,056,826)	(1,056,826)
Transfer to statutory reserve *	-	-	-	-	-	-	-	-
Advance against future issue of right shares	-	3,357,060	-	-	-	-	-	3,357,060
Issue of share capital	-	-	-	-	-	-	-	-
Transfer to Depositors' Protection Fund **								
- return on investments	-	-	-	-	13,750	13,750	(13,750)	-
Balance as at December 31, 2022 (Audited)	5,709,017	3,357,060	41,024,385	802,481	421,562	42,248,428	(45,284,409)	6,030,096
Balance as at January 01, 2023 (as previously reported)	5,709,017	3,357,060	41,024,385	802,481	421,562	42,248,428	(45,087,689)	6,226,816
Prior period adjustment (Note 5.2)	-	-	-	-	-	-	(196,720)	(196,720)
Balance as at January 01, 2023 (as restated)	5,709,017	3,357,060	41,024,385	802,481	421,562	42,248,428	(45,284,409)	6,030,096
Total comprehensive loss for the period								
Profit after tax for the period	-	-	-	-	-	-	415,327	415,327
Other comprehensive income - net of tax	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	415,327	415,327
Transfer to statutory reserve *	-	-	-	83,065	-	83,065	(83,065)	-
Advance against future issue of right shares	-	1,381,395	-	-	-	-	-	1,381,395
Issue of share capital	208,663	(4,738,455)	4,529,792	-	-	4,529,792	-	-
Transfer to Depositors' Protection Fund **								
- 5% of the Profit After Tax	-	-	-	-	20,766	20,766	(20,766)	-
- return on investments	-	-	-	-	59,872	59,872	(59,872)	-
	-	-	-	-	80,638	80,638	(80,638)	-
Balance as at September 30, 2023 (Un-audited)	5,917,680	-	45,554,177	885,546	502,201	46,941,924	(45,032,786)	7,826,818

* 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.

** 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.

The annexed notes 1 to 21 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, 2023

1. STATUS AND NATURE OF BUSINESS

1.1 Telenor Microfinance Bank Limited (the Bank) is incorporated in Pakistan as a public limited company and is engaged in providing microfinance and branchless banking service. The Bank's registered office is situated at 19-C, 9th Commercial Lane Main Zamama Boulevard, Phase V, DHA, Karachi. The Bank is operating through 118 locations (December 31, 2022: 108 locations). Out of the 118 locations, 48 (December 31, 2022: 61) are branches, 10 (December 31, 2022: 21) are Service Centers and 60 (December 31, 2022: 26) are Cashless Service Centers.

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

1.3 The credit rating of the Bank as of April 29, 2023 is as follows:

Credit rating company	Long term	Short term
PACRA	A	A1

2. BASIS OF PRESENTATION

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

3. STATEMENT OF COMPLIANCE

3.1 The condensed interim financial statements of the Bank have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under Microfinance Institutions Ordinance, 2001 (the MFI Ordinance) and the Companies Act, 2017; and
- Directives issued by the SBP (including Prudential Regulations for Microfinance Banks) and Securities and Exchange Commission of Pakistan (SECP).

Wherever the provisions of and directives issued under the Companies Act, 2017, Microfinance Institutions Ordinance, 2001, the Prudential Regulations for Microfinance Banks and directives issued by SBP and 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.

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. 287.7384 per US Dollar has been used for September 30, 2023 and December 31, 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 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, 2022, except for the following;

5.2 Change in accounting policy

In accordance with the requirements of International Financial Reporting Standard (IFRS) 15, "Revenue from contracts with customers", revenue shall be recognised over the time where customer simultaneously receives and consumes the benefits provided by the entity. During the prior years, the Bank recognized revenue on the loan origination / processing fee charged to customers on upfront basis. To comply with the requirement of IFRS, the Bank has adjusted the loan processing fee on a systematic basis over the tenure of the loan in the condensed interim financial statement with retrospective effect by restatement of prior periods presented as required by IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

The effect of change in accounting policy on the prior period financial statements have been summarised below:

	As previously reported	Adjustment	As restated
		(Rupees in '000)	
Equity as at January 01, 2022	6,007,330	(149,410)	5,857,920
Equity as at December 31, 2022	6,226,816	(196,720)	6,030,096
Other Liabilities as at December 31, 2022	10,887,918	196,720	11,084,638
Loss for the period ended September 30, 2022	(5,994,360)	(31,937)	(6,026,297)
Loss for the period ended December 31, 2022	(7,099,911)	(47,310)	(7,147,221)
Loss per share for period ended September 30, 2022	(10.76)	(0.06)	(10.82)

5.3 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.

	Note	September 30, 2023 (Un-audited) (Rupees in '000)	December 31, 2022 (Audited)
6. CASH AND BALANCES WITH STATE BANK OF PAKISTAN AND NATIONAL BANK OF PAKISTAN			
Cash in hand - local currency		251,932	195,956
Balance with State Bank of Pakistan - current account		5,534,712	5,405,888
Balance with National Bank of Pakistan - current account		1,554	2,176
	6.1	5,536,266	5,408,064
		5,788,198	5,604,020

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, 2023 (Un-audited) (Rupees in '000)	December 31, 2022 (Audited)
7. BALANCES WITH OTHER BANKS			
In Pakistan			
- Current accounts		557,797	298,517
- PLS deposit accounts	7.1 & 7.2	6,821,381	5,209,643
		7,379,178	5,508,160

7.1 This represents demand deposits with various financial institutions carrying markup at rates ranging between 20.5% to 24% per annum (31 December 2022: 14.5% to 17.5% per annum).

7.2 Certain guarantees amounting to Rs. 162 million (December 31, 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	September 30, 2023 (Un-audited) (Rupees in '000)	December 31, 2022 (Audited)
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings - unsecured	8.1	14,500,000	3,000,000
		14,500,000	3,000,000

8.1 This represent call money lendings to various financial institutions carrying mark-up rate ranging from 21.8% to 22.20% (31 December 2022: 15.7% to 16%) per annum and having maturity in October 2023 (31 December 2022: January 2023).

	Note	September 30, 2023 (Un-audited) (Rupees in '000)	December 31, 2022 (Audited)
9. INVESTMENTS			
Federal Government Securities - available for sale			
Market Treasury Bills	9.1	18,530,026	28,012,921
Pakistan Investment Bond	9.2	3,950,404	-
Surplus / (deficit) on revaluation of investment		17,530	(41,415)
		22,497,960	27,971,506

9.1 These carry mark-up at rates ranging between 22.04% to 22.13% (December 31, 2022: 15.46% to 16.82%) per annum, having maturities up to November 2023 (December 31, 2022: April 2023). These securities have an aggregate face value of Rs. 19,000 million (December 31, 2022: Rs. 28,900 million).

9.2 These carry mark-up at rate at 23.9% per annum, having maturities up to April 2025. These securities have an aggregate face value of Rs. 4,000 million.

10. ADVANCES - net of provisions

	Note	September 30, 2023 (Un-audited)		December 31, 2022 (Audited)	
		Number of loans outstanding	(Rupees in '000)	Number of loans outstanding	(Rupees in '000)
Advances - gross					
- Secured		42,498	6,707,774	37,254	4,131,416
- Unsecured	10.1	951,428	9,715,480	451,217	7,462,195
		<u>993,926</u>	<u>16,423,254</u>	<u>488,471</u>	<u>11,593,611</u>
Less: Provision held					
- Specific	10.1	151,923	(324,183)	42,046	(230,696)
- General	10.2		(460,964)		(72,315)
			<u>(785,147)</u>		<u>(303,011)</u>
Advances - net of provisions			<u>15,638,107</u>		<u>11,290,600</u>

10.1 Advances include Rs. 946.921 million (31 December 2022: Rs. 736.31 million) which have been placed under non-performing status as detailed below:

	September 30, 2023 (Un-audited)			December 31, 2022 (Audited)		
	Amount outstanding	Provision required	Provision held	Amount outstanding	Provision required	Provision held required
	----- (Rupees in '000) -----					
Other Assets Especially Mentioned (OAEM)	284,322	4,312	4,312	216,153	5,365	5,365
Substandard	232,533	53,304	53,304	193,602	40,546	40,546
Doubtful	318,542	157,256	157,256	279,411	137,687	137,687
Loss	111,524	109,274	109,274	47,146	47,098	47,098
	<u>946,921</u>	<u>324,146</u>	<u>324,146</u>	<u>736,312</u>	<u>230,696</u>	<u>230,696</u>

10.2 This includes general provision of Rs. 93.913 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 and Rs. 367 million created as additional general provision considering the prevailing economic uncertainty.

10.3 Particulars of provision against non-performing advances

	September 30, 2023 (Un-audited)			December 31, 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	633,788	388,649	1,022,437	1,525,875	3,600	1,529,475
Reversals	(14,491)	-	(14,491)	(24,402)	-	(24,402)
	619,297	388,649	1,007,946	1,501,473	3,600	1,505,073
Amount written off	(525,810)	-	(525,810)	(2,228,248)	-	(2,228,248)
Closing balance	<u>324,183</u>	<u>460,964</u>	<u>785,147</u>	<u>230,697</u>	<u>72,315</u>	<u>303,012</u>

10.4 Particulars of write offs	September 30, 2023 (Un-audited) (Rupees in '000)	December 31, 2022 (Audited) (Rupees in '000)
Against provisions	525,810	2,228,248
Directly charged to the profit and loss account	30,474	29,291
	<u>556,284</u>	<u>2,257,539</u>
11. OPERATING FIXED ASSETS		
Property and equipment	2,648,754	3,026,855
Intangible assets	2,399,750	2,487,616
Capital work-in-progress	1,015,815	611,364
Right-of-use assets	975,121	1,003,570
	<u>7,039,440</u>	<u>7,129,405</u>
	Nine months ended	
	September 30, 2023 (Un-audited) (Rupees in '000)	September 30, 2022 (Audited) (Rupees in '000)
11.1 Additions during the period - at cost		
Improvements to leasehold buildings	150,569	151,849
Furniture and fixtures	881	31,314
Office equipments	33,954	72,240
Computer equipments	277,921	278,445
Intangible assets	190,409	36,614
	<u>653,734</u>	<u>570,462</u>
11.2 Disposals during the period - at cost		
Furniture and fixtures	23,784	5,431
Office equipments	125,109	43,350
Computers	229	-
Vehicles	-	10,747
	<u>149,122</u>	<u>59,528</u>
	September 30, 2023 (Un-audited) (Rupees in '000)	December 31, 2022 (Audited) (Rupees in '000)
12. DEPOSITS AND OTHER ACCOUNTS		
Current deposits	45,068,980	38,827,258
Saving deposits	8,977,839	6,725,546
Fixed deposits	3,794	1,045,140
	<u>54,050,613</u>	<u>46,597,944</u>
12.1 Particulars of deposits by ownership		
Individual depositors	52,172,284	42,393,173
Institutional depositors		
- Corporations / firms etc	1,620,211	2,867,079
- Banks / financial institutions	258,118	1,337,692
	<u>54,050,613</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:

	September 30, 2023 (Un-audited)	December 31, 2022 (Audited)
	(Rupees in '000)	
Deductible temporary differences		
- Un-absorbed tax depreciation	360,554	339,494
- Deficit on revaluation of assets (investments)	-	12,011
	<u>360,554</u>	<u>351,505</u>
Taxable temporary differences		
- Accelerated tax depreciation allowance	(294,988)	(291,023)
- Remeasurement gain/(loss) on defined benefit obligation	(60,482)	(60,482)
- Surplus on revaluation of assets (investments)	(5,084)	-
	<u>(360,554)</u>	<u>(351,505)</u>
	<u>-</u>	<u>-</u>

- 13.1 As of September 30, 2023, the carry forward tax loss and other deductible temporary difference amount to Rs. 46,747 million (December 31, 2022: Rs. 45,518 million) and Rs. 1,348 million (December 31, 2022: Rs. 511 million) respectively. Unrecognized deferred tax asset due to carry forward tax losses and other deductible timing differences calculated at the current rate of taxation amounts to Rs. 13,948 million (December 31, 2022: Rs. 13,349 million). Such deferred tax asset has not been recognized in these financial statements due to uncertainty of realizability of the amount.

14. Contingencies and Commitments

	September 30, 2023 (Un-audited)	December 31, 2022 (Audited)
	(Rupees in '000)	
Commitments in respect of acquisition of operating fixed assets	1,260,882	1,026,220
	<u>1,260,882</u>	<u>1,026,220</u>

14.1 Tax Contingencies

- 14.1.1 The Bank was served with an order from Sindh Revenue Board (SRB) creating demand on account of alleged non/short payment of output sales tax and alleged inadmissible input tax adjustment amounting to Rs. 73.03 million (including penalty) for the tax periods from July 2011 to June 2016. The Bank had filed an appeal with Commissioner (Appeals) after paying 25% of the tax demand and the proceedings are still in process.

Further, SRB 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. The Bank has acquired a stay order from Sindh High Court against recovery during pendency of appeal proceedings.

- 14.1.2 The Bank was served with an order from Khyber Pakhtunkhwa Revenue Authority (KPRA) creating a demand aggregating to Rs. 13.59 million against input tax disallowances and sales tax withholding in relation to certain tax periods from September 2016 to January 2018. The Bank filed an appeal with Collector (Appeals) which was disposed against the Bank on September 25, 2019. 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.

- 14.1.3 During 2019, a recovery notice of Rs. 17.95 million (including penalty and surcharge) was received by the Bank from Punjab Revenue Authority (PRA). The Order against the said notice was passed by the Authority during February 2018 in relation to withholding sales tax for the period January to December 2016, however, it was not received by the Bank till May 23, 2019. The Bank acquired a stay order against this demand from Lahore High Court.

The Bank is now in process of filing appeal before the Appellate Tribunal, PRA as per recent directions from the Commissioner (Appeals). As the demand is considered unlawful and has been raised without proper verification of facts, no provision has been made in the books and a favorable outcome is expected in appeals.

14.1.4 During the years 2022 and 2021, 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.

	Nine months ended		Quarter ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	(Un-audited)		(Un-audited)	
	(Rupees in '000)		(Rupees in '000)	
		(Restated note 5.2)		(Restated note 5.2)
15. MARK-UP / RETURN / INTEREST EARNED				
On:				
Advances	3,465,144	2,606,865	1,263,831	926,605
Available-for-sale investments in Government Securities	2,841,080	1,438,493	1,137,668	789,044
Deposits with financial institutions / Banks	799,487	474,561	300,945	166,319
Call money lendings	2,115,076	941,876	821,678	233,457
Repurchase agreement lendings	570,252	181,124	203,046	48,038
	9,791,039	5,642,919	3,727,168	2,163,463
16. MARK-UP / RETURN / INTEREST EXPENSED				
On:				
Deposits	597,261	819,269	218,669	225,059
Borrowings	1,416	80	843	-
Lease liabilities against right-of-use assets	126,226	201,191	42,599	55,487
	724,903	1,020,540	262,111	280,546
17. FEE, COMMISSION AND BROKERAGE INCOME				
Loan processing fee	1,636,744	475,678	766,982	199,841
Income from branchless banking	6,885,221	4,280,188	2,885,806	1,412,110
Others	208,890	98,884	61,799	51,315
	8,730,855	4,854,750	3,714,587	1,663,266
18. OTHER INCOME				
Recoveries against advances written off	763,755	1,066,788	240,302	292,379
Grant income	1,101	734	367	-
Gain / (loss) on sale of operating fixed assets	(35,439)	7,270	(88)	(1,364)
Gain on termination of lease contracts	2,241	321,945	-	-
Gain / (loss) on sale of securities	(30,232)	(21,711)	1,832	2,908
	701,426	1,375,026	242,413	293,923

19. 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, 2023 (Un-audited)					December 31, 2022 (Audited)						
	Major Shareholder / Sponsors	Associates	Key Management Personnel	Directors	Retirement Benefit Plan	Total	Major Shareholder / Sponsors	Associates	Key Management Personnel	Directors	Retirement Benefit Plan	Total
	(Rupees in '000)					(Rupees in '000)						
Loans												
At 1 January	-	-	11,367	-	-	11,367	-	-	9,922	-	-	9,922
Given during the period	-	-	6,950	-	-	6,950	-	-	12,000	-	-	12,000
Repaid during the period	-	-	(11,192)	-	-	(11,192)	-	-	(10,555)	-	-	(10,555)
	-	-	7,125	-	-	7,125	-	-	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	-	31,121,969	23,690	-	441,263	31,586,922	-	48,783,003	24,669	-	493,539	49,301,210
Withdrawn during the period	-	(31,107,263)	(26,597)	(560)	(458,389)	(31,592,809)	-	(48,777,615)	(22,267)	-	(548,418)	(49,348,300)
	-	25,094	3	-	44,088	69,185	-	10,388	2,910	560	61,214	75,072
Other Assets												
Receivable from defined benefit plan	-	-	-	-	48,670	48,670	-	-	-	-	146,910	146,910
	-	-	-	-	48,670	48,670	-	-	-	-	146,910	146,910
Other Liabilities												
Payable against goods and services	-	1,560,196	-	-	-	1,560,196	-	919,003	-	-	-	919,003
Payable to defined contribution plan	-	-	-	-	31,429	31,429	-	-	-	-	4,131	4,131
	-	1,560,196	-	-	31,429	1,591,625	-	919,003	-	-	4,131	923,134
Capital Expenditure												
	-	-	-	-	-	-	-	118,000	-	-	-	118,000
Transactions during the period / year												
Directors' meeting fees	-	-	-	3,200	-	3,200	-	-	-	6,400	-	6,400
Remuneration of Key Management Personnel	-	-	167,245	42,153	-	209,398	-	-	220,199	72,495	-	292,694
Mark-up expense	-	-	-	-	2,107	2,107	-	-	-	-	4,258	4,258
Communication expense	-	53,928	-	-	-	53,928	-	80,015	-	-	-	80,015
Rent against lease of premises	-	22,984	-	-	-	22,984	-	21,282	-	-	-	21,282
Professional consultancy charges	-	238,201	-	-	-	238,201	-	286,302	-	-	-	286,302
Other expenses	-	11,930	-	-	-	11,930	-	20,201	-	-	-	20,201
Repair and maintenance	-	895,676	-	-	-	895,676	-	380,891	-	-	-	380,891
Expenditure against air time / bundle for custom	-	163,443	-	-	-	163,443	-	532,488	-	-	-	532,488
Commission earned against sale of bundle	-	(251,701)	-	-	-	(251,701)	-	(306,186)	-	-	-	(306,186)
Equity injection	1,381,395	-	-	-	-	1,381,395	7,255,299	-	-	-	-	7,255,299
	1,381,395	1,134,461	167,245	45,353	2,107	2,730,561	7,255,299	1,014,993	220,199	78,895	4,258	8,573,644

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

20. GENERAL

20.1 Comparative information has been reclassified or rearranged in these condensed interim financial statements for the purpose of better presentation.

21. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue by the Board of Directors in their meeting held on October 26, 2023.

**President & Chief Executive
Officer**

Chairman

Director

Director