

Telenor Microfinance Bank Limited
Condensed Interim Financial Statements
For the period ended September 30, 2024 (Un-audited)

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

30 September 2024 **31 December 2023**
(Un-audited) **(Audited)**
(USD in '000)

30 September 2024 **31 December 2023**
(Un-audited) **(Audited)**
(Rupees in '000)

ASSETS

13,819	22,885	Cash and balances with treasury Banks
12,822	25,367	Balances with other banks
6,466	18,004	Lendings to financial institutions
185,873	102,941	Investments
86,502	63,303	Advances
12,111	13,151	Property and equipment
3,193	3,584	Right-of-use assets
10,800	9,790	Intangible assets
-	-	Deferred tax asset - net
19,063	15,828	Other assets
350,649	274,853	Total assets

6	3,837,702	6,355,404
7	3,560,788	7,044,873
8	1,795,746	5,000,000
9	51,619,341	28,588,040
10	24,022,725	17,579,972
11	3,363,442	3,652,224
12	886,731	995,205
13	2,999,191	2,718,826
14	-	-
15	5,293,946	4,395,565
	97,379,612	76,330,109

LIABILITIES

687	597	Bills payable
243,870	183,419	Deposits and other accounts
3,900	4,180	Lease liabilities
42	46	Deferred grants
-	-	Deferred tax liabilities
61,780	57,818	Other liabilities
310,279	246,060	Total liabilities

16	190,710	165,884
17	67,725,810	50,937,750
18	1,083,177	1,160,830
19	11,763	12,865
14	-	-
20	17,156,723	16,056,754
	86,168,183	68,334,083

40,370 **28,793** **NET ASSETS**

11,211,428 **7,996,026**

REPRESENTED BY:

21,309	21,309	Share capital
172,088	169,203	Reserves
925	(106)	Surplus / (Deficit) on revaluation of assets - net of deferred tax
(153,951)	(161,613)	Accumulated losses
40,371	28,793	

	5,917,680	5,917,680
	47,791,079	46,989,831
21	256,850	(29,518)
	(42,754,182)	(44,881,967)
	11,211,428	7,996,026

CONTINGENCIES AND COMMITMENTS

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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 period ended 30 September 2024

Quarter ended		Period ended			Quarter ended		Period ended		
September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023		September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023	
(USD in '000)		(USD in '000)			-----(Rupees in '000)----		-----(Rupees in '000)----		
25,647	15,787	67,545	40,058	Mark-up / return / interest earned	23	7,122,382	4,384,319	18,758,167	11,124,533
(1,556)	(944)	(4,154)	(2,610)	Mark-up / return / interest expensed	24	(432,234)	(262,111)	(1,153,676)	(724,903)
24,091	14,843	63,391	37,448	Net mark-up / return / interest income		6,690,148	4,122,208	17,604,491	10,399,630
NON MARK-UP / NON INTEREST INCOME									
13,407	10,870	36,462	26,637	Fee, commission and brokerage income	25	3,723,385	3,018,828	10,126,015	7,397,361
1	7	1	(109)	Gain / (loss) on securities	26	301	1,832	301	(30,232)
2	1	18	(116)	Other income	27	618	279	4,939	(32,097)
13,410	10,878	36,481	26,412	Total non-mark-up / non-interest income		3,724,304	3,020,939	10,131,255	7,335,032
37,501	25,721	99,872	63,860			10,414,452	7,143,147	27,735,746	17,734,662
NON MARK-UP / NON INTEREST EXPENSES									
(29,793)	(22,946)	(79,823)	(59,443)	Operating Expenses	28	(8,273,808)	(6,372,462)	(22,167,988)	(16,508,077)
(202)	-	(390)	-	Workers welfare fund	29	(56,199)	-	(108,433)	-
(2)	-	(4)	-	Other charges		(583)	(10)	(1,183)	(22)
(29,997)	(22,946)	(80,217)	(59,443)	Total non-mark-up / non-interest expenses		(8,330,590)	(6,372,472)	(22,277,604)	(16,508,099)
7,504	2,775	19,655	4,417	Profit before credit loss allowance		2,083,862	770,675	5,458,142	1,226,563
(2,935)	(892)	(5,681)	(1,472)	Credit loss allowance and write offs - net	30	(815,185)	(247,800)	(1,577,740)	(408,756)
4,569	1,883	13,974	2,945	PROFIT BEFORE TAXATION		1,268,678	522,875	3,880,402	817,806
(1,360)	(567)	(3,639)	(1,449)	Taxation	31	(377,789)	(157,518)	(1,010,701)	(402,480)
3,209	1,316	10,335	1,496	PROFIT AFTER TAXATION		890,889	365,357	2,869,701	415,327
(USD)		(USD)			-----(Rupees)----		-----(Rupees)----		
0.005	0.002	0.017	0.003	Basic and diluted earning per share	32	1.51	0.63	4.85	0.71

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

President and
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Telenor Microfinance Bank Limited

Condensed Interim Statement of Comprehensive Income (Un-audited)

For the period ended 30 September 2024

Quarter ended		Period ended				Quarter ended		Period ended			
September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023			September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023		
(USD in '000)		(USD in '000)				(Rupees in '000)		(Rupees in '000)			
3,208	1,316	10,333	1,496	Profit after taxation for the period		890,889	365,357	2,869,701	415,327		
				Other comprehensive income							
				Item may be reclassified to profit or loss in subsequent periods							
1,548	155	1,690	212	Surplus on revaluation of 'available for sale' investments		429,796	43,043	469,456	58,945		
(604)	(45)	(659)	(62)	Related tax impact		(167,620)	(12,482)	(183,088)	(17,094)		
944	110	1,031	150			262,176	30,561	286,368	41,851		
				Items that are not to be reclassified to profit and loss in subsequent periods							
-	-	-	-	Remeasurement gain on defined benefit obligations		-	-	-	-		
-	-	-	-	Related tax impact		-	-	-	-		
4,152	1,426	11,364	1,646	Total comprehensive income		1,153,065	395,918	3,156,069	457,177		

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Telenor Microfinance Bank Limited
Condensed Interim Statement of Changes in Equity (Un-audited)
For the period ended 30 September 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	-	-	-	-	-	-	415,327	415,327
Other comprehensive income	-	-	-	-	-	11,290	-	11,290
	-	-	-	-	-	11,290	415,327	426,617
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 September 2023 (Un-audited)	5,865,514	1,381,395	44,224,948	802,481	462,274	(18,115)	(44,854,178)	7,864,319
Comprehensive income for the period								
Profit after taxation for the period	-	-	-	-	-	-	86,951	86,951
Other comprehensive income / (loss)	-	-	-	-	-	(11,403)	56,158	44,755
	-	-	-	-	-	(11,403)	143,109	131,706
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)	-
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 5.3)	-	-	-	-	-	-	59,333	59,333
Balance as at January 01, 2024 -as 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	-	-	-	-	-	-	2,869,701	2,869,701
Other comprehensive income	-	-	-	-	-	286,368	-	286,368
	-	-	-	-	-	286,368	2,869,701	3,156,069
Transfer to statutory reserve	-	-	-	573,940	-	-	(573,940)	-
Transfer to Depositors' Protection Fund								
- 5% of the Profit After Tax	-	-	-	-	143,485	-	(143,485)	-
- return on investments	-	-	-	-	83,823	-	(83,823)	-
	-	-	-	-	227,308	-	(227,308)	-
Balance as at 30 September 2024 (Un-audited)	5,917,680	-	45,554,177	1,476,877	760,025	256,850	(42,754,182)	11,211,428

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

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Telenor Microfinance Bank Limited
Condensed Interim Cash Flow Statement (Un-audited)
For the period ended 30 September 2024

Quarter ended			Quarter ended	
30 September 2024	30 September 2023		30 September 2024	30 September 2023
(USD in '000)			(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES				
4,569	1,883	Profit before taxation	3,880,402	817,806
Adjustments:				
3,480	2,974	Depreciation on property and equipment	966,307	825,995
615	582	Depreciation on right-of-use assets	170,928	161,636
1,259	994	Amortisation	349,602	276,102
490	455	Finance charge against Lease liability	136,128	126,226
8,082	3,739	Expected credit loss allowance advances	2,244,424	1,038,421
595	627	Expected credit loss allowance other assets	165,244	174,089
28	(451)	Impairment against fixed assets	7,878	(125,156)
12	-	Write off against Other Assets	3,432	-
(28)	-	Credit loss allowance against balances with other banks	(7,885)	-
15	-	Credit loss allowance against lending to financial institutions	4,254	-
-	307	Write-offs against fixed assets	-	85,158
476	401	Provision for gratuity	132,112	111,439
390	-	Workers' welfare fund	108,433	-
(4)	(4)	Grant income	(1,101)	(1,101)
(12)	(8)	Gain on termination of lease contracts	(3,423)	(2,241)
(1)	128	(Gain) / loss on sale of operating fixed assets	(415)	35,439
15,397	9,744		4,275,918	2,706,007
Increase in operating assets				
(30,703)	(19,394)	Advances	(8,526,519)	(5,385,927)
(5,069)	(3,171)	Other assets (excluding advance taxation and receivable from defined benefit plan)	(1,407,787)	(880,636)
(35,772)	(22,565)		(9,934,306)	(6,266,563)
(Decrease) / increase in operating liabilities				
89	-	Bills payable	24,826	-
60,451	26,836	Deposits and other accounts	16,788,060	7,452,669
3,438	13,516	Other liabilities	954,819	3,753,643
63,978	40,352		17,767,705	11,206,312
(3,551)	(1,950)	Income tax paid	(986,155)	(541,598)
(185)	(48)	Contribution to defined benefit plan	(51,395)	(13,198)
44,436	27,416	Net cash generated from operating activities	14,952,169	7,908,765
CASH FLOW FROM INVESTING ACTIVITIES				
(81,242)	19,922	Net (Investment in) / proceed from securities	(22,561,845)	5,532,491
(4,738)	(3,810)	Investments in operating fixed assets	(1,315,750)	(1,058,177)
2	75	Proceeds from disposal of operating fixed assets	571	20,736
(85,978)	16,187	Net cash (used in) / generated from investing activities	(23,877,024)	4,495,050
CASH FLOW FROM FINANCING ACTIVITIES				
-	4,974	Proceeds against future issue of right shares	-	1,381,395
(982)	(828)	Payment of lease liability against right-of-use assets	(272,812)	(230,013)
(982)	4,146	Net cash (used in) / generated from financing activities	(272,812)	1,151,382
(42,524)	47,749	Net increase in cash and cash equivalents	(9,197,667)	13,555,196
66,226	17,446	Cash and cash equivalents at beginning of the period	18,391,903	4,845,081
23,702	65,195	Cash and cash equivalents at end of the period	9,194,236	18,400,277

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

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Chief Financial Officer

Director

Director

Director

Telenor Microfinance Bank Limited
Notes to the Condensed Interim Financial Statements (Un-audited)
For the period ended 30 September 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 submitted report related to operational readiness to SBP and SBP has issued the inspection reports in this regard.

- 1.2** The Bank is jointly owned 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.

2.1 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 period ended September 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.

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 (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies in Pakistan through BSD Circular Letter 10 dated 26 August 2002 till further instructions. SECP has deferred the applicability of IFRS 7 'Financial Instruments: Disclosures' through its notification S.R.O 411 (I) / 2008 dated 28 April 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements of Prudential Regulation for Microfinance Banks or directives issued by SBP.

3.3 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 nine months period ended 30 September 2023.

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. 277.7131 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

There are certain new and amended standards, issued by International Accounting Standards Board (IASB), interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 01, 2024 but are considered not to be relevant or do not have any material effect on the Bank's operations and are therefore not detailed in these condensed interim financial statements except for IFRS 9 (Financial Instruments), the impact of which is disclosed under note 5.1.

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 certain new and amended standards, issued by International Accounting Standards Board (IASB), interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 01, 2025 but are considered not to be relevant or will not have any 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 5.1).

5.1 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 5.2.1.

5.1.1 Classification

5.1.1.1 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.

5.1.1.2 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)

5.1.1.3 Financial assets at amortised cost

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.

5.1.1.4 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 Effective Interest Rate is 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.

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 Expected Credit Loss (ECL).

5.1.1.5 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 pattern of short-term profit taking, or
- 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.

5.1.1.6 Financial liabilities at amortised cost

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

5.1.1.7 Derecognition of financial assets

5.1.1.7.1 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 Effective Interest Rate, 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.

5.1.1.7.2 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 derecognition.

5.1.1.8 Derecognition of financial liabilities

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

5.1.1.9 Impairment of financial assets

5.1.1.9.1 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 financial instruments.

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. 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 Effective Interest Rate.

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.

5.2.1 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 treasury Banks	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 amount
	-----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 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 2023.

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.

5.3.1 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

5.4 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.

	Note	30 September 2024 (Un-audited) (Rupees in '000)	31 December 2023 (Audited)
6. CASH AND BALANCES WITH TREASURY BANKS			
Cash in hand - local currency		313,919	242,101
With State Bank of Pakistan - current account	6.1	3,522,439	6,112,090
With National Bank of Pakistan - current account		1,344	1,213
		3,523,783	6,113,303
		3,837,702	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 September 2024 (Un-audited) (Rupees in '000)	31 December 2023 (Audited)
7. BALANCES WITH OTHER BANKS			
In Pakistan			
- Current accounts		423,863	426,567
- PLS deposit accounts	7.2 & 7.3	3,137,414	6,618,306
		3,561,277	7,044,873
Less: Expected credit loss allowance	7.1	(489)	-
		3,560,788	7,044,873

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

Opening balance	-	-
IFRS 9 Adoption Impact (note 5.3)	8,374	-
Balance as at January 01, 2024 - restated	8,374	-
Reversal for the period / year	(7,885)	-
Closing balance	489	-

7.2 This represents demand deposits with various financial institutions carrying markup at rates ranging between 9.03% to 16.0% per annum (31 December 2023: 20.5% to 23.5% per annum).

7.3 Guarantees worth Rs. 197.08 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.

		30 September 2024 (Un-audited) (Rupees in '000)	31 December 2023 (Audited)
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings - unsecured	8.1	1,800,000	5,000,000
Less: Expected credit loss allowance		(4,254)	-
Lendings to Financial Institutions - net of credit loss allowance		1,795,746	5,000,000

8.1 This represent call money lending to various financial institutions carrying mark-up rate ranging from 18.1% to 18.2% per annum (31 December 2023: 22.0% per annum) and having maturity in October 2024 (31 December 2023: January 2024).

8.2 Lending to FIs - Particulars of credit loss allowance

		30 September 2024 (Un-audited)	31 December 2023 (Audited)		
		Lending	Credit Loss Allowance	Lending	Credit Loss Allowance
		----- (Rupees in '000) -----			
Performing - upto 29 Days	Stage 1	1,800,000	(4,254)	-	-
Other assets especially mentioned	Stage 2	-	-	-	-
Non-performing	Stage 3				
Substandard		-	-	-	-
Doubtful		-	-	-	-
Loss		-	-	-	-
		1,800,000	(4,254)	-	-

9 INVESTMENTS

30 September 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
Note	-----Rupees in '000-----							
9.1 Investments by type:								
Classified as FVOCI								
Federal Government securities								
Market Treasury Bill	9.4	48,173,941		428,777	47,745,164			
Pakistan Investment Bond	9.5	3,445,400	-	(7,712)	3,453,112	-	-	-
		51,619,341	-	421,065	51,198,276	-	-	-
Available for Sale								
Market Treasury Bill	9.4	-	-	-	25,154,190		(46,305)	25,200,495
Pakistan Investment Bond	9.5	-	-	-	3,433,850	-	(2,086)	3,435,936
		-	-	-	28,588,040	-	(48,391)	28,636,431
Total investments		51,619,341	-	421,065	51,198,276	-	(48,391)	28,636,431

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

9.2 Investments - Particulars of credit loss allowance

	30 September 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	26,834,933	-	-	-	-	-
Investments derecognised or repaid	(8,987,065)	-	-	-	-	-
Transfer to stage 1	-	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-
	17,847,868	-	-	-	-	-
Amounts written off / charged off	-	-	-	-	-	-
Amortisation income	4,713,977	-	-	-	-	-
Closing balance	51,198,276	-	-	-	-	-

- 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 16.81% to 21.76% (31 December 2023: 21.25% to 21.51%) per annum, having maturities up to September 2025 (December 31, 2023: November 2024). These securities have an aggregate face value of Rs. 50,371 million (31 December 2023: Rs. 30,000 million).
- 9.5** These carry mark-up at rate at 19.84% (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. 6.791 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 September 2024 (Un- audited)	31 December 2023 (audited)
		30 September 2024 (Un- audited)	31 December 2023 (audited)	30 September 2024 (Un- audited)	31 December 2023 (audited)	30 September 2024 (Un- audited)	31 December 2023 (audited)		
-----Rs'000-----									
10.1	Micro credit								
	-Secured	10,835,690	-	127,333	-	79,770	-	11,042,793	7,708,194
	-Unsecured	12,235,488	-	637,577	-	1,950,067	-	14,823,131	10,869,821
		23,071,178	-	764,909	-	2,029,837	-	25,865,925	18,578,015
	Credit loss allowance against advance								
	-Stage 1	538,331	-	-	-	-	-	538,331	-
	-Stage 2	-	-	167,190	-	-	-	167,190	-
	-Stage 3	-	-	-	-	1,137,679	-	1,137,679	-
		538,331	-	167,190	-	1,137,679	-	1,843,200	998,043
	Advances - net of credit loss allowance	22,532,847	-	597,719	-	892,158	-	24,022,725	17,579,972

	30 September 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 Advances - Particulars of credit loss allowance								
10.2.1 Advance - Exposure								
Gross carrying amount	17,397,845	264,285	915,885	18,578,015	-	-	-	-
New advances	60,310,161	-	-	60,310,161	-	-	-	-
Advances derecognised or repaid	(51,524,331)	(75,013)	(147,158)	(51,746,502)	-	-	-	-
Transfer to stage 1	1,572	(1,061)	(511)	-	-	-	-	-
Transfer to stage 2	(741,941)	742,104	(163)	-	-	-	-	-
Transfer to stage 3	(1,749,664)	(23,107)	1,772,771	-	-	-	-	-
Total movement in advances - exposure	6,295,797	642,923	1,624,939	8,563,659	-	-	-	-
Amounts written off / charged off	(622,463)	(142,299)	(510,987)	(1,275,749)	-	-	-	-
Closing balance	23,071,179	764,909	2,029,837	25,865,925	-	-	-	-

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	1,247,476	-	-	1,247,476	-	-	-	-
Advances derecognised or repaid	(47,916)	(36,965)	(17,878)	(102,759)	-	-	-	-
Transfer to stage 1	435	(205)	(230)	-	-	-	-	-
Transfer to stage 2	(175,826)	175,899	(73)	-	-	-	-	-
Transfer to stage 3	(693,818)	(5,190)	699,008	-	-	-	-	-
	330,351	133,539	680,827	1,144,717	-	-	-	-
Change in ECL due to risk parameters and transfers	449,840	102,701	509,983	1,062,524	-	-	-	-
Credit loss allowance charged during the period	780,191	236,240	1,190,810	2,207,241	-	-	-	-
Amounts written off / charged off	(588,857)	(141,578)	(508,131)	(1,238,566)	-	-	-	-
Closing balance	538,331	167,190	1,137,679	1,843,200	-	-	-	-

10.2.3 Advances - Credit loss allowance details								
Internal / External rating / stage classification	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	30 September 2024 (Un-audited)				31 December 2024 (audited)			
	-----Rs'000-----				-----Rs'000-----			
Performing	23,071,178	-	-	23,071,178	-	-	-	-
Under Performing								
Other assets especially mentioned	-	764,909	-	764,909	-	-	-	-
Non- Performing								
Substandard	-	-	534,614	534,614	-	-	-	-
Doubtful	-	-	956,915	956,915	-	-	-	-
Loss	-	-	538,308	538,308	-	-	-	-
	-	-	2,029,837	2,029,837	-	-	-	-
Total	23,071,178	764,909	2,029,837	25,865,925	-	-	-	-
Corresponding credit loss allowance								
Stage 1	538,331	-	-	538,331	-	-	-	-
Stage 2	-	167,190	-	167,190	-	-	-	-
Stage 3	-	-	1,137,679	1,137,679	-	-	-	-
Total	538,331	167,190	1,137,679	1,843,200	-	-	-	-

10.3 Particulars of write offs

Against credit loss allowance	1,238,566	694,144
Directly charged to the profit and loss account	37,183	43,079
	1,275,749	737,222

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

		30 September 2024 (Un-audited) (Rupees in '000)	31 December 2023 (Audited) (Rupees in '000)
	Note		
11. PROPERTY AND EQUIPMENT			
Property and equipment		3,108,508	3,119,133
Capital work-in-progress	11.1	254,934	533,091
		<u>3,363,442</u>	<u>3,652,224</u>
11.1 CAPITAL WORK-IN-PROGRESS			
Improvements to leasehold buildings		653	12,403
Furniture and fixtures		-	-
Office equipments		19,974	18,887
Computer equipments		234,307	501,801
		<u>254,934</u>	<u>533,091</u>
		for the period ended	
		30 September 2024 (Un-audited) (Rupees in '000)	30 September 2023 (Un-audited) (Rupees in '000)
11.2 Additions during the period - at cost			
Improvements to leasehold buildings		88,435	49,047
Furniture and Fixture		1,973	726
Office equipments		46,711	35,511
Computer equipments		813,637	250,065
		<u>950,756</u>	<u>335,349</u>
11.3 Disposals during the period - at cost			
Furniture and fixtures		933	14,554
Computers		628	229
Office equipments		657	121,783
		<u>2,218</u>	<u>136,566</u>

	30 September 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	<u>995,205</u>	<u>-</u>	<u>995,205</u>	<u>1,003,570</u>	<u>-</u>	<u>1,003,570</u>
Additions during the year	72,613	-	72,613	221,866	-	221,866
Deletions during the year	(10,159)	-	(10,159)	(12,900)	-	(12,900)
Depreciation charge	(170,928)	-	(170,928)	(217,331)	-	(217,331)
Net Carrying amount	<u>886,731</u>	<u>-</u>	<u>886,731</u>	<u>995,205</u>	<u>-</u>	<u>995,205</u>

		30 September 2024 (Un-audited) (Rupees in '000)	31 December 2023 (Audited) (Rupees in '000)
	Note		
13. INTANGIBLE ASSETS			
Intangible assets	13.1	2,799,230	2,581,749
Capital work-in-progress		199,961	137,077
		<u>2,999,191</u>	<u>2,718,826</u>
		for the period ended	
		30 September 2024 (Un-audited) (Rupees in '000)	30 September 2023 (Un-audited) (Rupees in '000)
13.1 Additions during the period - at cost			
Intangible assets		564,585	494,444
		<u>564,585</u>	<u>494,444</u>

		30 September 2024 (Un-audited) (Rupees in '000)	31 December 2023 (Audited)
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		584,872	314,071
- Deficit on revaluation of assets (investments)		-	18,874
		584,872	332,945
Taxable temporary differences			
- Accelerated tax depreciation allowance		(324,271)	(236,559)
- Surplus on revaluation of assets (investments)		(164,215)	-
- Remeasurement gain/(loss) on defined benefit obligation		(96,386)	(96,386)
		(584,872)	(332,945)
		-	-
14.1	As of September 30, 2024, the carry forward tax loss and other deductible temporary difference amount to Rs. 36,682 million (December 31, 2023: Rs. 43,944 million) and Rs.2,639 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. 15,335 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		3,097,492	1,874,874
Receivable from branchless banking agents		241,462	418,270
Advance to employees		329,583	245,739
Security deposits		490,001	366,904
Prepayments		527,506	675,955
Receivable from defined benefit plan		-	80,717
Branchless banking transaction fee receivable		949,944	737,292
Advance tax - net		-	207,634
Others		453,345	362,512
		6,089,333	4,969,897
Less: Credit loss allowance held against other assets	15.1	(795,387)	(574,332)
		5,293,946	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 5.3)		55,768	-
Balance as at January 01, 2024 - restated		630,100	389,153
Charge for the period / year		165,287	192,526
Reversals		-	(7,347)
Amount written off		-	-
Closing balance		795,387	574,332
16. BILLS PAYABLE			
In Pakistan		190,710	165,884
Outside Pakistan		-	-
		190,710	165,884
17. DEPOSITS AND OTHER ACCOUNTS			
Customers			
Current deposits		55,214,302	42,158,294
Saving deposits		12,511,008	8,778,956
Term deposits		500	500
Others		-	-
		67,725,810	50,937,750
17.1 Financial Institutions			
Current deposits		41,194	30,024
Saving deposits		11,390	17,656
Term deposits		-	-
Others		-	-
		52,584	47,680

		30 September 2024 (Un-audited) (Rupees in '000)	31 December 2023 (Audited) (Rupees in '000)
18. LEASE LIABILITIES	<i>Note</i>		
Opening		1,160,830	1,110,122
Additions during the year		72,613	221,866
Deletions during the year		(13,582)	(16,584)
Finance Cost		136,128	170,597
Payment of lease liability		(272,812)	(325,171)
Closing		<u>1,083,177</u>	<u>1,160,830</u>
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	1,902	3,004
		<u>11,763</u>	<u>12,865</u>
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 period		(1,102)	(1,469)
Balance as at 30 September		<u>1,902</u>	<u>3,004</u>
20. OTHER LIABILITIES			
Mark-up / return / interest payable		4,946	48
Unearned loan processing fee		250,384	268,765
Accrued expenses		5,560,401	4,475,705
Payable to related parties		832,434	1,071,511
Advance sales tax		94,188	135,913
Commission payable - branchless banking		468,772	411,051
Provision for staff bonus		459,328	501,500
Withholding tax payable		152,079	126,714
Payable to defined contribution plan		38,046	31,840
Payable to defined benefit plan		36,717	-
Payable to Worker's Welfare Fund		236,477	127,132
Advance tax -net		219,541	-
Switch settlement liability - net		2,050,405	2,074,044
Payable against branchless banking transactions		4,701,974	4,858,426
Funds received against disbursement		74,881	693,211
Employee share appreciation right liability		1,301,792	655,327
Provisions against contingencies		121,525	121,525
Others		552,833	504,042
		<u>17,156,723</u>	<u>16,056,754</u>
21. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS - net of deferred tax			
Surplus / (deficit) on revaluation of			
- FVOCI - debt		421,065	(48,391)
Deferred tax on surplus / (deficit) on revaluation of			
- FVOCI - debt		(164,215)	18,873
		<u>256,850</u>	<u>(29,518)</u>
22. CONTINGENCIES AND COMMITMENTS			
Commitments	22.1	2,054,974	754,310
Contingent liabilities	22.2	883,120	883,120
		<u>2,938,094</u>	<u>1,637,430</u>
22.1 Commitments			
Commitments for acquisition of:			
- Property and equipment		1,336,729	145,943
- Intangible assets		718,245	608,367
		<u>2,054,974</u>	<u>754,310</u>

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 period ended	
		30 September 2024	30 September 2023
		(Un-audited)	
		(Rupees in '000)	
23.	MARK-UP / RETURN / INTEREST EARNED		
	On:		
	Advances	10,713,477	4,798,638
	Available-for-sale investments in Government Securities	5,264,720	2,841,080
	Deposits with financial institutions / Banks	634,090	799,487
	Call money lendings	1,880,657	2,115,076
	Repurchase agreement lendings	265,223	570,252
		18,758,167	11,124,533
24.	MARK-UP / RETURN / INTEREST EXPENSED		
	On:		
	Deposits	1,017,116	597,261
	Borrowings	432	1,416
	Lease liabilities against right-of-use assets	136,128	126,226
		1,153,676	724,903
25.	FEE, COMMISSION AND BROKERAGE INCOME		
	Loan processing fee - net	286,777	303,250
	Income from branchless banking	9,413,899	6,886,191
	Cheque book fees, ATM fees and other service charges	425,339	207,920
		10,126,015	7,397,361

		for the period ended	
		30 September 2024	30 September 2023
		(Un-audited)	(Un-audited)
		(Rupees in '000)	
Note			
26.	GAIN / (LOSS) ON SECURITIES		
	Realised	26.1 301	(30,232)
	Unrealised	-	-
		<u>301</u>	<u>(30,232)</u>
26.1	Realised gain on:		
	Federal Government securities	-	(30,232)
	Provincial Government securities	-	-
		<u>-</u>	<u>(30,232)</u>
27.	OTHER INCOME		
	Grant income	1,101	1,101
	Gain / (loss) on sale of operating fixed assets	415	(35,439)
	Gain on termination of lease contracts	3,423	2,241
	Others	-	-
		<u>4,939</u>	<u>(32,097)</u>
28.	OPERATING EXPENSES		
	Total compensation expense	5,366,201	4,067,938
	Training & development	99,017	47,516
	Directors' fees, allowances	7,200	3,200
	Commission - Branchless Banking	3,485,816	2,325,437
	Customer Incentives	520,986	540,813
	Customer verification charges	732,028	378,187
	Advertisement and publicity	1,724,457	836,672
	Legal and professional charges	729,895	936,954
	Rent, taxes, insurance, electricity, etc.	359,342	346,919
	Communications (including SMS cost)	1,743,072	1,685,140
	Repairs and maintenance - IT	4,063,503	2,171,604
	Repairs and maintenance - General	347,489	297,801
	Security services	262,050	186,562
	Stationery and printing	141,070	98,202
	Travelling & conveyance	195,263	154,638
	Bank charges	734,560	655,135
	Depreciation	966,307	825,995
	Depreciation on right-of-use assets	170,928	161,636
	Amortisation	349,602	276,102
	Auditors' remuneration	3,665	1,293
	Exchange loss / (gain)	14,675	324,799
	Donations	3,854	-
	Other expenses	147,009	185,533
		<u>22,167,988</u>	<u>16,508,077</u>
29.	OTHER CHARGES		
	Penalties imposed by State Bank of Pakistan	1,183	22
		<u>1,183</u>	<u>22</u>
30.	Credit Loss Allowance and Write Offs - Net		
	Credit loss allowance against balances with other banks	7.1 (7,885)	-
	Credit loss allowance against lending to financial institutions	8.2 4,254	-
	Credit loss allowance against loans & advances	10.2.2 2,207,241	1,007,946
	Credit loss allowance against other assets	15.1 165,244	174,089
	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 37,183	30,474
	Recovery against write off	(839,606)	(763,755)
		<u>1,577,741</u>	<u>408,756</u>

		For the period ended	
		30 September 2024	30 September 2023
		(Un-audited)	
		(Rupees in '000)	
31.	TAXATION		
	Current	1,206,044	419,574
	Prior periods	(12,255)	-
	Deferred	(183,088)	(17,094)
		<u>1,010,701</u>	<u>402,480</u>
32.	EARNING PER SHARE		
	Profit / (loss) after taxation for the period	(Rupees in '000) <u>2,869,701</u>	<u>415,327</u>
	Weighted average ordinary shares	(Number in '000) <u>591,768</u>	<u>584,450</u>
	Earning per share - Basic and diluted	(Rupees) <u>4.85</u>	<u>0.71</u>

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 Bank 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

Financial assets measured at fair value

- Investments - market treasury bills
- Pakistan Investment Bond

30-Sep-2024			
Fair value			
Level 1	Level 2	Level 3	Total
-----Rs'000-----			
-	48,173,941	-	48,173,941
-	3,445,400	-	3,445,400
-	<u>51,619,341</u>	-	<u>51,619,341</u>

Financial assets measured at fair value

- Investments - market treasury bills
- Pakistan Investment Bond

31 December 2023			
Fair value			
Level 1	Level 2	Level 3	Total
-----Rs'000-----			
-	25,154,190	-	25,154,190
-	3,433,850	-	3,433,850
-	<u>28,588,040</u>	-	<u>28,588,040</u>

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 September 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	-	41,889,108	-	-	427,921	42,317,029	-	45,329,184	23,690	-	539,260	45,892,134
Withdrawn during the period	-	(42,309,794)	-	-	(293,911)	(42,603,705)	-	(44,904,129)	(26,597)	(560)	(546,239)	(45,477,525)
	-	14,757	3	-	188,245	203,005	-	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	-	-	28,596	-	-	28,596	-	-	6,950	-	-	6,950
Repaid during the period	-	-	(8,140)	-	-	(8,140)	-	-	(13,117)	-	-	(13,117)
	-	-	25,656	-	-	25,656	-	-	5,200	-	-	5,200
	-	-	25,656	-	-	25,656	-	-	5,200	-	80,717	80,717
Other Liabilities												
Payable to defined contribution plan	-	-	-	-	38,046	38,046	-	-	-	-	31,840	31,840
Payable to defined benefit plan	-	-	-	-	36,717	36,717	-	-	-	-	-	-
Other payable	-	832,434	-	-	-	832,434	-	1,071,511	-	-	-	1,071,511
	-	832,434	-	-	74,762	907,196	-	1,071,511	-	-	31,840	1,103,351
	For the period ended 30 September 2024 (Un-audited)						For the period ended 30 September 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	-	397,911	-	-	-	397,911	-	251,701	-	-	-	251,701
	-	397,911	-	-	-	397,911	-	251,701	-	-	-	251,701
Operating Expenses												
Directors' meeting fees	-	-	-	7,200	-	7,200	-	-	-	2,000	-	2,000
Remuneration of Key Management Personnel	-	-	201,668	36,344	-	238,012	-	-	91,027	42,153	-	133,180
Mark-up expense	-	-	-	-	5,034	5,034	-	-	-	-	2,107	2,107
Communication expense	-	1,150,685	-	-	-	1,150,685	-	53,928	-	-	-	53,928
Advertisement and publicity	-	497	-	-	-	497	-	-	-	-	-	-
Professional consultancy charges	-	217,608	-	-	-	217,608	-	238,201	-	-	-	238,201
Repair and maintenance	-	648,787	-	-	-	648,787	-	895,676	-	-	-	895,676
Rent against lease of premises	-	24,823	-	-	-	24,823	-	22,984	-	-	-	22,984
Expenditure against air time / bundle for customer	-	66,128	-	-	-	66,128	-	163,443	-	-	-	163,443
Other expenses	-	15,536	-	-	-	15,536	-	11,930	-	-	-	11,930
	-	2,124,064	201,668	43,544	5,034	2,374,310	-	1,386,162	91,027	44,153	2,107	1,523,448
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 36 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).

	30 September 2024 (Un-audited) (Rupees in '000)	31 December 2023 (Audited)
35. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS		
Fully paid-up ordinary shares	5,917,680	5,917,680
Balance in share premium account	45,554,177	45,554,177
Accumulated losses	(42,754,182)	(44,881,967)
Eligible capital for MCR	8,717,676	6,589,890
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	7,451,936	4,744,483
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	7,451,936	4,744,483
Eligible Tier 2 Capital	1,301,781	852,025
Total Eligible Capital (Tier 1 + Tier 2)	8,753,718	5,596,507
Risk Weighted Assets (RWAs):		
Credit risk	24,884,028	22,122,856
Operational risk	3,428,455	3,421,768
Total	28,312,484	25,544,624
Common Equity Tier 1 Capital Adequacy Ratio	26.32%	18.57%
Tier 1 Capital Adequacy Ratio	26.32%	18.57%
Total Capital Adequacy Ratio	30.92%	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.

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 period ended	
		30 September 2024 (Un-audited) (Rupees in '000)	30 September 2023
From	To		
Profit and Loss Account:			
Income on nano loans			
Fee, commission and brokerage income (Note 25)	Mark-up / return / interest earned (Note 23)	5,744,290	1,333,465

- 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 25 October 2024.

President and
Chief Executive Officer

Chief Financial Officer

Director

Director

Director