

Telenor Microfinance Bank Limited
Condensed Interim Financial Statements
For the three months period ended March 31, 2021 (Un-audited)

Telenor Microfinance Bank Limited
Condensed Interim Balance Sheet (Un-audited)
As at 31 March 2021

31 March 2021 (Un-audited) (USD in '000)	31 December 2020 (Audited)		Note	31 March 2021 (Un-audited) (Rupees in '000)	31 December 2020 (Audited)
ASSETS					
19,683	18,865	Cash and balances with State Bank of Pakistan		3,006,805	2,881,781
24,997	41,588	and National Bank of Pakistan	6	3,818,520	6,352,885
37,574	45,640	Balances with other banks	7	5,739,800	6,971,827
132,846	77,606	Lendings to financial institutions	8	20,293,427	11,855,007
68,572	72,604	Investments	9	10,474,963	11,090,960
55,274	56,628	Advances - net of provisions	10	8,443,574	8,650,391
27,423	29,209	Operating fixed assets	11	4,188,897	4,462,097
-	-	Other assets		-	-
-	-	Deferred tax asset - net	13	-	-
366,369	342,140	Total assets		55,965,986	52,264,948
LIABILITIES					
243,279	241,975	Deposits and other accounts	12	37,162,889	36,963,810
-	-	Borrowings		-	-
-	-	Subordinated debt		-	-
64,611	66,357	Other liabilities		9,870,036	10,136,501
-	-	Deferred tax liability - net	13	-	-
307,890	308,332	Total liabilities		47,032,925	47,100,311
58,479	33,808	NET ASSETS		8,933,061	5,164,637
REPRESENTED BY:					
28,002	28,002	Share capital		4,277,589	4,277,589
91,662	48,722	Advance against future issue of right shares	14	14,002,088	7,442,699
135,006	134,963	Reserves		20,623,254	20,616,746
(196,306)	(178,095)	Accumulated losses		(29,987,405)	(27,205,476)
58,364	33,592			8,915,526	5,131,558
2	103	Surplus / (Deficit) on revaluation of assets - net of deferred tax		265	15,809
113	113	Deferred grants		17,270	17,270
58,479	33,808			8,933,061	5,164,637
MEMORANDUM / OFF BALANCE SHEET ITEMS					
15					

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

**President and
Chief Executive Officer**

Chairman

Director

Director

Telenor Microfinance Bank Limited
Condensed Interim Profit and Loss Account (Un-audited)
For the three months period ended 31 March 2021

Quarter ended				Quarter ended	
31 March 2021	31 March 2020		Note	31 March 2021	31 March 2020
(USD in '000)				(Rupees in '000)	
4,388	14,824	Mark-up / return / interest earned	16	670,250	2,264,516
(3,274)	(6,266)	Mark-up / return / interest expensed	17	(500,106)	(957,235)
1,114	8,558	Net mark-up / return / interest income		170,144	1,307,281
(3,828)	(71)	Provision against non-performing loans and advances - net	10.3	(584,698)	(10,770)
-	-	Provision for diminution in the value of investments		-	-
(121)	(55)	Bad debts written off directly		(18,437)	(8,407)
(3,949)	(126)			(603,135)	(19,177)
(2,835)	8,432	Net mark-up / return / interest income after provisions		(432,991)	1,288,104
NON MARK-UP / NON INTEREST INCOME					
11,632	12,799	Fee, commission and brokerage income	18	1,776,823	1,955,101
1,637	597	Other income		250,081	91,157
13,269	13,396	Total non-mark-up / non-interest income		2,026,904	2,046,258
10,434	21,828			1,593,913	3,334,362
NON MARK-UP / NON INTEREST EXPENSES					
(27,975)	(31,722)	Administrative expenses		(4,273,405)	(4,845,733)
(8)	(13)	Other provisions / Write offs		(1,200)	(2,000)
(6)	(1)	Other charges		(960)	(210)
(27,989)	(31,736)	Total non-mark-up / non-interest expenses		(4,275,565)	(4,847,943)
(17,555)	(9,908)			(2,681,652)	(1,513,581)
-	-	Extraordinary / unusual items		-	-
(17,555)	(9,908)	LOSS BEFORE TAXATION		(2,681,652)	(1,513,581)
(462)	(541)	Taxation - current		(70,620)	(82,651)
(110)	(1)	- prior		(16,800)	(159)
(42)	232	- deferred		(6,349)	35,477
(614)	(310)			(93,769)	(47,333)
(18,169)	(10,218)	LOSS AFTER TAXATION		(2,775,421)	(1,560,914)
(USD)				(Rupees)	
(0.04)	(0.02)	Basic and diluted loss per share		(6.49)	(3.65)

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

President and
Chief Executive Officer

Chairman

Director

Director

Telenor Microfinance Bank Limited
 Condensed Interim Statement of Comprehensive Income (Un-audited)
 For the three months period ended 31 March 2021

Quarter ended			Quarter ended	
31 March 2021	31 March 2020		31 March 2021	31 March 2020
(USD in '000)			(Rupees in '000)	
(18,169)	(10,218)	Loss after taxation for the period	(2,775,421)	(1,560,914)
Other comprehensive income				
<i>Item not to be reclassified to statement of profit or loss in subsequent periods</i>				
-	-	Remeasurement loss on defined benefit obligation	-	-
-	-	Related tax impact	-	-
(18,169)	(10,218)	Comprehensive loss for the period transferred to equity	(2,775,421)	(1,560,914)
Component of comprehensive income for the period not transferred to equity				
<i>Item to be reclassified to statement of profit or loss subsequently on sale</i>				
(143)	326	Surplus on revaluation of 'available for sale' investments	(21,893)	49,781
42	(95)	Related tax impact	6,349	(14,436)
(18,169)	(10,218)	Total comprehensive loss for the period	(2,790,965)	(1,525,569)

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

 President and
 Chief Executive Officer

 Chairman

 Director

 Director

Telenor Microfinance Bank Limited
Condensed Interim Statement of Changes in Equity (Un-audited)
For the three months period ended 31 March 2021

	Share capital	Advance against future issue of right shares	Capital reserves			Total capital reserve	Accumulated losses	Total
			Share premium	Statutory reserve	Depositors' protection fund			
----- (Rupees in '000) -----								
Balance as at 01 January 2020 (Audited) - as previously reported	4,277,589	-	19,471,229	802,481	311,299	20,585,009	(16,830,229)	8,032,369
Effect of recognition of deferred tax asset	-	-	-	-	-	-	273,360	273,360
Balance as at 01 January 2020 - restated	4,277,589	-	19,471,229	802,481	311,299	20,585,009	(16,556,869)	8,305,729
Total comprehensive income for the period								
Loss after tax for the period	-	-	-	-	-	-	(1,560,914)	(1,560,914)
Other comprehensive loss - net of tax	-	-	-	-	-	-	(1,560,914)	(1,560,914)
Transfer to statutory reserve *	-	-	-	-	-	-	-	-
Transfer to Depositors' Protection Fund - return on investments	-	-	-	-	8,937	8,937	(8,937)	-
Balance as at 31 March 2020 (Un-audited)	4,277,589	-	19,471,229	802,481	320,236	20,593,946	(18,126,720)	6,744,815
Total comprehensive income for the period								
Loss after tax for the period	-	-	-	-	-	-	(9,143,037)	(9,143,037)
Other comprehensive loss - net of tax	-	-	-	-	-	-	87,081	87,081
	-	-	-	-	-	-	(9,055,956)	(9,055,956)
Transfer to statutory reserve *	-	-	-	-	-	-	-	-
Advance against future issue of right shares	-	7,442,699	-	-	-	-	-	7,442,699
Transfer to Depositors' Protection Fund - return on investments	20.4	-	-	-	22,800	22,800	(22,800)	-
Balance as at 31 December 2020 (Audited)	4,277,589	7,442,699	19,471,229	802,481	343,036	20,616,746	(27,205,476)	5,131,558
Total comprehensive loss for the period								
Loss after tax for the period	-	-	-	-	-	-	(2,775,421)	(2,775,421)
Other comprehensive income - net of tax	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	(2,775,421)	(2,775,421)
Advance against future issue of right shares	-	6,559,389	-	-	-	-	-	6,559,389
Transfer to statutory reserve *	-	-	-	-	-	-	-	-
Transfer to Depositors' Protection Fund - return on investments	20.4	-	-	-	6,508	6,508	(6,508)	-
Balance as at 31 March 2021 (Un-audited)	4,277,589	14,002,088	19,471,229	802,481	349,544	20,623,254	(29,987,405)	8,915,526

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

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

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

President and
Chief Executive Officer

Chairman

Director

Director

Telenor Microfinance Bank Limited
Condensed Interim Cash Flow Statement (Un-audited)
For the three months period ended 31 March 2021

Quarter ended			Quarter ended	
31 March 2021	31 March 2020		31 March 2021	31 March 2020
(USD in '000)			(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES				
(17,555)	(9,908)	Loss before taxation	(2,681,652)	(1,513,581)
Adjustments for non cash and other items:				
1,736	2,285	Depreciation and amortisation	265,208	349,051
519	830	Depreciation on right-of-use assets	79,214	126,826
-	-	Mark-up / Return / Interest expense on		
529	526	Lease liability against right-of-use assets	80,780	80,391
3,948	126	Provision against non-performing loans and advances - net	603,135	19,177
286	264	Provision for gratuity	43,694	40,315
(2,323)	(3,180)	Amortisation of discount on available-for-sale securities	(354,915)	(485,741)
7	-	(Gain) / Loss on sale of operating fixed assets	1,035	-
4,702	851		718,151	130,019
Decrease / (increase) in operating assets				
8,065	19,312	Lending to financial institutions	1,232,027	2,950,000
84	21,535	Advances	12,862	3,289,591
1,663	(2,795)	Other assets (excluding advance taxation and receivable from defined benefit plan)	254,100	(426,920)
9,812	38,052		1,498,989	5,812,671
(Decrease) / increase in operating liabilities				
1,303	(31,243)	Deposits and other accounts	199,079	(4,772,689)
(1,932)	91	Other liabilities (excluding lease liability against right-of-use assets and payable to defined benefit plan)	(295,254)	13,912
(629)	(31,152)		(96,175)	(4,758,777)
(584)	(519)	Income tax paid	(89,175)	(79,229)
(191)	(243)	Contribution to defined benefit plan	(29,187)	(37,130)
(4,445)	(2,919)	Net cash (used in) / generated from operating activities	(679,049)	(446,027)
CASH FLOW FROM INVESTING ACTIVITIES				
(53,020)	(8,387)	Net Investment in available for sale securities	(8,099,049)	(1,281,174)
(916)	(2,538)	Investments in operating fixed assets	(139,893)	(387,690)
8	6	Proceeds from disposal of operating fixed assets	1,252	944
(53,928)	(10,919)	Net cash used in investing activities	(8,237,690)	(1,667,920)
CASH FLOW FROM FINANCING ACTIVITIES				
-	-	Proceeds from issuance of share capital	-	-
42,940	-	Proceeds against future issue of right shares	6,559,389	-
(340)	(860)	Payment of lease liability against right-of-use assets	(51,991)	(131,409)
42,600	(860)	Net cash used in financing activities	6,507,398	(131,409)
(15,773)	(14,698)	Net (decrease) / increase in cash and cash equivalents	(2,409,341)	(2,245,356)
60,453	71,173	Cash and cash equivalents at beginning of the period	9,234,666	10,872,290
44,680	56,475	Cash and cash equivalents at end of the period	6,825,325	8,626,934

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

President and
Chief Executive Officer

Chairman

Director

Director

Telenor Microfinance Bank Limited
Notes to the Condensed Interim Financial Statements (Un-audited)
For the three months period ended 31 March 2021

1. STATUS AND NATURE OF BUSINESS

1.1 Telenor Microfinance Bank Limited (the Bank) was incorporated in Pakistan on 01 August 2005 as a public limited company under the Companies Ordinance, 1984 (Repealed with the enactment of the Companies Act, 2017 on 30 May 2017). The Bank obtained microfinance banking license from the State Bank of Pakistan (SBP) on 05 August 2005 to operate on a nationwide basis and received the certificate of commencement of business from the Securities and Exchange Commission of Pakistan (SECP) on 05 September 2005.

1.2 The Bank's principal business is to provide Microfinance banking and related services to the poor and under-served segment of the society with a view to alleviate poverty under the Microfinance Institutions Ordinance, 2001. In 2009, the Bank also started Branchless Banking services under the Branchless Banking license from the SBP.

The Bank's registered office is situated at 19-C, Main Khayaban-e-Nishat, Phase 6, DHA, Karachi.

1.3 The Bank is jointly held by Telenor Pakistan B.V, a joint stock company based in Amsterdam with 55% shareholding (31 December 2019: 55%) and Alipay (Hong Kong) Holding Limited with 45% shareholding (31 December 2019: 45%).

The holding company of Telenor Pakistan B.V. is Telenor ASA, Norway, while the holding company of Alipay (Hong Kong) Holding Limited is Ant Group Co. Ltd. China (Formerly Ant Small and Micro Financial Services Group Company Limited).

1.4 The credit rating companies PACRA and JCR-VIS have maintained the long-term entity rating of the bank at "A+" and short term rating at "A1" as at 31 March 2021 based on the report issued on 30 April 2020.

2. BASIS OF PRESENTATION

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

3. STATEMENT OF COMPLIANCE

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under 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. Further, SBP vide its BPRD Circular No. 04 of 2019 dated 23 October 2019 directed the banks in Pakistan to implement IFRS 9 'Financial Instruments' with effect from 01 January 2021. 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** IFRS 9, Financial Instruments: Classification and Measurement, addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on an 'expected credit losses' (ECL) approach rather than the 'incurred credit losses' approach as currently followed. The ECL approach has an impact on all assets of the Bank which are exposed to credit risk. However, these financial statements have been prepared in accordance with the requirements of Prudential Regulation for Microfinance Banks as SBP's implementation guidelines for IFRS-9 are awaited.

A parallel run of IFRS-9 as at 31 December 2020 was conducted by the Bank as required by the State Bank of Pakistan. The results of this exercise highlight that the equity would have been impacted with an additional charge of approximately PKR 760 million, had the Bank adopted IFRS-9 as at that date. The Bank is in the process of determining the impact as at March 31, 2021. The eventual result of this exercise may vary upon the issuance of the implementation guidelines and related amendments in Prudential Regulations by State Bank of Pakistan.

- 3.4** 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, 2020. Comparative Balance Sheet is stated from the audited annual financial statements as of 31 December 2020, 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 2020.

4. BASIS OF MEASUREMENT

4.1 Accounting convention

These condensed interim financial statements have been prepared under the historical cost convention except for available for sale investments which are measured at fair value.

4.2 Functional and presentation currency

These condensed interim financial statements have been presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

As an additional information, the US Dollar amounts reported in the condensed interim balance sheet, condensed interim profit and loss account, condensed interim statement of comprehensive income and condensed interim cash flow statement are stated solely for the convenience of the users of financial statements. For the purpose of translation to US Dollar, spot rate of Rs.152.7586 per US Dollar has been used for 2021 and 2020 as it was the prevalent rate on the reporting date.

5. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and method of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the audited financial statements of the Bank for the year ended 31 December 2020.

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 2020.

The significant judgements made by management in applying its accounting policies and the key sources of estimation uncertainty were the same as those applied to the annual financial statements for the year ended 31 December 2020.

6. CASH AND BALANCES WITH STATE BANK OF PAKISTAN AND NATIONAL BANK OF PAKISTAN

	<i>Note</i>	31 March 2021 (Un-audited) (Rupees in '000)	31 December 2020 (Audited)
Cash in hand - local currency		738,002	716,452
Balance with State Bank of Pakistan - current account		2,238,838	2,099,426
Balance with National Bank of Pakistan - current account		29,965	65,903
	6.1	2,268,803	2,165,329
		3,006,805	2,881,781

- 6.1 This represents current accounts maintained with State Bank of Pakistan (SBP) and National Bank of Pakistan (NBP) to meet the minimum balance requirement equivalent to 5% as cash reserve and 10% as liquidity reserve of the Bank's time and demand liabilities in accordance with the Prudential Regulations.

<i>Note</i>	31 March 2021 (Un-audited)	31 December 2020 (Audited)
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(Rupees in '000)

7. BALANCES WITH OTHER BANKS

In Pakistan

- Current accounts	7.1 & 7.2	144,144	250,799
- PLS deposit accounts		3,674,376	4,102,086
- Fixed term deposits	7.3	-	2,000,000
		<u>3,818,520</u>	<u>6,352,885</u>

- 7.1 This represents demand deposits with various financial institutions carrying markup at rates ranging between 5.5% to 8% per annum (31 December 2020: 5.5% to 8% per annum).

- 7.2 A guarantee of Rs. 7.5 million (31 December 2020: Rs. 7.5 million) has been given on behalf of the Bank by an other Commercial Bank for the Bank's service providers. This guarantee is secured against the profit and loss sharing deposits maintained with the same Commercial Bank.

- 7.3 This represents fixed term deposits with commercial banks carrying mark-up at rate of Nil (31 December 2020: 7.45% to 7.5% per annum).

<i>Note</i>	31 March 2021 (Un-audited)	31 December 2020 (Audited)
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(Rupees in '000)

8. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings - unsecured	8.1	2,850,000	4,300,000
Repurchase agreement lendings (reverse repo)		2,889,800	2,671,827
		<u>5,739,800</u>	<u>6,971,827</u>

- 8.1 This represent call money lending to various financial institutions carrying mark-up rate ranging from 7.04% to 7.85% (31 December 2020: 6.05% to 7.50% per annum) and having maturity in April 2021 (31 December 2020: January 2021).

<i>Note</i>	31 March 2021 (Un-audited)	31 December 2020 (Audited)
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(Rupees in '000)

9. INVESTMENTS

Federal Government Securities - available for sale

Market Treasury Bills	9.1	20,293,054	11,832,741
Surplus / (Deficit) on revaluation of investment		373	22,266
		<u>20,293,427</u>	<u>11,855,007</u>

- 9.1 These carry mark-up at rates ranging between 7.15% to 7.78% (31 December 2020: 6.86% to 9.4%) per annum, having maturities up to September 2021 (December 31, 2020: May 2021). These securities have an aggregate face value of Rs. 20,500 million (31 December 2020: Rs. 12,000 million).

10. ADVANCES - net of provisions	Note	31 March 2021 (Un-audited)		31 December 2020 (Audited)	
		Number of loans outstanding	(Rupees in '000)	Number of loans outstanding	(Rupees in '000)
Advances - gross					
- Secured		54,251	4,743,534	57,254	4,862,413
- Unsecured	10.1	215,282	6,843,088	248,365	7,864,081
		<u>269,533</u>	<u>11,586,622</u>	<u>305,619</u>	<u>12,726,494</u>
Less: Provision held					
- Specific	10.1	69,118	(1,053,766)	56,537	(1,572,518)
- General	10.2		(57,893)		(63,016)
	10.3		(1,111,659)		(1,635,534)
Advances - net of provisions			<u>10,474,963</u>		<u>11,090,960</u>

10.1 Advances include Rs. 2,567.487 million (31 December 2020: Rs. 2,103.905 million) which have been placed under non-performing status as detailed below:

	31 March 2021 (Un-audited)			31 December 2020 (Audited)		
	Amount outstanding	Provision required	Provision held	Amount outstanding	Provision required	Provision held
	----- (Rupees in '000) -----					
Other Assets Especially Mentioned (OAEM)	496,191	-	-	143,647	-	-
Substandard	857,504	203,007	203,007	104,564	19,282	19,282
Doubtful	703,237	341,903	341,903	580,144	279,515	279,515
Loss	510,555	508,856	508,856	1,275,550	1,273,721	1,273,721
	<u>2,567,487</u>	<u>1,053,766</u>	<u>1,053,766</u>	<u>2,103,905</u>	<u>1,572,518</u>	<u>1,572,518</u>

10.2 This includes general provision of Rs. 57.893 million (31 December 2020: Rs. 63.016 million) equivalent to 1% of the net outstanding unsecured advances (advances net of specific provision) held in accordance with the requirements of the Prudential Regulations for Microfinance Banks. The Bank has also recognised general provision in addition to the above general provision in view of the circumstances indicating credit deterioration in the portfolio.

10.3 Particulars of provision against non-performing advances

	31 March 2021 (Un-audited)			31 December 2020 (Audited)		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
Opening balance	1,572,518	63,016	1,635,534	3,993,209	3,468,417	7,461,626
Charge for the period / year	695,821	24,700	720,521	5,555,338	12,076	5,567,414
Reversals	(106,000)	(29,823)	(135,823)	(220,244)	(3,417,477)	(3,637,721)
	589,821	(5,123)	584,698	5,335,094	(3,405,401)	1,929,693
Amount written off	(1,108,574)	-	(1,108,574)	(7,755,785)	-	(7,755,785)
Closing balance	<u>1,053,766</u>	<u>57,893</u>	<u>1,111,659</u>	<u>1,572,518</u>	<u>63,016</u>	<u>1,635,534</u>

10.4 Particulars of write offs

	31 March 2021 (Un-audited) (Rupees in '000)	31 December 2020 (Audited)
Against provisions	1,108,574	7,755,785
Directly charged to the profit and loss account	18,437	85,021
	<u>1,127,011</u>	<u>7,840,806</u>

11. OPERATING FIXED ASSETS

	31 March 2021 (Un-audited)	31 December 2020 (Audited)
Property and equipment	3,029,701	3,107,338
Intangible assets	593,552	593,011
Capital work-in-progress	2,729,134	2,784,232
Right-of-use assets	2,091,187	2,165,810
	<u>8,443,574</u>	<u>8,650,391</u>

		31 March 2021 (Un-audited) (Rupees in '000)	31 December 2020 (Audited)
11.1 Additions during the period - at cost			
Improvements to leasehold buildings		30,248	42,107
Furniture and fixtures		70	85,994
Office equipments		1,312	109,270
Computer equipments		90,959	493,987
Intangible assets		69,991	58,569
		<u>192,580</u>	<u>789,927</u>
11.2 Disposals during the period - at cost			
Furniture and fixtures		5,614	-
Office equipments		838	-
Vehicles		-	1,891
		<u>6,452</u>	<u>1,891</u>
12. DEPOSITS AND OTHER ACCOUNTS			
Current deposits		22,743,037	21,539,432
Saving deposits		3,442,523	3,570,771
Fixed deposits		10,977,329	11,853,607
		<u>37,162,889</u>	<u>36,963,810</u>
12.1 Particulars of deposits by ownership			
Individual depositors		35,216,632	34,726,927
Institutional depositors			
- Corporations / firms etc		1,900,352	2,136,079
- Banks / financial institutions		45,905	100,804
		<u>37,162,889</u>	<u>36,963,810</u>
13. DEFERRED TAX LIABILITY - NET			
Deferred tax asset comprises of deductible / (taxable) timing differences in respect of the following:			
Deductible temporary differences			
- Deficit on revaluation of assets (investments)		-	-
- Un-absorbed tax depreciation		277,376	294,180
		<u>277,376</u>	<u>294,180</u>
Taxable temporary differences			
- Accelerated tax depreciation allowance		(241,700)	(252,155)
- Remeasurement gain/(loss) on defined benefit obligation		(35,568)	(35,568)
- Surplus on revaluation of assets (investments)		(108)	(6,457)
		<u>(277,376)</u>	<u>(294,180)</u>
		<u>-</u>	<u>-</u>
14. ADVANCE AGAINST FUTURE ISSUE OF RIGHT SHARES			
14.1	This includes equity injection made by the sponsors of the bank amounting to Rs. 7,443 million (USD 45 million) on 31 August 2020 and Rs. 6,559.4 million (USD 41 million) on 29 January 2021 in proportion to their respective shareholding.		
14.2	The share allotment process for the above equity injections have been initiated and is currently in progress.		
15. MEMORANDUM / OFF BALANCE SHEET ITEMS			
	<i>Note</i>	31 March 2021 (Un-audited) (Rupees in '000)	31 December 2020 (Audited)
Contingent liabilities	15.1	252,660	285,830
Acceptances, endorsements and other obligations (including commitments)		478,205	505,400
		<u>730,865</u>	<u>791,230</u>

15.1 Contingencies

15.1.1 The Bank was served with an order from Sindh Revenue Board (SRB) creating demand on account of alleged non/short payment of output sales tax and alleged inadmissible input tax adjustment amounting to Rs. 73.03 million (including penalty) for the tax periods from July 2011 to June 2016. The Bank had filed an appeal with Commissioner (Appeals) after paying 25% of the tax demand and the proceedings are still in process. No provision has been recorded as the Bank's tax advisor is confident of a favorable decision.

Further, during last year, SRB has also initiated proceedings of Sindh Sales Tax paid during the tax periods from July 2016 till June 2020 and has required Bank to furnish records/documents which the Bank is in process of compliance

15.1.2 The Bank was served with an order from Khyber Pakhtunkhwa Revenue Authority (KPRA) creating a demand aggregating to Rs. 13.59 million against input tax disallowances and sales tax withholding in relation to certain tax periods from September 2016 to January 2018. The Bank filed an appeal with Collector (Appeals) which was disposed against the Bank on September 25, 2019. Although, during February 2021, Appellate Tribunal, KPK has remanded the case back to KPRA for fresh adjudication, the afore-said decision of KPRA-Tribunal has been challenged by the Bank before Peshawar High Court and Bank expects a favorable outcome in the case. Accordingly, no provision has been made in the books.

15.1.3 During 2019, a recovery notice of Rs. 17.09 million (including penalty and surcharge) was received by the Bank from Punjab Revenue Authority (PRA). The Order against the said notice was passed by the Authority during February 2018 in relation to withholding sales tax for the period January to December 2016, however, it was not received by the Bank till May 23, 2019. The Bank acquired a stay order against this demand from Lahore High Court. The Bank also filed an appeal before the Commissioner (Appeals) where the matter is still sub-judice. As the demand is considered unlawful and has been raised without proper verification of facts, no provision has been made in the books and a favorable outcome is expected in appeals.

15.1.4 During the quarter, the Bank received amended assessment Orders with respect Tax Year 2015 raising a demand of Rs. 74.50 million against which the Bank has filed an appeal before the Commissioner Inland Revenue(Appeals).

During last year, the Bank was served with amended assessment Orders with respect to Tax Years 2016, 2018 and 2019 raising demand of Rs. 51.73 million, Rs. 92.74 million and Rs. 40.70 million respectively against which, the Bank has filed appeals before Commissioner Inland Revenue (Appeals).

The Bank, based on the merits of the aforementioned matters expects a favorable outcome and accordingly, only a partial provision has been made in these financial statements as an abundant caution.

15.1.5 The Bank received notices from FBR regarding selection for audit u/s. 177 of the Income Tax Ordinance, 2001 for the tax years 2016 and 2017. The tax authority has required the Bank to furnish records / documents for audit purposes and the audit proceedings are underway.

Quarter ended	
31 March 2021	31 March 2020
(Un-audited)	
(Rupees in '000)	

16. MARK-UP / RETURN / INTEREST EARNED

On:		
Advances	133,170	1,426,181
Available-for-sale investments in Government Securities	354,915	485,741
Deposits with financial institutions / Banks	58,584	143,801
Call money lendings	81,494	152,853
Repurchase agreement lendings	42,087	55,940
	<u>670,250</u>	<u>2,264,516</u>

17. MARK-UP / RETURN / INTEREST EXPENSED

On:		
Deposits	419,326	876,314
Borrowings	-	530
Lease liabilities against right-of-use assets	80,780	80,391
	<u>500,106</u>	<u>957,235</u>

18. FEE, COMMISSION AND BROKERAGE INCOME

Loan processing fee	133,512	197,786
Income from branchless banking	1,643,311	1,755,306
Others	-	2,009
	<u>1,776,823</u>	<u>1,955,101</u>

19. RELATED PARTY TRANSACTIONS

The Bank has related party relationships with its holding company, associates, key management personnel, directors and employees' retirement benefit plans.

Contribution to the accounts in respect of staff retirement benefits are made in accordance with actuarial valuation / terms of the contribution plan. Remuneration of key management personnel are in accordance with the terms of their employment. Other transactions are carried out as per agreed terms.

Balances and transactions with related parties are summarised as follows:

	31 March 2020 (Un-audited)					31 December 2020 (Audited)				
	Associates	Key management personnel	Directors	Retirement benefit plans	Total	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	(Rupees in '000)					(Rupees in '000)				
Loans										
At 1 January	-	19,824	-	-	19,824	-	21,233	-	-	21,233
Given during the period	-	2,028	-	-	2,028	-	15,949	-	-	15,949
Repaid during the period	-	(8,633)	-	-	(8,633)	-	(17,358)	-	-	(17,358)
	-	13,219	-	-	13,219	-	19,824	-	-	19,824
Deposits										
At 1 January	9,900	1,358	561	703,437	715,256	15,575	980	16,036	1,458,447	1,491,038
Received during the period	-	3,880	-	83,278	87,158	3,488	39,587	525	759,259	802,859
Withdrawn during the period	(4,836)	(4,566)	-	(171,563)	(180,965)	(9,163)	(39,209)	(16,001)	(1,514,269)	(1,578,642)
	5,064	672	561	615,152	621,449	9,900	1,358	561	703,437	715,256
Other Assets										
Receivable from defined benefit plan	-	-	-	85,611	85,611	-	-	-	100,118	100,118
	-	-	-	85,611	85,611	-	-	-	100,118	100,118
Other Liabilities										
Payable against goods and services	1,503,967	-	-	-	1,503,967	2,125,255	-	-	-	2,125,255
Payable to defined contribution plan	-	-	-	26,433	26,433	-	-	-	3,987	3,987
	1,503,967	-	-	26,433	1,530,400	2,125,255	-	-	3,987	2,129,242
Capital Expenditure										
	-	-	-	-	-	1,318,634	-	-	-	1,318,634
Transactions during the period										
Directors' meeting fees	-	-	1,400	-	1,400	-	-	9,368	-	9,368
Remuneration of Key Management Personnel	-	45,938	15,481	-	61,419	-	250,042	61,270	-	311,312
Mark-up expense	-	-	-	8,606	8,606	-	-	-	128,456	128,456
Communication expense	26,693	-	-	-	26,693	78,478	-	-	-	78,478
Sale of vehicle	-	-	-	-	-	-	-	-	-	-
Rent	-	-	-	-	-	25,356	-	-	-	25,356
Professional consultancy charges	94,750	-	-	-	94,750	433,880	-	-	-	433,880
Other charges	-	-	-	-	-	2,903	-	-	-	2,903
Repair and maintenance	35,640	-	-	-	35,640	136,636	-	-	-	136,636
Advertisement	141,654	-	-	-	141,654	957,981	-	-	-	957,981
	298,737	45,938	16,881	8,606	370,162	1,635,234	250,042	70,638	128,456	2,084,370

20. GENERAL

- 20.1** Comparative information has been reclassified or rearranged in these condensed interim financial statements for the purpose of better presentation. However, the amounts are not material.
- 20.2** The figures have been rounded off to the nearest thousand rupees, unless otherwise stated.
- 20.3** Figures of these condensed interim profit and loss account have not been subjected to limited scope review by the auditors.
- 20.4** In accordance with the requirements of the Microfinance Institutions Ordinance, 2001 and the Prudential Regulations, the Bank is required to transfer an amount equivalent to 5% of profit after tax for the period to the Depositors' Protection Fund, plus the return earned on such funds. Although there is a loss after tax for the period, an amount equal to the profit earned on the investments of the fund has been credited to this fund during the period.

21. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue by the Board of Directors in their meeting held on 26 April 2021.

**President & Chief Executive
Officer**

Chairman

Director

Director