

Telenor Microfinance Bank Limited
Condensed Interim Financial Statements
For the three months ended March 31, 2024 (Un-audited)

Telenor Microfinance Bank Limited
Condensed Statement of Financial Position (Un-audited)
As at 31 March 2024

31 March 2024 (Un-audited) (USD in '000)	31 December 2023 (Audited)		Note	31 March 2024 (Un-audited) (Rupees in '000)	31 December 2023 (Audited)
ASSETS					
20,447	22,866	Cash and balances with treasury Banks	6	5,683,238	6,355,404
16,560	25,346	Balances with other banks	7	4,602,941	7,044,873
59,346	17,989	Lendings to financial institutions	8	16,494,925	5,000,000
106,917	102,854	Investments	9	29,717,256	28,588,040
68,885	63,249	Advances	10	19,146,264	17,579,972
13,458	13,140	Property and equipment	11	3,740,478	3,652,224
3,351	3,581	Right-of-use assets	12	931,459	995,205
10,253	9,782	Intangible assets	13	2,849,813	2,718,826
-	-	Deferred tax asset - net	14	-	-
15,775	15,814	Other assets	15	4,384,585	4,395,565
314,992	274,621	Total assets		87,550,959	76,330,109
LIABILITIES					
569	597	Bills payable	16	158,284	165,884
-	-	Borrowings		-	-
227,606	183,264	Deposits and other accounts	17	63,262,579	50,937,750
4,066	4,176	Lease liabilities	18	1,130,204	1,160,830
-	-	Subordinated debt		-	-
45	46	Deferred grants	19	12,498	12,865
-	-	Deferred tax liabilities	14	-	-
51,573	57,770	Other liabilities	20	14,334,322	16,056,754
283,859	245,853	Total liabilities		78,897,887	68,334,083
31,133	28,768	NET ASSETS		8,653,072	7,996,026
REPRESENTED BY:					
21,291	21,291	Share capital		5,917,680	5,917,680
169,837	169,127	Reserves		47,205,611	47,008,434
(367)	(106)	Surplus / (Deficit) on revaluation of assets - net of deferred tax	21	(102,084)	(29,518)
(159,628)	(161,544)	Accumulated losses		(44,368,135)	(44,900,570)
31,133	28,768			8,653,072	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

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Telenor Microfinance Bank Limited
Condensed Interim Profit and Loss Account (Un-audited)
For the three months ended 31 March 2024

Quarter ended				Quarter ended	
31 March 2024	31 March 2023		Note	31 March 2024	31 March 2023
(USD in '000)				-----(Rupees in '000)---	
14,238	9,467	Mark-up / return / interest earned	23	3,957,537	2,631,274
(1,171)	(772)	Mark-up / return / interest expensed	24	(325,498)	(214,576)
13,067	8,695	Net mark-up / return / interest income		3,632,039	2,416,698
NON MARK-UP / NON INTEREST INCOME					
16,420	8,369	Fee, commission and brokerage income	25	4,563,873	2,326,148
-	(21)	Gain / (loss) on securities	26	-	(5,932)
20	(122)	Other income	27	5,457	(33,996)
16,440	8,226	Total non-mark-up / non-interest income		4,569,330	2,286,220
29,507	16,921			8,201,369	4,702,918
NON MARK-UP / NON INTEREST EXPENSES					
(24,021)	(17,896)	Operating Expenses	28	(6,676,482)	(4,974,032)
(74)	-	Workers welfare fund		(20,543)	-
(2)	-	Other charges	29	(600)	(12)
(24,097)	(17,896)	Total non-mark-up / non-interest expenses		(6,697,625)	(4,974,044)
5,410	(975)	Profit / (loss) before credit loss allowance		1,503,744	(271,126)
(1,713)	312	Credit loss allowance and write offs - net	30	(476,157)	86,585
3,697	(663)	PROFIT BEFORE TAXATION		1,027,587	(184,541)
(1,286)	(406)	Taxation	31	(357,307)	(112,956)
2,411	(1,069)	PROFIT AFTER TAXATION		670,280	(297,497)
(USD)				-----(Rupees)----	
0.004	(0.002)	Basic and diluted loss per share	32	1.13	(0.51)

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 Statement of Comprehensive Income (Un-audited)

For the three months ended 31 March 2024

Quarter ended			Quarter ended	
31 March 2024	31 March 2023		31 March 2024	31 March 2023
(USD in '000)			(Rupees in '000)	
2,412	(1,070)	Profit after taxation for the period	670,280	(297,497)
Other comprehensive income				
<i>Item may be reclassified to profit or loss in subsequent periods</i>				
(428)	1	Surplus / (Deficit) on revaluation of 'available for sale' investments	(118,961)	285
167	-	Related tax impact	46,395	(83)
(261)	1		(72,566)	202
<i>Items that are not to be reclassified to profit and loss in subsequent periods</i>				
-	-	Remeasurement gain on defined benefit obligations	-	-
-	-	Related tax impact	-	-
-	-		-	-
2,151	(1,069)	Total comprehensive income	597,713	(297,295)

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Telenor Microfinance Bank Limited
Condensed Interim Statement of Changes in Equity (Un-audited)
For the three months ended 31 March 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	-	-	-	-	-	-	(297,497)	(297,497)
Other comprehensive income / (loss)	-	-	-	-	-	202	-	202
	-	-	-	-	-	202	(297,497)	(297,295)
Transfer to statutory reserve	-	-	-	-	-	-	-	-
Transfer to Depositors' Protection Fund								
- 5% of the Profit After Tax	-	-	-	-	-	-	-	-
- return on investments	-	-	-	-	18,603	-	(18,603)	-
	-	-	-	-	18,603	-	(18,603)	-
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 31 March 2023 (Un-audited)	5,865,514	1,381,395	44,224,948	802,481	440,165	(29,203)	(45,544,893)	7,140,408
Comprehensive income for the period								
Profit after taxation for the period	-	-	-	-	-	-	799,775	799,775
Other comprehensive income / (loss)	-	-	-	-	-	(315)	56,158	55,843
	-	-	-	-	-	(315)	855,933	855,618
Transfer to statutory reserve	-	-	-	100,456	-	-	(100,456)	-
Transfer to Depositors' Protection Fund								
- 5% of the Profit After Tax	-	-	-	-	25,114	-	(25,114)	-
- return on investments	-	-	-	-	86,041	-	(86,041)	-
	-	-	-	-	111,155	-	(111,155)	-
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	551,320	(29,518)	(44,900,570)	7,996,026
Impact of initial adoption of IFRS 9 (note 5.2)	-	-	-	-	-	-	59,333	59,333
	5,917,680	-	45,554,177	902,937	551,320	(29,518)	(44,841,237)	8,055,359
Comprehensive income for the period								
Profit after taxation for the period	-	-	-	-	-	-	670,280	670,280
Other comprehensive income / (loss)	-	-	-	-	-	(72,566)	-	(72,566)
	-	-	-	-	-	(72,566)	670,280	597,713
Transfer to statutory reserve	-	-	-	134,056	-	-	(134,056)	-
Transfer to Depositors' Protection Fund								
- 5% of the Profit After Tax	-	-	-	-	33,514	-	(33,514)	-
- return on investments	-	-	-	-	29,607	-	(29,607)	-
	-	-	-	-	63,121	-	(63,121)	-
Balance as at 31 March 2024 (Un-audited)	5,917,680	-	45,554,177	1,036,993	614,441	(102,084)	(44,368,135)	8,653,072

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 three months ended 31 March 2024

Quarter ended			Quarter ended	
31 March 2024	31 March 2023		31 March 2024	31 March 2023
(USD in '000)			(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES				
3,697	(663)	Profit / (loss) before taxation	1,027,587	(184,541)
Adjustments:				
1,048	974	Depreciation on property and equipment	291,402	270,782
199	185	Depreciation on right-of-use assets	55,248	51,462
410	323	Amortisation	113,870	89,745
162	142	Finance charge against Lease liability	44,959	39,501
1,376	69	Expected credit loss allowance advances	382,592	19,213
115	12	Expected credit loss allowance other assets	32,040	3,363
-	(450)	Impairment against fixed assets	-	(125,156)
-	306	Write-offs against fixed assets	-	85,158
158	138	Provision for gratuity	44,037	38,483
74	-	Workers' welfare fund	20,543	-
(1)	-	Grant income	(367)	-
(13)	-	Gain on termination of lease contracts	(3,590)	-
-	127	(Gain) / loss on sale of operating fixed assets	(87)	35,394
3,528	1,826		980,647	507,945
Decrease / (increase) in operating assets				
(6,740)	(4,337)	Advances	(1,873,233)	(1,205,398)
(514)	(210)	Other assets (excluding advance taxation and receivable from defined benefit plan)	(142,862)	(58,278)
(7,254)	(4,547)		(2,016,095)	(1,263,676)
(Decrease) / increase in operating liabilities				
(27)	(57)	Bills payable	(7,600)	(15,841)
44,342	7,929	Deposits and other accounts	12,324,829	2,203,848
(6,271)	(1,256)	Other liabilities	(1,742,975)	(349,200)
38,044	6,616		10,574,254	1,838,807
(867)	(578)	Income tax paid	(241,091)	(160,753)
-	(47)	Contribution to defined benefit plan	(0)	(13,200)
37,148	2,607	Net cash (used in) / generated from operating activities	10,325,301	724,582
CASH FLOW FROM INVESTING ACTIVITIES				
(4,491)	43,193	Net (Investment in) / proceed from securities	(1,248,177)	12,005,244
(2,247)	(1,021)	Investments in operating fixed assets	(624,513)	(283,886)
-	72	Proceeds from disposal of operating fixed assets	87	20,038
(6,738)	42,244	Net cash used in investing activities	(1,872,603)	11,741,396
CASH FLOW FROM FINANCING ACTIVITIES				
-	-	Proceeds from issuance of share capital	-	-
-	4,970	Proceeds against future issue of right shares	-	1,381,395
(228)	(211)	Payment of lease liability against right-of-use assets	(63,497)	(58,693)
(228)	4,759	Net cash used in financing activities	(63,497)	1,322,702
30,182	49,610	Net (decrease) / increase in cash and cash equivalents	8,389,201	13,788,680
66,170	50,773	Cash and cash equivalents at beginning of the period	18,391,903	14,112,180
96,352	100,383	Cash and cash equivalents at end of the period	26,781,104	27,900,860

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

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Telenor Microfinance Bank Limited
Notes to the Condensed Interim Financial Statements (Un-audited)
For the three months ended 31 March 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 109 locations (December 31, 2023: 111 locations). Out of the 109 locations, 46 (December 31, 2023: 48) are branches, 10 (December 31, 2023: 10) are permanent booth and 53 (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.

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

The holding company of Telenor Pakistan B.V. is Telenor ASA, Norway, while the holding company of Alipay (Hong Kong) Holding Limited is Ant Group Co. Ltd. China.

- 1.3 The Pakistan Credit Rating Agency Limited (PACRA) has assigned the long-term rating of the Bank at "A" and short term rating are "A1" on April 29, 2023.

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 (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 three months period ended 31 March 2023.

4. BASIS OF MEASUREMENT

4.1 Accounting convention

These condensed interim financial statements have been prepared under the historical cost convention except for 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. 277.9472 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

The Bank has adopted the accounting standards, interpretations and amendments of IFRSs and the improvements to accounting standards which became effective for the current year, however they do not have an impact on the Bank's condensed interim financial statements except as disclosed in note 5.2 Adoption of IFRS 9 Financial Instruments.

4.4 Standards, interpretations of and amendments to accounting and reporting standards as applicable in Pakistan that are not yet effective in the current period.

As referred to in note 4.4 to the 2023 annual financial statements of the Bank, there are certain amendments to the financial reporting standards which would become effective from the future financial years, however such amendments are not expected to have a material effect on the Bank's financial statements of the period of initial application.

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 adoption of IFRS 9 with effect from 01 January 2024 (note 5.2).

5.1 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.

5.2 Adoption of IFRS 9 'Financial Instruments'

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

Classification and measurement of financial instrument:

IFRS 9 contains three principal classification categories for financial assets:

- Amortised cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit and loss (FVTPL)

Under IFRS 9, the classification of the financial assets is based on two criteria: the Bank's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

<u>Business model</u>	<u>Classification basis</u>
Hold to collect	accounted at amortised cost
Hold to collect and sell	accounted at Fair value through other comprehensive income
Others	accounted at Fair value through other profit and loss (FVTPL)

The accounting for financial liabilities remains largely the same as it was previously in place. Financial liabilities are measured at amortised cost. Financial liabilities can be measured at FVTPL when they meet the definition of held for trading or when they are designated as such on initial recognition using the fair value option. Currently, the Bank does not have any financial liability which is being measured at FVPL.

Impairment of financial assets:

The adoption of IFRS 9 has fundamentally changed the Bank's accounting for impairment losses for financial assets by replacing SBP's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Bank to record an allowance for ECLs for all loans and other debt financial assets not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Bank expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For debt financial assets, the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. 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.

Overview of the ECL principles

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 considerable deterioration in the internal rating grade for subject borrower. 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. However, for certain portfolios, the Bank has rebutted 30 DPD presumption based on behavioral analysis of its borrowers.

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, Stage 3 and POCI, 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.
POCI	Purchase or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. The Bank only recognizes the cumulative changes in lifetime ECLs since initial recognition, based on a probability weighting of the three scenarios, discounted by the credit-adjusted EIR.

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 Non rated 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.

Transition

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	75,650	17,655,622
Other assets	4,395,565	(7,943)	4,387,622
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	
	-----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	17,655,622	-	-	17,655,622
Other assets	4,387,622	-	-	4,387,622
Financial Liabilities				
Deposits and other accounts	50,937,750	-	-	50,937,750
Other liabilities	16,056,754	-	-	16,056,754

	Note	31 March 2024 (Un-audited)	31 December 2023 (Audited)
		(Rupees in '000)	
6. CASH AND BALANCES WITH TREASURY BANKS			
Cash in hand - local currency		336,029	242,101
With State Bank of Pakistan - current account	6.1	5,346,220	6,112,090
With National Bank of Pakistan - current account		989	1,213
		5,347,209	6,113,303
		5,683,238	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	31 March 2024 (Un-audited) (Rupees in '000)	31 December 2023 (Audited) (Rupees in '000)
7. BALANCES WITH OTHER BANKS			
In Pakistan			
- Current accounts		455,804	426,567
- PLS deposit accounts	7.1 & 7.2	<u>4,148,345</u>	<u>6,618,306</u>
		4,604,149	7,044,873
Less: Expected credit loss allowance		<u>(1,208)</u>	-
		<u>4,602,941</u>	<u>7,044,873</u>

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

7.2 Guarantees worth Rs. 171.4 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.

	Note	31 March 2024 (Un-audited) (Rupees in '000)	31 December 2023 (Audited) (Rupees in '000)
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings - unsecured	8.1	16,500,000	5,000,000
Less: Expected credit loss allowance		<u>(5,075)</u>	-
Lendings to Financial Institutions - net of credit loss allowance		<u>16,494,925</u>	<u>5,000,000</u>

8.1 This represent call money lending to various financial institutions carrying mark-up rate ranging from 21.6% to 22.1% per annum (31 December 2023: 22.0% per annum) and having maturity in April 2024 (31 December 2023: January 2024).

Lending to FIs - Particulars of credit loss allowance

		31 March 2024 (Un-audited) (Rupees in '000)	31 December 2023 (Audited) (Rupees in '000)
Performing - upto 29 Days	Stage 1	(5,075)	-
Other assets especially mentioned	Stage 2	-	-
Non-performing	Stage 3	-	-
Substandard		-	-
Doubtful		-	-
Loss		-	-
		<u>(5,075)</u>	<u>-</u>

9. INVESTMENTS

Fair value through other comprehensive income (FVOCI)

Market Treasury Bills	9.1	26,442,967	-
Pakistan Investment Bond	9.2	<u>3,441,641</u>	-
		29,884,608	-

Available for Sale (AFS)

Market Treasury Bills	9.1	-	25,200,495
Pakistan Investment Bond	9.2	-	<u>3,435,936</u>
		-	28,636,431
Surplus / (Deficit) on revaluation of investment		<u>(167,352)</u>	<u>(48,391)</u>
		29,717,256	28,588,040
Less: Expected credit loss allowance	9.4	-	-
		<u>29,717,256</u>	<u>28,588,040</u>

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

9.2 These carry mark-up at rate at 22.4% (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).

9.3 Investments includes securities amounting Rs. 6,792 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.

9.4 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.

10. ADVANCES

	Performing		Non Performing	Total
	Stage 1	Stage 2	Stage 3	
31 March 2024 (Un-audited)				
-----Rs'000-----				
10.1 Micro credit				
-Secured	8,553,650	52,273	25,888	8,631,811
-Unsecured	10,307,834	322,262	1,189,341	11,819,437
	<u>18,861,484</u>	<u>374,535</u>	<u>1,215,229</u>	<u>20,451,248</u>
Credit loss allowance against advance				
-Stage 1	536,048	-	-	536,048
-Stage 2	-	156,894	-	156,894
-Stage 3	-	-	612,042	612,042
	<u>536,048</u>	<u>156,894</u>	<u>612,042</u>	<u>1,304,984</u>
Advances - net of credit loss allowance	<u>18,325,436</u>	<u>217,641</u>	<u>603,187</u>	<u>19,146,264</u>

	31 March 2024 (Un-audited)			Total
	Stage 1	Stage 2	Stage 3	
-----Rs'000-----				
10.2 Advances - Particulars of credit loss allowance				
10.2.1 Advance - Exposure				
Gross carrying amount	17,397,589	264,285	915,885	18,577,759
New advances	8,786,385	-	-	8,786,385
Advances derecognised or repaid	(2,877,320)	(39,778)	(35,358)	(2,952,456)
Transfer to stage 1	222,914	(64,039)	(158,875)	-
Transfer to stage 2	(292,666)	387,248	(94,582)	-
Transfer to stage 3	(333,648)	(52,092)	385,740	-
	5,505,664	231,339	96,925	5,833,929
Change in exposure	(4,031,479)	(120,368)	487,065	(3,664,782)
Total movement in advances - exposure	1,474,185	110,971	583,990	2,169,147
Amounts written off / charged off	(10,291)	(721)	(284,646)	(295,658)
Closing balance	<u>18,861,483</u>	<u>374,535</u>	<u>1,215,229</u>	<u>20,451,248</u>

10.2.2 Advances - Credit loss allowance				
Opening balance	379,744	87,606	428,777	896,126
New advances	418,911	-	-	418,911
Advances derecognised or repaid	(292,230)	(12,871)	(9,804)	(314,905)
Transfer to stage 1	102,482	(33,181)	(69,301)	-
Transfer to stage 2	-	144,743	(144,743)	-
Transfer to stage 3	-	-	-	-
	229,163	98,691	(223,848)	104,006
Change in exposure	(62,568)	(28,682)	691,760	600,510
Credit loss allowance charged during the period	166,595	70,009	467,911	704,516
Amounts written off / charged off	(10,291)	(721)	(284,646)	(295,658)
Closing balance	<u>536,048</u>	<u>156,894</u>	<u>612,042</u>	<u>1,304,984</u>

	Performing		Non Performing	Total
	Stage 1	Stage 2	Stage 3	
31 March 2024 (Un-audited)				
-----Rs'000-----				
10.2.3 Advances - Credit loss allowance details				
Internal / External rating / stage classification				
Outstanding gross exposure				
Performing	18,861,484	-	-	18,861,484
Under Performing				
Other assets especially mentioned	-	374,535	-	374,535
Non- Performing				
Substandard	-	-	309,082	309,082
Doubtful	-	-	528,497	528,497
Loss	-	-	377,650	377,650
	-	-	1,215,229	1,215,229
Total	<u>18,861,484</u>	<u>374,535</u>	<u>1,215,229</u>	<u>20,451,248</u>
Corresponding credit loss allowance				
Stage 1	536,048	-	-	536,048
Stage 2	-	156,894	-	156,894
Stage 3	-	-	612,042	612,042
Total	<u>536,048</u>	<u>156,894</u>	<u>612,042</u>	<u>1,304,984</u>

	31 March 2024 (Un-audited)	31 December 2023 (Audited)
10.3 Particulars of write offs		
Against provisions	283,996	694,144
Directly charged to the profit and loss account	11,662	43,079
	<u>295,658</u>	<u>737,222</u>

		31 December 2023 (Audited)	
		Number of loans outstanding	(Rupees in '000)
10.4	ADVANCES - net of provisions		
	Advances - gross		
	- Secured	44,976	7,708,194
	- Unsecured	1,347,096	10,869,821
		<u>1,392,072</u>	<u>18,578,015</u>
	Less: Provision held		
	- Specific	185,045	(450,238)
	- General		(547,805)
			<u>(998,043)</u>
	Advances - net of provisions		<u><u>17,579,972</u></u>
		31 March 2024 (Un-audited)	31 December 2023 (Audited)
		(Rupees in '000)	
11.	PROPERTY AND EQUIPMENT		
	Property and equipment	3,006,867	3,119,133
	Capital work-in-progress	733,611	533,091
		<u>3,740,478</u>	<u>3,652,224</u>
11.1	CAPITAL WORK-IN-PROGRESS		
	Improvements to leasehold buildings	18,056	12,403
	Furniture and fixtures	20,123	-
	Office equipments	23,182	18,887
	Computer equipments	672,250	501,801
		<u>733,611</u>	<u>533,091</u>
		31 March 2024 (Un-audited)	31 March 2023 (Un-audited)
		(Rupees in '000)	
11.2	Additions during the period - at cost		
	Improvements to leasehold buildings	14,238	49,047
	Office equipments	1,551	17,155
	Computer equipments	163,347	115,423
		<u>179,136</u>	<u>181,625</u>
11.3	Disposals during the period - at cost		
	Furniture and fixtures	-	14,281
	Office equipments	-	121,783
		<u>-</u>	<u>136,064</u>
		31 March 2024 (Un-audited)	31 December 2023 (Audited)
		(Rupees in '000)	
12.	RIGHT-OF-USE ASSETS		
	As at 1 January		
	Cost	1,863,597	1,673,694
	Accumulated Depreciation	(868,392)	(670,124)
	Net book value as at 1 January	<u>995,205</u>	<u>1,003,570</u>
	Additions during the year	-	221,866
	Deletions during the year	(8,498)	(12,900)
	Impact of remeasurement during the year	-	-
	Depreciation charge	(55,248)	(217,331)
	Closing	<u>931,459</u>	<u>995,205</u>
13.	INTANGIBLE ASSETS		
	Intangible assets	2,579,888	2,581,749
	Capital work-in-progress	269,925	137,077
		<u>2,849,813</u>	<u>2,718,826</u>

	31 March 2024 (Un-audited)	31 March 2023 (Un-audited)
	(Rupees in '000)	
13.1 Additions during the period - at cost		
Intangible assets	<u>112,009</u>	<u>32,760</u>
	112,009	32,760
	31 March 2024 (Un-audited)	31 December 2023 (Audited)
	(Rupees in '000)	
14. DEFERRED TAX ASSET- NET		
Deferred tax asset comprises of deductible / (taxable) timing differences in respect of the following:		
Deductible temporary differences		
- Un-absorbed tax depreciation	501,648	314,071
- Deficit on revaluation of assets (investments)	<u>65,267</u>	<u>18,874</u>
	566,915	332,945
Taxable temporary differences		
- Accelerated tax depreciation allowance	(470,529)	(236,559)
- Remeasurement gain/(loss) on defined benefit obligation	<u>(96,386)</u>	<u>(96,386)</u>
- Surplus on revaluation of assets (investments)	-	-
	<u>(566,915)</u>	<u>(332,945)</u>
	-	-
15. OTHER ASSETS		
	<i>Note</i>	
Mark-up / return / interest accrued	1,615,077	1,397,571
Service fee receivable on digital loans	570,113	477,303
Receivable from branchless banking agents	354,148	418,270
Loans to employees	242,590	245,739
Security deposits	239,144	366,904
Prepayments	569,846	675,955
Receivable from defined benefit plan	36,679	80,717
Branchless banking transaction fee receivable	822,329	737,292
Advance tax - net	137,813	207,634
Others	<u>411,161</u>	<u>362,512</u>
	4,998,900	4,969,897
Less: Credit loss allowance held against other assets	<i>15.1</i>	
	<u>(614,315)</u>	<u>(574,332)</u>
	4,384,585	4,395,565
15.1 Movement in credit loss allowance held against other assets		
Opening balance	582,275	389,153
Charge for the period / year	31,060	192,526
Reversals	-	(7,347)
Amount written off	<u>980</u>	<u>-</u>
Closing balance	614,315	574,332
16. BILLS PAYABLE		
Bills payable	<u>158,284</u>	<u>165,884</u>
	158,284	165,884
17. DEPOSITS AND OTHER ACCOUNTS		
Current deposits	53,052,508	42,158,294
Saving deposits	10,209,571	8,778,956
Fixed deposits	<u>500</u>	<u>500</u>
	63,262,579	50,937,750
17.1 Particulars of deposits by ownership		
Individual depositors	61,872,892	49,331,892
Institutional depositors		
- Corporations / firms etc	1,217,447	1,489,578
- Banks / financial institutions	<u>172,240</u>	<u>116,280</u>
	63,262,579	50,937,750

		31 March 2024 (Un-audited) (Rupees in '000)	31 December 2023 (Audited)
18. LEASE LIABILITIES			
Opening		1,160,830	1,110,122
Additions during the year		-	221,866
Deletions during the year		(12,088)	(16,584)
Finance Cost		44,959	170,597
Payment of lease liability		(63,497)	(325,171)
Closing		<u>1,130,204</u>	<u>1,160,830</u>
19. DEFERRED GRANT			
	Note		
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	2,637	3,004
		<u>12,498</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 year		(367)	(1,469)
Balance as at 31 December		<u>2,637</u>	<u>3,004</u>
20. OTHER LIABILITIES			
Mark-up / return / interest payable		707	48
Accrued expenses		4,837,509	4,475,705
Payable to related parties		649,317	1,071,511
Advance sales tax		91,245	135,913
Commission payable - branchless banking		493,040	411,051
Provision for staff bonus		629,001	501,500
Withholding tax payable		130,903	126,714
Payable to defined contribution plan		32,050	31,840
Payable to Worker's Welfare Fund		148,587	127,132
Switch settlement liability - net		118,184	2,074,044
Payable against branchless banking transactions		4,614,674	4,443,822
Employee share appreciation right liability		753,218	655,327
Provisions against contingencies		121,525	121,525
Others		1,714,362	1,880,622
		<u>14,334,322</u>	<u>16,056,754</u>
21. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS - net of deferred tax			
Deficit on Available-for-sale investments			
Federal Government Securities		(167,352)	(48,391)
Related tax effect		65,267	18,873
		<u>(102,085)</u>	<u>(29,518)</u>
22. CONTINGENCIES AND COMMITMENTS			
Commitments	22.1	577,645	754,310
Contingent liabilities	22.2	883,120	883,120
		<u>1,460,765</u>	<u>1,637,430</u>
22.1 Commitments			
Commitments for acquisition of:			
- Property and equipment		226,801	145,943
- Intangible assets		350,844	608,367
		<u>577,645</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.

	Quarter ended	
	31 March 2024	31 March 2023
	(Un-audited) (Rupees in '000)	
23. MARK-UP / RETURN / INTEREST EARNED		
On:		
Advances	1,535,748	1,051,041
Available-for-sale investments in Government Securities	1,432,090	882,710
Deposits with financial institutions / Banks	320,257	220,916
Call money lendings	612,136	344,941
Repurchase agreement lendings	57,306	131,666
	3,957,537	2,631,274
24. MARK-UP / RETURN / INTEREST EXPENSED		
On:		
Deposits	280,107	175,075
Borrowings	432	-
Lease liabilities against right-of-use assets	44,959	39,501
	325,498	214,576
25. FEE, COMMISSION AND BROKERAGE INCOME		
Loan processing fee - net	99,883	113,621
Service fee on nano loans	1,435,855	262,988
Income from branchless banking	2,973,155	1,861,971
Cheque book fees, ATM fees and other service charges	54,980	87,568
	4,563,873	2,326,148
26. GAIN / (LOSS) ON SECURITIES		
Realised	-	(5,932)
	-	(5,932)
27. OTHER INCOME		
Grant income	367	-
Gain / (loss) on sale of operating fixed assets	87	(35,394)
Gain on termination of lease contracts	3,590	-
Others	1,413	1,398
	5,457	(33,996)

	Quarter ended	
	31 March 2024	31 March 2023
	(Un-audited) (Rupees in '000)	
28. OPERATING EXPENSES		
Total compensation expense	1,542,844	1,211,999
Training & development	35,082	17,515
Directors' fees, allowances	4,400	-
Commission - Branchless Banking	1,223,283	608,018
Customer Incentives	231,236	262,992
Advertisement and publicity	511,603	354,448
Legal and professional charges	619,553	380,183
Rent, taxes, insurance, electricity, etc.	128,709	180,580
Communications (including SMS cost)	388,744	58,935
Repairs and maintenance - IT	961,185	669,153
Repairs and maintenance - General	137,097	107,286
Security services	77,206	64,156
Stationery and printing	35,950	32,341
Travelling & conveyance	51,630	49,123
Bank charges	241,290	212,443
Depreciation	291,402	270,782
Depreciation on right-of-use assets	55,248	51,462
Amortisation	113,870	89,745
Auditors' remuneration	3,239	1,813
Exchange loss / (gain)	(12,375)	315,904
Other expenses	35,286	35,154
	<u>6,676,482</u>	<u>4,974,032</u>
29. OTHER CHARGES		
Penalties imposed by State Bank of Pakistan	600	12
	<u>600</u>	<u>12</u>
30. Credit Loss Allowance and Write Offs - Net		
Credit loss allowance against balances with other banks	(7,166)	-
Credit loss allowance against lending to financial institutions	5,075	-
Credit loss allowance against loans & advances	382,592	19,213
Credit loss allowance against other assets	32,040	3,363
Write off against Other Assets	981	-
Write off against Operating Fixed Assets	-	85,158
Provision for impairment against Operating Fixed Assets	-	(125,156)
(Recovery) of written off / charged off bad debts	62,635	(69,163)
	<u>476,157</u>	<u>(86,585)</u>
31. TAXATION		
Current	310,913	113,039
Prior periods	-	-
Deferred	46,394	(83)
	<u>357,307</u>	<u>112,956</u>
32. EARNING PER SHARE		
	(Rupees in '000)	
Profit / (loss) after taxation for the period	<u>670,280</u>	<u>(297,497)</u>
	(Number in '000)	
Weighted average ordinary shares	<u>591,768</u>	<u>579,596</u>
	(Rupees)	
Earning /(loss) per share - Basic and diluted	<u>1.13</u>	<u>(0.51)</u>
33. FAIR VALUE MEASUREMENTS		

Fair value is an amount for which an asset can be exchanged, or liability settled, between knowledgeable willing parties in arm's length transaction. Consequently, differences may arise between the carrying values and the fair values estimates. The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs use 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

31 March 2024				
Fair value				
Level 1	Level 2	Level 3	Total	
-----Rs'000-----				
Financial assets measured at fair value				
-	26,294,956	-	26,294,956	
-	3,422,300	-	3,422,300	
-	29,717,256	-	29,717,256	

Financial assets measured at fair value

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

Valuation techniques and inputs used in determination of fair values

Item

Market treasury bills (MTB) / Pakistan Investment Bond (PIB)

Valuation techniques and inputs used

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 31 March 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	-	13,292,086	-	-	122,396	13,414,482	-	45,329,184	23,690	-	539,260	45,892,134
Withdrawn during the period	-	(13,711,084)	-	-	(104,472)	(13,815,556)	-	(44,904,129)	(26,597)	(560)	(546,239)	(45,477,525)
	-	16,445	3	-	72,159	88,607	-	435,443	3	-	54,235	489,682
Other Assets												
Receivable from defined benefit plan	-	-	-	-	36,679	36,679	-	-	-	-	80,717	80,717
Loans to employees												
At 1 January	-	-	5,200	-	-	5,200	-	-	11,367	-	-	11,367
Given during the period	-	-	3,290	-	-	3,290	-	-	6,950	-	-	6,950
Repaid during the period	-	-	(2,147)	-	-	(2,147)	-	-	(13,117)	-	-	(13,117)
	-	-	6,343	-	-	6,343	-	-	5,200	-	-	5,200
	-	-	6,343	-	36,679	43,022	-	-	5,200	-	80,717	80,717
Other Liabilities												
Payable to defined contribution plan	-	-	-	-	32,050	32,050	-	-	-	-	31,840	31,840
Other payable	-	649,317	-	-	-	649,317	-	1,071,511	-	-	-	1,071,511
	-	649,317	-	-	32,050	681,367	-	1,071,511	-	-	31,840	1,103,351
	For the three months ended 31 March 2024 (Un-audited)					For the three months ended 31 March 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	-	135,637	-	-	-	135,637	-	84,270	-	-	-	84,270
	-	135,637	-	-	-	135,637	-	84,270	-	-	-	84,270
Operating Expenses												
Directors' meeting fees	-	-	-	4,400	-	4,400	-	-	-	800	-	800
Remuneration of Key Management Personnel	-	-	61,112	6,681	-	67,793	-	-	45,962	21,091	-	67,053
Mark-up expense	-	-	-	-	1,302	1,302	-	-	-	-	802	802
Communication expense	-	290,723	-	-	-	290,723	-	22,855	-	-	-	22,855
Professional consultancy charges	-	76,684	-	-	-	76,684	-	84,687	-	-	-	84,687
Repair and maintenance	-	184,952	-	-	-	184,952	-	416,360	-	-	-	416,360
Expenditure against air time / bundle for customer	-	27,963	-	-	-	27,963	-	116,717	-	-	-	116,717
Other expenses	-	3,195	-	-	-	3,195	-	14,319	-	-	-	14,319
	-	583,517	61,112	11,081	1,302	657,012	-	654,938	45,962	21,891	802	723,593
Equity												
Equity injection	-	-	-	-	-	-	1,381,395	-	-	-	-	1,381,395
	-	-	-	-	-	-	1,381,395	-	-	-	-	1,381,395

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

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

	31 March 2024 (Un-audited)	31 December 2023 (Audited)
	(Rupees in '000)	
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	(44,368,135)	(44,900,570)
Eligible capital for MCR	<u>7,103,723</u>	<u>6,571,287</u>
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	5,483,248	4,744,483
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	5,483,248	4,744,483
Eligible Tier 2 Capital	886,768	852,025
Total Eligible Capital (Tier 1 + Tier 2)	<u>6,370,017</u>	<u>5,596,507</u>
Risk Weighted Assets (RWAs):		
Credit risk	24,577,357	22,122,856
Operational risk	3,421,768	3,421,768
Total	<u>27,999,125</u>	<u>25,544,624</u>
Common Equity Tier 1 Capital Adequacy Ratio	19.58%	18.57%
Tier 1 Capital Adequacy Ratio	19.58%	18.57%
Total Capital Adequacy Ratio	<u>22.75%</u>	<u>21.91%</u>

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

36. GENERAL

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

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 26 April 2024.

President and
Chief Executive Officer

Chief Financial Officer

Director

Director

Director