

## INDEPENDENT AUDITORS' REVIEW REPORT

To the members of Telenor Microfinance Bank Limited

Report on Review of Condensed Interim Financial Information

### Introduction

We have reviewed the accompanying condensed interim balance sheet of **Telenor Microfinance Bank Limited** (the Bank) as at **30 June 2022**, the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity, and notes to the financial statements for the six months period then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on the financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended 30 June 2022 and 30 June 2021 have not been subject to limited scope review by us as we are only required to review the cumulative figures for the six-months period ended 30 June 2022.

### Scope of review

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

### Conclusion

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

### Emphasis of Matter

As more fully explained in note 1.5.1 to the financial statements, during the period the Bank has incurred a loss of Rs. 4,362 million and its accumulated loss as of 30 June 2022 amounted to Rs. 42,385 million. The said note also describe the management's future plans and key risks and uncertainties in relation thereto. These conditions indicate the existence of material uncertainty which may cast significant doubt about the Bank's ability to continue as a going concern. In order to support the operations of the Bank, the sponsor shareholders have made equity injection of Rs. 3,898 million (USD 22 million) during the period.

Our conclusion is not modified in respect of the above matter.

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



Chartered Accountants

Date: 29 Aug 2022

Karachi

UDIN: RR202210191rueiQUYSg

**TELENOR MICROFINANCE BANK LIMITED**  
**CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)**  
**AS AT JUNE 30, 2022**

June 30, 2022 (Un-audited) (USD in '000)	December 31, 2021 (Audited)		Note	June 30, 2022 (Un-audited) (Rupees in '000)	December 31, 2021 (Audited)
<b>ASSETS</b>					
		Cash and balances with State Bank of Pakistan			
16,742	19,039	and National Bank of Pakistan	6	3,429,539	3,900,068
57,129	52,319	Balances with other banks	7	11,702,600	10,717,441
-	-	Lendings to financial institutions		-	-
100,085	86,663	Investments	8	20,502,113	17,752,663
49,583	52,575	Advances - net of provisions	9	10,156,817	10,769,884
37,448	40,844	Operating fixed assets	10	7,671,075	8,366,835
14,830	14,832	Other assets	11	3,037,854	3,037,994
-	-	Deferred tax asset - net	14	-	-
<b>275,817</b>	<b>266,272</b>	<b>Total assets</b>		<b>56,499,998</b>	<b>54,544,885</b>
<b>LIABILITIES</b>					
		Deposits and other accounts	12	41,082,745	39,042,927
200,554	190,596	Borrowings		-	-
-	-	Subordinated debt		-	-
48,186	46,259	Other liabilities	13	9,870,783	9,476,029
-	-	Deferred tax liability - net	14	-	-
<b>248,740</b>	<b>236,855</b>	<b>Total liabilities</b>		<b>50,953,528</b>	<b>48,518,956</b>
<b>27,077</b>	<b>29,417</b>	<b>NET ASSETS</b>		<b>5,546,470</b>	<b>6,025,929</b>
<b>REPRESENTED BY:</b>					
27,870	26,749	Share capital	15	5,709,017	5,479,488
206,106	188,078	Reserves		42,220,196	38,527,068
(206,912)	(185,501)	Accumulated loss		(42,385,243)	(37,999,226)
27,064	29,326			5,543,970	6,007,330
(61)	14	Surplus on revaluation of assets - net of tax		(12,568)	2,797
74	77	Deferred grants		15,068	15,802
<b>27,077</b>	<b>29,417</b>			<b>5,546,470</b>	<b>6,025,929</b>
<b>MEMORANDUM / OFF BALANCE SHEET ITEMS</b>					
			16		

The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.

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\_\_\_\_\_  
President and  
Chief Executive Officer

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Chairman

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Director

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Director

**TELENOR MICROFINANCE BANK LIMITED**  
**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2022**

Six months ended		Quarter ended			Six months ended		Quarter ended		
June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021		Note	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
(USD in '000)						(Rupees in '000)		(Rupees in '000)	
16,986	8,367	9,271	5,095	Mark-up / return / interest earned	17	3,479,456	1,713,984	1,899,108	1,043,734
(3,612)	(4,826)	(1,490)	(2,384)	Mark-up / return / interest expensed	18	(739,994)	(988,535)	(305,319)	(488,429)
13,374	3,541	7,781	2,711	<b>Net mark-up / return / interest income</b>		2,739,462	725,449	1,593,789	555,305
(5,110)	(6,189)	(2,402)	(3,335)	Provision against non-performing loans and advances	9.3	(1,046,861)	(1,267,893)	(491,984)	(683,195)
-	-	-	-	Provision for diminution in the value of investments		-	-	-	-
(103)	(143)	(31)	(53)	Bad debts written off directly	9.4	(21,189)	(29,282)	(6,288)	(10,845)
(5,213)	(6,332)	(2,433)	(3,388)	<b>Net mark-up / return / interest (expense) / income after provisions</b>		(1,068,050)	(1,297,175)	(498,272)	(694,040)
8,161	(2,791)	5,348	(677)			1,671,412	(571,726)	1,095,517	(138,735)
<b>NON MARK-UP / NON INTEREST INCOME</b>									
15,392	16,001	7,435	7,327	Fee, commission and brokerage income	19	3,153,081	3,277,725	1,523,116	1,500,902
5,592	3,285	3,314	2,064	Other income		1,145,506	672,824	678,963	422,743
20,984	19,286	10,749	9,391	<b>Total non-mark-up / non-interest income</b>		4,298,587	3,950,549	2,202,079	1,923,645
29,145	16,495	16,097	8,714			5,969,999	3,378,823	3,297,596	1,784,910
<b>NON MARK-UP / NON INTEREST EXPENSES</b>									
(49,296)	(39,977)	(25,590)	(19,116)	Administrative expenses	20	(10,098,149)	(8,189,205)	(5,241,996)	(3,915,800)
(196)	(4)	(189)	2	Other provisions / write-offs / (reversals)		(40,221)	(743)	(38,721)	457
(16)	(5)	(16)	(1)	Other charges		(3,358)	(1,100)	(3,284)	(140)
(49,508)	(39,986)	(25,795)	(19,115)	<b>Total non-mark-up / non-interest expenses</b>		(10,141,728)	(8,191,048)	(5,284,001)	(3,915,483)
(20,363)	(23,491)	(9,698)	(10,401)			(4,171,729)	(4,812,225)	(1,986,405)	(2,130,573)
-	-	-	-	Extraordinary / unusual items		-	-	-	-
(20,363)	(23,491)	(9,698)	(10,401)	<b>LOSS BEFORE TAXATION</b>		(4,171,729)	(4,812,225)	(1,986,405)	(2,130,573)
(896)	(654)	(459)	(364)	Taxation - Current		(183,594)	(134,020)	(94,092)	(74,520)
-	(82)	-	(82)	- Prior		-	(16,800)	-	(16,800)
(31)	(25)	(19)	(25)	- Deferred		(6,276)	(5,201)	(3,850)	(5,201)
(927)	(761)	(478)	(471)			(189,870)	(156,021)	(97,942)	(96,521)
(21,290)	(24,252)	(10,176)	(10,872)	<b>LOSS AFTER TAXATION</b>		(4,361,599)	(4,968,246)	(2,084,347)	(2,227,094)
(USD)	(USD)	(USD)	(USD)			(Rupees)	(Rupees)		
(0.04)	(0.05)	(0.02)	(0.04)	<b>Basic and diluted loss per share</b>	21	(7.91)	(11.20)	(3.76)	(7.65)

The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.

\_\_\_\_\_  
President and  
Chief Executive Officer

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Chairman

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Director

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Director

**TELENOR MICROFINANCE BANK LIMITED**  
**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2022**

Six months ended		Quarter ended			Six months ended		Quarter ended	
June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021		June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
(USD in '000)					(Rupees in '000)			
(21,292)	(24,253)	(10,176)	(10,872)	Loss after taxation for the period	(4,361,599)	(4,968,246)	(2,084,347)	(2,227,094)
				<b>Other comprehensive income</b>				
				<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	-	-	-	-
(21,292)	(24,253)	(10,176)	(10,872)	<b>Comprehensive loss for the period transferred to equity</b>	<b>(4,361,599)</b>	<b>(4,968,246)</b>	<b>(2,084,347)</b>	<b>(2,227,094)</b>
				<b>Component of comprehensive income for the period not transferred to equity</b>				
				<i>Item to be reclassified to statement of profit or loss subsequently on sale</i>				
(106)	(88)	(349)	(331)	Surplus on revaluation of 'available for sale' investments	(21,640)	(17,936)	(71,421)	(67,717)
31	25	(101)	(96)	Related tax impact	6,276	5,201	(20,712)	(19,638)
(75)	(63)	(450)	(427)		(15,364)	(12,735)	(92,133)	(87,355)
(21,367)	(24,316)	(10,626)	(11,299)	<b>Total comprehensive loss for the period</b>	<b>(4,376,963)</b>	<b>(4,980,981)</b>	<b>(2,176,480)</b>	<b>(2,314,449)</b>

The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.

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President and  
Chief Executive Officer

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Chairman

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Director

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Director

**TELENOR MICROFINANCE BANK LIMITED**  
**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2022**

Six months ended			Six months ended	
June 30, 2022	June 30, 2021		June 30, 2022	June 30, 2021
(USD in '000)			(Rupees in '000)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
(20,363)	(23,491)	Loss before taxation	(4,171,729)	(4,812,225)
Adjustments for non cash and other items:				
3,320	2,558	Depreciation and amortisation	680,026	523,987
736	771	Depreciation on right-of-use assets	150,808	157,977
711	792	Mark-up / Return / Interest expense on Lease liability against right-of-use assets	145,704	162,164
5,214	6,332	Provision against non-performing loans and advances - net	1,068,050	1,297,175
302	43	Write-offs against operating fixed assets	61,861	8,898
(4)	(4)	Grant Income	(734)	(734)
387	346	Provision for gratuity	79,193	70,818
(120)	(55)	Other provisions / write-offs	(24,640)	(11,356)
(3,170)	(3,499)	Amortisation of discount on available-for-sale securities	(649,449)	(716,736)
(1,572)	-	Gain on termination of lease	(321,945)	-
(42)	7	(Gain) / loss on sale of operating fixed assets	(8,526)	1,465
5,762	7,291		1,180,348	1,493,658
Decrease / (increase) in operating assets				
-	15,107	Lending to financial institutions	-	3,094,558
(2,221)	(3,552)	Advances	(454,983)	(727,591)
348	2,610	Other assets (excluding advance taxation and defined benefit plan)	71,307	534,644
(1,873)	14,165		(383,676)	2,901,611
(Decrease) / increase in operating liabilities				
9,958	(3,004)	Deposits and other accounts	2,039,818	(615,366)
5,443	(23)	Other liabilities (excluding lease liability against right-of-use assets)	1,115,217	(4,721)
15,401	(3,027)		3,155,035	(620,087)
(1,188)	(1,309)	Income tax paid	(243,320)	(268,054)
(322)	(439)	Contribution to defined benefit plan	(65,995)	(89,893)
(2,583)	(6,810)	<b>Net cash used in operating activities</b>	(529,337)	(1,394,990)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
(10,357)	859	Net Investment in available for sale securities	(2,121,640)	175,977
(2,561)	(1,863)	Investments in operating fixed assets	(524,650)	(381,552)
86	10	Proceeds from disposal of operating fixed assets	17,677	1,981
(12,832)	(994)	<b>Net cash used in investing activities</b>	(2,628,613)	(203,594)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
1,120	4,380	Proceeds from issuance of share capital	229,529	897,252
17,910	27,641	Proceeds against future issue of right shares	3,668,710	5,662,138
(1,102)	(973)	Payment of lease liability against right-of-use assets	(225,658)	(199,380)
17,928	31,048	<b>Net cash generated from financing activities</b>	3,672,581	6,360,009
2,513	23,244	<b>Net increase / (decrease) in cash and cash equivalents</b>	514,630	4,761,424
71,358	45,081	Cash and cash equivalents at beginning of the period	14,617,509	9,234,666
73,871	68,325	Cash and cash equivalents at end of the period	15,132,139	13,996,090

The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.

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**President and  
Chief Executive Officer**

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**Chairman**

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**Director**

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**Director**

**TELENOR MICROFINANCE BANK LIMITED**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2022**

	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 January 01, 2021	4,277,589	7,442,699	19,471,229	802,481	343,036	20,616,746	(27,205,476)	5,131,558
<b>Total comprehensive income for the period</b>								
Loss after tax for the period	-	-	-	-	-	-	(4,968,246)	(4,968,246)
Other comprehensive income - net of tax	-	-	-	-	-	-	-	-
Advance against future issue of right shares	-	6,559,389	-	-	-	-	(4,968,246)	(4,968,246)
Issue of share capital	897,251	(14,002,088)	13,104,837	-	-	13,104,837	-	-
Transfer to statutory reserve *	-	-	-	-	-	-	-	-
Transfer to Depositors' Protection Fund ** - return on investments	-	-	-	-	12,831	12,831	(12,831)	-
<b>Balance as at June 30, 2021 (Un-audited)</b>	<b>5,174,840</b>	<b>-</b>	<b>32,576,066</b>	<b>802,481</b>	<b>355,867</b>	<b>33,734,414</b>	<b>(32,186,553)</b>	<b>6,722,701</b>
<b>Total comprehensive income for the period</b>								
Loss after tax for the period	-	-	-	-	-	-	(5,796,525)	(5,796,525)
Other comprehensive income - net of tax	-	-	-	-	-	-	(3,103)	(3,103)
Transfer to statutory reserve *	-	-	-	-	-	-	-	-
Advance against future issue of right shares	-	5,084,257	-	-	-	-	-	5,084,257
Issue of share capital	304,648	(5,084,257)	4,779,609	-	-	4,779,609	-	-
Transfer to Depositors' Protection Fund ** - return on investments	-	-	-	-	13,045	13,045	(13,045)	-
<b>Balance as at December 31, 2021 (Audited)</b>	<b>5,479,488</b>	<b>-</b>	<b>37,355,675</b>	<b>802,481</b>	<b>368,912</b>	<b>38,527,068</b>	<b>(37,999,226)</b>	<b>6,007,330</b>
<b>Total comprehensive loss for the period</b>								
Loss after tax for the period	-	-	-	-	-	-	(4,361,599)	(4,361,599)
Other comprehensive income - net of tax	-	-	-	-	-	-	-	-
Advance against future issue of right shares	-	3,898,239	-	-	-	-	(4,361,599)	(4,361,599)
Issue of share capital	229,529	(3,898,239)	3,668,710	-	-	3,668,710	-	-
Transfer to statutory reserve *	-	-	-	-	-	-	-	-
Transfer to Depositors' Protection Fund ** - return on investments	-	-	-	-	24,418	24,418	(24,418)	-
<b>Balance as at June 30, 2022 (Un-audited)</b>	<b>5,709,017</b>	<b>-</b>	<b>41,024,385</b>	<b>802,481</b>	<b>393,330</b>	<b>42,220,196</b>	<b>(42,385,243)</b>	<b>5,543,970</b>

\* 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 25 form an integral part of these condensed interim financial statements.

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President and  
Chief Executive Officer

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Chairman

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Director

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Director

**TELENOR MICROFINANCE BANK LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2022**

**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 VI, DHA, Karachi.

1.3 The Bank is jointly held by Telenor Pakistan B.V, a joint stock company based in Amsterdam with 55% shareholding (June 30, 2022: 55%) and Alipay (Hong Kong) Holding Limited with 45% (June 30, 2022: 45%) shareholding.

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

1.4 The credit rating of the Bank as of April 30, 2022 is as follows:

Credit rating company	Long term	Short term
PACRA	A	A1
JCR-VIS	A	A1

**1.5 Going concern basis of accounting**

1.5.1 During the period ended 30 June 2022, the Bank has incurred a net loss after tax of Rs. 4,362 million and due to continuing losses its accumulated losses amount to Rs. 42,385 million as at 30 June 2022. In order to mitigate the impact of losses, the shareholders have injected equity amounting to Rs. 19,086 million (USD 115.2 million) during the years 2020 and 2021 and a further capitalization plan has also been approved by the Board of Directors based on the future business financial projections and business plan of the Bank keeping in view the capital adequacy requirements of the State Bank of Pakistan.

These factors indicates the existence of the material uncertainties regarding sustainability of future operations of the Bank, however, these financial statements have been prepared on going concern basis as the Directors have reasonable expectation that the Bank will have the resources to continue its business and comply with regulatory capital requirements based on the following factors:

- During the period the Board of Directors of the Bank has approved the business plan which envisages further injections in the Bank's equity over the period of three years. The sponsors of the Bank have also made equity injection of Rs. 3,898 million (USD 22 million) in February 2022 in accordance with the approved business plan.
- Capital Adequacy Ratio (CAR) of the Bank was 17.25% at 30 June 2022 and was compliant with the regulatory requirements.
- The Bank is regulated by the State Bank of Pakistan (SBP) and both the sponsors of the Bank remain committed to the regulatory framework under the terms of the approval of SBP regarding their acquisition of the shares of the Bank. Accordingly, they remain committed to financially support the Bank in complying with the Minimum Capital Requirement and CAR as prescribed by SBP from time to time.
- The Bank has continued to maintain an acceptable liquidity position and the deposit base as expected in line with the business plan.
- In terms of the business plan and strategy approved by the Board the Bank intends to expand its digital platforms to grow the business and rationalize cost structure to achieve profitability going forward.

The key risks and uncertainties associated with the above referred matters includes the ability of the Bank to achieve the results set out as per the revised business plan. In this respect particular challenges include, (but not limited to) Bank's ability to maintain and improve the level of asset quality, ensure capital inflows as per the approved business plan and execution of cost optimization initiatives envisaged under the aforementioned plan.

The assessment of the appropriateness of using the going concern basis of accounting has been subject to a due governance process involving the Audit Committee and Board of Directors of the Bank. In making such assessments, the Board has taken into account all facts and circumstances as referred to in above paragraphs and have concluded that the current situation along with the risk and uncertainties set out above and their consequential effects, represents a material uncertainty which may cast significant doubt upon the Bank's ability to continue as a going concern. In case, the Bank is unable to continue as a going concern, the Bank may not be able to realize its assets and discharge its liabilities in the normal course of business. Nevertheless, after considering the financial projections, in particular, those for the period up to 30 June 2023, the Directors have reasonable expectations that the Bank will have adequate resources to continue its business over this period. For these reasons, the Board of Directors and the management of the Bank continued to adopt the going concern basis in preparing these financial statements.

## 2. BASIS OF PRESENTATION

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

## 3. STATEMENT OF COMPLIANCE

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

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

Wherever the provisions of and directives issued under the Companies Act, 2017, Microfinance Institutions Ordinance, 2001, the Prudential Regulations for Microfinance Banks and directives issued by SBP and the SECP differ with the requirements of the IFRS, the provisions of and directives issued under the Companies Act, 2017, Microfinance Institutions Ordinance, 2001, the Prudential Regulations for Microfinance Banks and directives issued by SBP and SECP shall prevail.

3.2 The SBP vide BSD circular No. 10, dated 26 August 2002 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and International Accounting Standard (IAS) 40, "Investment Property". Further, the Securities and Exchange Commission of Pakistan (SECP) vide its SRO 633(1) / 2014 dated July 14, 2014 has deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments : Disclosures'. Accordingly, the requirements of these standards have not been considered in the preparation of these condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements of Prudential Regulation for Microfinance Banks or directives issued by SBP.

3.3 The disclosures made in these condensed interim financial statements have been limited based on IAS 34. 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, 2021.

## 4. BASIS OF MEASUREMENT

### 4.1 Accounting convention

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

### 4.2 Functional and presentation currency

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

As an additional information, the US Dollar amounts reported in the condensed interim balance sheet, condensed interim profit and loss account, condensed interim statement of comprehensive income and condensed interim cash flow statement are stated as additional information, solely for the convenience of the users of financial statements. For the purpose of translation to US Dollar, spot rate of Rs. 204.8467 per US Dollar has been used for June 30, 2022 and December 31, 2021 as it was the prevalent rate on the reporting date.



**4.3 Standards, interpretations and amendments to accounting and reporting standards as applicable in Pakistan that are effective in the current period**

There are certain other new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 01, 2022 but are considered not to be relevant or do not have any significant effect on the Bank's operations and therefore are not detailed in these condensed interim financial statements.

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

As referred to in note 4.4 to the 2021 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.

IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. During the period, SBP has further extended the implementation date of IFRS 9 to 01 January 2024. SBP has also directed the banks in Pakistan to submit IFRS 9 parallel run and proforma financial statements on periodic basis and the Bank is currently in process of complying with these requirements.

**5. SIGNIFICANT ACCOUNTING POLICIES AND FINANCIAL RISK MANAGEMENT**

**5.1** The significant accounting policies and method of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2021.

**5.2 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 annual financial statements for the year ended December 31, 2021 except for the following:

During the period State Bank of Pakistan (SBP) vide its Circular No. 02 of 2022 dated March 16, 2022 revised Prudential Regulations which resulted in change in criteria for classification of assets, provisioning requirements and write-off of on-performing loans (NPLs).

These changes resulted in decrease in provision against non-performing loans/advances and increase in Mark-up / return / interest accrued by Rs. 46.47 million and Rs. 18.6 million respectively.

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 December 31, 2021.

	Note	June 30, 2022 (Un-audited) (Rupees in '000)	December 31, 2021 (Audited)
<b>6. CASH AND BALANCES WITH STATE BANK OF PAKISTAN AND NATIONAL BANK OF PAKISTAN</b>			
Cash in hand - local currency		469,798	595,237
Balance with State Bank of Pakistan - current account		2,930,155	3,272,156
Balance with National Bank of Pakistan - current account		29,586	32,675
	6.1	2,959,741	3,304,831
		<u>3,429,539</u>	<u>3,900,068</u>

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

	Note	June 30, 2022 (Un-audited)	December 31, 2021 (Audited)
<b>7. BALANCES WITH OTHER BANKS</b>			
In Pakistan			
- Current accounts		349,676	261,857
- PLS deposit accounts	7.1 & 7.2	6,352,924	7,955,584
- Fixed term deposits	7.3	5,000,000	2,500,000
		<u>11,702,600</u>	<u>10,717,441</u>

- 7.1 This represents demand deposits with various financial institutions carrying markup at rates ranging between 12.25% to 18% per annum (31 December 2021: 7.25% to 13.00% per annum).

- 7.2 This include certain guarantees of Rs. 154.5 million (31 December 2021: Rs. 124.5 million) which have been given on behalf of the Bank by other financial institution for the Bank's branchless banking customers/ service providers. These guarantees are secured against the profit and loss sharing deposits maintained with the same financial institution.

- 7.3 This represents fixed term deposit with a commercial bank carrying mark-up at rate of 17.00% to 18.50% per annum (31 December 2021: 12.30% per annum) and having maturity in July 2022 (31 December 2021: January 2022).

	Note	June 30, 2022 (Un-audited)	December 31, 2021 (Audited)
<b>8. INVESTMENTS</b>			
<b>Federal Government Securities - available for sale</b>			
Market Treasury Bills	8.1	20,519,814	17,748,724
Surplus / (deficit) on revaluation of investment		(17,701)	3,939
		<u>20,502,113</u>	<u>17,752,663</u>

- 8.1 These carry mark-up at rates ranging between 14.39% to 15.4% (December 31, 2021: 10.4% to 10.94%) per annum, having maturities up to December 2022 (December 31, 2021: Mar 2022). These securities have an aggregate face value of Rs. 16,600 million (December 31, 2021: Rs. 18,031 million).

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9. ADVANCES - net of provisions	Note	June 30, 2022 (Un-audited)		December 31, 2021 (Audited)	
		Number of loans outstanding	(Rupees in '000)	Number of loans outstanding	(Rupees in '000)
Advances - gross					
- Secured		38,329	3,894,569	41,779	3,959,619
- Unsecured	9.1	133,907	6,698,273	136,208	7,836,452
		<u>172,236</u>	<u>10,592,842</u>	<u>177,987</u>	<u>11,796,071</u>
Less: Provision held					
- Specific	9.1	12,731	(372,783)	32,829	(957,472)
- General	9.2		(63,242)		(68,715)
			<u>(436,025)</u>		<u>(1,026,187)</u>
Advances - net of provisions			<u>10,156,817</u>		<u>10,769,884</u>

9.1 Advances include Rs. 768.133 million (31 December 2021: Rs. 2,007.31 million) which have been placed under non-performing status as detailed below:

	June 30, 2022 (Un-audited)			December 31, 2021 (Audited)		
	Amount outstanding	Provision required	Provision held	Amount outstanding	Provision required	Provision held
	----- (Rupees in '000) -----					
Other Assets Especially Mentioned (OAEM)	120,790	3,528	3,528	428,510	-	-
Substandard	142,249	29,018	29,018	339,799	68,866	68,866
Doubtful	323,347	159,233	159,233	683,627	336,666	336,666
Loss	181,747	181,004	181,004	555,383	551,940	551,940
	<u>768,133</u>	<u>372,783</u>	<u>372,783</u>	<u>2,007,319</u>	<u>957,472</u>	<u>957,472</u>

9.2 This represents general provision of Rs. 63.241 million (31 December 2021: Rs. 68.715 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.

#### 9.3 Particulars of provision against non-performing advances

	June 30, 2022 (Un-audited)			December 31, 2021 (Audited)		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
Opening balance	957,472	68,715	1,026,187	1,572,518	63,016	1,635,534
Charge for the period / year	1,079,476	-	1,079,476	2,988,543	5,699	2,994,242
Reversals	(27,142)	(5,473)	(32,615)	(112,635)	-	(112,635)
	<u>1,052,334</u>	<u>(5,473)</u>	<u>1,046,861</u>	<u>2,875,908</u>	<u>5,699</u>	<u>2,881,607</u>
Amount written off	(1,637,022)	-	(1,637,022)	(3,490,954)	-	(3,490,954)
Closing balance	<u>372,784</u>	<u>63,242</u>	<u>436,026</u>	<u>957,472</u>	<u>68,715</u>	<u>1,026,187</u>

#### 9.4 Particulars of write offs

	June 30, 2022 (Un-audited)	December 31, 2021 (Audited)
	(Rupees in '000)	
Against provisions	1,637,022	3,490,954
Directly charged to the profit and loss account	21,189	52,083
	<u>1,658,211</u>	<u>3,543,037</u>

#### 10. OPERATING FIXED ASSETS

Property and equipment	3,384,179	3,641,022
Intangible assets	2,192,820	2,324,119
Capital work-in-progress	666,477	509,134
Right-of-use assets	1,427,599	1,892,560
	<u>7,671,075</u>	<u>8,366,835</u>

	Note	June 30, 2022 (Un-audited)	December 31, 2021 (Audited)
(Rupees in '000)			
<b>10.1 Additions during the period - at cost</b>			
Improvements to leasehold buildings		94,476	57,483
Furniture and fixtures		28,075	1,187
Office equipments		48,956	42,516
Computer equipments		160,699	1,361,300
Intangible assets		30,689	2,084,320
		<u>362,896</u>	<u>3,546,806</u>
<b>10.2 Disposals during the period - at cost</b>			
Furniture and fixtures		-	21,174
Office equipments		42,135	13,778
Vehicles		10,747	24,034
		<u>52,882</u>	<u>58,986</u>

**10.3** In view of accumulated losses as mentioned in note 1.5.1, the Bank have updated impairment assesment carried out at year end to test its non-financial assets for impairment as of 30 June 2022.

For impairment testing purposes, the recoverable amount of cash generating units is determined based on a value-in-use calculation using cash flow projections from Business Plan as approved by the Board of Directors of the Bank covering a four year period and applying the expected value approach.

As a result of such test, the management has concluded that the recoverable amount of cash generating units is higher than their carrying value and accordingly, no provision for impairment is required in the condensed interim financial statements.

## 11. OTHER ASSETS

Mark-up / return / interest accrued		628,224	883,364
Service fee receivable on digital loans		15,766	24,560
Receivable from branchless banking agents	11.1	485,026	497,272
Loans to employees	11.2	220,563	225,054
Security deposits		381,517	369,159
Prepayments - others		413,555	117,982
Receivable from defined benefit plan		64,518	77,717
Branchless banking transaction fee receivable		621,992	628,663
Advance tax - net		178,129	118,403
Advance sales tax		260,986	332,625
Others		138,719	158,976
		<u>3,408,995</u>	<u>3,433,775</u>
Less: Provision held against other assets		<u>(371,141)</u>	<u>(395,781)</u>
		<u>3,037,854</u>	<u>3,037,994</u>

**11.1** This represents amount receivable from branchless banking agents against e-cash credited into their M-wallet accounts for providing un-interrupted services to the customers.

**11.2** These represent advance against salaries to staff and executives of the Bank for a maximum period of 60 months. These are partially secured against the retirement benefits of employees.

	June 30, 2022 (Un-audited)	December 31, 2021 (Audited)
(Rupees in '000)		
<b>12. DEPOSITS AND OTHER ACCOUNTS</b>		
Current deposits	32,111,456	26,933,710
Saving deposits	3,534,472	3,143,373
Fixed deposits	5,436,817	8,965,844
	<u>41,082,745</u>	<u>39,042,927</u>
<b>12.1 Particulars of deposits by ownership</b>		
Individual depositors	39,415,697	37,385,789
Institutional depositors		
- Corporations / firms etc	1,372,012	1,569,317
- Banks / financial institutions	295,036	87,821
	<u>41,082,745</u>	<u>39,042,927</u>

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	June 30, 2022 (Un-audited)	December 31, 2021 (Audited)
	(Rupees in '000)	
<b>13. OTHER LIABILITIES</b>		
Mark-up / return / interest payable	40,737	64,047
Accrued expenses	2,500,271	2,620,355
Payable to related parties	1,246,124	821,335
Commission payable - branchless banking	214,052	173,577
Provision for staff bonus	126,000	225,000
Withholding tax payable	89,002	140,259
Payable to defined contribution plan	30,268	3,987
Payable to Worker's Welfare Fund	102,453	102,453
Lease liability against right-of-use assets	1,577,984	2,298,447
Bills payable	160,837	189,693
Switch settlement liability	270,112	229,642
Payable against branchless banking transactions	2,665,810	2,079,599
Employee share appreciation right liability	83,807	40,126
Provisions against contingencies	191,260	191,260
Others	572,066	296,249
	<u>9,870,783</u>	<u>9,476,029</u>

**14. DEFERRED TAX LIABILITY - NET**

Deferred tax asset comprises of deductible / (taxable) timing differences in respect of the following:

	June 30, 2022 (Un-audited)	December 31, 2021 (Audited)
	(Rupees in '000)	
<b>Deductible temporary differences</b>		
- Un-absorbed tax depreciation	328,546	365,745
- Deficit on revaluation of assets (investments)	5,133	-
	<u>333,679</u>	<u>365,745</u>
<b>Taxable temporary differences</b>		
- Accelerated tax depreciation allowance	(299,378)	(330,302)
- Remeasurement gain/(loss) on defined benefit obligation	(34,301)	(34,301)
- Surplus on revaluation of assets (investments)	-	(1,142)
	<u>(333,679)</u>	<u>(365,745)</u>
	<u>-</u>	<u>-</u>

- 14.1** As of June 30, 2022, the carry forward tax loss and other deductible temporary difference amount to Rs. 40,290 million (December 31, 2021: Rs. 35,817 million) and Rs. 807 million (December 31, 2021: Rs. 1,241 million) respectively. Unrecognized deferred tax asset due to carry forward tax losses and other deductible timing differences calculated at the current rate of taxation excluding any super tax impact amounts to Rs. 11,918 million (December 31, 2021: Rs. 10,746 million). Such deferred tax asset has not been recognized in these financial statements due to uncertainty of realizability of the amount.

**15. SHARE CAPITAL****15.1 Authorised capital**

June 30, 2022 (Un-audited)	December 31, 2021 (Audited)		June 30, 2022 (Un-audited)	December 31, 2021 (Audited)
(Number of shares in '000)			(Rupees in '000)	
<u>2,200,000</u>	<u>2,200,000</u>	Ordinary shares of Rs.10 each	<u>22,000,000</u>	<u>22,000,000</u>

**15.2 Issued, subscribed and paid-up capital**

June 30, 2022 (Un-audited) (Number of shares in '000)	December 31, 2021 (Audited)		June 30, 2022 (Un-audited) (Rupees in '000)	December 31, 2020 (Audited)
<u>570,902</u>	<u>547,949</u>	Ordinary shares of Rs.10 each fully paid in cash	<u>5,709,017</u>	<u>5,479,488</u>

**15.3 Reconciliation of number of shares outstanding**

	Note	June 30, 2022 (Number of shares in '000)	December 31, 2021 (Number of shares in '000)
Number of shares outstanding at the beginning of the period / year		547,949	427,759
Issuance of right shares	15.3.1	22,953	120,190
Number of shares outstanding at the ending of the period / year	15.3.2	<u>570,902</u>	<u>547,949</u>

15.3.1 These right shares have been issued to the shareholders as per their respective shareholding.

15.3.2 As at June 30, 2022, Telenor Pakistan B.V. and Ali pay (Hong Kong) Holding Limited held 55% and 45% respectively stake in the Bank.

**16. MEMORANDUM / OFF BALANCE SHEET ITEMS**

	Note	June 30, 2022 (Un-audited) (Rupees in '000)	December 31, 2021 (Audited)
Contingent liabilities	16.1	291,990	292,050
Commitments in respect of fixed assets		<u>783,070</u>	<u>251,488</u>
		<u>1,075,060</u>	<u>543,538</u>

**16.1 Contingencies**

16.1.1 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, SRB also initiated proceedings with respect to Sindh Sales Tax paid during the tax periods from July 2016 till June 2020 and the Bank has duly submitted requisite details alongwith a legal response to the notice.

16.1.2 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 Feb 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.

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

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16.1.4 During the preceding 2 years, the Bank received amended assessment Orders with respect 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.

During the ongoing year, the Bank received another assessment Order for Tax Year 2016 wrongfully raising a demand of Rs. 58 million without considering the reliefs obtained by the Bank from Commissioner (Appeals) in earlier assessment proceedings. The Bank is in process of applying for rectification as well as filing an appeal and stay application to get relief.

16.1.5 The Bank's references with respect to withholding income tax audits of markup payments for tax years 2012, 2014 and 2015 have been decided against the Bank by Sindh High Court. The Bank is in process of deciding the way forward in respect of the cases. Potential exposure has been fully provided for in the books.

	Half year ended		Quarter ended	
	June 30, 2022 (Un-audited) (Rupees in '000)	June 30, 2021 (Un-audited) (Rupees in '000)	June 30, 2022 (Un-audited) (Rupees in '000)	June 30, 2021 (Un-audited) (Rupees in '000)
<b>17. MARK-UP / RETURN / INTEREST EARNED</b>				
On:				
Advances	1,680,260	656,772	830,067	523,602
Available-for-sale investments in Government Securities	649,449	716,736	409,131	361,821
Deposits with financial institutions / Banks	308,242	142,267	182,073	83,683
Call money lendings	708,419	127,283	398,572	45,789
Repurchase agreement lendings	133,086	70,926	79,265	28,839
	<u>3,479,456</u>	<u>1,713,984</u>	<u>1,899,108</u>	<u>1,043,734</u>
<b>18. MARK-UP / RETURN / INTEREST EXPENSED</b>				
On:				
Deposits	594,210	826,371	237,661	407,045
Borrowings	80	-	-	-
Lease liabilities against right-of-use assets	145,704	162,164	67,658	81,384
	<u>739,994</u>	<u>988,535</u>	<u>305,319</u>	<u>488,429</u>
<b>19. FEE, COMMISSION AND BROKERAGE INCOME</b>				
Loan processing fee	284,654	267,810	134,373	134,298
Income from branchless banking	2,868,078	2,992,998	1,388,394	1,349,687
Others	349	16,917	349	16,917
	<u>3,153,081</u>	<u>3,277,725</u>	<u>1,523,116</u>	<u>1,500,902</u>

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20. ADMINISTRATIVE EXPENSES	Half year ended	
	June 30, 2022	June 30, 2021
	(Un-audited) (Rupees in '000)	
Salaries and other allowances	2,112,178	1,786,553
Charge for defined benefit plan	79,193	70,818
Contribution to defined contribution plan	73,115	67,022
Staff welfare	42,581	36,215
Training and capacity building	33,909	48,981
Non-executive directors' fees, allowances and other expenses	4,000	2,000
Commission - Branchless Banking	2,457,062	2,056,869
Customer Incentives	635,028	403,029
Advertisement	903,223	471,626
Professional consultancy charges	210,281	247,234
Customer verification charges	236,966	170,288
Legal and professional charges	88,265	149,410
Depreciation	518,533	388,796
Depreciation on right-of-use assets	150,808	157,977
Amortisation	161,493	135,191
Repairs and maintenance - IT	982,379	897,670
Insurance	173,263	167,147
Repairs and maintenance - General	119,050	124,340
Security services	113,246	115,924
Travelling and conveyance	73,065	36,875
Communication	180,002	263,899
Bank charges	336,510	144,253
Utilities	55,882	72,257
Printing and stationery	83,825	121,272
Auditors' remuneration	2,103	1,975
Exchange loss / (gain)	220,494	(15,285)
Other expenses	51,695	66,869
	<b>10,098,149</b>	<b>8,189,205</b>
<b>21. LOSS PER SHARE</b>		
Loss after taxation for the period	<b>(4,361,599)</b>	<b>(4,968,246)</b>
	(Number in '000)	
Weighted average ordinary shares	<b>551,093</b>	<b>443,409</b>
	(Rupees)	
Loss per share - Basic and diluted	<b>(7.91)</b>	<b>(11.20)</b>

#### 21.1 Diluted

No figure for diluted earnings per share has been presented as the Bank has not issued any instrument which would have an impact on basic earnings per share when exercised.

#### 22. Fair value of financial Instruments

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).

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## 22.1 On balance sheet financial instruments June 30, 2022 (Un-audited)

	Carrying amount			Fair value					
	Available for sale	Cash and cash equivalents	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>									
- Investments - market treasury bills	20,519,814	-	-	-	20,519,814	-	20,502,113	-	20,502,113
<b>Financial assets not measured at fair value</b>									
- Cash and bank balances with SBP and NBP	-	3,429,539	-	-	3,429,539	-	-	-	-
- Balances with other banks	-	11,702,600	-	-	11,702,600	-	-	-	-
- Lending to financial instruments	-	-	-	-	-	-	-	-	-
- Advances	-	-	10,156,817	-	10,156,817	-	-	-	-
- Other assets	-	-	3,037,854	-	3,037,854	-	-	-	-
	<b>20,519,814</b>	<b>15,132,139</b>	<b>13,194,671</b>	<b>-</b>	<b>48,846,624</b>	<b>-</b>	<b>20,502,113</b>	<b>-</b>	<b>20,502,113</b>

(Rupees in '000)

## Financial liabilities not measured at fair value

- Deposits and other accounts	-	-	-	(41,082,745)	(41,082,745)	-	-	-	-
- Other liabilities	-	-	-	(9,870,783)	(9,870,783)	-	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>(50,953,528)</b>	<b>(50,953,528)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>20,519,814</b>	<b>15,132,139</b>	<b>13,194,671</b>	<b>(50,953,528)</b>	<b>(2,106,904)</b>	<b>-</b>	<b>20,502,113</b>	<b>-</b>	<b>20,502,113</b>

## On balance sheet

December 31, 2021 (Audited)

	Carrying amount			Fair value					
	Available for sale	Cash and cash equivalents	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>									
- Investments - market treasury bills	17,748,724	-	-	-	17,748,724	-	17,752,663	-	17,752,663
<b>Financial assets not measured at fair value</b>									
- Cash and bank balances with SBP and NBP	-	3,900,068	-	-	3,900,068	-	-	-	-
- Balances with other banks	-	10,717,441	-	-	10,717,441	-	-	-	-
- Lending to financial instruments	-	-	-	-	-	-	-	-	-
- Advances	-	-	10,769,884	-	10,769,884	-	-	-	-
- Other assets	-	-	3,037,994	-	3,037,994	-	-	-	-
	<b>17,748,724</b>	<b>14,617,509</b>	<b>13,807,878</b>	<b>-</b>	<b>46,174,111</b>	<b>-</b>	<b>17,752,663</b>	<b>-</b>	<b>17,752,663</b>
<b>Financial liabilities not measured at fair value</b>									
- Deposits and other accounts	-	-	-	(39,042,927)	(39,042,927)	-	-	-	-
- Other liabilities	-	-	-	(9,476,029)	(9,476,029)	-	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>(48,518,956)</b>	<b>(48,518,956)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>17,748,724</b>	<b>14,617,509</b>	<b>13,807,878</b>	<b>(48,518,956)</b>	<b>(2,344,845)</b>	<b>-</b>	<b>17,752,663</b>	<b>-</b>	<b>17,752,663</b>

(Rupees in '000)

## 23. 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:

Note	30 June 2022 (Un-audited)				31 December 2021 (Audited)					
	Associates	Key management personnel	Directors	Retirement benefit plans	Total	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	(Rupees in '000)									
<b>Loans</b>										
At 1 January	-	9,922	-	-	9,922	-	19,824	-	-	19,824
Given during the period	-	9,000	-	-	9,000	-	6,620	-	-	6,620
Repaid during the period	-	(7,340)	-	-	(7,340)	-	(16,522)	-	-	(16,522)
11.2	-	11,582	-	-	11,582	-	9,922	-	-	9,922
<b>Deposits</b>										
At 1 January	5,000	509	560	116,093	122,162	9,900	1,358	560	703,437	715,256
Received during the period	-	13,969	-	197,470	211,439	-	24,979	-	2,536,180	2,561,159
Withdrawn during the period	-	(13,078)	-	(256,172)	(266,250)	(4,900)	(25,829)	-	(3,123,524)	(3,154,253)
	5,000	1,400	560	57,391	64,351	5,000	509	560	116,093	122,162
<b>Other Assets</b>										
Receivable from defined benefit plan	-	-	-	64,518	64,518	-	-	-	77,717	77,717
	-	-	-	64,518	64,518	-	-	-	77,717	77,717
<b>Other Liabilities</b>										
Payable against goods and services	1,246,124	-	-	-	1,246,124	821,335	-	-	-	821,335
Payable to defined contribution plan	-	-	-	30,268	30,268	-	-	-	3,987	3,987
Payable to defined benefit plan	-	-	-	-	-	-	-	-	-	-
	1,246,124	-	-	30,268	1,276,392	821,335	-	-	3,987	825,322
<b>Capital Expenditure</b>										
	118,000	-	-	-	118,000	39,710	-	-	-	39,710
<b>Transactions during the period / year</b>										
Directors' meeting fees	-	-	4,000	-	4,000	-	-	7,000	-	7,000
Remuneration of Key Management Personnel	-	112,587	34,203	-	146,790	-	179,387	63,721	-	243,108
Mark-up expense	-	-	-	2,119	2,119	-	-	-	25,997	25,997
Communication expense	30,591	-	-	-	30,591	65,845	-	-	-	65,845
Rent	21,282	-	-	-	21,282	19,705	-	-	-	19,705
Professional consultancy charges	128,527	-	-	-	128,527	150,849	-	-	-	150,849
Other charges	-	-	-	-	-	3,384	-	-	-	3,384
Repair and maintenance	413,710	-	-	-	413,710	483,963	-	-	-	483,963
Advertisement	93,175	-	-	-	93,175	223,163	-	-	-	223,163
	687,285	112,587	38,203	2,119	840,194	946,909	179,387	70,721	25,997	1,223,014

23.1 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.

**24. GENERAL**

- 24.1** Comparative information has been reclassified or rearranged in these condensed interim financial statements for the purpose of better presentation. However, there was no material reclassification to report.
- 24.2** The figures have been rounded off to the nearest thousand rupees, unless otherwise stated.
- 24.3** The figures of the condensed interim profit and loss account for the quarter ended June 30, 2022 have not been subjected to the limited scope review by the auditors.

**25. DATE OF AUTHORISATION FOR ISSUE**

These condensed interim financial statements were authorised for issue by the Board of Directors in their meeting held on 24 August 2022.

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**President & Chief Executive  
Officer**

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**Chairman**

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**Director**

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**Director**