

**NRSP MICROFINANCE BANK LIMITED
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR SIX MONTHS ENDED JUNE 30, 2023**



YOUSUF ADIL

Yousuf Adil
Chartered Accountants

INDEPENDENT AUDITORS' REVIEW REPORT

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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, 2023 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 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 matters

Material uncertainty related to going concern

We draw attention to Note 1.1 to the condensed interim financial statements, which indicates that the Bank has accumulated losses of Rs. 2,238 million as at June 30, 2023 (December 31, 2022: Rs. 2,530 million). The Bank was not complaint with regulatory requirements of minimum paid up capital (free of losses) and the capital Adequacy Ratio as at June 30, 2023 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's business plan and Parent Company's commitment for equity injection and unconditional financial support, the management believes that bank is a going concern. Accordingly, condensed interim financial statements have been prepared on going concern basis.



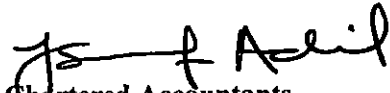
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Deferred tax asset

We draw attention to Note 15 to the condensed interim financial statements, which describes that management has recognized deferred tax asset of Rs 3,265 million as at June 30, 2023 (December 31, 2022: Rs. 3,362 million). Based on Financial Projections for future years, approved by the Board, the management believes that, the bank will be able to realize the deferred tax asset. The preparation of projections involves management's assumptions regarding future business and economic conditions and therefore any significant change in such assumptions or actual outcome that is different from assumptions may have an effect on the recoverability of the deferred tax in future. Our conclusion is not modified in respect of this matter.

The engagement partner on the review resulting in this independent review report is Shahzad Ali.


Chartered Accountants

Islamabad

Date: August 25, 2023

UDIN: RR202310134PARMNBjoY

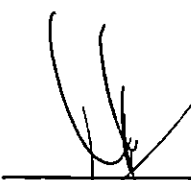
NRSP MICROFINANCE BANK LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT JUNE 30, 2023

	Note	June 30, 2023 (Un-audited)	December 31, 2022 (Audited)
----- Rupees -----			
ASSETS			
Cash and balances with SBP and NBP	8	2,413,950,375	1,819,603,458
Balances with other Banks/ NBFIs /MFBs	9	3,282,666,966	4,369,152,215
Lending to financial institutions	10	-	-
Investments - net of provisions	11	3,540,652,694	2,435,811,437
Advances - net of provision	12	29,248,639,578	28,027,829,813
Operating fixed assets	13	1,314,694,826	1,356,094,857
Other assets	14	3,029,961,501	2,820,455,701
Deferred tax asset - net	15	3,265,427,769	3,361,981,972
Total Assets		46,095,993,709	44,190,929,453
LIABILITIES			
Deposits and other accounts	16	34,148,095,826	32,444,154,687
Borrowings	17	3,124,971,808	5,144,971,811
Subordinated debt	18	1,442,360,000	1,442,360,000
Other liabilities	19	5,868,000,588	5,066,848,062
Deferred tax liability - net		-	-
Total liabilities		44,583,428,222	44,098,334,560
Net assets		1,512,565,487	92,594,893
REPRESENTED BY			
Share capital	20	1,498,372,010	1,498,372,010
Advance against issue of shares		1,000,000,000	-
Statutory reserve		898,365,797	815,766,515
Depositors' protection fund		353,270,082	305,381,345
Unappropriated profit / (loss)		(2,238,866,280)	(2,530,558,517)
		1,511,141,609	88,961,353
Deficit on revaluation of assets		(1,536,184)	-
Deferred grants	21	2,960,062	3,633,540
Total capital		1,512,565,487	92,594,893
MEMORANDUM/ OFF-BALANCE SHEET ITEMS	22		

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



 President/ Chief Executive Officer



 Director

NRSP MICROFINANCE BANK LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2023

		Half Year Ended	
		June 30, 2023	June 30, 2022
		Restated	
		----- Rupees -----	
Note			
	Mark-up/ return/ interest earned	23 4,376,230,884	1,737,353,173
	Mark-up/ return/ interest expensed	24 (2,625,265,408)	(1,860,862,875)
	Net mark-up/ interest income	1,750,965,476	(123,509,702)
	Provision against non-performing loans and advances	12.3 (504,217,618)	(2,211,624,324)
	Provision for demuntion in the value of investments	-	-
	Bad debts written off directly - net of insurance recoveries	12.4 (8,673,042)	(6,333,144)
		(512,890,660)	(2,217,957,468)
	Net mark-up/ interest income after provisions	1,238,074,816	(2,341,467,170)
	NON MARK-UP/ NON INTEREST INCOME		
	Fee, commission and brokerage income	25 289,181,582	239,525,228
	Dividend income	-	-
	Other income - net	26 731,388,032	731,376,816
	Total non mark-up/ non interest income	1,020,569,614	970,902,044
	NON MARK-UP/ NON INTEREST EXPENSES		
	Administrative expenses	27 (1,620,133,255)	(1,506,022,841)
	Other charges	28 (9,144,709)	(4,615,174)
	Total non mark-up/ non interest expenses	(1,629,277,964)	(1,510,638,015)
		629,366,466	(2,881,203,141)
	Extra ordinary/ unusual items	-	-
	PROFIT/ (LOSS) BEFORE TAXATION	629,366,466	(2,881,203,141)
	Taxation - Current	29 (119,815,852)	(52,849,232)
	Prior year	-	(17,577,150)
	Deferred	(96,554,203)	991,447,971
		(216,370,055)	921,021,589
	PROFIT/ (LOSS) AFTER TAXATION	412,996,411	(1,960,181,552)
	Unappropriated profit/ (loss) brought forward	(2,530,558,517)	1,693,039,358
	Less: Other comprehensive income	(18,055,071)	(30,102,399)
	Profit available for appropriation	(2,135,617,177)	(297,244,593)
	APPROPRIATIONS		
	Transfer to:		
	Statutory reserve	(82,599,282)	-
	Depositors' protection fund	(20,649,821)	-
		(103,249,103)	-
	Unappropriated profit/ (loss) carried forward	(2,238,866,280)	(297,244,593)
	Earnings/ (loss) per share	30 2.76	(13.08)

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



 President/ Chief Executive Officer



 Director

NRSP MICROFINANCE BANK LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2023

	<u>Half Year Ended</u>	
	<u>June 30, 2023</u>	<u>Restated June 30, 2022</u>
Note	----- Rupees -----	
Profit/ (loss) after taxation	412,996,411	(1,960,181,552)
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	(18,055,071)	(30,102,399)
Comprehensive income transferred to equity	<u>394,941,340</u>	<u>(1,990,283,951)</u>
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	(1,536,184)	1,710,893
Total comprehensive income	<u>393,405,156</u>	<u>(1,988,573,058)</u>

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



President/ Chief Executive Officer



Director

NRSP MICROFINANCE BANK LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2023

	Note	Share capital	Advance against future issue of right shares	Capital reserves		Revenue reserve	Total
				Statutory reserve	Depositors' protection fund	Unappropriated profit	
Rupees							
Balance as at January 01, 2022		1,498,372,010	-	815,766,515	269,646,194	1,693,039,358	4,276,824,077
Loss for the Period (Restated)	35	-	-	-	-	(1,960,181,552)	(1,960,181,552)
Other comprehensive income/ (loss) for the year		-	-	-	-	(30,102,399)	(30,102,399)
Total comprehensive income for the year		-	-	-	-	(1,990,283,951)	(1,990,283,951)
Transfer to statutory reserve		-	-	-	-	-	-
Transfer to depositors' protection fund:		-	-	-	-	-	-
- 5% of the profit after tax for the year		-	-	-	-	-	-
- Return on investments - net of tax		-	-	-	14,780,995	-	14,780,995
		-	-	-	14,780,995	-	14,780,995
Balance as at June 30, 2022 (Restated)	35	1,498,372,010	-	815,766,515	284,427,189	(297,244,593)	2,301,321,121
Loss for the year		-	-	-	-	(2,258,112,316)	(2,258,112,316)
Other comprehensive income/ (loss) for the year		-	-	-	-	24,798,392	24,798,392
Total comprehensive income for the year		-	-	-	-	(2,233,313,924)	(2,233,313,924)
Transfer to statutory reserve		-	-	-	-	-	-
Transfer to depositors' protection fund:		-	-	-	-	-	-
- 5% of the profit after tax for the year		-	-	-	-	-	-
- Return on investments - net of tax		-	-	-	20,954,156	-	20,954,156
		-	-	-	20,954,156	-	20,954,156
Balance as at December 31, 2022		1,498,372,010	-	815,766,515	305,381,345	(2,530,558,517)	88,961,353
Loss for the year		-	-	-	-	412,996,411	412,996,411
Other comprehensive income/ (loss) for the year		-	-	-	-	(18,055,071)	(18,055,071)
Total comprehensive income for the year		-	-	-	-	394,941,340	394,941,340
Advance against issue of shares		-	1,000,000,000	-	-	-	1,000,000,000
Transfer to statutory reserve		-	-	82,599,282	-	(82,599,282)	-
Transfer to depositors' protection fund:		-	-	-	-	-	-
- 5% of the profit after tax for the year		-	-	-	20,649,821	(20,649,821)	-
- Return on investments - net of tax		-	-	-	27,238,916	-	27,238,916
		-	-	-	47,888,737	(20,649,821)	27,238,916
Balance as at June 30, 2023		1,498,372,010	1,000,000,000	898,365,797	353,270,082	(2,238,866,280)	1,511,141,609

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


President/ Chief Executive Officer


Director

NRSP MICROFINANCE BANK LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2023

	Half Year Ended	
	June 30, 2023	June 30, 2022 Restated

Note

----- Rupees -----

CASH FLOW FROM OPERATING ACTIVITIES

Profit / (Loss) before taxation	629,366,466	(2,881,203,141)
Less : Dividend income	-	-
	629,366,466	(2,881,203,141)

Adjustments for non-cash changes

Depreciation	59,950,531	71,742,081
Amortization (IFRS-16)	63,950,230	60,225,412
Amortization	16,526,282	21,633,656
Provision against non-performing advances	504,217,618	2,211,624,324
Advances directly written-off - net of insurance recoveries	8,673,042	6,333,144
Gain on sale/ redemption of securities	(213,239,501)	(226,206,877)
Gain on sale of fixed assets	(20,125,022)	(133,472)
Loss on Termination of Leased Agreements	(8,973,047)	(17,257)
Finance charges on leased assets	57,659,444	61,177,795
Amortization of deferred grants	(11,643,034)	(2,579,300)
Provision for gratuity and leave encashment	45,958,861	51,873,867
	502,955,204	2,255,673,373

(Increase)/ decrease In operating assets

Advances	(1,733,700,426)	(2,683,043,516)
Other assets (excluding advance taxation)	(200,341,553)	1,636,720,289
	(1,934,041,979)	(1,046,323,227)

Increase/ (decrease) In operating liabilities

Bills payable	(52,692,782)	17,556,392
Borrowings from financial institutions	(2,020,000,003)	(947,314,278)
Deposits	1,703,941,139	(3,746,769,453)
Other liabilities (excluding bills payable, current taxation, gratuity and leave encashment, finance lease)	874,482,912	151,780,313
	505,731,266	(4,524,747,026)

Payment against provision held against off- balance sheet obligations

	-	-
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Income tax paid

	(181,804,307)	(119,319,601)
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Gratuity and leave ensachment paid (including contributions)

	(69,765,301)	(54,976,144)
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Net cash flow from operating activities

	(547,558,651)	(6,370,895,766)
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CASH FLOW FROM INVESTING ACTIVITIES

Net investment in available-for-sale securities	(882,749,608)	1,334,074,303
Net investment in held-to-maturity securities	(10,388,340)	2,031,395,701
Investment in operating fixed assets	(13,517,568)	(113,848,275)
Interest income on depositors' protection fund	27,238,916	514,278
Sale proceeds from property and equipment disposed-off	21,113,122	-
	(858,303,478)	3,252,136,007

CASH FLOW FROM FINANCING ACTIVITIES

Grants received	10,969,553	922,926
Proceeds against issue of shares	1,000,000,000	-
Net payments of lease obligations	(97,245,756)	(135,245,967)

Net cash flow from/ (used in) financing activities

	913,723,797	(134,323,041)
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Increase/ (decrease) In cash and cash equivalents

	(492,138,332)	(3,253,082,800)
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Cash and cash equivalents at the beginning of the year

	6,188,755,673	9,418,086,595
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Cash and cash equivalents at the end of the year

	5,696,617,341	6,165,003,795
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The annexed notes from 1 to 37 form an integral part of these financial statements.



 President/ Chief Executive Officer



 Director

NRSP MICROFINANCE BANK LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2023

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 135 (2022: 145) as at the period end including 37 (2022: 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 Accumulated losses of Rs. 2,238 million (December 31, 2022: 2,530 million) whereas the Capital Adequacy Ratio (CAR) of the Bank has been reduced to a negative ratio of 11.51% as against prescribed minimum level of 15%.

These conditions create a concern on the Bank's ability to continue as going concern. Therefore, the Bank devised a business plan in collaboration with the Parent Company to seek additional equity injection of over Rupees Two Billion in the foreseeable future so that minimum paid-up capital requirement and regulatory CAR threshold is maintained and the Bank achieves growth and profitability. The Parent Company has confirmed its commitment for equity injection and placed a share deposit money of Rupees One Billion which shall be converted to share capital ensuing the completion of regulatory requirements. Further, the Parent Company also confirmed unconditional financial support to the Bank to continue as going concern. Based on recent results especially the profitability, the Bank estimates to be fully compliant to the regulatory requirements in the foreseeable future. Therefore, the management believes that in view of above, the Bank shall be able to continue as a going concern, accordingly, these financial statements have been prepared on a going concern basis.

2 BASIS OF PRESENTATION

- 2.1** These condensed interim financial statements 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 and 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, 2022.

2.2 The financial results of the Islamic Microfinance Division (IMD) of the Bank have been consolidated in these condensed interim 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 condensed interim 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 Accounting Standards (IAS) 34 - 'Interim Financial Reporting' 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 condensed interim 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, 2023. 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, 2022.

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, 2022.

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, 2022.

		June 30, 2023	December 31, 2022
		(Unaudited)	(Audited)
	Note	----- Rupees -----	
8 CASH AND BALANCES WITH SBP AND NBP			
Cash in hand		558,570,832	616,249,507
Balance with State Bank of Pakistan	8.1	1,123,676,318	905,594,652
Balances with National Bank of Pakistan in			
Current accounts		60,658,484	13,356,808
Deposit accounts		671,044,741	284,402,491
		<u>2,413,950,375</u>	<u>1,819,603,458</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% (2022: 5%) of the Bank's demand deposits and time deposits with tenor of less than one year.

		June 30, 2023	December 31, 2022
		(Unaudited)	(Audited)
	Note	----- Rupees -----	
9 BALANCES WITH OTHER BANKS			
In Pakistan			
Local currency current accounts	9.1	38,950,906	42,362,475
Local currency deposit accounts	9.2	2,221,216,060	3,726,789,740
Local currency term deposits	9.3	1,022,500,000	600,000,000
		<u>3,282,666,966</u>	<u>4,369,152,215</u>

9.1 These represent deposits with commercial banks and Islamic banks payable on demand maintained in current account.

9.2 These represent deposits with commercial banks and Islamic banks payable on demand carrying mark-up/profit ranging from 5% to 21.50% (2022: 7.25% to 16.70%) per annum.

9.3 This carries mark-up/profit at the rate of 21% (2022: 18%) and is due to mature in April 2024.

		June 30, 2023	December 31, 2022
		(Unaudited)	(Audited)
	Note	----- Rupees -----	
10 LENDING TO FINANCIAL INSTITUTIONS			
Call money lendings		-	-
Repurchase agreement lendings (Reverse repo)		-	-
		<u>-</u>	<u>-</u>

		June 30, 2023	December 31, 2022
		(Unaudited)	(Audited)
		----- Rupees -----	-----
11	INVESTMENTS - NET OF PROVISIONS		
	Held to maturity		
	Federal Government Securities		
	Market treasury bills (MTBs)	11.1	2,347,730,602
	Ijarah Sukuks	11.2	311,708,676
			2,659,439,278
			2,125,832,104
			309,979,333
			2,435,811,437
	Term Deposit Receipts (TDRs)		-
			-
			2,659,439,278
			2,435,811,437
	Available for sale		
	Federal Government Securities		
	Market treasury bills (MTBs)	11.3	882,749,600
	Deficit on revaluation of available for sale investments		(1,536,184)
			881,213,416
			-
			-
	Held for trading		
	Mutual funds		-
			-
			3,540,652,694
			2,435,811,437

11.1 The T-Bills carry mark up at the rate of 20.11% to 21.97% (2022: 15.60% to 16.95%) per annum and are due to mature in July and September 2023. These also include investment held for the purposes of Depositors' Protection Fund with a carrying amount of Rs 304.95 million (2022: Rs 287.324 million) that carries markup at the rate of 21.97% (2022: 16.95%) per annum and is due to mature in September 2023.

11.2 Ijarah sukuks carry mark up at the rate of 17.65% to 21.84% (2022: 7% to 15%) per annum and are due to mature in 2025.

11.3 The T-Bills carry mark up at the rate of 21.60% to 21.94% (2022: Nil) per annum and are due to mature in July and August 2023.

12 ADVANCES - NET OF PROVISION

Loan type	Note	June 30, 2023 (Unaudited)		December 31, 2022 (Audited)	
		Number	Rupees	Number	Rupees
Micro credit		214,775	23,382,535,306	241,509	23,793,928,706
Islamic financing		17,332	9,364,065,222	17,443	8,591,678,908
		232,107	32,746,600,528	258,952	32,385,607,614
Less: Provision held					
Specific		56,696	(3,302,077,810)	68,224	(4,156,658,205)
General					
Mandatory	12.2		(195,883,140)		(201,119,596)
Additional			-		-
			(3,497,960,950)		(4,357,777,801)
Advances - net of provisions			<u>29,248,639,578</u>		<u>28,027,829,813</u>

12.1 Particulars of non performing loans

Advances include Rs 5,619.24 million (2022: 5,168.65 million) which as detailed below, have been placed under non performing status.

Category of classification	June 30, 2023 (Unaudited)			December 31, 2022 (Audited)		
	Amount outstanding	Provisions required	Provisions held	Amount outstanding	Provisions required	Provisions held
	Rupees			Rupees		
OAEM	1,279,518,379	5,459,131	5,459,131	276,477,574	4,248,118	4,248,118
Sub-Standard	475,202,669	114,207,289	114,207,289	518,293,882	127,410,771	127,410,771
Doubtful	1,054,136,456	440,848,800	440,848,800	666,370,159	330,091,054	330,091,054
Loss	2,810,380,672	2,741,562,590	2,741,562,590	3,707,506,110	3,694,908,262	3,694,908,262
	<u>5,619,238,176</u>	<u>3,302,077,810</u>	<u>3,302,077,810</u>	<u>5,168,647,725</u>	<u>4,156,658,205</u>	<u>4,156,658,205</u>

12.2 This represents general provision maintained against unsecured microcredit advances net of specific provision at the rate of 1% (2022: 1%) in accordance with the requirement of Prudential Regulations issued by the State Bank of Pakistan.

12.3 Particulars of provision against non-performing advances

	2023			2022		
	Specific	General	Total	Specific	General	Total
	Rupees			Rupees		
Opening balance	4,156,658,205	201,119,596	4,357,777,801	1,332,725,416	2,335,971,379	3,668,696,795
Charge for the period	509,454,074	(5,236,456)	504,217,618	6,713,544,189	(2,134,851,783)	4,578,692,406
Written off	(1,373,179,237)	-	(1,373,179,237)	(4,010,264,552)	-	(4,010,264,552)
Reversals	9,144,768	-	9,144,768	120,653,152	-	120,653,152
Closing balance	<u>3,302,077,810</u>	<u>195,883,140</u>	<u>3,497,960,950</u>	<u>4,156,658,205</u>	<u>201,119,596</u>	<u>4,357,777,801</u>

12.4 Particulars of advances written off

	June 30, 2023 (Un-audited)	December 31, 2022 (Audited)
	Rupees	
Against provisions	1,364,034,469	3,889,611,400
Directly charged to profit & loss account	8,673,042	12,511,517
	<u>1,372,707,511</u>	<u>3,902,122,917</u>

13 OPERATING FIXED ASSETS

	Note	June 30, 2023 (Un-audited)	December 31, 2022 (Audited)
		Rupees	
Capital work-in-progress	13.1	24,703,423	28,878,433
Property and equipment	13.2	598,831,728	643,965,891
Right of use assets	13.2.3	668,988,337	646,441,023
Intangible assets	13.3	22,171,338	36,809,510
		<u>1,314,694,826</u>	<u>1,356,094,857</u>

13.1 Capital work-In-progress

	June 30, 2023 (Un-audited)	December 31, 2022 (Audited)
	Rupees	
Civil works	21,125,365	2,040,166
Implementation of Oracle Softwares	3,578,058	26,838,267
	<u>24,703,423</u>	<u>28,878,433</u>

13.2 Property and equipment

Particulars	COST				ACCUMULATED DEPRECIATION				Net Book Value as at June 30, 2023	Rate of depreciation (%)
	As At January 01, 2023	Additions	Disposal	As At June 30, 2023	As At January 01, 2023	Charge for the period	Disposal	As At June 30, 2023		
Rupees										
Owned assets										
Freehold land	253,419,808	-	-	253,419,808	-	-	-	-	253,419,808	-
Furniture and fixtures	502,169,940	275,910	-	502,445,850	267,205,917	23,087,937	-	290,293,854	212,151,996	10
Office equipment	288,305,449	108,600	(104,000)	288,310,049	267,191,103	9,500,536	(100,249)	276,591,390	11,718,659	20
Computer equipment	540,665,453	14,886,908	(3,253,638)	552,298,723	422,820,620	18,577,002	(2,623,776)	438,773,846	113,524,877	20-33.33
Vehicles	96,992,202	-	(1,442,387)	95,549,815	84,153,889	5,947,205	(1,308,236)	88,792,258	6,757,557	20
	1,681,552,852	15,271,418	(4,800,025)	1,692,024,245	1,041,371,529	57,112,680	(4,032,261)	1,094,451,348	597,572,897	
Leased assets										
Vehicles	117,531,825	532,450	(21,318,505)	96,745,770	113,747,257	2,837,851	(21,098,169)	95,486,939	1,258,831	20
	1,799,084,677	15,803,868	(26,118,530)	1,788,770,015	1,155,118,786	59,950,531	(25,130,430)	1,189,938,287	598,831,728	

Particulars	COST				ACCUMULATED DEPRECIATION				Net Book Value as at December 31, 2022	Rate of depreciation (%)
	As At January 01, 2022	Additions	Disposal	As At December 31, 2022 (Audited)	As At January 01, 2022	Charge for the Period	Disposal	As At December 31, 2022 (Audited)		
Rupees										
Owned assets										
Freehold land	253,419,808	-	-	253,419,808	-	-	-	-	253,419,808	-
Furniture and fixtures	495,944,179	6,552,611	(326,850)	502,169,940	219,956,320	47,416,881	(167,084)	267,205,917	234,964,023	10
Office equipment	287,765,979	1,827,625	(1,288,155)	288,305,449	237,529,360	30,927,567	(1,265,824)	267,191,103	21,114,346	20
Computer equipment	422,946,799	120,114,872	(2,398,218)	540,665,453	385,168,507	39,751,015	(2,098,902)	422,820,620	117,844,833	20-33.33
Vehicles	95,833,354	1,292,848	(134,000)	96,992,202	65,430,316	18,857,573	(134,000)	84,153,889	12,838,313	20
	1,555,910,119	129,787,956	(4,145,223)	1,681,552,852	908,084,503	136,953,037	(3,665,810)	1,041,371,529	640,181,323	
Leased assets										
Vehicles	116,651,367	880,458	-	117,531,825	105,241,153	8,506,104	-	113,747,257	3,784,568	20
	1,672,561,486	130,668,414	(4,145,223)	1,799,084,677	1,013,325,656	145,459,141	(3,665,810)	1,155,118,786	643,965,891	

		June 30,2023	December 31, 2022
13.2.3 Right of use assets	Note	(Un-audited)	(Audited)
		-----Rupees-----	
Opening Balance		646,441,023	619,063,593
Additions during the period		108,618,572	165,861,712
Deletions during the period		(22,121,028)	(9,185,264)
Depreciation charged during the period		(63,950,230)	(129,299,018)
Net book value at the end		<u>668,988,337</u>	<u>646,441,023</u>
13.3 Intangible assets			
Computer softwares	13.3.1	<u>22,171,338</u>	<u>36,809,510</u>
13.3.1 Computer softwares			
Cost			
Opening balance		436,905,387	411,423,212
Additions during the period		1,888,110	25,482,175
Closing balance		<u>438,793,497</u>	<u>436,905,387</u>
Amortization			
Opening balance		(400,095,877)	(357,035,088)
Charge for the period		(16,526,282)	(43,060,789)
Closing balance		<u>(416,622,159)</u>	<u>(400,095,877)</u>
Net book value		<u>22,171,338</u>	<u>36,809,510</u>

13.3.2 Amortization is charged on straight line basis at the rate of 33.33% per annum, starting from the month the asset is available for use and no amortization is charged in month of disposal.

		June 30,2023	December 31, 2022
14 OTHER ASSETS	Note	(Un-audited)	(Audited)
		-----Rupees-----	
Income / mark-up accrued on			
Loans and Advances		2,351,448,338	2,277,309,286
Bank deposits		72,010,769	11,682,849
Lending to financial institutions		-	-
Advances to employees			
Interest bearing staff loans		74,315,146	89,113,276
Personal advances		7,372,251	6,864,437
Operational advances		15,622,541	8,670,458
Advances to suppliers		26,557,320	8,541,728
Prepayments		52,512,770	45,807,380
FED/Sales tax refundable	14.1	45,869,069	29,913,404
Less : Provisions held against classified other assets		(12,979,235)	(12,979,235)
		32,889,834	16,934,169
Insurance claims receivables		223,585,341	173,253,421
Subsidy and Insurance claims receivables SBP	14.2	75,363,256	87,482,567
Receivable from Employees' Gratuity fund		42,038,594	-
Receivable from parent company		-	258,609
Others		56,245,341	94,537,521
Other assets - net of provisions		<u>3,029,961,501</u>	<u>2,820,455,701</u>

- 14.1 This includes an amount of Rs 25.958 million which relates to invoices relating to 2017, 2018, 2019 for which the bank has not been able to claim after implementation of STRIVE software on the web portal of PRA. The Bank has taken up the matter with the PRA Tax Authorities seeking their approval for adjustment/ refund of the said amount however the matter is pending approval. The management has provided 50% provision against the said balance.
- 14.2 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. This also includes Subsidy income receivable from SBP against Government's Markup Subsidy Scheme.

15 DEFERRED TAX ASSET - NET	June 30,2023 (Un-audited)	December 31, 2022 (Audited)
	-----Rupees-----	
Deferred tax asset arising on account of deductible temporary differences on:		
Accelerated depreciation allowance - owned assets	20,103,450	16,873,938
Lease liability	299,561,399	289,282,972
Grants	976,820	1,199,068
Provision for non-performing loans	1,154,327,113	1,438,066,674
Minimum tax year 2024	70,263,774	-
Minimum tax-TY-2022	90,316,567	90,316,567
Minimum tax-TY-2023	54,273,604	54,273,604
Net Losses C/F	116,025,869	-
Net Losses C/F-TY-2023	1,690,188,850	1,690,188,850
	3,496,037,446	3,580,201,673
Deferred tax liability arising on account of taxable temporary differences on:		
Accelerated depreciation allowance - leased assets	(221,181,565)	(214,574,445)
Amortization on intangible assets	2,029,089	(457,664)
Un-realised mark-up on Government Securities	(11,457,201)	(3,187,592)
	(230,609,677)	(218,219,701)
	3,265,427,769	3,361,981,972

16 DEPOSITS AND OTHER ACCOUNTS	June 30,2023 (Un-audited)		December 31, 2022 (Audited)	
	No of accounts	Rupees	No of accounts	Rupees
Conventional				
Current deposits	337,374	3,437,390,840	340,360	2,486,517,819
Saving deposits	726,675	7,803,146,203	741,533	8,520,941,651
Fixed deposits	3,461	16,463,118,024	4,125	15,521,245,699
	1,067,510	27,703,655,067	1,086,018	26,528,705,169
Islamic				
Current deposits	56,516	2,052,677,115	58,051	1,407,205,910
Saving deposits	19,167	1,918,216,972	19,995	2,009,989,182
Fixed deposits	2,262	2,473,546,672	2,592	2,498,254,426
	77,945	6,444,440,759	80,638	5,915,449,518
	1,145,455	34,148,095,826	1,166,656	32,444,154,687

	June 30,2023 (Un-audited)		December 31, 2022 (Audited)	
	No of accounts	Rupees	No of accounts	Rupees
16.1 Particulars of Deposits by ownership				
Individual depositors	1,142,055	14,398,684,800	1,163,062	14,172,535,849
Institutional depositors				
Corporation / firms etc.	3,226	15,772,522,651	3,422	14,106,081,929
Banks & financial institutions	174	3,976,888,375	172	4,165,536,909
	3,400	19,749,411,026	3,594	18,271,618,838
Total	1,145,455	34,148,095,826	1,166,656	32,444,154,687

16.2 Deposits include related parties balances amounting to Rs 1,209 million (2022: Rs 1,218 million) as disclosed in note 34.

	Note	June 30,2023	December 31, 2022
		(Un-audited)	(Audited)
		-----Rupees-----	
17 BORROWINGS			
Borrowings from Banks / Financial Institutions			
In Pakistan	17.1	3,124,971,808	5,144,971,811
		<u>3,124,971,808</u>	<u>5,144,971,811</u>
17.1 Borrowings from Banks / Financial Institutions in Pakistan			
Secured			
Askari Bank Limited (Running Finance)	17.1.1	-	345,000,000
National Bank of Pakistan (Running Finance)	17.1.2	-	999,971,808
Borrowing from BOP (Running Finance)	17.1.3	-	500,000,003
Borrowing from BOP (Term Finance)	17.1.4	200,000,000	300,000,000
Borrowing from Pakistan Mortgage Refinance Company Limited (Term Finance)	17.1.5	500,000,000	500,000,000
National Bank of Pakistan (Running Finance)	17.1.6	2,424,971,808	2,500,000,000
		<u>3,124,971,808</u>	<u>5,144,971,811</u>

17.1.1 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. On November 1, 2022 the Kibor rate was renegotiated and the cost of funds were agreed as 1 month KIBOR. As at the period end, the facility has been repaid.(2022: 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.

17.1.2 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 repaid(2022: Rs 999.971 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.

17.1.3 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. As at period end, the facility has been repaid. (2022: Rs 500 million).

This loan was 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.

17.1.4 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.

17.1.5 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 September 30, 2023 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.

17.1.6 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. This facility was due to mature on December 31, 2022. The bank renegotiated its terms and converted the facility to Prime Minister Youth Business and Agriculture Loan Scheme for financing. 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 facility is 1 year commencing from March 29, 2023. 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.

		June 30, 2023 (Un-audited)	December 31, 2022 (Audited)
		-----Rupees-----	
18	SUBORDINATED DEBT		
	KfW - Germany	672,360,000	672,360,000
	TFCs Subordinated Debt	770,000,000	770,000,000
		<u>1,442,360,000</u>	<u>1,442,360,000</u>

18.1 The Bank entered into a loan agreement with KfW - Germany, a former 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. The 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. Since the bank is non compliant with Capital adequacy ratio as required by SBP the repayment of debt was not made.

18.2 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.

20.3 The shareholders of the Bank are as follows:

June 30,2023 (Un-audited)	December 31, 2022 (Audited)		June 30,2023 (Un-audited)	December 31, 2022 (Audited)
-----Number-----			-----Rupees-----	
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

	Note	June 30,2023 (Un-audited)	December 31, 2022 (Audited)
		-----Rupees-----	
21 DEFERRED GRANTS			
Opening balance		3,633,540	4,787,054
Grants received from			
SBP	21.1	85,040	870,600
KfW	21.2	10,884,516	30,609,890
		10,969,556	31,480,490
Interest income		-	88,417
Amortization of grants during the year		(11,643,034)	(32,722,421)
		2,960,062	3,633,540

21.1 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.

21.2 This represents grant received under an agreement with KfW-Germany 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.

22 MEMORANDUM / OFF BALANCE SHEET ITEMS

22.1 Contingencies

There has been no significant change in status of contingencies, for the period, from those disclosed in the financial statements for the year ended December 31, 2022 except from following cases:

- i The Inland Revenue authorities issued show cause notice under section 122(9) read with section 122(5A) of the Ordinance which was amended by Additional Commissioner whereby net tax demand of Rs. 362.7 million has been raised. The only issue under amendment was disallowance of Provision against Non Performing Loan. Being aggrieved with the order of Additional Commissioner, NRSP bank has filled appeal with the Commissioner which is pending adjudication to date.

22.2 Commitments:

There are no known material capital and other commitments as at June 30, 2023 (2022: Nil).

26	OTHER INCOME - NET	Note	Half Year Ended	
			June 30, 2023	June 30, 2022
			-----Rupees-----	
	Amortization of deferred grant	21	11,643,034	2,579,300
	Gain on disposal of fixed assets		20,125,022	133,472
	Gain / (Loss) on Investments		-	(41,237)
	Gain / (Loss) on Termination of Leased Agreements		8,973,047	17,257
	Write off recovered		677,070,391	707,860,054
	Other services income		13,576,538	20,827,970
			<u>731,388,032</u>	<u>731,376,816</u>

27	ADMINISTRATIVE EXPENSES	Note	Half Year Ended	
			June 30, 2023	June 30, 2022
				Staff salaries and benefits
	Charge for defined benefit plans		45,958,661	51,873,867
	Contribution for defined contribution plan		37,574,851	42,378,340
	Incentives		74,915,152	82,084,709
	Non-Executive directors' fee		3,457,041	1,850,000
	Trainings		15,138,381	1,610,312
	Legal and professional charges		100,017,250	40,261,990
	Communication		39,768,429	38,932,383
	Postage, courier etc.		5,338,124	6,168,188
	Verification fee		9,687,070	9,241,650
	Repair and maintenance		16,459,835	15,456,417
	Stationary and printing		28,601,968	24,752,211
	Advertisement and publicity		1,056,719	1,683,735
	Depreciation	13.2	59,950,531	71,742,081
	Amortization	13.3	16,526,282	21,633,656
	Amortization (IFRS-16)	13.2.3	63,950,230	60,225,412
	Staff travel		9,628,150	6,653,138
	Fuel and power		68,439,172	48,363,676
	Vehicle running and maintenance		8,988,976	11,545,837
	Office supplies		2,777,190	3,024,655
	Meetings and conferences		11,835,766	10,662,804
	Utilities		34,973,624	38,208,685
	Rent expenses		7,574,447	-
	Flex Cube Maintenance Fee		47,256,866	42,052,197
	Insurance expenses		35,531,096	42,879,091
	Security and administration		60,229,463	59,559,846
	Auditor's remuneration		2,691,600	2,678,075
	Corporate social responsibility		249,242	293,660
	Credit Guarantee Expense		160,028	82,220
	Miscellaneous expenses		11,637,673	13,137,534
			<u>1,620,133,255</u>	<u>1,506,022,841</u>

28	OTHER CHARGES			
	Penalties imposed by the State Bank of Pakistan		72,000	379,000
	Provision for Workers' Welfare Fund		9,072,709	4,236,174
			<u>9,144,709</u>	<u>4,615,174</u>

		Half Year Ended	
		June 30, 2023	June 30, 2022 Restated
		-----Rupees-----	
29	TAXATION		
	Current tax		
	Current year	119,815,852	52,849,232
	Prior year	-	17,577,150
		<u>119,815,852</u>	<u>70,426,382</u>
	Deferred tax	96,554,203	(991,447,971)
		<u>216,370,055</u>	<u>(921,021,589)</u>
30	EARNINGS PER SHARE		
	Profit after taxation	412,996,411	(1,960,181,552)
	Weighted average ordinary shares	149,837,201	149,837,201
	Basic and diluted earning per share	2.76	(13.08)
31	CASH AND CASH EQUIVALENTS	June 30,2023	December 31, 2022
	Cash and balances with SBP and NBP	2,413,950,375	1,819,603,458
	Balances with other banks / NBFIs / MFBS	3,282,666,966	4,369,152,215
		<u>5,696,617,341</u>	<u>6,188,755,673</u>
		Credit/ sales staff	Banking /support staff
		----- Number -----	
32	NUMBER OF EMPLOYEES		
	As at Period ended June 30, 2023		
	Permanent	1,210	572
	Temporary / contractual	557	81
		<u>1,767</u>	<u>653</u>
	Daily Wages	69	300
		<u>1,836</u>	<u>953</u>
	As at year ended December 31, 2022		
	Permanent	1,258	649
	Temporary / contractual	668	100
		<u>1,926</u>	<u>749</u>
	Daily Wages	177	357
		<u>2,103</u>	<u>1,106</u>
		June 30,2023 (Unaudited)	December 31, 2022 (Audited)
		Branches	Branches
		Service centers	Service centers
33	NUMBER OF BRANCHES/ SERVICE CENTRES	----- Number -----	
	As at beginning of the year	145	41
	Add: Opened during the year	-	-
	Less: Closed / merged during the Period	(10)	-
	As at Period end	<u>135</u>	<u>41</u>
		<u>150</u>	<u>24</u>
		<u>-</u>	<u>31</u>
		<u>(5)</u>	<u>(14)</u>
		<u>145</u>	<u>41</u>

33.1 These include 37 (2022: 40) branches of the Bank's Islamic Microfinance Division.

34 BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The Bank is a subsidiary of National Rural Support Program (NRSP) which holds 57.40% share capital of the Bank. 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. Significant transactions with the related parties other than those referred to in the foregoing entered into during the year are as follows:

		<u>Half Year Ended</u>	
		<u>June 30, 2023</u>	<u>June 30, 2022</u>
		<u>-----Rupees-----</u>	
Transactions during the Period:	Relationship with related party		
Markup paid to related parties on deposit accounts (net of tax)			
National Rural Support Program (NRSP)	Parent Company	2,517	2,283
Institute of Rural Management (IRM)	Parent's Subsidiary	14,659	17,927
Employees' Gratuity Fund	Employees' Trust	33,338,774	22,393,422
Employees' Provident Fund Trust	Employees' Trust	8,489,048	8,351,160
Employees' Welfare Trust	Employees' Trust	747,445	1,382,783
Employee Housing Colony	Employees' Trust	70,354	40,050
NRSP Contributory Provident Fund	Parent Company's Employees' Trust	3,675,409	56,111,569
NRSP Employees Gratuity Fund Trust	Parent Company's Employees' Trust	673,438	68,821,702
NRSP Rohi Handlooms	Parent Company's Project	228	68
NRSP Natural Resource Management	Parent Company's Project	4,563	1,355
Rural Support Programmes Network (RSPN)	Common Directorship	673	382
NRSP Green Forest Private Limited	Parent Company's Subsidiary	36,767	22,579
NRSP Agriculture Processing (Pvt) LTd	Parent Company's Subsidiary	428,577	192,486
Markup received from related parties on deposit accounts (net of tax)			
Silk Bank Limited (SBL)	Common Share holder	39,745,779	26,895,254
Bank Alfalah (BAFL)	Common Shareholder	-	-
Contribution to employees' gratuity fund	Employees' Trust	44,437,715	47,517,293
Contribution to employees' provident fund	Employees' Trust	69,525,098	60,500,280
		June 30, 2023	December 31, 2022
		<u>-----Rupees-----</u>	
Balances Outstanding as at	Relationship with related party		
Payable to NRSP	Parent Organisation	335,623,553	181,199,516
Payable to employees' gratuity fund	Employees' Trust	-	9,463,337
Payable to staff leave encashment fund	Employees' Trust	198,518,697	194,806,929
Payable to employees' provident fund	Employees' Trust	6,745,337	496,111
Balance Maintained with Silk Bank Limited	Common Share holder	486,238,137	1,845,911,082
Borrowing from Bank Alfalah Limited	Common Directorship	-	-
Receivable From NRSP	Parent Organisation	258,609	258,609
Receivable from employee' gratuity fund	Employees' Trust	42,038,594	-

Deposits accounts contain amounts relating to Relationship with related party following related parties:

		June 30, 2023	December 31, 2022
Institute of Rural Management (IRM)	Parent Company's Subsidiary	38,881,551	2,007,737
Employees' Gratuity Fund	Employees' Trust	540,735,940	507,397,166
Employees' Provident Fund Trust	Employees' Trust	607,202,342	658,961,904
Employees' Welfare Trust	Employees' Trust	8,591,579	16,484,707
Employee Housing Colony	Employees' Trust	1,171,849	1,234,986
NRSP Contributory Provident Fund	Parent Company's Employees' Trust	442,535	9,173,238
NRSP Employees Gratuity Fund Trust	Parent Company's Employees' Trust	673,438	10,540,515
NRSP Rohi Handlooms	Parent Company's Project	3,828	3,600
NRSP Natural Resource Management	Parent Company's Project	197,702	110,663
Rural Support Programmes Network (RSPN)	Common Directorship	11,508	10,834
National Rural Support Programme	Parent Organisation	55,628	53,111
Nrsp Green Forest (Pvt) Limited	Parent Company's Subsidiary	729,905	693,137
Nrsp Agriculture Processing Company Limited	Parent Company's Subsidiary	11,056,067	6,471,345
Key management personnel		2,982,882	5,753,615

34.2 Following are the related parties with whom the Company had entered into transactions or have arrangement / agreement in place.

Company Name	Basis of association		Aggregate % of shareholding
NRSP	Holding Company	57.40%	57.40%
Institute of Rural Management (IRM)	Parent Company's Subsidiary	Nil	Nil
NRSP Green Forest Private Limited	Parent Company's Subsidiary	Nil	Nil
NRSP Agriculture Processing Company Limited	Parent Company's Subsidiary	Nil	Nil
NRSP Contributory Provident Fund	Parent Company's Employees' Trust	Nil	Nil
NRSP Employees Gratuity Fund Trust	Parent Company's Employees' Trust	Nil	Nil
NRSP Bank Employees Contributory Pf Trust	NRSP MFBL Employees' Trust	Nil	Nil
NRSP Bank Employees Gratuity Fund Trust	NRSP MFBL Employees' Trust	Nil	Nil
NRSP Rohi Handlooms	Parent Company's Project	Nil	Nil
NRSP Natural Resource Management	Parent Company's Project	Nil	Nil
Silk Bank Limited (SBL)	Common Share holder	Nil	Nil
Bank Alfalah Limited (BAFL)	Common Directorship	Nil	Nil

35 Restatement Note

In Financial Year 2021, a portfolio of 44,414 loans amounting to Rs. 3,024 million was restructured and additional general provision on said portfolio amounting to Rs 2,092 million was recorded in aforementioned year. During the Interim period June 30, 2022, the additional general provision was reversed and the management classified the said portfolio and made 25% specific provision amounting to Rs 752 million and also reversed the earlier accrued markup. The management submitted plans of recovery to the Regulators. However, keeping in view the slow progress of recovery than expected, the management made 100% provision in December 2022. Accordingly, the corresponding figures for the period ended June 30, 2022 have been restated. Detail of the line items of the condensed interim financial statements restated are as follows;

	Reported as on June 30, 2022	Adjustments	Restated as on June 30, 2022
Profit and Loss Account for Six months ended June 30, 2022			
Provision against non-performing loans and advances	44,983,800	(2,256,608,131)	(2,211,624,331)
Profit Before Tax	(624,595,017)	(2,256,608,124)	(2,881,203,141)
Taxation	176,340,885	744,680,704	921,021,589
Profit After Tax	(448,254,132)	(1,511,927,420)	(1,960,181,552)

Statement of Financial Position as at June 30, 2022

Advances - net of provision	29,900,510,187	(2,256,608,131)	27,643,902,056
Deferred tax asset - net	1,471,774,627	744,680,704	2,216,455,331
Unappropriated Profit/ (Accumulated Loss)	1,214,682,827	(1,511,927,420)	(297,244,593)

36 GENERAL

36.1 Figures have been rounded off to nearest rupee.

36.2 Corresponding figures have been re-arranged and reclassified for more appropriate presentation where necessary

36.3 Where there are no amounts to be disclosed in the account captions as prescribed by BSD Circular No.11 dated 30 December 2003 issued by SBP in respect of forms of financial statements for Microfinance banks, these captions have not been reproduced in these condensed interim financial statements except for the captions of the condensed interim financial Position and condensed interim profit and Loss.

37 DATE OF APPROVAL

These financial statements were approved and authorised by the Board of Directors of the Bank in their meeting held on August 22, 2023



President / Chief Executive Officer

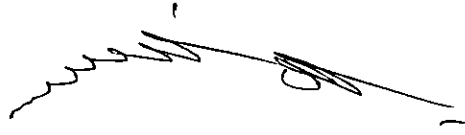


Director

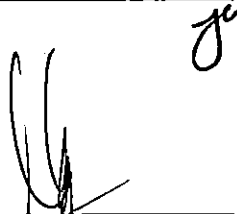
NRSP MICROFINANCE BANK LIMITED
CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2023

Key figures of the Islamic Microfinance Division, as referred to in note 2.2 of the financial statements.
Balance sheet as at June 30, 2023.

	June 30, 2023 Rupees	December 31, 2022 Rupees
ASSETS		
Cash and Balances with SBP and NBP	928,818,582	671,676,900
Balances with Other Banks/NBFIs/MFBs	548,464,546	346,979,162
Investment- net of provisions	299,445,804	299,290,476
Islamic Financing and related assets - net of provisions	9,138,941,229	8,411,579,264
Operating fixed assets	385,500,887	411,614,106
Other assets	647,805,733	448,151,660
Total Assets	11,948,976,781	10,589,291,568
LIABILITIES		
Deposits and other accounts		
- Current accounts	2,052,677,115	1,407,205,910
- Saving accounts	1,918,216,972	2,009,989,182
- Term deposits	2,473,546,672	2,498,254,426
	6,444,440,759	5,915,449,518
Other Liabilities	3,447,141,118	3,003,796,082
Total Liabilities	9,891,581,877	8,919,245,600
NET ASSETS	2,057,394,904	1,670,045,968
REPRESENTED BY:		
Islamic Banking Fund	440,000,000	440,000,000
Unappropriated profit	1,617,394,904	1,230,045,968
	2,057,394,904	1,670,045,968
Remuneration of the Shariah Advisor	1,200,000	1,200,000



President / Chief Executive Officer



Director

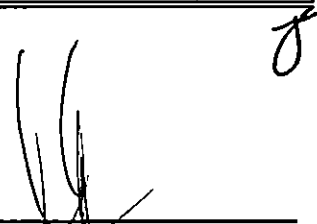
NRSP MICROFINANCE BANK LIMITED
CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2023

Financial results of the Islamic Microfinance Division, as referred to in note 2.2 of the financial statements
Profit and loss account for the Period ended June 30, 2023

	Half Year Ended	
	June 30, 2023	June 30, 2022
	Rupees	Rupees
Profit / return earned	994,340,655	774,364,674
Profit / return expensed	(273,155,293)	(251,820,907)
Net profit / return / income	721,185,362	522,543,767
Provisions against non-performing financing	(30,357,675)	(136,545,317)
Bad debts written off directly	(710,385)	(836,239)
	(31,068,060)	(137,381,556)
Net return earned after provisions	690,117,302	385,162,211
OTHER INCOME		
Fee, Commission and brokerage income	46,139,360	27,820,450
Total other income	736,256,662	412,982,661
OTHER EXPENSES		
Administrative expenses	(348,907,725)	(277,256,923)
	387,348,937	135,725,738
Extraordinary/unusual items		-
PROFIT BEFORE TAXATION	387,348,937	135,725,738



President / Chief Executive Officer



Director