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INDEPENDENT AUDITORS' REVIEW REPORT

To the members of Telenor Microfinance Bank Limited

Report on Review of Condensed Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim balance sheet of **Telenor Microfinance Bank Limited** (the Bank) as at **30 June 2024**, the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity, and notes to the financial statements for the six months period then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on the financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended 30 June 2024 and 30 June 2023 have not been subject to limited scope review by us as we are only required to review the cumulative figures for the six-months period ended 30 June 2024.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the review resulting in this independent auditor's review report is Omer Chughtai.

Chartered Accountants

Date: 28 August 2024

Karachi

UDIN: RR202410120TGwVaX4gA

Telenor Microfinance Bank Limited
Condensed Statement of Financial Position (Un-audited)
As at 30 June 2024

30 June 2024 (Un-audited)	31 December 2023 (Audited)		Note	30 June 2024 (Un-audited)	31 December 2023 (Audited)
(USD in '000)				(Rupees in '000)	
		ASSETS			
33,405	22,833	Cash and balances with treasury Banks	*6*	**9,297,963**	6,355,404
18,908	25,310	Balances with other banks	*7*	**5,262,881**	7,044,873
26,210	17,964	Lendings to financial institutions	*8*	**7,295,193**	5,000,000
132,757	102,709	Investments	*9*	**36,951,667**	28,588,040
77,467	63,160	Advances	*10*	**21,562,299**	17,579,972
12,514	13,121	Property and equipment	*11*	**3,483,092**	3,652,224
3,328	3,575	Right-of-use assets	*12*	**926,223**	995,205
10,423	9,768	Intangible assets	*13*	**2,901,082**	2,718,826
-	-	Deferred tax asset - net	*14*	**-**	-
18,592	15,792	Other assets	*15*	**5,175,048**	4,395,565
333,604	274,232	**Total assets**		**92,855,448**	76,330,109
		LIABILITIES			
914	596	Bills payable	*16*	**254,429**	165,884
240,859	183,005	Deposits and other accounts	*17*	**67,040,853**	50,937,750
3,978	4,171	Lease liabilities	*18*	**1,107,269**	1,160,830
44	46	Deferred grants	*19*	**12,131**	12,865
-	-	Deferred tax liabilities	*14*	**-**	-
51,674	57,686	Other liabilities	*20*	**14,382,403**	16,056,754
297,469	245,504	**Total liabilities**		**82,797,085**	68,334,083
36,135	28,728	**NET ASSETS**		**10,058,363**	7,996,026
		REPRESENTED BY:			
21,261	21,261	Share capital		**5,917,680**	5,917,680
170,805	168,821	Reserves		**47,542,067**	46,989,831
(19)	(106)	(Deficit) on revaluation of assets - net of deferred	21	**(5,325)**	(29,518)
(155,912)	(161,248)	Accumulated losses		**(43,396,059)**	(44,881,967)
36,135	**28,728**			**10,058,363**	7,996,026

CONTINGENCIES AND COMMITMENTS *22*

The annexed notes 1 to 37 form an integral part of these condensed interim financial statements.

President and Chief Executive Officer	Chief Financial Officer	Director	Director	Director

Telenor Microfinance Bank Limited
Condensed Interim Profit and Loss Account (Un-audited)
For the half year ended 30 June 2024

Quarter ended		Half year ended				Quarter ended		Half year ended	
June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023 (Restated - refer note 5.3 & 36)		Note	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023 (Restated - refer note 5.3 & 36)
(USD in '000)		(USD in '000)				-----(Rupees in '000)---		-----(Rupees in '000)---	
22,427	13,817	41,804	24,216	Mark-up / return / interest earned	23	6,242,391	3,845,953	11,635,785	6,740,214
(1,423)	(892)	(2,592)	(1,663)	Mark-up / return / interest expensed	24	(395,944)	(248,217)	(721,442)	(462,792)
21,004	12,925	39,212	22,553	**Net mark-up / return / interest income**		5,846,447	3,597,736	10,914,343	6,277,422
				NON MARK-UP / NON INTEREST INCOME					
11,760	8,313	23,003	15,731	Fee, commission and brokerage income	25	3,273,201	2,313,975	6,402,630	4,378,533
-	(94)	-	(115)	Gain / (loss) on securities	26	-	(26,133)	-	(32,064)
1	11	16	(116)	Other income	27	277	3,018	4,321	(32,376)
11,761	8,230	23,019	15,500	**Total non-mark-up / non-interest income**		3,273,478	2,290,860	6,406,951	4,314,093
32,765	21,155	62,231	38,053			9,119,925	5,888,596	17,321,294	10,591,515
				NON MARK-UP / NON INTEREST EXPENSES					
(25,931)	(18,544)	(49,918)	(36,414)	Operating Expenses	28	(7,217,698)	(5,161,580)	(13,894,180)	(10,135,615)
(114)	-	(188)	-	Workers welfare fund		(31,691)	-	(52,234)	-
-	-	(2)	-	Other charges	29	-	-	(600)	(12)
(26,045)	(18,544)	(50,108)	(36,414)	**Total non-mark-up / non-interest expenses**		(7,249,389)	(5,161,580)	(13,947,014)	(10,135,627)
6,720	2,611	12,123	1,639	Profit before credit loss allowance		1,870,536	727,016	3,374,280	455,888
(1,029)	(889)	(2,740)	(578)	Credit loss allowance and write offs - net	30	(286,398)	(247,541)	(762,556)	(160,956)
5,691	1,722	9,383	1,061	**PROFIT BEFORE TAXATION AND MINIMUM TAX**		1,584,138	479,475	2,611,724	294,932
(237)	(406)	(1,354)	(897)	Minimum Tax Differential	31	(65,846)	(113,037)	(376,759)	(249,574)
5,454	1,316	8,029	164	**PROFIT BEFORE TAXATION**		1,518,292	366,438	2,234,965	45,358
(990)	(68)	(920)	17	Taxation	31	(275,606)	(18,969)	(256,154)	4,612
4,464	1,248	7,109	181	**PROFIT AFTER TAXATION**		1,308,533	460,506	1,978,812	49,970
(USD)		(USD)				------(Rupees)----		------(Rupees)----	
0.008	0.003	0.012	0.000	**Basic and diluted earning per share**	32	2.21	0.79	3.34	0.09

The annexed notes 1 to 37 form an integral part of these condensed interim financial statements.

President and Chief Executive Officer	Chief Financial Officer	Director	Director	Director

Telenor Microfinance Bank Limited
Condensed Interim Statement of Comprehensive Income (Un-audited)
For the half year ended 30 June 2024

Quarter ended		Half year ended			Quarter ended		Half year ended	
30 June 2024	30 June 2023	**30 June 2024**	30 June 2023		**30 June 2024**	30 June 2023	**30 June 2024**	30 June 2023
(USD in '000)		(USD in '000)			(Rupees in '000)		(Rupees in '000)	
4,701	1,654	**7,109**	180	**Profit after taxation for the period**	**1,308,533**	460,506	**1,978,812**	49,970
				Other comprehensive income				
				Item may be reclassified to profit or loss in subsequent periods				
570	56	**142**	57	Surplus on revaluation of 'available for sale' investments	**158,621**	15,617	**39,660**	15,902
(222)	(16)	**(56)**	(17)	Related tax impact	**(61,862)**	(4,529)	**(15,467)**	(4,612)
348	40	**86**	40		**96,759**	11,088	**24,193**	11,290
				Items that are not to be reclassified to profit and loss in subsequent periods				
-	-	-	-	Remeasurement gain on defined benefit obligations	-	-	-	-
-	-	-	-	Related tax impact	-	-	-	-
-	-	-	-		-	-	-	-
5,049	1,694	**7,195**	220	**Total comprehensive income**	**1,405,292**	471,594	**2,003,004**	61,260

The annexed notes 1 to 37 form an integral part of these condensed interim financial statements.

President and Chief Executive Officer	Chief Financial Officer	Director	Director	Director

Telenor Microfinance Bank Limited
Condensed Interim Statement of Changes in Equity (Un-audited)
For the half year ended 30 June 2024

	Share capital	Advance against future issue of right shares	Capital reserves			Surplus/(deficit) on revaluation of Investments (FVOCI)	Accumulated losses	Total
			Share premium	Statutory reserve	Depositors' protection fund			
	--	(Rupees in '000)	--					
Balance as at 01 January 2023 (Audited)	**5,709,017**	**3,357,060**	**41,024,385**	**802,481**	**421,562**	**(29,405)**	**(45,228,793)**	**6,056,308**
Comprehensive income for the period								
Profit after taxation for the period	-	-	-	-	-	-	49,970	49,970
Other comprehensive income	-	-	-	-	-	11,290	-	11,290
	-	-	-	-	-	11,290	49,970	61,260
Transfer to statutory reserve	-	-	-	-	-	-	-	-
Transfer to Depositors' Protection Fund								
- 5% of the Profit After Tax	-	-	-	-	2,499	-	(2,499)	-
- return on investments	-	-	-	-	38,213	-	(38,213)	-
	-	-	-	-	40,712	-	(40,712)	-
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	-	-	-	-	-
Balance as at 30 June 2023 (Un-audited)	**5,865,514**	**1,381,395**	**44,224,948**	**802,481**	**462,274**	**(18,115)**	**(45,219,535)**	**7,498,962**
Comprehensive income for the period								
Profit after taxation for the period	-	-	-	-	-	-	452,308	452,308
Other comprehensive income / (loss)	-	-	-	-	-	(11,403)	56,158	44,755
	-	-	-	-	-	(11,403)	508,466	497,063
Transfer to statutory reserve	-	-	-	100,456	-	-	(100,456)	-
Transfer to Depositors' Protection Fund								
- 5% of the Profit After Tax	-	-	-	-	22,615	-	(22,615)	-
- return on investments	-	-	-	-	47,828	-	(47,828)	-
	-	-	-	-	70,443	-	(70,443)	-
Advance against future issue of right shares	-	-	-	-	-	-	-	-
Issue of share capital	52,166	(1,381,395)	1,329,229	-	-	-	-	-
Balance as at 31 December 2023 (Audited)	**5,917,680**	**-**	**45,554,177**	**902,937**	**532,717**	**(29,518)**	**(44,881,967)**	**7,996,026**
Impact of initial adoption of IFRS 9 (note 5.2)	**-**	**-**	**-**	**-**	**-**	**-**	**59,333**	**59,333**
Balance as at January 01, 2024 - restated	**5,917,680**	**-**	**45,554,177**	**902,937**	**532,717**	**(29,518)**	**(44,822,634)**	**8,055,359**
Comprehensive income for the period								
Profit after taxation for the period	-	-	-	-	-	-	1,978,812	1,978,812
Other comprehensive income	-	-	-	-	-	24,193	-	24,193
	-	-	-	-	-	24,193	1,978,812	2,003,004
Transfer to statutory reserve	-	-	-	395,762	-	-	(395,762)	-
Transfer to Depositors' Protection Fund								
- 5% of the Profit After Tax	-	-	-	-	98,941	-	(98,941)	-
- return on investments	-	-	-	-	57,533	-	(57,533)	-
	-	-	-	-	156,474	-	(156,474)	-
Balance as at 30 June 2024 (Un-audited)	**5,917,680**	**-**	**45,554,177**	**1,298,699**	**689,191**	**(5,325)**	**(43,396,059)**	**10,058,363**

The annexed notes 1 to 37 form an integral part of these condensed interim financial statements.

President and Chief Executive Officer	Chief Financial Officer	Director	Director	Director

Telenor Microfinance Bank Limited
Condensed Interim Cash Flow Statement (Un-audited)
For the half year ended 30 June 2024

Half year ended			Half year ended	
30 June 2024	30 June 2023 (Restated - refer note 5.3 & 36)		30 June 2024	30 June 2023 (Restated - refer note 5.3 & 36)
(USD in '000)			(Rupees in '000)	
		CASH FLOW FROM OPERATING ACTIVITIES		
5,691	1,722	Profit before taxation	**2,234,965**	45,358
		Adjustments:		
2,294	1,975	Depreciation on property and equipment	**638,646**	549,627
408	385	Depreciation on right-of-use assets	**113,518**	107,123
820	643	Amortisation	**228,235**	178,965
330	300	Finance charge against Lease liability	**91,971**	83,627
1,805	1,975	Expected credit loss allowance advances	**502,481**	549,727
430	628	Expected credit loss allowance other assets	**119,793**	174,678
28	(450)	Impairment against fixed assets	**7,878**	(125,156)
12	-	Write off against Other Assets	**3,432**	-
-	306	Write-offs against fixed assets	**-**	85,158
316	268	Provision for gratuity	**88,075**	74,599
188	-	Workers' welfare fund	**52,234**	-
(3)	(3)	Grant income	**(734)**	(734)
(12)	(8)	Gain on termination of lease contracts	**(3,423)**	(2,241)
1,354	897	Minimum Tax Differential	**376,759**	249,574
(1)	127	(Gain) / loss on sale of operating fixed assets	**(164)**	35,351
7,969	7,043		**2,218,701**	1,960,298
		Increase in operating assets		
(15,669)	(11,662)	Advances	**(4,361,332)**	(3,246,044)
(4,063)	(5,525)	Other assets (excluding advance taxation and receivable from defined benefit plan)	**(1,130,909)**	(1,537,908)
(19,732)	(17,187)		**(5,492,241)**	(4,783,952)
		(Decrease) / increase in operating liabilities		
318	273	Bills payable	**88,545**	76,051
57,854	31,226	Deposits and other accounts	**16,103,103**	8,691,523
(6,230)	16,325	Other liabilities	**(1,733,943)**	4,543,845
51,942	47,824		**14,457,705**	13,311,419
(634)	(479)	Income tax paid	**(176,473)**	(133,347)
(1,354)	(897)	Levy paid	**(376,759)**	(249,574)
-	(47)	Contribution to defined benefit plan	**-**	(13,199)
43,882	37,979	**Net cash generated from operating activities**	**12,865,898**	10,137,003
		CASH FLOW FROM INVESTING ACTIVITIES		
(29,919)	22,367	Net (Investment in) / proceed from securities	**(8,327,672)**	6,225,673
(3,190)	(1,825)	Investments in operating fixed assets	**(887,883)**	(508,024)
1	73	Proceeds from disposal of operating fixed assets	**164**	20,230
(33,108)	20,615	**Net cash (used in) / generated from investing activities**	**(9,215,391)**	5,737,879
		CASH FLOW FROM FINANCING ACTIVITIES		
-	4,963	Proceeds against future issue of right shares	**-**	1,381,395
(670)	(617)	Payment of lease liability against right-of-use assets	**(186,373)**	(171,749)
(670)	4,346	**Net cash (used in) / generated from financing activities**	**(186,373)**	1,209,646
10,104	62,940	**Net increase in cash and cash equivalents**	**3,464,134**	17,084,528
68,419	50,701	Cash and cash equivalents at beginning of the period	**18,391,903**	14,112,180
78,523	113,641	**Cash and cash equivalents at end of the period**	**21,856,037**	31,196,708

The annexed notes 1 to 37 form an integral part of these condensed interim financial statements.

President and | Chief Financial Officer | Director | Director | Director

Telenor Microfinance Bank Limited
Notes to the Condensed Interim Financial Statements (Un-audited)
For the half year ended 30 June 2024

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 124 locations (December 31, 2023: 111 locations). Out of the 124 locations, 46 (December 31, 2023: 48) are branches, 9 (December 31, 2023: 10) are permanent booth and 69 (December 31, 2023: 53) are Cashless Service Centers.

In 2023, the Bank received NOC and In-principal approval for Digital Retail Bank license from State Bank of Pakistan. During the year, the Bank has submitted report related to operational readiness to SBP and SBP inspection in this regard is in progress.

1.2 The Bank is jointly held by Telenor Pakistan B.V, a joint stock company based in Amsterdam with 55% shareholding (31 December 2023: 55%) and Alipay (Hong Kong) Holding Limited with 45% (31 December 2023: 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.

1.3 The Pakistan Credit Rating Agency Limited (PACRA) has maintained the long-term rating of the Bank at "A" and short term rating at "A1" on April 30, 2024.

2. BASIS OF PRESENTATION

These condensed interim financial statements have been prepared in compliance with the format for preparation of the Interim financial statements of Microfinance Banks issued by the SBP, vide its BPRD circular No. 3 dated February 9, 2023.

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 has deferred the applicability of International Accounting Standard 40, 'Investment Property' for Banking Companies in Pakistan through BSD Circular Letter 10 dated 26 August 2002 till further instructions. SECP has also deferred the applicability of IFRS 7 'Financial Instruments: Disclosures' through its notification S.R.O 411 (I) / 2008 dated 28 April 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements of Prudential Regulation for Microfinance Banks or directives issued by SBP.

3.3 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, 2023. Comparative Statement of financial position is stated from the audited annual financial statements as of 31 December 2023, 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 half year period ended 30 June 2024.

4. BASIS OF MEASUREMENT

4.1 Accounting convention

These condensed interim financial statements have been prepared under the historical cost convention except for investment at fair value through other comprehensive income (FVOCI) 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. 278.3412 per US Dollar has been used for 2024 and 2023 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

During the year, the Bank has adopted IFRS 9 as applicable in Pakistan with effect from 01 January 2024 (refer note 5.2 for details). There are certain other amendments to existing accounting and reporting standards that have become applicable to the Bank for accounting periods beginning on or after January 01, 2024. Except for IFRS 9 (refer note 5.2), these are either considered not to be relevant or do not have any significant impact and accordingly have not been 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.

There are various amendments to accounting and reporting standards as applicable in Pakistan that are not yet effective. These are not likely to have a material effect on the Bank's financial statements.

5. MATERIAL ACCOUNTING POLICIES

The material 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 2023, except for adoption of IFRS 9 with effect from 01 January 2024 (note 5.2) and change of method of accounting of taxation with effect from 01 January 2024 (note 5.3).

5.1 Changes in reporting format

The SBP vide BPRD Circular No. 03 dated February 09, 2023 specified the new format for interim financial statements of microfinance banks (MFBs). The new format has revised the disclosure requirements of the Bank for the half year ended June 30, 2024 which has resulted in additional disclosures relating to IFRS 9 and reclassification of Lease liabilities and Right of use assets on the face of Statement of Financial Position out of Property and equipment and Other Liabilities, respectively in these financial statements.

5.2 Adoption of IFRS 9 'Financial Instruments'

The Bank has adopted IFRS 9 (read with IFRS 9 application instructions issued by SBP) retrospectively with date of initial application as January 01, 2024, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. In terms of the transitional provisions of IFRS 9, adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening unappropriated profit and other reserves at the beginning of the current period without restating the comparative figures. The impact on carrying amounts of the financial assets and liabilities is disclosed in note 5.2.3.

5.2.1 Significant differences from accounting policies applicable till 31 December 2023 before adoption of IFRS 9

5.2.1.1 Classification of financial assets

IFRS 9 introduced a new classification model for financial assets that is more principle-based than the previous requirements. Financial assets are classified according to their contractual cash flow characteristics and the business models under which they are held. Instruments will be classified either at amortised cost, the newly established measurement category fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The previous accounting policies were based on instrument by instrument classification into Held for trading, Held to maturity and Available for Sale categories as disclosed in Note 5.3 to the annual financial statements of the Bank.

5.2.1.2 Impairment of debt investments and loans and advances

The new IFRS 9 impairment requirements eliminate the previous threshold for the recognition of credit losses, i.e., it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for ECLs, and updates the loss allowance for changes in these ECLs at each reporting date to reflect changes in credit risk since initial recognition. Consequently, the holder of the financial asset needs to take into account more timely and forward-looking information in order to provide users of financial statements with useful information about the ECLs on financial instruments that are in the scope of these impairment requirements. The previous impairment requirements were based solely on Prudential regulations of SBP as disclosed in Note 5.3.2 and 5.4 to the annual financial statements of the Bank.

5.2.2 Material accounting policies applicable from 01 January 2024 as a result of adoption of IFRS 9

5.2.2.1 Financial assets – initial recognition

Financial assets are initially recognized at fair value. When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognises the difference between the transaction price and fair value in profit and loss account. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit and loss account when the inputs become observable, or when the instrument is derecognised.

5.2.2.2 Classification and subsequent measurement of financial assets

Financial assets are classified into following categories for measurement subsequent to initial recognition:

- Financial assets at amortized Cost
- Debt instruments at 'fair value through other comprehensive income' FVOCI
- Financial assets at 'fair value through profit or loss' FVTPL (currently bank is not using this category)

5.2.2.3 Financial assets at amortised cost

The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.The Bank classifies its financial assets at amortized cost only if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, these financial assets are subsequently measured at amortized cost

5.2.2.4 Debt instruments at FVOCI

The Bank applies this new category under IFRS 9 when both of the following conditions are met:
- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income at EIR and foreign exchange gains and losses are recognised in the profit and loss account.

On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit and loss account.

However, as per "IFRS 9 Financial Instruments application instructions" issued by SBP via BPRD Circular No. 03 of 2022 Government Securities are exempt from the application of ECL Framework.

5.2.2.5 Financial liabilities at FVPL

Financial liabilities in this category are those that are:

- held for trading, that is, they have been issued primarily for short-term profit-making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent
- not held for trading and have been either designated by management upon initial recognition, or mandatorily required to be measured at fair value under IFRS 9.

5.2.2.6 Financial liabilities at amortised cost

Financial liabilities with a fixed maturity are measured at amortised cost using the EIR method. These include Bills payable, Borrowings, Deposits and certain items within Other Liabilities.

5.2.2.7 Derecognition of financial assets

5.2.2.7.1 Derecognition due to substantial modification of terms and conditions

The Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loan is classified as Stage 1 for ECL measurement purposes, unless it is deemed to be purchased originated credit impaired. When assessing whether or not to derecognise a loan to a customer, amongst others, the Bank considers qualitative factors such as change in currency of the loan, introduction of an equity feature, change in counterparty, or if the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

The gain/(loss) on derecognition of financial asset has been calculated as the difference between the book value (including impairment) and the proceeds received.

5.2.2.7.2 Derecognition other than due to substantial modification of terms and conditions

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Bank also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for

5.2.2.8 Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires

5.2.2.9 Impairment of financial assets

5.2.2.9.1 Overview of the ECL principles

The adoption of IFRS 9 has fundamentally changed the Bank's loan loss impairment method by replacing the incurred loss approach of the local regulations with a forward-looking ECL approach. The Bank has been recording the allowance for expected credit losses for all loans and other debt financial assets held at amortised cost or FVOCI. Under the SBP's instructions, local currency credit exposures guaranteed by the Government and Government Securities are exempted from the application of ECL.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12m ECL) as outlined below.

The 12m ECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12m ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. The Bank considers an exposure to have significantly increased in credit risk when there is significant increase in days past due or any external information that may cast doubt on the recoverability. The Bank also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming forborne. Regardless of the change in credit grades, generally, the Bank considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

When estimating ECLs on a collective basis for a group of similar assets , the Bank applies the similar principles for assessing whether there has been a significant increase in credit risk since initial recognition.

Based on the above process, the Bank groups its loans into Stage 1, Stage 2, and Stage 3, as described below:

Stage 1 When loans are first recognised, the Bank recognises an allowance based on 12m ECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2. The 12m ECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12m ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original effective interest rate (EIR). This calculation is made for all the scenarios.

Stage 2 When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3 For loans considered credit-impaired, the Bank recognises the lifetime expected credit losses for these loans. The Bank uses a PD of 100% and LGD as computed for each portfolio or as prescribed by the SBP under the prudential regulations which ever is higher.

Calculation of ECLs

The Bank calculates ECLs based on a three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

PD The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. PDs for credit portfolios are calculated based on Days Past Due (DPD) bucket level for each segment separately. PDs are then adjusted for IFRS 9 ECL calculations to incorporate forward looking information.

LGD The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

EAD The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier.

The interest rate used to discount the ECLs is based on the effective interest rate that is expected to be charged over the expected period of exposure to the facilities. In the absence of computation of the effective interest rate (at reporting date), the Bank uses an approximation e.g. contractual rate (at reporting date).

When estimating the ECLs, the Bank considers three scenarios (a base case, an upside, a downside). Each of these is associated with different PDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

5.2.3 Transition disclosures

As permitted by the transitional provisions of IFRS 9, the Bank has opted for modified retrospective approach and has not restated comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves at the beginning of the current year without restating the comparative.

Reconciliation of carrying amount before adoption of IFRS 9 to carrying amount under IFRS 9 at 1 January 2024.

	31 December 2023	Re-measurement/ IFRS 9 adoption impact	01 January 2024
		Rs'000	
Financial Assets			
Cash and balances with	6,355,404	-	6,355,404
Balances with other banks	7,044,873	(8,374)	7,036,499
Lendings to financial institutions	5,000,000	-	5,000,000
Investments	28,588,040	-	28,588,040
Advances	17,579,972	123,475	17,703,447
Other assets	4,395,565	(55,768)	4,339,797
Financial Liabilities			
Deposits and other accounts	50,937,750	-	50,937,750
Other liabilities	16,056,754	-	16,056,754

The following table provides classification of financial instruments of the Bank by class and their carrying amount as at 01 January 2024.

	Classification as 01 January 2024			
	Amortized cost	FVOCI	FVTPL	Total carrying
		Rs'000		
Financial Assets				
Cash and balances with treasury Banks	6,355,404	-	-	6,355,404
Balances with other banks	7,036,499	-	-	7,036,499
Lendings to financial institutions	5,000,000	-	-	5,000,000
Investments	-	28,588,040	-	28,588,040
Advances	17,703,447	-	-	17,703,447
Other assets	4,339,797	-	-	4,339,797
	40,435,147	**28,588,040**	**-**	**69,023,187**
Financial Liabilities				
Deposits and other accounts	50,937,750	-	-	50,937,750
Other liabilities	16,056,754	-	-	16,056,754
	66,994,504	**-**	**-**	**66,994,504**

5.3 Change of presentation of taxation

Till 31 December 2023 Bank presented corporate tax and minimum tax as current tax expense. However, pursuant to the release of circular 7 by the Institute of Chartered Accountants of Pakistan, the Company has elected to change the method of accounting for minimum taxes.

Current
Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available (if any) and Alternate Corporate Tax computed at the prescribed rate on accounting profit, whichever is higher.

Minimum tax
The Company has elected to designate the amount calculated on taxable income using the notified tax rate as an income tax within the scope of IAS 12 'Income Taxes' and recognise it as current income tax expense. Any excess over the amount designated as income tax, will then be recognised as a levy falling under the scope of IFRIC 21/IAS 37.

The change has been applied retrospectively resulting in reclassifications in the statement of profit or loss.

5.4 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

The significant judgements made by management in applying its accounting policies were the same as those applied to the annual financial statements for the year ended 31 December 2023, except for the adoption of IFRS 9 w.e.f January 01, 2024. These are disclosed in Note 5.2.1.

5.4.1 Impairment losses on financial assets

Determination of expected credit losses is a significant estimate and involves the following judgments:

- Development of ECL models, including the various formulas and the choice of inputs
- The segmentation of financial assets when their ECL is assessed on a collective basis
- The Bank's internal credit grading model based on which PDs are assigned to the individual grades
- Qualitative and quantitative indicators used as SICR triggers
- The definition of default against which parameters of ECL model such as PD, LGD and EAD are evaluated
- Selection of forward-looking macroeconomic scenarios and their probability weightings
- Determination of economic inputs, such as GDP growth and CPI

5.5 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed in the financial statements for the year ended December 31, 2023.

6. CASH AND BALANCES WITH TREASURY BANKS

	Note	**30 June 2024 (Un-audited)**	31 December 2023 (Audited)
		(Rupees in '000)	
Cash in hand - local currency		**233,553**	242,101
With State Bank of Pakistan - current account	*6.1*	**9,063,290**	6,112,090
With National Bank of Pakistan - current account		**1,120**	1,213
		9,064,410	6,113,303
		9,297,963	6,355,404

6.1 This includes current accounts maintained with State Bank of Pakistan (SBP) to meet the minimum balance requirement equivalent to 5% as cash reserve of the Bank's time and demand liabilities in accordance with the Prudential Regulations.

	Note	30 June 2024 (Un-audited)	31 December 2023 (Audited)
		(Rupees in '000)	

7. BALANCES WITH OTHER BANKS

	Note	30 June 2024	31 December 2023
In Pakistan			
- Current accounts		**447,793**	426,567
- PLS deposit accounts	*7.2 & 7.3*	**4,816,352**	6,618,306
		5,264,145	7,044,873
Less: Expected credit loss allowance		**(1,264)**	-
		5,262,881	7,044,873

7.1 Movement in credit loss allowance held against balances with other banks

	30 June 2024	31 December 2023
Opening balance	-	-
IFRS 9 Adoption Impact (note 5.2)	8,374	-
Balance as at January 01, 2024 - restated	8,374	-
Reversal for the period / year	(7,110)	-
Closing balance	**1,264**	-

7.2 This represents demand deposits with various financial institutions carrying markup at rates ranging between 11.01% to 21.0% per annum (31 December 2023: 20.5% to 23.5% per annum).

7.3 Guarantees worth Rs. 197.0 million (31 December 2023: Rs. 171.0 million) which have been given on behalf of the Bank by other financial institution to the Bank's branchless banking corporate customers/ partners. These guarantees are secured against the profit and loss sharing deposits maintained with the same financial institution.

8. LENDINGS TO FINANCIAL INSTITUTIONS

	Note	30 June 2024 (Un-audited)	31 December 2023 (Audited)
		(Rupees in '000)	
Call money lendings - unsecured	*8.1*	**7,300,000**	5,000,000
Less: Expected credit loss allowance		**(4,807)**	-
Lendings to Financial Institutions - net of credit loss allowance		**7,295,193**	5,000,000

8.1 This represent call money lending to various financial institutions carrying mark-up rate ranging from 19.6% to 22.9% per annum (31 December 2023: 22.0% per annum) and having maturity in July 2024 (31 December 2023: January

Lending to FIs - Particulars of credit loss allowa

		30 June 2024 (Un-audited)		31 December 2023 (Audited)	
		Lending	Credit Loss Allowance	Lending	Credit Loss Allowance
		(Rupees in '000)			
Performing - upto 29 Days	Stage 1	7,300,000	**(4,807)**	-	-
Other assets especially mentioned	Stage 2	-	-	-	-
Non-performing	Stage 3				
Substandard		-	-	-	-
Doubtful		-	-	-	-
Loss		-	-	-	-
		7,300,000	**(4,807)**	-	-

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9 INVESTMENTS

9.1 Investments by type:

	30 june 2024 (Un-audited)				31 December 2023 (Audited)			
	Fair Value / Amortised cost	Credit Loss Allowance	Surplus / (Deficit)	Carrying Value	Fair Value / Amortised cost	Credit Loss Allowance	Surplus / (Deficit)	Carrying Value
	----------Rupees in '000----------							
Classified as FVOCI								
Federal Government securities	36,951,667	-	8,731	36,960,398	-	-	-	-
	36,951,667	-	8,731	36,960,398	-	-	-	-
Avaiable for Sale								
Federal Government securities	-	-	-	-	28,588,040	-	48,391	28,636,431
	-	-	-	-	28,588,040	-	48,391	28,636,431
Total investments	36,951,667	-	8,731	36,960,398	28,588,040	-	48,391	28,636,431

	30 June 2024 (Un-audited)	31 December 2023 (Audited)
	(Rupees in '000)	
9.1.1 Investments given as collateral Classified as FVOCI	-	-

9.2 Investments - Particlurs of credit loss allowance

9.2.1 Investments - Exposure

	30 June 2024 (Un-audited)			31 December 2023 (Audited)		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
	Rupees in '000			Rupees in '000		
Gross carrying amount	28,636,431	-	-	-	-	-
New Investments	9,492,395	-	-	-	-	-
Investments derecognised or repaid	(4,000,000)	-	-	-	-	-
Transfer to stage 1	-	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-
	5,492,395	-	-	-	-	-
Amounts written off / charged off	-	-	-	-	-	-
Amortisation income	2,831,572	-	-	-	-	-
Closing balance	36,960,398	-	-	-	-	-

9.3 Expected credit loss on Government securities have not been estimated due to exemption available under IFRS 9 instructions issued by SBP through circular no. 3 of 2022 dated July 05, 2022.

9.4 These carry mark-up at rates ranging between 19.31% to 20.58% (31 December 2023: 21.25% to 21.51%) per annum, having maturities up to May 2025 (December 31, 2023: Novemeber 2024). These securities have an aggregate face value of Rs. 36,000 million (31 December 2023: Rs. 30,000 million).

9.5 These carry mark-up at rate at 21.6% (31 December 2023: 22.4%) per annum, having maturities up to October 2026 (31 December 2023: October 2026). These securities have face value of Rs. 3,500 million (31 December 2023: Rs. 3,500 million).

9.6 Investments includes securities amounting Rs. 7,254 million (2023: Rs.5,757 million) which are held by the Bank to comply with 10% statutory liquidity requirement of the Bank's time and demand liabilities in accordance with the Prudential Regulations.

10. ADVANCES

	Performing				Non Performing		Total	
	Stage 1		Stage 2		Stage 3			
	30 June 2024 (Un-audited)	31 December 2023 (audited)	30 June 2024 (Un-audited)	31 December 2023 (audited)	30 June 2024 (Un-audited)	31 December 2023 (audited)	30 June 2024 (Un-audited)	31 December 2023 (audited)
	Rs'000							
10.1 Micro credit								
-Secured	9,693,553	-	121,671	-	50,799	-	9,866,023	7,708,194
-Unsecured	11,138,759	-	420,586	-	1,513,980	-	13,073,325	10,869,821
	20,832,312	-	542,257	-	1,564,779	-	22,939,348	18,578,015
Credit loss allowance against advance								
-Stage 1	454,394	-	-	-	-	-	454,394	-
-Stage 2	-	-	101,293	-	-	-	101,293	-
-Stage 3	-	-	-	-	821,362	-	821,362	-
	454,394	-	101,293	-	821,362	-	1,377,049	998,043
Advances - net of credit loss allowance	20,377,918	-	440,964	-	743,417	-	21,562,299	17,579,972

10.2 Advances - Particulars of credit loss allowance

	30 June 2024 (Un-audited)				31 December 2023 (audited)			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	Rs'000				Rs'000			
10.2.1 Advance - Exposure								
Gross carrying amount	17,397,845	264,285	915,885	18,578,015	-	-	-	-
New advances	36,352,156	-	-	36,352,156	-	-	-	-
Advances derecognised or repaid	(30,986,459)	(146,399)	(188,487)	(31,321,345)	-	-	-	-
Transfer to stage 1	1,392	(1,381)	(11)	-	-	-	-	-
Transfer to stage 2	(594,739)	595,497	(758)	(0)	-	-	-	-
Transfer to stage 3	(1,304,469)	(37,400)	1,341,869	-	-	-	-	-
Total movement in advances - exposure	3,467,881	410,317	1,152,613	5,030,811	-	-	-	-
Amounts written off / charged off	(33,414)	(132,345)	(503,719)	(669,478)	-	-	-	-
Closing balance	20,832,312	542,257	1,564,779	22,939,348	-	-	-	-
10.2.2 Advances - Credit loss allowance								
Opening balance	-	-	-	998,043	-	-	-	-
General and Specific provisions	-	-	-	(998,043)				
Impact of adoption of IFRS 9	346,997	72,528	455,000	874,525				
	346,997	72,528	455,000	874,525				
New advances	771,366	-	-	771,366	-	-	-	-
Advances derecognised or repaid	(159,300)	(22,982)	(30,246)	(212,528)	-	-	-	-
Transfer to stage 1	239	(235)	(5)	(0)	-	-	-	-
Transfer to stage 2	(116,055)	116,396	(341)	-	-	-	-	-
Transfer to stage 3	(299,831)	(7,661)	307,492	-	-	-	-	-
	196,420	85,518	276,900	558,838	-	-	-	-
Change in risk parameters								
-Due to change in LGD	17,022	5,861	-	22,883				
-Due to change in PD	7,458	(9)	-	7,449				
	24,480	5,852	-	30,332				
Other Changes:								
Change in ECL pertaining to writen off	9,078	75,724	249,678	334,480				
Change in ECL due to transfers	(109,292)	(6,705)	342,313	226,316	-	-	-	-
Credit loss allowance charged during the period	120,686	160,389	868,891	1,149,966	-	-	-	-
Amounts written off / charged off against ECL	(13,289)	(131,624)	(502,529)	(647,442)	-	-	-	-
Closing balance	454,394	101,293	821,362	1,377,049	-	-	-	-

10.2.3 Advances - Credit loss allowance details
Internal / Extrernal rating / stage classification

	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	30 June 2024 (Un-audited)				31 December 2024 (audited)			
	Rs'000				Rs'000			
Outstanding gross exposure								
Performing	20,832,312	-	-	20,832,312	-	-	-	-
Under Performing								
Other assets especially mentioned	-	542,257	-	542,257	-	-	-	-
Non- Perfroming								
Substandard	-	-	338,375	338,375	-	-	-	-
Doubtful	-	-	758,475	758,475	-	-	-	-
Loss	-	-	467,930	467,930	-	-	-	-
	-	-	1,564,779	1,564,779	-	-	-	-
Total	20,832,312	542,257	1,564,779	22,939,348	-	-	-	-
Corresponding credit loss allowance								
Stage 1	454,394	-	-	454,394	-	-	-	-
Stage 2	-	101,293	-	101,293	-	-	-	-
Stage 3	-	-	821,362	821,362	-	-	-	-
Total	454,394	101,293	821,362	1,377,049	-	-	-	-

	30 June 2024 (Un-audited)	31 December 2023 (Audited)
	(Rupees in '000)	
10.3 Particulars of write offs		
Against credit loss allowance	647,442	694,144
Directly charged to the profit and loss account	22,036	43,079
	669,478	737,222

11. PROPERTY AND EQUIPMENT

	Note	30 June 2024 (Un-audited)	31 December 2023 (Audited)
		(Rupees in '000)	
Property and equipment		**3,294,416**	3,119,133
Capital work-in-progress	11.1	**188,676**	533,091
		3,483,092	3,652,224

11.1 CAPITAL WORK-IN-PROGRESS

	30 June 2024 (Un-audited)	31 December 2023 (Audited)
Improvements to leasehold buildings	**1,384**	12,403
Furniture and fixtures	**-**	-
Office equipments	**22,206**	18,887
Computer equipments	**165,086**	501,801
	188,676	533,091

11.2 Additions during the period - at cost

	for the half year ended 30 June 2024 (Un-audited)	30 June 2023 (Un-audited)
	(Rupees in '000)	
Improvements to leasehold buildings	**81,933**	49,047
Furniture and Fixture	**1,973**	726
Office equipments	**18,793**	35,511
Computer equipments	**711,232**	250,065
	813,930	335,349

11.3 Disposals during the period - at cost

	30 June 2024 (Un-audited)	30 June 2023 (Un-audited)
Furniture and fixtures	**-**	14,554
Computers	**628**	229
Office equipments	**-**	121,783
	628	136,566

12. RIGHT-OF-USE ASSETS

	30 June 2024 (un-audited)			31 December 2023 (Audited)		
	Buildings	Others	Total	Buildings	Others	Total
	Rupees in '000					
As at 1 January						
Cost	**1,863,597**	**-**	**1,863,597**	1,673,694	-	1,673,694
Accumulated Depreciation	**(868,392)**	**-**	**(868,392)**	(670,124)	-	(670,124)
Net Carrying amount at January 1, 2024	**995,205**	**-**	**995,205**	1,003,570	-	1,003,570
Additions during the year	**54,695**	**-**	**54,695**	221,866	-	221,866
Deletions during the year	**(10,159)**	**-**	**(10,159)**	(12,900)	-	(12,900)
Depreciation charge	**(113,518)**	**-**	**(113,518)**	(217,331)	-	(217,331)
Net Carrying amount	**926,223**	**-**	**926,223**	995,205	-	995,205

13. INTANGIBLE ASSETS

	Note	30 June 2024 (Un-audited)	31 December 2023 (Audited)
		(Rupees in '000)	
Intangible assets	13.1	**2,674,242**	2,581,749
Capital work-in-progress		**226,840**	137,077
		2,901,082	2,718,826

		for the half year ended	
		30 June 2024 (Un-audited)	30 June 2023 (Un-audited)
		(Rupees in '000)	
13.1	**Additions during the period - at cost**		
	Intangible assets	**320,728**	494,444
		320,728	494,444

		30 June 2024 (Un-audited)	31 December 2023 (Audited)
		(Rupees in '000)	
14.	**DEFERRED TAX - NET**		
	Deferred tax asset comprises of deductible / (taxable) timing differences in respect of the following:		
	Deductible temporary differences		
	- Un-absorbed tax depreciation	**382,953**	314,071
	- Deficit on revaluation of assets (investments)	**3,405**	18,874
		386,358	332,945
	Taxable temporary differences		
	- Accelerated tax depreciation allowance	**(289,972)**	(236,559)
	- Remeasurement gain/(loss) on defined benefit obligation	**(96,386)**	(96,386)
		(386,358)	(332,945)
		0	-

14.1 As of June 30, 2024, the carry forward tax loss and other deductible temporary difference amount to Rs. 39,612 million (December 31, 2023: Rs. 43,944 million) and Rs.2,242 million (December 31, 2023: Rs. 1,572 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. 14,987 million (December 31, 2023: Rs. 17,751 million). Such deferred tax asset has not been recognized in these financial statements due to uncertainty of realizability of the amount

15.	**OTHER ASSETS**			
	Mark-up / return / interest accrued		**2,645,387**	1,874,874
	Receivable from branchless banking agents		**380,884**	418,270
	Advance to employees		**279,303**	245,739
	Security deposits		**405,765**	366,904
	Prepayments		**719,730**	675,955
	Receivable from defined benefit plan		**-**	80,717
	Branchless banking transaction fee receivable		**887,546**	737,292
	Advance tax - net		**112,486**	207,634
	Others		**493,840**	362,512
			5,924,941	4,969,897
	Less: Credit loss allowance held against other assets	*15.1*	**(749,893)**	(574,332)
			5,175,048	4,395,565

15.1	**Movement in credit loss allowance held against other assets**		
	Opening balance	**574,332**	389,153
	IFRS 9 Adoption Impact (note 5.2)	**55,768**	-
	Balance as at January 01, 2024 - restated	**630,100**	389,153
	Charge for the period / year	**119,793**	192,526
	Reversals	**-**	(7,347)
	Amount written off	**-**	-
	Closing balance	**749,893**	**574,332**

16.	**BILLS PAYABLE**		
	In Pakistan	**254,429**	165,884
	Outside Pakistan	**-**	-
		254,429	165,884

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		Note	30 June 2024 (Un-audited)	31 December 2023 (Audited)
			(Rupees in '000)	
17.	**DEPOSITS AND OTHER ACCOUNTS**			
	Customers			
	Current deposits		**54,838,939**	42,158,294
	Saving deposits		**12,201,414**	8,778,956
	Term deposits		**500**	500
	Others		**-**	-
			67,040,853	50,937,750
17.1	**Financial Institutions**			
	Current deposits		**10,852**	**30,024**
	Saving deposits		**9,693**	**17,656**
	Term deposits		**-**	-
	Others		**-**	-
			20,545	47,680
18.	**LEASE LIABILITIES**			
	Opening		**1,160,830**	1,110,122
	Additions during the year		**54,695**	221,866
	Deletions during the year		**(13,582)**	(16,584)
	Finance Cost		**91,699**	170,597
	Payment of lease liability		**(186,373)**	(325,171)
	Closing		**1,107,269**	1,160,830
19.	**DEFERRED GRANT**			
	State Bank of Pakistan		**1,426**	1,426
	Consultative Group to Assist the Poor		**3,347**	3,347
	Soros Economic Development Fund		**149**	149
	The Aga Khan Agency for Microfinance		**64**	64
	Financial Sector Strengthening Programme		**219**	219
	Frankfurt School of Management		**2,451**	2,451
	GSMA Mobile for Development Foundation Inc (GSMA Foundation)		**2,205**	2,205
	Karandaaz Pakistan	*19.1*	**2,270**	3,004
			12,131	12,865
19.1.	Details of the income recognized during the year is as follows:			
	Balance as at 01 January		**3,004**	4,473
	Amount recognized as income during the year		**(735)**	(1,469)
	Balance as at 30 June		**2,270**	**3,004**
20.	**OTHER LIABILITIES**			
	Mark-up / return / interest payable		**3,697**	48
	Accrued expenses		**4,784,099**	4,475,705
	Payable to related parties		**649,976**	1,071,511
	Advance sales tax		**42,218**	135,913
	Commission payable - branchless banking		**485,406**	411,051
	Provision for staff bonus		**261,103**	501,500
	Withholding tax payable		**118,543**	126,714
	Payable to defined contribution plan		**37,666**	31,840
	Payable to defined benefit plan		**7,358**	-
	Payable to Worker's Welfare Fund		**180,277**	127,132
	Switch settlement liability - net		**573,432**	2,074,044
	Payable against branchless banking transactions		**4,736,562**	4,443,822
	Employee share appreciation right liability		**981,803**	655,327
	Provisions against contigencies		**121,525**	121,525
	Others		**1,398,738**	1,880,622
			14,382,403	16,056,754

		Note	30 June 2024 (Un-audited)	31 December 2023 (Audited)
			(Rupees in '000)	
21.	**SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS - net of deferred tax**			
	Surplus / (deficit) on revaluation of			
	- FVOCI - debt		**(8,731)**	(48,391)
	Deferred tax on surplus / (deficit) on revaluation of			
	- FVOCI - debt		**3,405**	18,873
			(5,326)	(29,518)

		Note	30 June 2024	31 December 2023
22.	**CONTINGENCIES AND COMMITMENTS**			
	Commitments	*22.1*	**1,217,997**	754,310
	Contingent liabilities	*22.2*	**883,120**	883,120
			2,101,117	1,637,430
22.1	**Commitments**			
	Commitments for acquisition of:			
	- Property and equipment		**355,716**	145,943
	- Intangible assets		**862,281**	608,367
			1,217,997	754,310

22.2 Tax Contingencies

22.2.1 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.

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.

22.2.2 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 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.

22.2.3 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. As the underlying Order was devoid of merit, the Bank is pursuing available legal remedies and the matter is currently pending before the Lahore High Court.

22.2.4 During the years 2021 and 2022, 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.

	for the half year ended 30 June 2024	30 June 2023
	(Un-audited) (Rupees in '000)	

23. MARK-UP / RETURN / INTEREST EARNED

	30 June 2024	30 June 2023
On:		
Advances	**6,418,330**	2,877,656
Available-for-sale investments in Government Securities	**3,203,594**	1,703,412
Deposits with financial institutions / Banks	**493,639**	498,542
Call money lendings	**1,401,181**	1,293,398
Repurchase agreement lendings	**119,041**	367,206
	11,635,785	6,740,214

24. MARK-UP / RETURN / INTEREST EXPENSED

	30 June 2024	30 June 2023
On:		
Deposits	**629,039**	378,592
Borrowings	**432**	573
Lease liabilities against right-of-use assets	**91,971**	83,627
	721,442	462,792

	for the half year ended 30 June 2024	30 June 2023
	(Un-audited) (Rupees in '000)	

25. FEE, COMMISSION AND BROKERAGE INCOME

	30 June 2024	30 June 2023
Loan processing fee - net	**203,595**	232,027
Income from branchless banking	**6,045,742**	3,996,588
Cheque book fees, ATM fees and other service charges	**153,293**	149,918
	6,402,630	4,378,533

26. GAIN / (LOSS) ON SECURITIES

	30 June 2024	30 June 2023
Realised	-	(32,064)
Unrealised	-	-
	-	(32,064)
Realised gain on:		
Federal Government securities	-	(32,064)
Provincial Government securities	-	-
	-	(32,064)

27. OTHER INCOME

	30 June 2024	30 June 2023
Grant income	**734**	734
Gain / (loss) on sale of operating fixed assets	**164**	(35,351)
Gain on termination of lease contracts	**3,423**	2,241
Others	-	-
	4,321	(32,376)

		Note	for the half year ended 30 June 2024 (Un-audited) (Rupees in '000)	30 June 2023
28.	**OPERATING EXPENSES**			
	Total compensation expense		**3,313,483**	2,562,270
	Training & development		**68,047**	38,141
	Directors' fees, allowances		**4,400**	2,000
	Commission - Branchless Banking		**2,310,063**	1,179,262
	Customer Incentives		**364,550**	361,968
	Advertisement and publicity		**1,009,619**	632,013
	Legal and professional charges		**1,441,811**	781,868
	Rent, taxes, insurance, electricity, etc.		**296,134**	299,593
	Communications (including SMS cost)		**1,000,200**	580,730
	Repairs and maintenance - IT		**1,937,946**	1,466,709
	Repairs and maintenance - General		**238,821**	231,496
	Security services		**165,026**	143,154
	Stationery and printing		**79,821**	71,601
	Travelling & conveyance		**125,888**	112,659
	Bank charges		**480,319**	421,338
	Depreciation		**638,646**	549,627
	Depreciation on right-of-use assets		**113,518**	107,123
	Amortisation		**228,235**	178,965
	Auditors' remuneration		**3,665**	2,088
	Exchange loss / (gain)		**15,888**	345,533
	Other expenses		**58,100**	67,477
			13,894,180	10,135,615
29.	**OTHER CHARGES**			
	Penalties imposed by State Bank of Pakistan		**600**	12
			600	12
30.	**Credit Loss Allowance and Write Offs - Net**			
	Credit loss allowance against balances with other banks		**(7,110)**	-
	Credit loss allowance against lending to financial institutions	*8.1*	**4,807**	-
	Credit loss allowance against loans & advances	*10.2.2*	**502,481**	531,554
	Credit loss allowance against other assets	*15.1*	**119,793**	174,678
	Write off against other assets		**3,432**	-
	Write off against operating fixed assets		**-**	85,158
	Provision for impairment against operating fixed assets		**7,878**	(125,156)
	Bad debts written off directly	*10.3*	**22,036**	18,175
	Bad debts written off against provision		**647,442**	-
	Recovery against write off		**(538,203)**	(523,453)
			762,556	160,956

		Note	For the half year ended 30 June 2024 (Un-audited) (Rupees in '000)	30 June 2023
31.	**MINIMUM TAX DIFFERENTIAL AND TAXATION**			
	Minimum tax differential	*31.1*	**376,759**	249,574
	Taxation			
	Current Year			
	Current tax	*31.3*	**271,621**	-
	Deferred tax		**(15,467)**	(4,612)
			256,154	(4,612)
			632,913	244,962

31.1 This represents minimum tax under section 148 of Income Tax Ordinance, 2001 (the Ordinance), representing levy under the requirements of IFRIC 21/IAS 37.

31.2 Reconciliation between current tax under the Ordinance and its categorisation as 'Income Tax' under IAS 12 and 'Levy' in terms of requirements of IFRIC 21/ IAS 37.

	For the half year ended	
	30 June 2024	30 June 2023
	(Un-audited)	
	(Rupees in '000)	
Current tax liability for the year as per applicable tax laws	**648,380**	249,574
Portion of current tax liability as per tax laws, representing income tax under IAS 12	**(271,621)**	-
Portion of current tax computed as per tax laws, representing levy in terms of requiremer	**(376,759)**	(249,574)
Difference	**-**	-

31.3 This represents Super tax payable under section 4C of the Income Tax Ordinance, 2001.

32. EARNING PER SHARE

	(Rupees in '000)	
Profit / (loss) after taxation for the period	**1,978,812**	49,970
	(Number in '000)	
Weighted average ordinary shares	**591,768**	579,596
	(Rupees)	
Earning per share - Basic and diluted	**3.34**	0.09

33. FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than those classified as amortized cost, is based on quoted market price. Quoted securities classified as amortized cost are carried at cost. The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

The MFB measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Fair value measurements using input other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

On balance sheet financial instruments	**30 June 2024**			
	Fair value			
	Level 1	Level 2	Level 3	Total
	---------------------------------Rs'000---------------------------			
Financial assets measured at fair value				
- Investments - market treasury bills	**-**	**33,518,867**	**-**	**33,518,867**
- Pakistan Investment Bond	**-**	**3,432,800**	**-**	**3,432,800**
	-	**36,951,667**	**-**	**36,951,667**

	31 December 2023			
	Fair value			
	Level 1	Level 2	Level 3	Total
	---------------------------------Rs'000---------------------------			
Financial assets measured at fair value				
- Investments - market treasury bills	-	25,154,190	-	25,154,190
- Pakistan Investment Bond	-	3,433,850	-	3,433,850
	-	28,588,040	-	28,588,040

Valuation techniques and inputs used in determination of fair values

Item	**Valuation techniques and inputs used**
Market treasury bills (MTB) / Pakistan Investment Bond (PIB)	The fair value of MTB/ PIB are derived using PKRV/PKFRV rate available on MUFAP website.

34. 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:

	As at 30 June 2024 (Un-audited)						31 December 2023 (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)					
Deposits and other accounts												
At 1 January	-	435,443	3	-	54,235	489,681	-	10,388	2,910	560	61,214	75,072
Received during the period	-	27,722,070	-	-	260,674	27,982,744	-	45,329,184	23,690	-	539,260	45,892,134
Withdrawn during the period	-	(28,151,232)	-	-	(177,389)	(28,328,620)	-	(44,904,129)	(26,597)	(560)	(546,239)	(45,477,525)
	-	6,281	3	-	137,520	143,804	-	435,443	3	-	54,235	489,682
Other Assets												
Receivable from defined benefit plan	-	-	-	-	-	-	-	-	-	-	80,717	80,717
Loans to employees / Advance Salary												
At 1 January	-	-	5,200	-	-	5,200	-	-	11,367	-	-	11,367
Given during the period	-	-	21,003	-	-	21,003	-	-	6,950	-	-	6,950
Repaid during the period	-	-	(5,088)	-	-	(5,088)	-	-	(13,117)	-	-	(13,117)
#	-	-	21,115	-	-	21,115	-	-	5,200	-	-	5,200
	-	-	21,115	-	-	21,115	-	-	5,200	-	80,717	80,717
Other Liabilities												
Payable to defined contribution plan	-	-	-	-	37,666	37,666	-	-	-	-	31,840	31,840
Payable to defined benefit plan	-	-	-	-	7,358	7,358						
Other payable	-	649,976	-	-	-	649,976		1,071,511	-	-	-	1,071,511
	-	649,976	-	-	45,024	695,000	-	1,071,511	-	-	31,840	1,103,351

	For the half year ended 30 June 2024 (Un-audited)						For the half year ended 30 June 2023 (Un-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)					
Transactions during the period												
Fee, commission and brokerage income												
Commission earned against sale of bundle	-	254,334	-	-	-	254,334	-	162,312	-	-	-	162,312
	-	254,334	-	-	-	254,334	-	162,312	-	-	-	162,312
Operating Expenses												
Directors' meeting fees	-	-	-	4,400	-	4,400	-	-	-	2,000	-	2,000
Remuneration of Key Management Personnel	-	-	131,059	14,274	-	145,333	-	-	91,027	42,153	-	133,180
Mark-up expense	-	-	-	-	2,765	2,765	-	-	-	-	1,595	1,595
Communication expense	-	508,744	-	-	-	508,744	-	36,939	-	-	-	36,939
Advertisement and publicity	-	359	-	-	-	359	-	-	-	-	-	-
Professional consultancy charges	-	135,591	-	-	-	135,591	-	162,278	-	-	-	162,278
Repair and maintenance	-	478,532	-	-	-	478,532	-	744,332	-	-	-	744,332
Rent against lease of premises		24,823				24,823	-	22,984	-	-	-	22,984
Expenditure against air time / bundle for customer	-	12,503	-	-	-	12,503	-	99,543	-	-	-	99,543
Other expenses	-	2,152	-	-	-	2,152	-	8,347	-	-	-	8,347
	-	1,162,704	131,059	18,674	2,765	1,315,202	-	1,074,423	91,027	44,153	1,595	1,211,198
Equity												
Equity injection	-	-	-	-	-	-	1,381,395	-	-	-	-	1,381,395
	-	-	-	-	-	-	1,381,395	-	-	-	-	1,381,395

34.1 This represents advance to staff and executives of the Bank for a maximum period of 60 months. These are secured against the retirement benefits of employees.

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

35. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	30 June 2024 (Un-audited)	31 December 2023 (Audited)
	(Rupees in '000)	
Fully paid-up ordinary shares	**5,917,680**	5,917,680
Balance in share premium account	**45,554,177**	45,554,177
Accumulated losses	**(43,396,059)**	(44,881,967)
Eligible capital for MCR	**8,075,798**	6,589,890
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	**6,724,665**	4,744,483
Eligible Additional Tier 1 (ADT 1) Capital	**-**	-
Total Eligible Tier 1 Capital	**6,724,665**	4,744,483
Eligible Tier 2 Capital	**824,263**	852,025
Total Eligible Capital (Tier 1 + Tier 2)	**7,548,928**	5,596,507
Risk Weighted Assets (RWAs):		
Credit risk	**24,632,867**	22,122,856
Operational risk	**3,428,455**	3,421,768
Total	**28,061,323**	25,544,624
Common Equity Tier 1 Capital Adequacy Ratio	**23.96%**	18.57%
Tier 1 Capital Adequacy Ratio	**23.96%**	18.57%
Total Capital Adequacy Ratio	**26.90%**	21.91%

The Bank is required to maintain Capital Adequacy Ratio (CAR) equivalent to at least 15% of its risk weighted assets.

For Capital adequacy calculation, the Bank has adopted Standardised Approach for credit and market risk related exposures and Alternate Standardised Approach (ASA) for operational risk.

The SBP has permitted banks to adopt a transitional approach to phase in the initial impact of the ECL for stage 1 and 2 financial assets over a period of five years. Had there been no such relaxation the Bank's CAR would have been lower by 0.91%.

36. GENERAL

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

Material reclassification is as follows:

		for the half year ended	
		30 June 2024	30 June 2023
		(Un-audited)	
From	**to**	**(Rupees in '000)**	
Profit and Loss Account			
Fee on nano loans			
Fee, commission and brokerage income (Note 25)	Mark-up / return / interest earned (Note 24)	3,219,512	676,314
Taxation	Minimum Tax Differential	376,759	249,574

Further, in the statement of cash flows, payment against minimum tax differential has been separately disclosed from the amount of 'Income tax paid' as 'Levy paid'. The above reclassification didn't have any impact on the

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

37. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue by the Board of Directors in their meeting held on 22 August 2024 .

President and Chief Executive Officer	Chief Financial Officer	Director	Director	Director