

NRSP MICROFINANCE BANK LIMITED
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED JUNE 30, 2022

DRAFT INDEPENDENT AUDITORS' REVIEW REPORT

To the members of NRSP Microfinance Bank Limited

Report on review of condensed Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of NRSP Microfinance Bank Limited (the Bank) as at June 30, 2022 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, condensed interim cash flow statement and notes to the financial statements for the half year then ended (here-in-after referred to as the "condensed interim Financial Statements"). Management is responsible for the preparation and presentation of these condensed interim Financial Statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim Financial Statements based on our review.

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 Statements 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.

Basis of Qualified Conclusion

As disclosed in note 11.3 to the financial statements, the Bank had restructured portfolio of 44,414 loans amounting to Rs. 3,024 million in previous year and recorded general provision on said portfolio in previous year amounting to Rs 2,092 million. During the current period, the Bank has reversed the aforementioned provision and classified the portfolio in loss, has recorded 25% specific provision amounting to Rs 752 million, and reversed the overdue mark-up on the portfolio amounting to Rs. 2,075 million. The Management's request with State Bank of Pakistan (SBP) to allow the Bank to postpone the remaining provision of Rs. 2,256 million that would be provided for in 2023 and 2024 is still pending. In absence of a specific approval from SBP, the Bank should have charged the full provision on aforementioned portfolio. Had full provision been charged, the loss before tax for the period, loss after tax for the period and the amount of deferred tax as at June 30, 2022 would have been higher by Rs. 2,256 million, Rs. 1,511 million and Rs. 745 Million respectively; and amount of advances and the equity as at June 30, 2022 would have been lower by Rs. 2,256 million and Rs. 1,511 million respectively.

Qualified Conclusion

Based on our review, with the exception of the matter described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying condensed interim Financial Statements

are 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

We draw attention to Note 1.1 to the condensed interim financial statements, which indicates that the Bank incurred a loss before tax amounting to Rs. 622.51 million during the six months and the Capital Adequacy Ratio of the bank has also been breached. As stated in note 1.1, these events or conditions, along with the other matters set forth in note 1.1 indicate the existence of material uncertainty that may cast a significant doubt on the Bank's ability to continue as a going concern. Based on bank business plan and parent company's unconditional financial support, the bank is considered as going concern. Accordingly, condensed interim financial statements have prepared on going concern basis. Our conclusion is not modified in respect of this matter.

Other Matter

The annual financial statements of the Bank for the year ended December 31, 2021 and condensed interim financial statements for the half year ended June 30, 2021 were audited and reviewed respectively, by another firm of Chartered Accountants, whose reports dated April 22, 2022 and August 27, 2021 expressed an unmodified opinion and conclusion on the annual financial statements and condensed interim financial statements respectively.

Chartered Accountants

Engagement Partner: Shahzad Ali

Date:

Islamabad

UDIN:

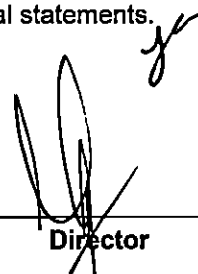
NRSP MICROFINANCE BANK LIMITED
CONDENSED INTERIM BALANCE SHEET (UNAUDITED)
AS AT JUNE 30, 2022

		June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
	Note	----- Rupees -----	
ASSETS			
Cash and balances with SBP and NBP	8	2,072,954,070	2,611,549,980
Balances with other Banks/ NBFIs /MFBs	9	4,092,049,725	6,806,536,615
Lending to financial institutions		-	-
Investments - net of provisions	10	3,659,226,967	6,782,215,699
Advances - net of provision	11	29,900,510,187	27,178,816,015
Operating fixed assets	12	1,378,120,162	1,340,988,129
Other assets	13	3,803,354,010	5,435,818,554
Deferred tax asset - net	14	1,471,774,627	1,224,789,867
Total assets		46,377,989,748	51,380,714,859
LIABILITIES			
Deposits and other accounts	15	30,379,968,805	34,126,738,258
Borrowings	16	5,988,517,822	6,935,832,100
Subordinated debt	17	1,442,360,000	1,442,360,000
Other liabilities	18	4,751,691,107	4,596,811,470
Deferred tax liability - net		-	-
Total liabilities		42,562,537,734	47,101,741,828
Net assets		3,815,452,014	4,278,973,031
REPRESENTED BY			
Share capital	19	1,498,372,010	1,498,372,010
Statutory reserve		815,766,515	815,766,515
Depositors' protection fund		284,427,189	269,646,194
Unappropriated profit		1,214,682,827	1,693,039,358
		3,813,248,541	4,276,824,077
Surplus/ (deficit) on revaluation of assets		(927,207)	(2,638,100)
Deferred grants	20	3,130,680	4,787,054
Total capital		3,815,452,014	4,278,973,031
MEMORANDUM/ OFF-BALANCE SHEET ITEMS			
	21		

The annexed notes from 1 to 36 form an integral part of these condensed interim financial statements.



President/ Chief Executive

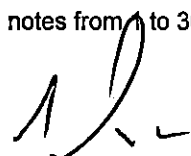


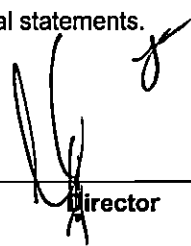
Director

NRSP MICROFINANCE BANK LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2022

		Half Year Ended	
		June 30, 2022	June 30, 2021
		----- Rupees -----	
	Note		
Mark-up/ return/ interest earned	22	1,737,353,173	4,031,535,878
Mark-up/ return/ interest expensed	23	(1,860,862,875)	(1,960,336,205)
Net mark-up/ interest income		(123,509,702)	2,071,199,673
Provision against non-performing loans and advances	11.5	44,983,800	(828,289,620)
Bad debts written off directly - net of insurance recoveries	11.6	(6,333,144)	(6,800,050)
		38,650,656	(835,089,670)
Net mark-up/ interest income after provisions		(84,859,046)	1,236,110,003
NON MARK-UP/ NON INTEREST INCOME			
Fee, commission and brokerage income	24	239,525,228	360,610,810
Dividend income		-	-
Other income - net	25	731,376,816	252,262,911
Total non mark-up/ non interest income		970,902,044	612,873,721
		886,042,998	1,848,983,724
NON MARK-UP/ NON INTEREST EXPENSES			
Administrative expenses	26	(1,506,022,841)	(1,555,144,613)
Other charges	27	(4,615,174)	(6,852,754)
Total non mark-up/ non interest expenses		(1,510,638,015)	(1,561,997,367)
		(624,595,017)	286,986,357
Extra ordinary/ unusual items		-	-
PROFIT/ (LOSS) BEFORE TAXATION		(624,595,017)	286,986,357
Taxation - Current	28	(52,849,232)	(107,112,283)
Prior year		(17,577,150)	-
Deferred		246,767,267	57,159,895
		176,340,885	(49,952,388)
PROFIT/ (LOSS) AFTER TAXATION		(448,254,132)	237,033,969
Unappropriated profit/ (loss) brought forward		1,693,039,358	2,929,766,103
Less: Other comprehensive income		(30,102,399)	(27,336,329)
Profit available for appropriation		1,214,682,827	3,139,463,743
APPROPRIATIONS			
Transfer to:			
Statutory reserve		-	(47,406,794)
Depositors' protection fund		-	(11,851,698)
		-	(59,258,492)
Unappropriated profit/ (loss) carried forward		1,214,682,827	3,080,205,251
Earnings/ (loss) per share	29	(2.99)	1.58

The annexed notes from 1 to 36 form an integral part of these condensed interim financial statements.

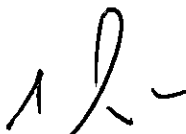

President/ Chief Executive


Director

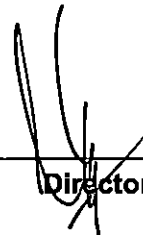
NRSP MICROFINANCE BANK LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2022

		Half Year Ended	
		June 30, 2022	June 30, 2021
Note		----- Rupees -----	
	Profit/ (loss) after taxation	(448,254,132)	237,033,969
	Other comprehensive income/ (loss)		
	Items that will not be subsequently reclassified through profit and loss account:		
	Loss on remeasurement of employees' retirement benefits - net of tax	(30,102,399)	(27,336,329)
	Comprehensive income transferred to equity	(478,356,531)	209,697,640
	Components of comprehensive income/(loss) not reflected in equity		
	Items that will be subsequently reclassified through profit and loss account:		
	Surplus/(deficit) on revaluation of available for sale investments	10 1,710,893	558,200
		(476,645,638)	210,255,840

The annexed notes from 1 to 36 form an integral part of these condensed interim financial statements.



President/ Chief Executive

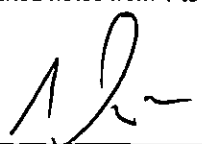


Director

NRSP MICROFINANCE BANK LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2022

		Capital reserves		Revenue reserve	
	Share capital	Statutory reserve	Depositors' protection fund	Unappropriated profit	Total
	Rupees				
Balance as at January 01, 2021	1,498,372,010	815,766,515	253,792,881	2,929,766,103	5,497,697,509
Profit for the period	-	-	-	237,033,969	237,033,969
Other comprehensive income/ (loss) for the period	-	-	-	(27,336,329)	(27,336,329)
Total comprehensive income for the period	-	-	-	209,697,640	209,697,640
Transfer to statutory reserve	-	47,406,794	-	(47,406,794)	-
Transfer to depositors' protection fund:					
- 5% of the profit after tax for the period	-	-	11,851,698	(11,851,698)	-
- Return on investments - net of tax	-	-	7,363,659	-	7,363,659
	-	-	19,215,357	(11,851,698)	7,363,659
Balance as at June 30, 2021	1,498,372,010	863,173,309	273,008,238	3,080,205,251	5,714,758,808
Profit for the period	-	-	-	(1,468,843,129)	(1,468,843,129)
Other comprehensive income/ (loss) for the period	-	-	-	22,418,744	22,418,744
Total comprehensive income for the period	-	-	-	(1,446,424,385)	(1,446,424,385)
Transfer to statutory reserve	-	(47,406,794)	-	47,406,794	-
Transfer to depositors' protection fund:					
- 5% of the profit after tax for the period	-	-	(11,851,698)	11,851,698	-
- Return on investments - net of tax	-	-	8,489,654	-	8,489,654
	-	-	(3,362,044)	11,851,698	8,489,654
Balance as at December 31, 2021	1,498,372,010	815,766,515	269,646,194	1,693,039,358	4,276,824,077
Loss for the period	-	-	-	(448,254,132)	(448,254,132)
Other comprehensive income/ (loss) for the period	-	-	-	(30,102,399)	(30,102,399)
Total comprehensive income for the period	-	-	-	(478,356,531)	(478,356,531)
Transfer to statutory reserve	-	-	-	-	-
Transfer to depositors' protection fund:					
- 5% of the profit after tax for the period	-	-	-	-	-
- Return on investments - net of tax	-	-	14,780,995	-	14,780,995
	-	-	14,780,995	-	14,780,995
Balance as at June 30, 2022	1,498,372,010	815,766,515	284,427,189	1,214,682,827	3,813,248,541

The annexed notes from 1 to 36 form an integral part of these condensed interim financial statements.


President/ Chief Executive

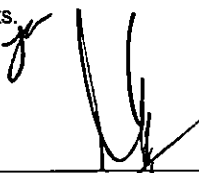

Director

NRSP MICROFINANCE BANK LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2022

	Half Year Ended	
	June 30, 2022	June 30, 2021
Note	----- Rupees -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit / (Loss) before taxation	(624,595,017)	286,986,357
Less : Dividend income	-	-
	(624,595,017)	286,986,357
Adjustments for non-cash changes		
Depreciation	131,967,493	151,109,718
Amortization	21,633,656	27,876,512
Provision against non-performing advances	(44,983,800)	828,289,620
Advances directly written-off - net of insurance recoveries	6,333,144	6,800,050
Gain on sale/ redemption of securities	(226,206,877)	(273,176,956)
Unrealized exchange (gain) / loss	-	(12,714,334)
Unrealized loss/ (gain) on derivative financial asset	-	14,573,523
Gain on sale of fixed assets	(133,472)	401,905
Loss on termination of leased agreements	(17,257)	1,319,021
Finance charges on leased assets	61,177,795	63,513,336
Amortization of deferred grants	(2,579,300)	(8,849,349)
Provision for gratuity and leave encashment	51,873,867	81,423,575
	(934,751)	880,566,621
(Increase)/ decrease in operating assets		
Lending to financial institutions	-	998,845,500
Advances	(2,683,043,516)	(1,347,800,743)
Other assets (excluding advance taxation)	1,636,720,289	66,360,110
	(1,046,323,227)	(282,595,133)
Increase/ (decrease) in operating liabilities		
Bills payable	17,556,392	717,359,357
Borrowings from financial institutions	(947,314,278)	272,835,903
Deposits	(3,746,769,453)	(1,023,554,220)
Other liabilities (excluding bills payable, current taxation, gratuity, leave encashment, and finance lease)	151,780,313	167,389,844
	(4,524,747,026)	134,030,884
Payment against provision held against off- balance sheet obligations	-	-
Income tax paid	(119,319,601)	(80,651,664)
Gratuity and leave encashment paid (including contributions)	(54,976,144)	(46,369,386)
Net cash flow from operating activities	(6,370,895,766)	891,967,679
CASH FLOW FROM INVESTING ACTIVITIES		
Net investment in available-for-sale securities	1,334,074,303	869,389,550
Net investment in held-to-maturity securities	2,031,395,701	(562,623,790)
Investment in operating fixed assets	(113,848,275)	(33,015,944)
Sale proceeds from property and equipment disposed-off	514,278	326,375
Net cash flow from/ (used in) investing activities	3,252,136,007	274,076,191
CASH FLOW FROM FINANCING ACTIVITIES		
Grants received	922,926	3,135,045
Net payments of lease obligations	(135,245,967)	(117,139,872)
Net cash flow from/ (used in) financing activities	(134,323,041)	(114,004,827)
Increase/ (decrease) in cash and cash equivalents	(3,253,082,800)	1,052,039,043
Cash and cash equivalents at the beginning of the year	9,418,086,595	7,801,263,241
Cash and cash equivalents at the end of the year	6,165,003,795	8,853,302,284

The annexed notes from 1 to 36 form an integral part of these condensed interim financial statements.


President/ Chief Executive


Director

NRSP MICROFINANCE BANK LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2022

1 STATUS AND NATURE OF BUSINESS

NRSP Microfinance Bank Limited (the Bank) was incorporated in Pakistan on October 22, 2008 as a public limited company under the Companies Ordinance, 1984. The Bank obtained license from the State Bank of Pakistan (SBP) on February 18, 2009 to operate, on nationwide basis, as a microfinance bank under Microfinance Institutions Ordinance, 2001. Certificate of commencement of business was issued by the Securities and Exchange Commission of Pakistan (SECP) on February 8, 2011 and certificate of commencement of business from SBP was received on February 28, 2011.

The Bank was established to mobilize funds for providing microfinance banking and related services to low income and underserved segment of society for mitigating poverty through providing access to financial markets at micro level.

The Bank's registered office is situated at 7th Floor, UBL Tower, Jinnah Avenue, Blue Area, Islamabad and principal place of business is situated at University Road, Bahawalpur. The Bank is operating 147 (2021: 150) as at the year end including 40 (2021: 40) Islamic branches.

National Rural Support Programme (NRSP) is holding company of the Bank which holds 57.40% (2021: 57.40%) shares of the Bank.

1.1 Going Concern Assumption:-

The Bank has incurred loss before tax amounting to Rs. 622.51 million during the six months in addition to the net loss incurred in the year 2021 amounting to Rs. 1,232 million due to the suspension of the markup from roll-over portfolio of advances and provision charged on such portfolio as disclosed in note 11.3. Further, adverse affects of COVID have also significantly affected the Bank's borrowers' ability to repay the advances and resulted in reduction in markup income. This has also resulted in reduction of the Capital Adequacy Ratio (CAR). Consequently, the Bank is in non-compliance with the regulatory requirements of CAR as at June 30, 2022 which is required to be maintained at a minimum level of 15%.

The aforementioned conditions create a concern on the Bank's ability to continue as going concern. The Bank has devised business plan in collaboration with the Parent Company to seek additional equity injections of Rs 2,000 million in the forthcoming twelve months so that the regulatory CAR threshold is maintained and the bank achieves growth and profitability. The Parent Company has also confirmed unconditional financial support to the Bank to continue as going concern. The management believes that in view of above measures, the Bank shall be able to continue as a going concern, accordingly, these condensed interim financial statements have been prepared on a going concern basis.

2 BASIS OF PRESENTATION

- 2.1** These condensed interim financial statements of the Bank have been prepared in accordance with the requirements of the International Accounting Standard 34 - 'Interim Financial Reporting', provisions of the Companies Act, 2017, the Microfinance Institutions Ordinance, 2001 and directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). Where the requirements of the Companies Act, 2017, the Microfinance Institutions Ordinance, 2001 or the directives issued by the SECP or the SBP differ with the requirements of IFRS, the requirements of the Companies Act, 2017, the Microfinance Institutions Ordinance, 2001 or the requirements of the said directives have been followed.
- 2.2** These condensed interim financial statements do not include all the information and disclosures required for the annual financial statements, and should be read in conjunction with the annual financial statements of the Bank as at December 31, 2021, which have been presented in accordance with the requirements of Banking Supervision Department (BSD) Circular No. 11 dated December 30, 2003 issued by the State Bank of Pakistan.
- 2.3** The financial results of the Islamic Microfinance Division (IMD) of the Bank have been consolidated in these financial statements for reporting purpose, after eliminating inter-branch transactions/balances. Key figures of the IMD, derived from the related accounting records of the Bank, are disclosed as Annexure-I to these financial statements for disclosure purpose only to comply with the requirements of the license issued by the SBP to the Bank to commence Islamic microfinance operations. Further, the IMD results shall be separately reported upon for Shariah Compliance by the Shariah Advisor of the Bank as required by the SBP in conditions prescribed for the Bank to commence Islamic Microfinance operations.

3 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for Banks/DFIs/MFIs. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Microfinance Institutions Ordinance, 2001 and the Companies Act, 2017; and
- Directives issued by the SBP and the SECP.

Wherever the requirements of the Microfinance Institutions Ordinance, 2001, the Companies Act, 2017, or the directives issued by the SBP and the SECP differ with the requirements of the IFRSs or IFASs, the requirements of the Microfinance Institutions Ordinance, 2001, the Companies Act, 2017, and said directives have been followed.

SBP has deferred the applicability of International Accounting Standard 40, 'Investment Property' for Banking Companies through BSD Circular Letter No. 10 dated August 26, 2002. Further, according to the notification of SECP dated April 28, 2008, the IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

SBP vide its BPRD Circular No. 04 of 2019 dated October 23, 2019 had directed banks in Pakistan to implement IFRS 9 with effect from January 01, 2021. Though keeping in view of COVID-19 impact and banking industry representations, SBP vide its BPRD Circular No. 03 dated July 05, 2022 has deferred the implementation of IFRS 9 to January 01, 2024 for Microfinance Banks. 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.

Accordingly the requirements of these standards have not been considered in preparation of these condensed interim financial statements.

- 3.1** There are certain new standards and interpretations of and amendments to existing accounting and reporting standards that have become applicable to the Bank for accounting periods beginning on or after January 01, 2022. These are considered either not to be relevant or not to have any significant effect on the Bank's condensed interim financial statements.

4 BASIS OF MEASUREMENT

These condensed interim financial statements have been prepared under the historical cost convention except for certain investments carried at fair value and recognition of certain staff retirement benefits, liabilities against assets subject to finance lease which are stated at present value.

4.1 Functional and presentation currency

These financial statements are presented in Pakistan Rupees (Rupees), which is the Bank's functional currency. All financial information presented in PKR has been rounded to the nearest of Rupees, unless otherwise stated.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for accounting estimates adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the financial statements of the Bank for the year ended December 31, 2021.

6 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these condensed interim financial statements are same as those applied in the preparation of the annual financial statements for the year ended December 31, 2021.

7 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed into the annual financial statements for the year ended December 31, 2021.

		June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
	Note	----- Rupees -----	-----
8 CASH AND BALANCES WITH SBP AND NBP			
Cash in hand		595,222,540	653,818,533
Balance with State Bank of Pakistan	8.1	1,011,931,883	1,020,600,234
Balance with National Bank of Pakistan in:			
- Current account		5,204,352	9,423,752
- Deposit accounts		460,595,295	927,707,461
		465,799,647	937,131,213
		<u>2,072,954,070</u>	<u>2,611,549,980</u>

8.1 This represents balance maintained with SBP to comply with requirements of Prudential Regulations for Microfinance Banks to maintain minimum cash reserve equivalent to not less than 5% (2021: 5%) of the Bank's demand deposits and time deposits with tenor of less than one year.

		June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
	Note	----- Rupees -----	-----
9 BALANCES WITH OTHER BANKS			
In Pakistan			
Local currency current accounts		69,056,937	31,471,011
Local currency deposit accounts	9.1	3,722,992,788	3,575,065,604
Local currency term deposits	9.2	300,000,000	3,200,000,000
		<u>4,092,049,725</u>	<u>6,806,536,615</u>

9.1 These represent deposits with commercial banks and Islamic banks payable on demand carrying mark-up/profit ranging from 9.77% to 14.50% (2021: 6.70% to 14.00%) per annum.

9.2 Local currency term deposits carry markup at the rate of 16.5% (2021: 11.15% to 14.50%) per annum and is due to mature in July 2022.

		June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
	Note	----- Rupees -----	-----
10 INVESTMENTS - NET OF PROVISIONS			
Held to maturity			
Federal Government Securities			
Market treasury bills (MTBs)	10.1	1,267,073,254	1,999,565,729
Ijarah Sukuks	10.2	307,305,713	304,338,170
		1,574,378,967	2,303,903,899
Term Deposit Receipts (TDRs)	10.3	600,000,000	1,800,000,000
		<u>2,174,378,967</u>	<u>4,103,903,899</u>

		June 30, 2022	December 31,
		(Unaudited)	2021
	Note	----- Rupees -----	(Audited)
Available for sale			
Federal Government Securities			
Market treasury bills (MTBs)	10.4	1,485,992,700	2,680,949,900
Deficit on revaluation of investments		(1,144,700)	(2,638,100)
		1,484,848,000	2,678,311,800
		<u>3,659,226,967</u>	<u>6,782,215,699</u>

10.1

The T-Bills carry mark up at the rate of 13.40% to 14.57% (2021: 7.38% to 9.75%) per annum and are due to mature in July 2022. These also include investments held for the purposes of Depositors' Protection Fund with a carrying amount of Rs. 277.675 million (2021: 266.408 million) carrying markup at 13.40% (2021: 8.18%) per annum and is due to mature in July 2022.

10.2 Ijarah sukuks carry mark up at the rate of 10% to 15% (2021: 6.3% to 6.98%) per annum and are due to mature in 2025.

10.3 The TDR carries mark up at the rate of 13.50% (2021: 11.50% to 13.50%) per annum and is due to mature in December 2022.

10.4 The T-Bills carry mark up at the rate of 11.00% to 14.50% (2021: 7.46% to 10.75%) per annum and are due to mature in July and September 2022.

11 ADVANCES - NET OF PROVISION

Loan type	Note	June 30, 2022 (Unaudited)		December 31, 2021 (Audited)	
		Number	Rupees	Number	Rupees
Micro credit		264,591	23,712,649,834	296,643	23,647,176,395
Islamic financing		18,980	7,984,648,108	19,588	7,200,336,415
		283,571	31,697,297,942	316,231	30,847,512,810
Less: Provision held					
Specific	11.1	54,253	(1,556,045,631)	30,969	(1,332,725,416)
General					
Mandatory	11.2		(240,742,124)		(244,306,672)
Additional	11.3		-		(2,091,664,707)
			(1,796,787,755)		(3,668,696,795)
Advances - net of provisions			<u>29,900,510,187</u>		<u>27,178,816,015</u>

11.1 Particulars of non performing loans

Advances include Rs 5,878.13 million (2021: 2,121.55 million) which as detailed below, have been placed under non performing status.

Category of classification	June 30, 2022 (Unaudited)			December 31, 2021 (Audited)		
	Amount outstanding	Provisions required	Provisions held	Amount outstanding	Provisions required	Provisions held
	-----Rupees-----			-----Rupees-----		
OAEM	1,749,988,228	7,136,456	7,136,456	87,961,116	-	-
Sub-Standard	87,793,909	20,652,122	20,652,122	44,331,669	10,312,785	10,312,770
Doubtful	448,636,341	222,627,739	222,627,739	1,323,628,008	657,755,432	657,755,432
Loss	567,552,998	553,426,604	553,426,604	665,629,586	664,657,199	664,657,199
Loss (Roll Over)	3,024,153,997	752,202,710	752,202,710			
	<u>5,878,125,473</u>	<u>1,556,045,631</u>	<u>1,556,045,631</u>	<u>2,121,550,379</u>	<u>1,332,725,416</u>	<u>1,332,725,401</u>

11.2 This represents general provision maintained against unsecured microcredit advances net of specific provision at the rate of 1% (2021: 1%) in accordance with the requirement of Prudential Regulations issued by the State Bank of Pakistan.

11.3 The Bank had restructured portfolio of 44,414 loans amounting to Rs. 3,024 million in previous year and recorded general provision on said portfolio in previous year amounting to Rs 2,092 million. During the current period, the Bank has reversed the aforementioned provision and classified the portfolio in loss, has recorded 25% specific provision amounting to Rs 752 million, and reversed the overdue mark-up on the portfolio amounting to Rs. 2,075 million. The Management has made request to State Bank of Pakistan (SBP) to allow the Bank to postpone the remaining provision of Rs. 2,256 million that would be provided for in 2023 and 2024. SBP's decision on said request is still pending, however, management is confident that required approval shall be provided, therefore currently the provision has been made to the extent of 25%.

11.4 On March 16, 2022 SBP AC&MFD has issued Circular No. 02 of 2022 making significant revisions to the MFB's Prudential Regulations (R5: Maximum Loan Size and Eligibility of Borrowers, R-8: Classification of Assets and Provisioning Requirements & R-10: Charging-off Non-Performing Loans (NPLs)). The impact of this change in Prudential Regulations is reversal of provision amounting to Rs 131.699.

Major changes include:

Classification	Previous DPD criteria	New DPD criteria			
		General Loans	Housing Loans	Enterprise Loans	Enterprise Loans (Property Collateral)
Days Passed Due Based Classification (DPD)					
OAEM	30 - 59	30 - 59	90 - 179	90 - 179	90 - 179
Substandard	60 - 89	60 - 89	180 - 364	180 - 364	180 - 364
Doubtful	90 - 179	90 - 179	365 - 729	365 - 544	365 - 544
Loss	180 - 209	180 - 209	730 - 1944	545 - 1214	544 - 1944
Write-off	>= 210	>= 210	>= 1945	>= 1215	>= 1945
Provision Percentage					
OAEM	0%	0%	0%	10%	10%
Substandard	25%	25%	25%	25%	25%
Doubtful	50%	50%	50%	50%	50%
Loss	100%	100%	100%	100%	100%
Write-off	100%	100%	100%	100%	100%
Suspension Percentage					
OAEM	100%	0%	0%	100%	100%
Substandard	100%	100%	100%	100%	100%
Doubtful	100%	100%	100%	100%	100%
Loss	100%	100%	100%	100%	100%
Write-off	100%	100%	100%	100%	100%

11.5 Particulars of provision against non-performing advances

	2022			2021		
	Specific	General	Total	Specific	General	Total
	Rupees			Rupees		
Opening balance	1,332,725,416	2,335,971,380	3,668,696,796	422,149,083	935,269,133	1,357,418,216
Charge for the year	2,050,245,455	-	2,050,245,455	2,556,665,694	1,400,702,247	3,957,367,941
Amounts written off	(1,958,624,485)	-	(1,958,624,485)	(1,646,089,361)	-	(1,646,089,361)
Reversals	-	(2,095,229,255)	(2,095,229,255)	-	-	-
Other movements	131,699,245	-	131,699,245	-	-	-
Closing balance	1,556,045,631	240,742,125	1,796,787,756	1,332,725,416	2,335,971,380	3,668,696,796

11.5.1 Other movements include movement in provision Rs.131,699 thousand (2021: Nil) due to change in status of written off loans in accordance with changes in Prudential Regulation in the month of March 2022.

	Note	June 30, 2022	December 31, 2021
		(Unaudited)	(Audited)
		Rupees	
11.6 Particulars of advances written off			
Against provisions		1,826,925,240	1,646,089,361
Directly charged to profit & loss account		6,333,144	6,800,050
		1,833,258,384	1,652,889,411
12 OPERATING FIXED ASSETS			
Capital work-in-progress	12.1	8,416,812	8,300,582
Property and equipment	12.2	700,394,989	659,235,830
Right of use assets	12.3	636,553,894	619,063,593
Intangible assets	12.4	32,754,467	54,388,124
		1,378,120,162	1,340,988,129
12.1 Capital work-in-progress			
Civil works		3,409,272	3,293,042
Implementation of Oracle Software		5,007,540	5,007,540
		8,416,812	8,300,582

12.2 Property and equipment

Particulars	COST				DEPRECIATION				Book value as at June 30, 2022	Rate of depreciation per annum(%)
	As at January 01, 2022	Additions	Disposal	As at June 30, 2022	As at January 01, 2022	Charge for the year	Disposal	As at June 30, 2022		
Rupees										
Owned assets										
Freehold land	253,419,808	-	-	253,419,808	-	-	-	-	253,419,808	-
Furniture and fixtures	495,944,179	3,151,509	(326,850)	498,768,838	219,956,320	23,713,589	(167,084)	243,502,825	255,266,013	10
Office equipment	287,765,979	1,116,765	(236,023)	288,646,721	237,529,360	17,207,329	(227,956)	254,508,733	34,137,988	20
Computer equipment	422,946,799	107,924,317	(596,963)	530,274,153	385,168,507	19,395,637	(383,990)	404,180,154	126,093,999	33.33
Vehicles	95,833,354	691,960	-	96,525,314	65,430,316	6,803,680	-	72,233,996	24,291,318	20
	1,555,910,119	112,884,551	(1,159,836)	1,667,634,834	908,084,503	67,120,235	(779,030)	974,425,708	693,209,126	
Leased assets										
Vehicles	116,651,367	397,495	-	117,048,862	105,241,153	4,621,846	-	109,862,999	7,185,863	20
	1,672,561,486	113,282,046	(1,159,836)	1,784,683,696	1,013,325,656	71,742,081	(779,030)	1,084,288,707	700,394,989	

Particulars	COST				ACCUMULATED DEPRECIATION				Book value as at December 31, 2021	Rate of depreciation per annum(%)
	As at January 01, 2021	Additions	Disposal	As at December 31, 2021	As at January 01, 2021	Charge for the year	Disposal	As at December 31, 2021		
Rupees										
Owned assets										
Freehold land	253,419,808	-	-	253,419,808	-	-	-	-	253,419,808	-
Furniture and fixtures	483,633,260	14,567,087	(2,256,168)	495,944,179	173,107,304	48,557,139	(1,708,123)	219,956,320	275,987,859	10
Office equipment	287,065,023	4,006,868	(3,305,912)	287,765,979	198,362,590	42,329,779	(3,163,009)	237,529,360	50,236,619	20
Computer equipment	406,010,426	31,608,967	(14,672,594)	422,946,799	355,600,808	43,518,213	(13,950,514)	385,168,507	37,778,292	33.33
Vehicles	95,958,470	333,486	(458,602)	95,833,354	51,532,457	14,353,111	(455,252)	65,430,316	30,403,038	20
	1,526,086,987	50,516,408	(20,693,276)	1,555,910,119	778,603,159	148,758,242	(19,276,898)	908,084,503	647,825,616	
Leased assets										
Vehicles	117,253,046	213,410	(815,089)	116,651,367	92,129,802	13,913,179	(801,828)	105,241,153	11,410,214	20
	1,643,340,033	50,729,818	(21,508,365)	1,672,561,486	870,732,961	162,671,421	(20,078,726)	1,013,325,656	659,235,830	

12.2.1 Cost of fully depreciated property and equipment that are still in use is Rs 554.206 million (2021: Rs 395.75 million).

		June 30, 2022	December 31, 2021
	Note	(Unaudited)	(Audited)
12.3 Right of use assets		-----Rupees-----	
Net book value at the start		619,063,593	774,557,327
Additions during the period		78,919,981	95,196,169
Deletions during the year		(1,204,268)	(122,303,450)
Depreciation charged during the period		(60,225,412)	(128,386,453)
Net book value at the end		<u>636,553,894</u>	<u>619,063,593</u>

12.4 Intangible assets

Computer software	12.4.1	<u>32,754,467</u>	<u>54,388,124</u>
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12.4.1 Computer software

Cost

Opening balance	411,423,212	391,085,679
Additions during the year	-	20,337,533
Closing balance	<u>411,423,211</u>	<u>411,423,212</u>

Amortization

Opening balance	(357,035,088)	(302,979,980)
Charge for the year	(21,633,656)	(54,055,108)
Closing balance	<u>(378,668,744)</u>	<u>(357,035,088)</u>
Net book value	<u>32,754,467</u>	<u>54,388,124</u>

12.4.2 Amortization is charged on straight line basis at the rate of 20% per annum, starting from the month the asset is available for use and no amortization is charged in month of disposal.

12.4.3 Cost of fully amortized intangible assets that are still in use is Rs 206.93 million (2021: Rs 190.56 million).

		June 30, 2022	December 31, 2021
	Note	(Unaudited)	(Audited)
13 OTHER ASSETS		-----Rupees-----	
Income / mark-up accrued on			
- Loans and Advances		3,157,496,172	4,783,706,943
- Bank deposits		63,986,470	33,178,862
		<u>3,221,482,642</u>	<u>4,816,885,805</u>
Advances to employees			
- Personal advances - net of provision		112,367,425	129,977,628
- Operational		14,004,156	1,339,505
		<u>126,371,581</u>	<u>131,317,133</u>
Advances to suppliers		38,281,625	51,548,438
Prepayments		60,268,778	49,209,182
FED/Sales tax refundable		47,999,672	43,743,927
Insurance claims receivables		95,554,173	103,425,988
Receivable from SBP against insurance claims	13.1	85,310,700	124,789,123
Receivable from parent company		68,655	68,655
Others		128,016,184	114,830,303
		<u>3,803,354,010</u>	<u>5,435,818,554</u>

- 13.1 This represents claims for the amount of insurance premiums lodged with SBP under crop loan insurance scheme and livestock insurance scheme for borrowers of the Bank.

14	DEFERRED TAX ASSET - NET	June 30, 2022	December 31, 2021
		(Unaudited)	(Audited)
		-----Rupees-----	
	Deferred tax asset arising on account of deductible temporary differences on:		
	Accelerated depreciation allowance - owned assets	259,492	14,871,423
	Lease liability	283,281,567	248,022,126
	Grants	1,033,124	1,388,246
	Surplus/(deficit) on revaluation of investments	217,493	-
	Provision for non-performing loans	592,939,959	1,063,922,069
	Minimum tax	18,598,102	90,316,567
	Net Losses C/F	801,970,379	-
		1,698,300,116	1,418,520,431
	Deferred tax liability arising on account of taxable temporary differences on:		
	Accelerated depreciation allowance - leased assets	(212,434,120)	(182,837,404)
	Amortization on intangible assets	(225,000)	(17,928)
	Un-realized markup on DPF securities	-	-
	Un-realized mark-up on Government Securities	(13,866,369)	(10,875,232)
		(226,525,489)	(193,730,564)
		<u>1,471,774,627</u>	<u>1,224,789,867</u>

15 DEPOSITS AND OTHER ACCOUNTS

	June 30, 2022		December 31, 2021	
	(Unaudited)		(Audited)	
	No of accounts	Rupees	No of accounts	Rupees
Conventional				
Current deposits	322,616	2,839,101,835	367,744	2,596,864,217
Saving deposits	742,167	7,853,792,500	785,532	8,375,368,196
Fixed deposits	4,642	13,871,981,527	5,203	16,600,064,137
	1,069,425	24,564,875,862	1,158,479	27,572,296,550
Islamic				
Current deposits	54,086	1,067,643,916	57,654	917,616,091
Saving deposits	19,602	1,732,753,628	21,036	2,270,588,018
Fixed deposits	2,913	3,014,695,399	3,196	3,366,237,599
	76,601	5,815,092,943	81,886	6,554,441,708
	<u>1,146,026</u>	<u>30,379,968,805</u>	<u>1,240,365</u>	<u>34,126,738,258</u>

15.1 Particulars of Deposits by ownership

	June 30, 2022 (Unaudited)		December 31, 2021 (Audited)	
	No of accounts	Rupees	No of accounts	Rupees
Individual depositors	1,142,562	13,927,597,437	1,236,995	15,484,956,552
Institutional depositors				
Corporation / firms etc.	3,275	12,475,948,833	3,178	14,163,150,168
Banks & financial institutions	189	3,976,422,535	192	4,478,631,538
	3,464	16,452,371,368	3,370	18,641,781,706
Total	1,146,026	30,379,968,805	1,240,365	34,126,738,258

15.2 Deposits include related parties balances amounting to Rs 1,100 million (2021: Rs 2,496 million) as disclosed in note 33.

	Note	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
		Rupees	Rupees
16 BORROWINGS			
Borrowings from Banks / Financial Institutions			
In Pakistan	16.1	5,988,517,822	6,935,832,100
Outside Pakistan		-	-
		5,988,517,822	6,935,832,100
16.1 Borrowings from Banks / Financial Institutions in Pakistan			
Secured			
United Bank Limited (Running Finance)	16.1.1	-	400,000,000
Askari Bank Limited (Running Finance)	16.1.2	345,000,000	345,000,000
Allied Bank Limited (Running Finance)	16.1.3	-	195,583,900
National Bank of Pakistan (Running Finance)	16.1.4	1,000,000,000	1,000,000,000
Bank Alfalah Ltd (Running Finance)	16.1.5	499,000,000	499,500,350
Bank of Punjab (Running Finance)	16.1.6	495,800,822	-
Bank of Punjab (Term Finance)	16.1.7	400,000,000	500,000,000
Pakistan Mortgage Refinance Company Limited (Term Finance)	16.1.8	500,000,000	500,000,000
National Bank of Pakistan (Running Finance)	16.1.9	2,500,000,000	2,500,000,000
National Bank of Pakistan (Reverse Repo Borrowing)	16.1.10	-	995,747,850
Allied Bank Limited (Reverse Repo Borrowing)	16.1.11	248,717,000	-
		5,988,517,822	6,935,832,100

16.1.1 The Bank entered into a running finance facility agreement initially amounting to Rs 300 million with United Bank Limited to finance its operations. However, in February 2018 the facility was enhanced upto Rs. 750 million on the same terms and conditions as applicable to the earlier facility. The principal amount is repayable at the end of terms and carries markup at the rate of three month KIBOR+1% per annum. As at period end the facility was repaid in full June 2022 Rs. 0 million.(December 2021: 400).

This loan is secured against a demand promissory note and a First Pari Passu charge on the present and future current assets of the Bank with 25% margin.

16.1.2 The Bank entered into running finance facility agreement amounting to Rs 350 million with Askari Bank Limited to finance its operations. The principal amount is repayable at the end of the term and carries mark-up at the rate of three months KIBOR + 1% per annum payable on quarterly basis. The term of the loan is 1 year commencing from September 26, 2018 and is renewed every year. As at the period end, the facility has been availed upto Rs. 345 million (2021: Rs 345 million).

This loan is secured against a demand promissory note and a First Pari Passu charge on the present and future current assets of the Bank with 25% margin.

- 16.1.3** The Bank entered into running finance facility agreement amounting to Rs 200 million with Allied Bank Limited to finance its operations. The principal amount is repayable at the end of the term and carries mark-up at the rate of three months KIBOR + 1 per annum payable on quarterly basis. The term of the facility is 1 year commencing from September 24, 2018 and renewed every year. As at period end the facility has been repaid (December 2021: Rs 199.585 million).

This loan is secured against a demand promissory note and a First Pari Passu charge on the present and future current assets of the Bank with 25% margin.

- 16.1.4** The Bank entered into running finance facility agreement amounting to Rs 1,000 million with National Bank of Pakistan to finance its operations. The principal amount is repayable at the end of the term and carries mark-up at the rate of three months KIBOR + 0.75% per annum payable on quarterly basis. The term of the loan is 1 year commencing from December 26, 2018 and is renewed every year. As at the period end, the facility has been availed by the Bank upto Rs. 1,000 million (2021: Rs 1,000 million).

This loan is secured against a demand promissory note and a First Pari Passu charge on the present and future current assets of the Bank with 25% margin.

- 16.1.5** The Bank entered into running finance facility agreement amounting to Rs 500 million with Bank Alfalah Limited to finance its operations. The principal amount is repayable at the end of the term and carries mark-up at the rate of One month KIBOR + 1% per annum payable on quarterly basis. The term of the loan is 1 year commencing from March 31, 2019 and is renewed every year. As at the year end, the facility has been availed upto Rs 499 million (2021: Rs 499.5 million).

This loan is secured against a demand promissory note and a first pari passu charge on the present and future current assets of the Bank with 25% margin.

- 16.1.6** The Bank entered into running finance facility agreement amounting to Rs 500 million with The Bank of Punjab to finance its operations. The principal amount is repayable at the end of the term and carries mark-up at the rate of Three month KIBOR + 1.25% per annum payable on quarterly basis. The term of the loan is 1 year commencing from January 22, 2020 and is renewed every year.

This loan is secured against a demand promissory note and a hypothecated First pari passu charge on the present and future current assets of the Bank with 25% margin.

- 16.1.7** The Bank entered into a loan agreement amounting to Rs 500 million with The Bank of Punjab to finance its operations. The principal amount is repayable in five equal semi-annual installments of Rs 100 million each commencing from June 15, 2022 and culminating in June 2024. Markup is chargeable at the rate of six months KIBOR+1.5% per annum payable on semi-annual basis.

This loan is secured against a demand promissory note and a first pari passu charge on the present and future current assets of the Bank with 25% margin.

- 16.1.8** The Bank entered into a loan agreement amounting to Rs 500 million with Pakistan Mortgage Refinance Company Limited to participate into Government Mark-up Subsidy Scheme and Credit Guarantee Scheme. The principal amount is repayable in 32 quarterly installments commencing from June 30, 2021 and culminating in June 30, 2031. Markup rate is fixed for first five years it will be 6.50% and for next five years will be 8.50%.

This loan is secured through a first pari passu charge on the present and future current assets of the Bank with 25% margin.

- 16.1.9** The Bank entered into running finance facility agreement amounting to Rs 2,500 million with National Bank of Pakistan to participate in Government's scheme of Kamyab Pakistan Program for financing under Kamyab Kissan. The principal amount is repayable at the end of the term and carries mark-up at the rate of Three month KIBOR + 0.5% per annum payable on quarterly basis. The term of the loan is 1 year commencing from December 31, 2021. As at the period end, the facility has been fully availed.

This loan is secured against a demand promissory note and a first pari passu charge on the present and future current assets of the Bank with 25% margin. The charge is on 50% facility amount and 50% is secured through Government of Pakistan.

- 16.1.10** This represents Repo Borrowings from National Bank of Pakistan at the rate of 10.55% which matured during the period.

- 16.1.11** This represent Repo Borrowing from Allied Bank Limited at the rate of 13.9% amounting to Rs. 248.7 million with a maturity date of July 04, 2022.

		June 30, 2022	December 31, 2021
		(Unaudited)	(Audited)
	Note	-----Rupees-----	
17 SUBORDINATED DEBT			
KfW - Germany	17.1	672,360,000	672,360,000
TFCs Subordinated Debt	17.2	770,000,000	770,000,000
		<u>1,442,360,000</u>	<u>1,442,360,000</u>

17.1 The Bank entered into a loan agreement with KfW - Germany, shareholder of the Bank, on December 29, 2014 for an amount of EURO 6 million. The loan is intended to be availed as TIER-II subordinated debt for inclusion in the Bank's Supplementary Capital. The amount was translated into local currency at the exchange rate of Rs.112.06 and sub-ordinated debt of Rs 672,360,000 was recorded in the financial statements. Loan carries interest at rate of KIBOR + 3.5% per annum. Principal amount and interest is repayable in a bullet payment at the end of loan term by converting the principal and accrued markup into EUROS at the exchange rate prevalent as at June 30, 2023. All foreign currency risks in connection with the transaction rest with the KfW.

17.2 This represents Rated, Unsecured, subordinated and privately placed Tier II Term Finance Certificates of worth Rs.100,000/- each fully subscribed on July 09, 2021 to improve the Capital Adequacy Ratio at the rate of 3 Month KIBOR plus 3% per annum. The issue is for a period of 7 years from the date of subscription and will mature on July 09, 2028. The issue has assigned preliminary rating of single "A-" (Single "A minus"). The principal amount of issue TFC will be redeemed in four (4) equal quarterly installments during the last year of the issue.

		June 30, 2022	December 31, 2021
		(Unaudited)	(Audited)
	Note	-----Rupees-----	
18 OTHER LIABILITIES			
Mark-up / return / interest payable on:			
- Deposits and other accounts		681,081,274	860,878,751
- Borrowings	18.1	649,354,456	523,089,286
		<u>1,330,435,730</u>	<u>1,383,968,037</u>
Payable for employees' benefit plans:			
- Employees' gratuity fund		27,636,707	18,112,194
- Accumulated compensated absences		206,282,381	188,806,773
- Provident Fund		496,142	496,178
		<u>234,415,230</u>	<u>207,415,145</u>
Payable to employees' - final settlement		3,268,190	581,951
Obligation under finance lease:			
- Right-of-use asset		857,969,394	853,207,438
- Company's vehicles		459,597	1,207,408
- Vehicles sub-leased to employees		-	833,861
		<u>858,428,991</u>	<u>855,248,707</u>
Payable to suppliers		10,309,830	21,345,322
Withholding tax payable		25,023,064	36,618,325
Income tax payable		194,351,395	227,393,608
Workers' Welfare Fund		37,017,442	32,781,268
Accrued expenses		82,685,810	84,708,594
Security deposits against Islamic financing		605,028,056	594,122,062
Payable to the parent company		140,231,068	134,112,799
Insurance payable		22,166,707	19,693,934
Unearned / deferred income on Islamic financing		671,996,328	528,030,712
Unearned / Deferred income on LPF ATM and SMS services		307,501,385	225,033,171
Bills payable		186,558,112	169,001,720
Others		42,273,769	76,756,115
		<u>4,751,691,107</u>	<u>4,596,811,470</u>

- 18.1 This includes markup payable amounting to Rs. 525.05 million (2021: Rs. 474.38 million) in respect of subordinated loan from a Associated Company (KfW).

19 SHARE CAPITAL

19.1 Authorized capital

June 30, 2022 (Unaudited) -----Number-----	December 31, 2021 (Audited)		June 30, 2022 (Unaudited) -----Rupees-----	December 31, 2021 (Audited)
300,000,000	300,000,000	Ordinary shares of Rs. 10 each	3,000,000,000	3,000,000,000

19.2 Issued, subscribed and paid-up capital

149,837,201	149,837,201	Ordinary shares of Rs 10 each fully paid in cash	1,498,372,010	1,498,372,010
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19.3 The shareholders of the Bank are as follows:

85,999,550	85,999,550	NRSP	859,995,500	859,995,500
24,000,000	24,000,000	International Finance Corporation (IFC)	240,000,000	240,000,000
16,000,000	16,000,000	Acumen Fund USA	160,000,000	160,000,000
23,837,201	23,837,201	PROPARCO France	238,372,010	238,372,010
150	150	Mr. Shoaib Sultan	1,500	1,500
150	150	Mr. Fazalullah Qureshi	1,500	1,500
150	150	Dr. Rashid Bajwa	1,500	1,500
149,837,201	149,837,201		1,498,372,010	1,498,372,010

June 30, 2022 (Unaudited) -----Rupees-----	December 31, 2021 (Audited)
--	-----------------------------------

Note

20 DEFERRED GRANTS

Opening balance		4,787,054	12,384,504
Grants received from			
SBP	20.1	870,600	2,390,890
KfW	20.2	-	3,294,561
Karandaz	20.3	-	7,500,000
		870,600	13,185,451
Interest income		52,326	205,984
Amortization of grants during the year		(2,579,300)	(20,988,885)
		3,130,680	4,787,054

- 20.1 This represents grant received from State Bank of Pakistan (SBP) under the Financial Innovation Challenge Fund (FICF) for activities related to establishment of Islamic Banking.

- 20.2 This represents grant received under an agreement with KfW-Germany (a former shareholder of the Bank) through Economic Affairs Division of Government of Pakistan for the purpose of institutional strengthening, to develop and strengthen its overall strategy and planning process, internal procedures, banking functions, product offerings and staff capacities of the Bank.

- 20.3** This represents grant received from Karandaz Pakistan for financial inclusion of women at village level by introducing female agents. The main purpose is to provide a new window of earning opportunity for women, while also fostering financial inclusion and ecosystem development in accordance with relevant provisions of agreement.

21 MEMORANDUM / OFF BALANCE SHEET ITEMS

21.1 Contingencies

- i) The income tax assessment for the tax years 2013 and 2014 were amended by the Additional Commissioner Inland Revenue (ADCIR) by making certain disallowances and add backs including, apportionment of income and expenses between exempt and taxable period, disallowance of provision against non performing loans, bad debts written off etc. and created an aggregate tax demand of Rs 362.34 million. The Bank filed appeal against the order of ADCIR before CIR (A) who remanded the case back to ADCIR for reassessment. The Bank has preferred appeal against the decision of CIR (A) before the Appellate Tribunal, Inland Revenue (ATIR). The appeals stand heard by ATIR and is remanded back to CIR(A).
- ii) The income tax assessment for the tax year 2018 was amended by the Assessing Officer Inland Revenue, whereby net tax demand of Rs 52.30 million was raised. Major issues on which assessment was amended include disallowing the difference between provision against non-performing loans and actual write-offs against the aforesaid provision, partial disallowance of accounting gain on sale of assets, disallowance of charge for employees' leave encashment scheme and disallowance for foreign tax credit. The Bank has filed appeal with the Commissioner Inland Revenue (Appeals) [CIR(A)] which has been decided against the bank. The bank has filed appeal before the ATIR against order of the CIR (A) which is pending adjudication till date.
- iii) The income tax assessment for the tax year 2016 was amended by the ADCIR whereby net tax demand of Rs 103.86 million was raised. Major issues on which assessment was amended are apportionment of expenses between income covered under normal tax regime (NTR) and final tax regime (FTR), disallowance of bad debts written off, disallowance of provision against non performing loans and advances, reconciliation difference between bad debts written off and provision against non-performing loans, disallowance of minimum tax brought forward, disallowance of prior years' tax refunds and wrong application of tax rate on taxable income so worked out. The Bank has filed a suit in LHC which has granted stay subject to deposit of 10% of tax. The Bank has also filed appeal before CIR (A) who decided the issues with respect to disallowance of bad debts written off and reconciliation of differences between bad debts written off and provision against non-performing loans in favor of NRSP Bank. However, the issue of apportionment of expenses between NTR and FTR and disallowances of provision against non-performing loans and advances, the CIR(A) has remanded the case back. The remand back proceedings have been initiated and order has been passed by disallowing Provision net of Write off. CIR also has further amended the order by charging surcharge for amounting Rs. 22m. The Bank has filed Appeal to CIR(A) and also filed an application of Rectification u/s 221. As per Management assessment the maximum exposure contested against this order is 6.2 million which relates to Disallowance of Provision for Non performing loans.
- iv) Tax authorities of the Punjab Revenue Authority (PRA) have passed the Order in Original NO NRSP/2020 dated February 03, 2020 whereby demand for Punjab Sales Tax amounting to Rs 86.4 million along with a 100% penalty amounting to Rs. 86.4 million, have been raised for alleged inadmissible claim of input tax credit without apportionment between taxable services i.e. fee, commission and brokerage income and non-taxable services i.e. mark-up receipts during the financial years 2012, 2013, 2014, 2015 and 2018. The Bank has preferred appeal against the order along with stay application before the Commissioner (Appeals) PRA which is pending disposal.

- v) The Inland Revenue authorities have concluded the tax audit proceedings initiated under section 177 of the Ordinance for the Tax Year 2015. Expenses in nature of training, meeting and conferences, markup, provision against non-performing loans and actuarial loss on employee's retirement benefit were partially disallowed thereby raising tax demand of Rs 8.55 million. The Bank has already paid Rs. 5m. The Bank being aggrieved with the decision filed appeal before CIR (A). Appeal has been heard by the CIR(A) which is decided against the Bank. Being aggrieved by the decision of CIR(A), the Bank has filed an appeal with ATIR which is heard and waiting for decision.
- vi) Tax authorities of the Sindh Revenue Board (SRB) have passed the Order in Original NO 502 of 2022 dated Mar 10, 2022 whereby demand for Sindh Sales Tax amounting to Rs 0.81 million and penalty of Rs 0.04 million have been raised for alleged short payment of sales tax during the year Jan-13 to Dec-13. Being aggrieved by the decision of the Commissioner the Bank has filed an appeal before CIR(A) which is pending disposal.
- vii) Tax authorities of the Sindh Revenue Board (SRB) have passed the Order in Original NO 1116 of 2022 dated May 20, 2022 whereby demand for Sindh Sales Tax amounting to Rs 29.81 million and penalty of Rs 1.5 million have been raised for alleged short payment of sales tax during the year Jan-14 to Dec-14. Being aggrieved by the decision of the Commissioner the Bank has filed an appeal before CIR(A) which is pending disposal.
- viii) The Bank is defending its stance in various tax proceedings before federal and provincial regulators for which proceedings are not yet culminated.

The management, based on the opinion of its legal counsels, believes that the above mentioned matters are most likely to be decided in favor of the Bank at superior appellate forums and further charge is not required to be recognized and carried in these matters in the financial statements.

21.2 Commitments:

There are no known material capital and other commitments as at June 30, 2022 (2021: Nil).

		Half Year Ended	
		June 30, 2022	June 30, 2021
		-----Rupees-----	
22	MARK-UP / RETURN / INTEREST EARNED		
	Interest / mark-up on:		
	- Advances	868,576,906	2,889,181,438
	- Mark-up discount	(442,777,113)	-
		425,799,793	2,889,181,438
	- Lending to financial institutions	1,050,500	43,427,037
	- Investments in government securities	226,248,114	273,176,956
	- Deposits accounts, placements with other banks / financial institutions	283,610,114	244,681,052
	- Employees' loan	5,973,457	3,907,811
	Profit on Islamic financing	733,932,868	577,161,584
	Income from Government Subsidy Scheme	60,738,327	-
		<u>1,737,353,173</u>	<u>4,031,535,878</u>

22.1 The Bank, during the period, adopted a policy to waive off the markup for overdue period to improve recovery from its customers and to reduce the potential loss in the future. This amount relates to the waiver provided to customers in this regard.

22.2 This income relates to the subsidy received from the government regarding the Government's Markup Subsidy Scheme on Housing Finance and the Kamyab Pakistan Program of the federal government of Pakistan.

		Half Year Ended	
		June 30, 2022	June 30, 2021
23	MARK-UP / RETURN / INTEREST EXPENSED		
	Deposits	1,229,692,651	1,527,866,376
	Profit Sharing Islamic Deposits	251,820,906	258,872,402
	Borrowings	316,229,861	108,844,176
	Amortization of loan processing fee on borrowings	1,939,922	1,234,890
	Finance lease charges	61,177,795	63,513,336
	Other costs of deposits	1,740	5,025
		<u>1,860,862,875</u>	<u>1,960,336,205</u>

23.1 Mark-up expense on deposits includes amount of Rs 157.34 million (2021: 224.43 million) in respect of deposit account balances of related parties as disclosed in note 33.

23.2 It includes an amount of Rs 105.29 million (2021: Rs 36.68 million) in respect of markup expense on subordinated loans.

		Half Year Ended	
		June 30, 2022	June 30, 2021
		-----Rupees-----	
24	FEE, COMMISSION AND BROKERAGE INCOME		
	Loan processing fee on advances	197,074,449	305,470,473
	Other banking services fee	37,215,338	50,812,732
	Commission Income	5,235,441	4,327,605
		<u>239,525,228</u>	<u>360,610,810</u>

Half Year Ended	
June 30, 2022	June 30, 2021
-----Rupees-----	

25 OTHER INCOME - NET

Note		
	Investment income	- 122,463
	Amortization of deferred grant	2,579,300 8,849,349
20	Gain/(loss) on disposal of fixed assets	133,472 (401,905)
	Un-realized (loss)/ gain on derivative financial instrument	- (14,573,523)
	Un-realized exchange gain/ (loss) on borrowings	- 12,714,334
	Gain / (loss) on termination of leased agreements	17,257 (1,319,021)
	Capital gain/(loss) on investments	(41,237) -
	Write off recovered	707,860,054 242,259,986
	Other services income	20,827,970 4,611,228
		<u>731,376,816 252,262,911</u>

26 ADMINISTRATIVE EXPENSES

	Staff salaries and benefits	756,986,472 791,668,656
	Charge for defined benefit plans	51,873,867 81,423,575
	Contribution for defined contribution plan	42,378,340 44,315,368
	Incentives	82,084,709 77,965,336
	Non-Executive directors' fee	1,850,000 1,700,000
	Trainings	1,610,312 2,591,899
	Legal and professional charges	40,261,990 13,262,052
	Communication	38,932,383 35,702,308
	Postage, courier etc.	6,168,188 5,346,203
	Verification fee	9,241,650 11,079,457
	Repair and maintenance	15,456,417 19,448,378
	Stationary and printing	24,752,211 22,893,915
	Advertisement and publicity	1,683,735 3,671,345
	Depreciation	12.2 71,742,081 86,590,671
	Amortization of intangibles	12.4 21,633,656 27,876,512
	Amortization of right of use assets	12.3 60,225,412 64,519,047
	Staff travel	6,653,138 6,927,372
	Fuel and power	48,363,676 41,630,966
	Vehicle running and maintenance	11,545,837 10,431,185
	Office supplies	3,024,655 4,563,122
	Meetings and conferences	10,662,804 10,560,789
	Utilities	38,208,685 29,198,291
	Flex Cube Maintenance Fee	42,052,197 30,904,018
	Insurance expenses	42,879,091 63,109,159
	Security and administration	59,559,846 54,697,810
	Auditor's remuneration	26.1 2,678,075 1,136,250
	Corporate social responsibility	293,660 220,384
	Credit Guarantee Expense	82,220 -
	Miscellaneous expenses	13,137,534 11,710,545
		<u>1,506,022,841 1,555,144,613</u>

27 OTHER CHARGES

	Penalties imposed by the State Bank of Pakistan	379,000 102,000
	Provision for Workers' Welfare Fund	4,236,174 6,750,754
		<u>4,615,174 6,852,754</u>

Half Year Ended	
June 30, 2022	June 30, 2021
-----Rupees-----	

28 TAXATION

Current tax:

- Current year
- Prior year

Deferred tax

52,849,232	107,112,283
17,577,150	-
70,426,382	107,112,283
(246,767,267)	(57,159,895)
<u>(176,340,885)</u>	<u>49,952,388</u>

29 EARNINGS PER SHARE

Profit after taxation (Rupees)

Weighted average ordinary shares (Number)

Basic and diluted earning per share (Rupees)

(448,254,132)	237,033,969
149,837,201	149,837,201
(2.99)	1.58

30 CASH AND CASH EQUIVALENTS

Cash and balances with SBP and NBP

Balances with other banks / NBFIs / MFBS

8	2,072,954,070	3,202,192,031
9	4,092,049,725	5,651,110,253
	<u>6,165,003,795</u>	<u>8,853,302,284</u>

Credit/ sales staff	Banking /support staff	Total
----- Number -----		

31 NUMBER OF EMPLOYEES

For the period ended June 30 , 2022

Permanent

Temporary / contractual

1,360	648	2,008
224	115	339
<u>1,584</u>	<u>763</u>	<u>2,347</u>

Daily Wages

83	342	425
<u>1,667</u>	<u>1,105</u>	<u>2,772</u>

For the year ended December 31 , 2021

Permanent

Temporary / contractual

1,423	704	2,127
227	61	288
<u>1,650</u>	<u>765</u>	<u>2,415</u>

Daily Wages

45	336	381
<u>1,695</u>	<u>1,101</u>	<u>2,796</u>

32 NUMBER OF BRANCHES/SERVICE CENTRES

Branches	Service centers
----- Number -----	

Branches at beginning of the year

Add: Opened during the year

Less: Closed / merged during the year

As at end of the year

150	-
-	-
(3)	-
<u>147</u>	<u>-</u>

32.1 These include 40 (2021: 40) branches of the Bank's Islamic Microfinance Division.

33 BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The Bank is a subsidiary of National Rural Support Program (NRSP) which holds 57.4% share capital of the Bank while the other major shareholders of the Bank include International Finance Corporation (IFC), PROPARCO France, and Acumen Fund USA with a total collective shareholding of 43%. Therefore, all subsidiaries and associated undertakings of NRSP are related parties of the Bank. Other related parties include staff retirement benefits, directors, key management personnel which include CEO and Head of Departments (HOD's), and entities under common directorship. All transactions involving related parties are subject to the approval of the Board of Directors.

Details of significant transactions and balances with related parties at the period end, other than those disclosed elsewhere in these financial statements are as follows:

		Half Year Ended	
		June 30, 2022	June 30, 2021
		Rupees	
Transactions during the year:	Relationship with related party		
Markup paid to related parties on deposit accounts (net of tax)			
National Rural Support Program (NRSP)	Parent Organization	2,283	805
Institute of Rural Management (IRM)	Parent Company's Subsidiary	17,927	3,257
Employees' Gratuity Fund	Employees' Trust	22,393,422	14,784,669
Employees' Provident Fund Trust	Employees' Trust	8,351,160	4,192,121
Employees' Welfare Trust	Employees' Trust	1,382,783	436,994
Employee Housing Colony	Employees' Trust	40,050	20,187
NRSP Contributory Provident Fund	Parent Company's Employees' Trust	56,111,569	89,002,512
NRSP Employees Gratuity Fund Trust	Parent Company's Employees' Trust	68,821,702	83,248,526
NRSP Rohi Handlooms	Parent Company's Project	68	72
NRSP Natural Resource Management	Parent Company's Project	1,355	1,452
Rural Support Programmes Network (RSPN)	Common Directorship	382	82
Sindh Rural Support Organization	Common Directorship	-	17,520,227
SRSO UC BPRP Enterprise	Common Directorship	-	36,859
Ghazi Brotha Taraqiati Idara	Common Directorship	-	1,070,758
BRSP Endowment Funds	Common Directorship	-	34,483,796
NRSP Green Forest Private Limited	Parent Company's Subsidiary	22,579	8,200
NRSP Agriculture Processing (Pvt.) Ltd.	Parent Company's Subsidiary	192,486	1,471,231
AJK Rural Support Programme	Common Directorship	-	1,357,701
Agha Khan Rural Support Programme	Common Directorship	-	937,294
Pakistan Microfinance Network	Common Directorship	-	-

		Half Year Ended	
		June 30, 2022	June 30, 2021
		Rupees	
Markup received from related parties on deposit accounts (net of tax)			
Dubai Islamic Bank Limited (DIBL)	Common Directorship	13,370,289	53,322,796
Silk Bank Limited (SBL)	Common Share holder	26,895,254	32,336,051
Bank Alfalah (BAFL)		-	26,903,074
Contribution to employees' gratuity fund	Employees' Trust	47,517,293	81,423,575
Contribution to employees' provident fund	Employees' Trust	60,500,280	44,315,368
Remuneration paid to key management personnel:			
Managerial remuneration		21,622,979	32,146,070
Rent and house maintenance		9,730,349	14,465,737
Utilities		2,162,308	3,214,607
Conveyance		2,162,308	3,214,607
Leave encashment		1,438,134	2,144,422
Other allowance		627,000	717,000
Medical		536,450	2,092,287
Bonus/Incentive		4,203,825	1,876,289
Charge for defined benefit plan		2,925,774	4,342,785
Contribution to defined contribution plan		2,162,305	3,214,600
Remuneration paid to non-executive directors		1,850,000	1,700,000

	June 30, 2022	December 31, 2021
	Rupees	

Balances Outstanding as at June 30, 2022

Payable to NRSP	Parent Organization	140,231,068	132,318,127
Sub-ordinated Debt from KfW	Associated Company	672,360,000	672,360,000
Markup accrued on Sub-ordinated Debt from KfW	Associated Company	525,054,412	474,376,211
Bank balance with Dubai Islamic Bank Limited	Common Directorship	408,676,819	236,214,574
Markup receivable from Dubai Islamic Bank Limited	Common Directorship	5,513,854	1,948,027
Payable to employees' gratuity fund	Employees' Trust	16,739,502	18,112,194
Payable to staff leave encashment fund	Employees' Trust	192,124,543	188,806,772
Payable to employees' provident fund	Employees' Trust	496,142	496,178
Balance Maintained with Silk Bank Limited	Common Share holder	644,932,657	408,042,648
Markup receivable from Silk Bank Limited	Common Share holder	271,233	-
Borrowing from Bank Alfalah Limited	Common Directorship	499,000,000	499,500,350

June 30, 2022	December 31, 2021
-----Rupees-----	

Deposits accounts contain amounts relating to following related parties:

Institute of Rural Management (IRM)	Parent Company's Subsidiary	5,910,538	1,638,488
Employees' Gratuity Fund	Employees' Trust	478,651,829	456,258,407
Employees' Provident Fund Trust	Employees' Trust	576,405,173	576,430,271
Employees' Welfare Trust	Employees' Trust	21,455,174	33,267,878
Employee Housing Colony	Employees' Trust	1,200,485	1,086,161
NRSP Contributory Provident Fund	Parent Company's Employees' Trust	306,481	641,706,666
NRSP Employees Gratuity Fund Trust	Parent Company's Employees' Trust	466,408	762,520,737
NRSP Rohi Handlooms	Parent Company's Project	3,460	3,393
NRSP Natural Resource Management	Parent Company's Project	107,870	146,121
Rural Support Programmes Network (RSPN)	Common Directorship	10,302	9,920
Pakistan Microfinance Network	Common Directorship	-	-
National Rural Support Programme	Parent Organization	56,199	53,916
NRSP Green Forest (Pvt.) Limited	Parent Company's Subsidiary	660,333	637,754
NRSP Agriculture Processing Company Limited	Parent Company's Subsidiary	706,721	76,167
Key management personnel		14,261,637	23,137,709

34 Subsequent Events

Subsequent to the period end, severe rains and flooding has impacted almost one third of Pakistan, which has caused destruction of infrastructure, displaced million of people and impacted the social and commercial lives. As the bank is also operating in flood affected areas and is exposed to potential credit loss due to the fact that said calamity is likely to impact the borrowers' ability to repay advances of the Bank. Management has initiated the process of assessing impact of said calamity on its portfolio, however, an assessment of probable loss is not possible at this stage.

35 GENERAL

35.1 Figures have been rounded off to nearest rupee.

35.2 Corresponding figures have been re-arranged and reclassified for more appropriate presentation where necessary, the impact of which is not material.

36 DATE OF APPROVAL

These condensed interim financial statements were approved and authorized by the Board of Directors of the Bank in their meeting held on _____.

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President/ Chief Executive



Director

NRSP MICROFINANCE BANK LIMITED
CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2022

Key figures of the Islamic Microfinance Division, as referred to in note 2.3 of the financial statements.

Balance sheet as at June 30, 2022.

	June 30, 2022	December 31, 2021
	Rupees	Rupees
ASSETS		
Cash and Balances with SBP and NBP	651,462,465	1,217,845,923
Balances with Other Banks/NBFIs/MFBs	908,934,224	674,736,012
Investment- net of provisions	299,133,042	298,978,743
Islamic Financing and related assets - net of provisions	7,678,634,201	7,048,622,506
Operating fixed assets	444,916,230	469,196,203
Other assets	312,590,122	214,886,938
Total Assets	10,295,670,284	9,924,266,325
LIABILITIES		
Deposits and other accounts		
- Current accounts	1,067,643,916	917,616,091
- Saving accounts	1,732,753,628	2,270,588,018
- Term deposits	3,014,695,399	3,366,237,599
	5,815,092,943	6,554,441,708
Other Liabilities	3,060,805,697	2,085,778,711
Total Liabilities	8,875,898,640	8,640,220,419
NET ASSETS	1,419,771,644	1,284,045,906
REPRESENTED BY:		
Islamic Banking Fund	440,000,000	440,000,000
Unappropriated profit	979,771,644	844,045,906
	1,419,771,644	1,284,045,906

Remuneration of the Shariah Advisor

1,200,000 **1,200,000**



President/ Chief Executive



Director

NRSP MICROFINANCE BANK LIMITED
CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2022

Key figures of the Islamic Microfinance Division, as referred to in note 2.3 of the financial statements.

Profit and loss account for the half year ended June 30, 2022.

	June 30, 2022 Rupees	June 30, 2021 Rupees
Profit / return earned	774,364,674	722,801,701
Profit / return expensed	(251,820,907)	(258,872,402)
Net profit / return / income	522,543,767	463,929,299
Provisions against non-performing financing	(136,545,317)	(129,250,598)
Bad debts written off directly	(836,239)	(507,641)
	(137,381,556)	(129,758,239)
Net return earned after provisions	385,162,211	334,171,060
OTHER INCOME		
Fee, Commission and brokerage income	27,820,450	37,909,237
Total other income	412,982,661	372,080,297
OTHER EXPENSES		
Administrative expenses	(277,256,923)	(320,436,175)
	135,725,738	51,644,122
Extraordinary/unusual items	-	-
PROFIT BEFORE TAXATION	135,725,738	51,644,122



President/ Chief Executive



Director