

U MICROFINANCE BANK LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2024

		(Un-Audited) March 31, 2024	(Audited) December 31, 2023
	Note	Rupees in '000	
ASSETS			
Cash and balances with treasury banks	8	5,471,670	5,900,415
Balances with other MFBs / Banks / NBFIs	9	476,587	974,798
Lendings to financial institutions	10	4,502,770	454,522
Investments - net of provision	11	39,285,357	51,690,774
Advances - net of provision	12	81,994,729	82,087,560
Property and equipment	13	3,886,325	3,872,306
Right-of-use assets	14	2,806,883	2,987,289
Intangible assets	15	384,295	415,045
Deferred tax assets	16	3,597,003	3,725,214
Other assets	17	10,605,384	7,857,793
Total Assets		153,011,003	159,965,716
LIABILITIES			
Bills payable	18	396,573	284,933
Borrowings	19	26,780,884	40,914,742
Deposits and other accounts	20	114,839,093	105,796,975
Lease liabilities	21	3,416,568	3,325,017
Subordinated debt	22	2,492,021	2,628,132
Deferred grants		95,898	95,898
Other liabilities	23	1,414,227	1,185,708
Total liabilities		149,435,264	154,231,405
Net assets		3,575,739	5,734,311
REPRESENTED BY			
Share capital		5,085,714	5,085,714
Discount on issue of share capital		(25,714)	(25,714)
Advance against issue of shares		1,600,000	1,600,000
Statutory reserve		783,164	783,164
Depositors' protection fund		250,352	250,352
Surplus/ (Deficit) on revaluation of assets	24	(32,047)	(39,198)
Unappropriated loss		(4,085,730)	(1,920,007)
		3,575,739	5,734,311
CONTINGENCIES AND COMMITMENTS	25		

The annexed notes 1 to 42 form an integral part of these condensed interim financial statements

President/Chief Executive

Chief Financial Officer

Director

Director

Director

U MICROFINANCE BANK LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED MARCH 31, 2024

Note	Quarter Ended		Period Ended		
	March 31, 2024	March 31, 2023	Year-to-Date March-24	Prior Year Period March-23	
Rupees in '000					
Mark-up / Return / Interest earned	26	6,414,909	9,741,937	6,414,909	9,741,937
Mark-up / Return / Interest expensed	27	(8,388,254)	(7,570,966)	(8,388,254)	(7,570,966)
Net mark-up / Interest income		(1,973,345)	2,170,971	(1,973,345)	2,170,971
NON MARK-UP / INTEREST INCOME					
Fee and commission income	28	458,404	499,880	458,404	499,880
Gain / (loss) on securities	29	(47,560)	23,554	(47,560)	23,554
Other income	30	12,755	70,162	12,755	70,162
Total non-markup / interest Income		423,599	593,596	423,599	593,596
Total income/(Loss)		(1,549,746)	2,764,567	(1,549,746)	2,764,567
NON MARK-UP / INTEREST EXPENSES					
Operating expenses	31	(2,855,876)	(2,133,428)	(2,855,876)	(2,133,428)
Workers welfare fund		-	(9,041)	-	(9,041)
Other charges	32	(132)	(250)	(132)	(250)
Total non-markup / interest expenses		(2,856,008)	(2,142,719)	(2,856,008)	(2,142,719)
Profit / (Loss) before credit loss allowance		(4,405,754)	621,848	(4,405,754)	621,848
Credit loss allowance and write offs - net	33	851,512	(992,254)	851,512	(992,254)
Other income / expense items		-	813,423	-	813,423
PROFIT / (LOSS) BEFORE TAXATION		(3,554,242)	443,017	(3,554,242)	443,017
Taxation	34	1,388,519	(85,485)	1,388,519	(85,485)
PROFIT / (LOSS) AFTER TAXATION		(2,165,723)	357,532	(2,165,723)	357,532
Rupees					
Basic earnings / (loss) per share	35	(5.30)		0.88	
Diluted earnings / (loss) per share	36	(3.81)		0.88	

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U MICROFINANCE BANK LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED MARCH 31, 2024

	Quarter Ended		Period Ended	
	March 31, 2024	March 31, 2023	Year-to-Date March-24	Prior Year Period March-23
	Rupees in '000			
Profit / (Loss) after taxation for the period	(2,165,723)	357,532	(2,165,723)	357,532
Other comprehensive income				
Items that may be reclassified to profit and loss account in subsequent periods:				
Movement in surplus / (deficit) on revaluation of investments - net of tax	7,151	(168,387)	7,151	(168,387)
Items that will not be reclassified to profit and loss account in subsequent periods:				
Remeasurement gain / (loss) on defined benefit obligations - net of tax	-	-	-	-
Total comprehensive income	<u>(2,158,572)</u>	<u>189,145</u>	<u>(2,158,572)</u>	<u>189,145</u>

The annexed notes 1 to 42 form an integral part of these condensed interim financial statements

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U MICROFINANCE BANK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED MARCH 31, 2024

	Share capital	Discount on issue of share capital	Advance against issue of shares	Depositors protection fund	Statutory reserve	Reserve Surplus/(deficit) on revaluation of Investments	Unappropriated loss	Total
Rupees in '000								
Balance as at January 01, 2023 - restated	5,085,714	(25,714)	-	182,619	633,084	(2,015)	(2,024,533)	3,849,155
Profit for the quarter ended March 31, 2023	-	-	-	-	-	-	357,532	357,532
Other comprehensive income	-	-	-	-	-	(168,387)	-	(168,387)
Transfers to:								
Statutory Reserve	-	-	-	-	71,506	-	(71,506)	-
Depositors Protection Fund								
- 5% of the profit after tax for the year	-	-	-	17,877	-	-	(17,877)	-
- Return on investments - net of tax	-	-	-	-	-	-	-	-
Closing balance as at March 31, 2023	5,085,714	(25,714)	-	200,496	704,590	(170,402)	(1,756,384)	4,038,300
Opening balance as at April 01, 2023	5,085,714	(25,714)	-	200,496	704,590	(170,402)	(1,756,384)	4,038,300
Profit for the period	-	-	-	-	-	-	392,869	392,869
Other comprehensive loss-net of tax	-	-	-	-	-	131,204	(14,557)	116,647
Transfers to:								
Statutory Reserve	-	-	-	-	78,574	-	(78,574)	-
Depositors Protection Fund:								
- 5% of the profit after tax for the year	-	-	-	19,643	-	-	(19,643)	-
- Return on investments - net of tax	-	-	-	30,213	-	-	-	30,213
Transactions with owners, recorded directly in equity								
Issue of Dividend @ 71 paise per ordinary share and 1.57 rupees per preference Shares	-	-	-	-	-	-	(443,718)	(443,718)
Advance against issue of shares	-	-	1,600,000	-	-	-	-	1,600,000
Closing balance as at December 31, 2023	5,085,714	(25,714)	1,600,000	250,352	783,164	(39,198)	(1,920,007)	5,734,311
Opening balance as at January 01, 2024	5,085,714	(25,714)	1,600,000	250,352	783,164	(39,198)	(1,920,007)	5,734,311
Loss for the quarter ended March 31, 2024	-	-	-	-	-	-	(2,165,723)	(2,165,723)
Other comprehensive income	-	-	-	-	-	7,151	-	7,151
Transfers to:								
Statutory Reserve	-	-	-	-	-	-	-	-
Depositors Protection Fund								
- 5% of the profit after tax for the year	-	-	-	-	-	-	-	-
- Return on investments - net of tax	-	-	-	-	-	-	-	-
Closing balance as at March 31, 2024	5,085,714	(25,714)	1,600,000	250,352	783,164	(32,047)	(4,085,730)	3,575,739

The annexed notes 1 to 42 form an integral part of these condensed interim financial statements

President/Chief Executive

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U MICROFINANCE BANK LIMITED
CASH FLOW STATEMENT
FOR THE PERIOD ENDED MARCH 31, 2024

	(Un-Audited) March 31, 2024	(Un-Audited) March 31, 2023
Note	Rupees in '000	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	(3,554,242)	443,017
Less: Dividend income	-	-
Adjustment for non cash items and other items:		
Depreciation on property and equipment	187,535	130,168
Amortization on right-of-use assets	176,130	132,722
Amortization on intangible assets	34,509	16,845
Interest expense on lease liability against right-of-use assets	94,833	60,834
Credit loss allowance and write-offs	(851,512)	992,254
Advances written off against provision	-	(41,124)
Loss/ (Gain) on sale / disposal of property and equipment	(1,161)	(308)
	(359,666)	1,291,391
	(3,913,908)	1,734,408
(Increase)/ decrease in operating assets		
Lendings to financial institutions	(4,048,248)	905,610
Securities classified as FVPL	5,409,226	1,626,930
Advances	(1,465,457)	(11,226,314)
Others assets (excluding advance taxation)	(3,447,668)	(522,614)
Increase / (Decrease) in operating liabilities		
Bills Payable	111,640	(104,075)
Borrowings from financial institutions	(14,133,858)	(29,467,534)
Deposits	9,042,118	3,655,563
Other liabilities (excluding current taxation)	228,519	1,599,641
Payments against off-balance sheet obligations		
Income tax paid	(2,231,364)	(944,722)
Interest paid	(94,833)	(60,834)
Net cash flow from / (used in) operating activities	(14,543,833)	(32,803,941)
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from investment in amortised cost securities	4,389	-
Proceeds/(Payments) from Investments in FVOCI Securities	5,283,640	(10,626,165)
Investments in property and equipment	(41,253)	(243,660)
Proceeds from sale of property and equipment	153,275	354
Net cash flow from / (used in) investing activities	5,400,050	(10,869,471)
CASH FLOW FROM FINANCING ACTIVITIES		
Receipts/ Payments of Subordinated debt	(136,111)	(1,129,399)
Payment of lease liability against right-of-use assets	(3,282)	(89,319)
Net cash flow from / (used in) financing activities	(139,393)	(1,218,718)
Increase/(Decrease) in cash and cash equivalents	(9,283,176)	(44,892,130)
Cash and cash equivalents at beginning of the period	14,981,081	51,847,566
Cash and cash equivalents at end of the period	5,697,905	6,955,436

The annexed notes 1 to 42 form an integral part of these condensed interim financial statements

President/Chief Executive

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U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2024

1 STATUS AND NATURE OF BUSINESS

On August 30, 2012, Pakistan Telecommunication Company Limited (PTCL) acquired 100% shareholding of Rozgar Microfinance Bank Limited, incorporated in Karachi on October 29, 2003 under the Companies Ordinance, 1984 (now repealed by Companies Act, 2017), and its name was changed to U Microfinance Bank Limited (the Bank) with effect from December 07, 2012. The Bank was granted license by State Bank of Pakistan (SBP) on February 01, 2013 for commencement of nationwide microfinance banking operations.

On July 11, 2013, approval for the nationwide commercial launch of Branchless Banking Services (BBS) was received from SBP. The Bank commenced commercial operations of BBS on July 23, 2013.

The Bank's principal business objective is to assist in stimulating progress, prosperity and social peace in society through creation of income generating opportunities for the small entrepreneur and enhancing microcredits as per SBP product guidelines for various facilities offered by the Bank including livestock loans, housing loans, general loans, salary loans, solar financing etc under the Microfinance Institutions Ordinance, 2001. The Bank also provides branchless banking services. The Bank's head office and the principal place of business is located at F-7 Markaz, Islamabad, Pakistan. Pakistan Credit Rating Agency (PACRA) has reaffirmed the Bank's medium to long-term rating as 'AAA' and the short-term rating as 'A1+' as at September 15, 2023.

The bank is a 100% subsidiary of PTCL which holds 408,571,429 (2023: 408,571,429) fully paid ordinary shares of Rs. 10 each and 100,000,000 (2023: 100,000,000) fully paid preference shares of Rs 10 each. Further, the Bank has received Rs. 1,600,000,000 from PTCL on account of advance against issue of shares.

2 BASIS OF PRESENTATION

- 2.1** These 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 (SBP) and specific SBP communication with bank on necessary disclosures with respect to IFRS - 09.
- 2.2** 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 in note 40 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 are to 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

- 3.1** These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for Microfinance Institutions (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 Institute of Chartered Accountants of Pakistan (ICAP) as notified under Companies Act, 2017;
 - 'Provisions of and directives issued under the Microfinance Institutions Ordinance, 2001 and the Companies Act, 2017; and
 - 'Directives issued by the State Bank of Pakistan (SBP) and Bank's specific communication with SBP on specific matters and the Securities and Exchange Commission of Pakistan (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 shall prevail.

- 3.2** The condensed interim financial statements do not include all the information and disclosures required in the audited annual financial statements, and should be read in conjunction with the audited annual financial statements for the financial year ended December 31, 2023.

4 BASIS OF MEASUREMENT

4.1 Accounting convention

These financial statements have been prepared under the historical cost convention except for the following:

- (a) Obligation in respect of staff retirement benefit has been carried at present value of defined benefit obligation in accordance with the requirements of IAS - 19;
- (b) Certain advances disbursed at lower than market rate have been carried at fair value in accordance with the requirements of IFRS - 9;
- (c) Advances to employees disbursed at interest free or lower than market rate have been carried at fair value in accordance with the requirements of IFRS - 9;
- (d) Certain borrowings obtained at lower than market rate have been carried at fair value in accordance with the requirements of IFRS - 9;
- (e) Certain investments classified as FVOCI and FVPL are carried at fair value in accordance with the requirements of IFRS - 9;
- (f) Lease liability and related right-of-use assets which have been carried at their present value in accordance with the requirements of IFRS - 16;
- (g) Grant receivable which has been carried at their present value in accordance with the requirements of IFRS - 9.

4.2 Functional and presentation currency

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

5 MATERIAL ACCOUNTING POLICIES

The material accounting policies and methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the audited annual financial statements for the year ended December 31, 2023.

5.1 Standards, interpretations of the amendments to the published approved accounting standards that are effective in the current year

There are certain amendments to existing accounting and reporting standards that have become applicable to the bank for accounting periods beginning on or after January 01, 2024. These are either considered not to be relevant or do not have any significant impact, and accordingly have not been detailed in these condensed interim financial statements.

5.2 Standards, interpretations of the amendments to approved accounting standards that are not yet effective

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, 2025. These are considered either not to be relevant or not to have any significant effect on the Bank's condensed interim financial statements

6 USE OF JUDGEMENT AND ESTIMATES

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively. The basis for accounting estimates adopted in the preparation of this condensed interim unconsolidated financial information is the same as that applied in the preparation of the unconsolidated financial statements for the year ended December 31, 2023.

7 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed in the unconsolidated financial statements for the year ended December 31, 2023.

		(Un-Audited) March 31, 2024	(Audited) December 31, 2023
	Note	Rupees in '000	
8 CASH AND BALANCES WITH TREASURY BANKS			
In hand - Local currency		2,007,372	1,734,737
With State Bank of Pakistan in:			
- Local currency current account	8.1	3,463,472	4,157,395
With National Bank of Pakistan in:			
- Local currency current account		731	776
- Local currency deposit account		95	7,505
		826	8,283
Less: Credit loss allowance		-	-
		5,471,670	5,900,415

8.1 This includes balance maintained with SBP to comply with the requirement of Prudential Regulations for Microfinance Banks to maintain minimum cash reserve not less than 5% (2023: 5%) of the Bank's time and demand deposits liabilities with tenure of less than one year.

		(Un-Audited) March 31, 2024	(Audited) December 31, 2023
	Note	Rupees in '000	
9 BALANCES WITH OTHER MFBS / BANKS / NBFIS			
- In current account	9.1	215,946	234,018
- In deposit account	9.2	260,641	740,780
		476,587	974,798
Less: Credit loss allowance		-	-
		476,587	974,798

9.1 This includes Rs. 18,000 (2023: Rs. 18,000) held as deposit under lien in respect of standby letter of guarantee issued to China Union Pay International.

9.2 Deposit accounts carried interest at rates ranging from 16% to 22.5% (2023: 16% to 23.5%) per annum. This also includes Rs. 250,352 (2023: Rs. 250,352) maintained with SBP under Depositors' Protection Fund.

		(Un-Audited) March 31, 2024	(Audited) December 31, 2023
	Note	Rupees in '000	
10 LENDINGS TO FINANCIAL INSTITUTIONS			
Repurchase agreement lendings (Reverse repo)	10.1	4,502,770	454,522
Less: Credit loss allowance		-	-
		4,502,770	454,522

10.1 These are secured against underlying Market Treasury Bills. The differential between the contracted rate and resale price is amortised over the period of related contracts and recorded under mark-up / return / interest earned. These carried mark-up at the rate of 22% to 22.25% (2023: 22.80%).

11 INVESTMENTS - NET OF PROVISION

11.1 Investments by type:	(Un-Audited)				(Audited)			
	March 31, 2024				December 31, 2023			
	Fair Value / Amortised cost	Credit Loss Allowance	Surplus / (Deficit)	Carrying Value	Fair Value / Amortised cost	Credit Loss Allowance	Surplus / (Deficit)	Carrying Value
	Rupees in '000							
Classified as Amortised Cost								
Federal Government securities	4,731,381	-	-	4,731,381	4,735,770	-	-	4,735,770
Classified as FVOCI								
Federal Government securities	31,705,662		(52,536)	31,653,126	38,709,314	(104)	(64,260)	38,644,950
Non Government debt securities	296,685	-	-	296,685	296,663	-	-	296,663
	32,002,347	-	(52,536)	31,949,811	39,005,977	(104)	(64,260)	38,941,613
Classified as FVTPL								
Non Government debt securities	2,451,754	-	-	2,451,754	2,443,072	-	-	2,443,072
Mutual Funds	152,411	-	-	152,411	5,570,319	-	-	5,570,319
	2,604,165	-	-	2,604,165	8,013,391	-	-	8,013,391
Total investments	39,337,893	-	(52,536)	39,285,357	51,755,138	(104)	(64,260)	51,690,774

12 ADVANCES - NET OF PROVISION

Loan type	Performing				Non-Performing		POCI		Total	
	Stage 1		Stage 2		Stage 3		Stage 3		March 31, 2024	December 31, 2023
	March 31, 2024	December 31, 2023	March 31, 2024	December 31, 2023	March 31, 2024	December 31, 2023	March 31, 2024	December 31, 2023		
Rupees in '000				Rupees in '000						
Micro credit										
Secured	46,486,778	45,558,639	311,181	346,408	210,333	197,307			47,008,292	46,102,354
Unsecured	26,891,728	24,649,793	5,047,128	10,076,583	4,184,731	3,178,675	-	674,144	36,123,587	38,579,195
Islamic financing	4,182,389	3,642,103	118,594	112,951	132,776	73,378			4,433,759	3,828,432
Staff Loan	230,354	230,354							230,354	230,354
Advances - gross	77,791,249	74,080,889	5,476,903	10,535,942	4,527,840	3,449,360	-	674,144	87,795,992	88,740,335
Credit loss allowance against advances										
- Stage 1	(1,291,902)	(1,120,783)	-	-	-	-	-	-	(1,291,902)	(1,120,783)
- Stage 2	-	-	(2,081,120)	(3,851,743)	-	-	-	-	(2,081,120)	(3,851,743)
- Stage 3	-	-	-	-	(2,428,241)	(1,376,885)	-	(303,364)	(2,428,241)	(1,680,249)
	(1,291,902)	(1,120,783)	(2,081,120)	(3,851,743)	(2,428,241)	(1,376,885)	-	(303,364)	(5,801,263)	(6,652,775)
Advances - net of credit loss allowance	76,499,347	72,960,106	3,395,783	6,684,199	2,099,599	2,072,475	-	370,780	81,994,729	82,087,560

12.1 Advances - Particulars of credit loss allowance

12.1.1 Advances - Exposure	March 31, 2024				December 31, 2023			
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Rupees in '000								
Gross carrying amount at beginning of the year	74,080,889	10,535,942	3,449,360	674,144	47,009,325	13,429,608	1,182,100	-
New advances	14,615,710	-	-	-	73,344,073	-	-	674,144
Advances derecognised or repaid	(14,807,412)	(252,846)	(78,191)	(674,144)	(38,126,381)	(7,048,320)	(97,885)	-
Transfer to stage 1	2,720,010	(2,603,482)	(116,528)	-	76,155	(68,641)	(7,514)	-
Transfer to stage 2	(2,158,347)	2,888,354	(730,007)	-	(814,837)	821,505	(6,668)	-
Transfer to stage 3	(434,758)	(2,107,599)	2,542,357	-	(1,578,031)	(1,228,200)	2,806,231	-
	(64,797)	(2,075,573)	1,617,631	(674,144)	32,900,979	(7,523,656)	2,694,164	674,144
Change in Exposure	3,790,650	(2,983,107)	(73,239)	-	(5,829,415)	4,629,990	(20,127)	-
Total movement in advances - exposure	3,725,853	(5,058,680)	1,544,392	(674,144)	27,071,564	(2,893,666)	2,674,037	674,144
Amounts written-off	12.2 (15,493)	(359)	(465,912)	-	-	-	(406,777)	-
Closing balance	77,791,249	5,476,903	4,527,840	-	74,080,889	10,535,942	3,449,360	674,144

12.1.2 Advances - Credit loss allowance

	March 31, 2024				December 31, 2023			
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
	Rupees in '000				Rupees in '000			
Credit loss allowance opening balance	1,120,783	3,851,743	1,376,885	303,364	819,302	5,260,947	511,019	-
New advances	177,674	-	-	-	2,192,906	-	-	303,364
Advances derecognised or repaid	(44,381)	(31,821)	(18,007)	(303,364)	(327,472)	(2,719,920)	(24,022)	-
Transfer to stage 1	874,569	(826,611)	(47,958)	-	28,330	(24,141)	(4,189)	-
Transfer to stage 2	(310,186)	638,318	(328,132)	-	(52,369)	55,954	(3,585)	-
Transfer to stage 3	(33,007)	(774,836)	807,843	-	(91,264)	(324,631)	415,895	-
	664,669	(994,950)	413,746	(303,364)	1,750,131	(3,012,738)	384,099	303,364
Change in Exposure	(478,057)	(775,314)	1,103,522	-	(1,448,650)	1,603,534	888,544	-
Total provision charged for the year	186,612	(1,770,264)	1,517,268	(303,364)	301,481	(1,409,204)	1,272,643	303,364
Amounts written off	(15,493)	(359)	(465,912)	-	-	-	(406,777)	-
Credit loss allowance closing balance	1,291,902	2,081,120	2,428,241	-	1,120,783	3,851,743	1,376,885	303,364

12.1.3 Advances - Credit loss allowance details

Internal / external rating / stage classification	March 31, 2024				December 31, 2023			
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
	Rupees in '000				Rupees in '000			
Outstanding gross exposure	77,791,249	5,476,903	4,527,840	-	74,080,889	8,583,530	165,726	674,144
Performing	77,791,249	1,417,114	-	-	74,080,889	-	-	-
Under Performing								
Other assets especially mentioned	-	4,059,789	-	-	-	1,952,412	17,250	-
Non - Performing								
Substandard	-	-	1,557,506	-	-	-	1,406,820	-
Doubtful	-	-	1,752,560	-	-	-	887,921	-
Loss	-	-	1,217,774	-	-	-	971,643	-
	-	-	4,527,840	-	-	-	3,266,384	-
	77,791,249	5,476,903	4,527,840	-	74,080,889	10,535,942	3,449,360	674,144
Corresponding credit loss allowance								
Stage 1	(1,291,902)	-	-	-	(1,120,783)	-	-	-
Stage 2	-	(2,081,120)	-	-	-	(3,851,743)	-	-
Stage 3	-	-	(2,428,241)	-	-	-	(1,376,885)	(303,364)
	(1,291,902)	(2,081,120)	(2,428,241)	-	(1,120,783)	(3,851,743)	(1,376,885)	(303,364)

12.2 Particulars of write offs

	(Un-Audited)	(Audited)
	March 31, 2024	December 31, 2023
	Rupees in '000	
Against credit loss allowance	(481,764)	(406,777)
Directly charged to profit & loss account	-	(97,738)
	(481,764)	(504,515)

		(Un-Audited) March 31, 2024	(Audited) December 31, 2023
	Note	Rupees in '000	
13	PROPERTY AND EQUIPMENT		
	Capital work-in-progress	13.1 1,248,770	1,337,965
	Property and equipment	2,637,555	2,534,341
		<u>3,886,325</u>	<u>3,872,306</u>
13.1	Capital work-in-progress		
	Advances to suppliers/contractors	508,957	598,152
	Software development	739,813	739,813
		<u>1,248,770</u>	<u>1,337,965</u>
		(Un-Audited) March 31, 2024	(Un-Audited) March 31, 2023
		Rupees in '000	
13.2	Additions to property and equipment		
	Capital work-in-progress	153,948	-
	Property and equipment		
	Office improvement	52,567	70,581
	Furniture and fixtures	5,605	39,818
	Computer equipments	38,369	28,902
	Electrical equipment	64,248	87,330
	Total	<u>314,737</u>	<u>226,631</u>
13.3	Disposal of property and equipment		
	The net book value of property and equipment disposed off during the period is as follows:		
	Furniture and fixtures	154,436	-
	Computer equipments	-	46
	Total	<u>154,436</u>	<u>46</u>

14 RIGHT-OF-USE ASSETS

	(Un-Audited) March 31. 2024			(Audited) December 31. 2023		
	Buildings	Vehicles	Total	Buildings	Vehicles	Total
	Rupees '000			Rupees '000		
As at January 01, Cost	4,649,119	77,436	4,726,555	3,295,529	90,780	3,386,309
Accumulated Depreciation	(1,687,153)	(52,113)	(1,739,266)	(1,063,704)	(40,116)	(1,103,820)
Net Carrying amount as at January 01	<u>2,961,966</u>	<u>25,323</u>	<u>2,987,289</u>	<u>2,231,825</u>	<u>50,664</u>	<u>2,282,489</u>
Additions during the period	-	-	-	1,353,590		1,353,590
Deletions during the period	-	(4,276)	(4,276)	-	(13,344)	(13,344)
Depreciation Charge for the period / year	(173,913)	(2,217)	(176,130)	(623,449)	(11,997)	(635,446)
Net Carrying amount at Period end	<u>2,788,053</u>	<u>18,830</u>	<u>2,806,883</u>	<u>2,961,966</u>	<u>25,323</u>	<u>2,987,289</u>

	(Un-Audited) March 31, 2024	(Audited) December 31, 2023
	Rupees in '000	
15 INTANGIBLE ASSETS		
Computer softwares	274,348	296,300
Licenses	109,947	118,745
	<u>384,295</u>	<u>415,045</u>

	(Un-Audited) March 31, 2024	(Un-Audited) March 31, 2023
	Rupees in '000	

15.1 Additions to intangible assets

The following additions have been made to intangible assets during the period:

Directly purchased	3,759	7,114
	<u>3,759</u>	<u>7,114</u>

15.2 Disposals of intangible assets

There are no disposal during the period. (March 31, 2023: NIL)

	(Un-Audited) March 31, 2024	(Audited) December 31, 2023
	Rupees in '000	

16 DEFERRED TAX ASSETS

Deferred tax asset arising on account of deductible temporary differences on:

Provision against advances	2,262,493	2,594,582
Deficit on revaluation of available for sale securities	9,618	25,061
Remeasurement of employees' retirement benefits	9,307	13,292
Lease finance facilities	165,219	131,758
Minimum Tax over Normal tax / Taxable losses	658,145	410,417
Accelerated tax depreciation / amortization allowance	57,358	120,089
Impact of remeasurement of financial assets	435,001	435,044
	3,597,141	3,730,243

Deferred tax liability arising on account of taxable temporary differences on:

Treasury bills	-	-
Pakistan Investment Bonds (PIBs)	-	-
Mutual funds	(138)	(5,029)
	(138)	(5,029)
	<u>3,597,003</u>	<u>3,725,214</u>

	(Un-Audited) March 31, 2024	(Audited) December 31, 2023
	Rupees in '000	
17 OTHER ASSETS		
Advance to employees	636,308	572,743
Advances, deposits and other prepayments	1,151,435	712,136
Taxes Receivable	1,109,559	1,824,193
Receivable from PTCL, the Parent Company	3,258,636	1,815,975
Insurance claims receivables	151,355	85,197
Receivable from SBP	1,184,284	1,511,658
Grant receivable	326,603	167,550
Inventory of ATM cards and stationery	103,501	101,572
Receivable from 1-Link	840,120	666,130
Receivable from Raast	267,286	43,211
Receivable from gratuity fund	-	451
Others	1,576,297	356,977
	10,605,384	7,857,793
	-	-
Less: Credit loss allowance held against other assets	-	-
Other assets - Total	10,605,384	7,857,793
18 BILLS PAYABLE		
In Pakistan	396,573	284,933
Outside Pakistan	-	-
	396,573	284,933
19 BORROWINGS		
Secured		
19.1 Borrowings from State Bank of Pakistan:		
State Bank of Pakistan - Term Finance	19.1.1 1,510,638	1,601,420
State bank of Pakistan - Term Finance - II	19.1.2 1,027,440	1,080,881
	2,538,078	2,682,301
19.1.1	The Bank entered into a term finance facility agreement amounting to Rs 1,500 million with State Bank of Pakistan. The loan is repayable in one installment after 5 years. Markup was chargeable at the rate of six month KIBOR with a negative spread of 1% (6-months KIBOR - 1%) per annum payable on six monthly basis.	
	This is secured against First pari passu hypothecation charge over all present and future assets (excluding land and building) of the company including but no limited to advances, microcredit receivables, and investments beyond CRR and SLR requirements of the Bank with 25% margin.	
19.1.2	The Bank entered into a term finance facility agreement amounting to Rs 1,000 million was obtained from State Bank of Pakistan. The facility is repayable in one installment after 5 years. Markup is chargeable at the rate of six month KIBOR with a negative spread of 1% (6-months KIBOR - 1%) per annum payable on six monthly basis.	
	This is secured against First pari passu hypothecation charge over all present and future assets (excluding land and building) of the Bank including but no limited to advances, microcredit receivables, and investments beyond CRR and SLR requirements of the Bank with 25% margin.	

(Un-Audited) (Audited)
March 31, **December 31,**
2024 **2023**
Rupees in '000

19.2 Other:	Note	(Un-Audited)	(Audited)
Allied Bank Limited - III - Term Finance	19.2.1	1,618,371	1,533,554
Allied Bank Limited - IV (Housing)	19.2.2	355,421	336,756
Askari bank Limited - Running Finance/ Money Market Facility	19.2.3	15,830,251	15,844,826
Bank Al - Falah Limited - Cash Management	19.2.4	26	-
Bank of Punjab - Term Finance (Housing)	19.2.5	271,806	257,459
JS Bank Limited - Term Finance	19.2.6	2,038,364	2,037,751
Bank Al Falah Limited - Term Finance	19.2.7	1,859,091	1,759,843
Bank Al Falah Limited - Short Term Finance	19.2.8	3,394	10,105,598
MCB Bank Limited (Housing)	19.2.9	291,849	333,536
Meezan Bimuajjal-3	19.2.10	73	3,010,239
National Bank of Pakistan - Running Finance	19.2.11	-	1,059,006
National Bank of Pakistan - Term Finance	19.2.12	1,622,903	1,540,666
Pakistan Mortgage Refinance Company - II (Housing)	19.2.13	192,613	254,565
United Bank Limited (Housing)	19.2.14	158,644	158,642
Repo Borrowing		-	-
		24,242,806	38,232,441
Total secured		26,780,884	40,914,742
Unsecured:			
Total unsecured		-	-
Total Secured/Unsecured		26,780,884	40,914,742

19.2.1 The Bank entered into a syndicated term finance facility agreement amounting to Rs 2,250 million with Allied Bank Limited. The first payment shall be due and payable at the end of eighteen months(18) from disbursement date and subsequently every six (06) months thereafter. Markup is chargeable at 6-months KIBOR plus 1.25% per annum payable semi annually in arrears. The loan was drawn on November 26, 2021.

This loan is secured against First Pari Passu charge over all present and future assets of the bank with the margin of 25%.

19.2.2 The Bank entered into a loan agreement for house financing amounting to Rs 500 million with Allied Bank Limited. This loan is repayable in 9 equal semi-annual instalments of Rs. 55.55 million each inclusive of 6 months grace period. Markup is chargeable at the rate of 6-months KIBOR + 0.95% per annum. The loan was drawn on December 17, 2021.

This is secured against first pari-passu hypothecated charge on all present and future assets (excluding land and building) of the bank inclusive of 25% margin.

19.2.3 The Bank entered into a running finance agreement amounting to Rs 15,000 million with Askari Bank Limited to finance the working capital requirements and investment and statutory and reporting requirements. The principle is required to be repaid at maturity on demand and mark up is repayable on quarterly basis. Markup is chargeable at the rate of 01-month KIBOR + 0.01% per annum.

This is secured against Pakistan investment bond / treasury bills / sukuks to be kept in IPS account maintained with AKBL with 5% margin.

- 19.2.4** The Bank entered into a running finance facility agreement amounting to Rs. 500 million with Bank Alfalah Limited to meet the short term funding requirement and to finance growth in advances. The loan was repayable on quarterly basis with the tenor of twelve(12) months. Markup was chargeable at the rate of 3- months KIBOR + 0.5% per annum.
- 19.2.5** The Bank entered into a term finance facility agreement amounting to Rs 600 million with Bank of Punjab. This loan is repayable in seven (07) equal semi-annual instalments with the first principal repayment falling due on twelfth (12th) month from the first disbursement date. Markup is chargeable at the rate of 6-months KIBOR + 0.95% per annum payable semi-annually in arrears. The loan was drawn on June 30, 2021.
- The facility is secured against first pari passu charge over all present and future assets (excluding land and building), book debts, advances microcredit receivables and investments of the bank with 25% margin.
- 19.2.6** The Bank entered into a Term finance Agreement amounting to Rs 2,000 million with JS bank Limited to finance the lending operations of the Bank by utilizing the short-term facility to setup, establish and develop loan portfolio. The amount has paid in full. Markup was chargeable at the rate of 3-month KIBOR + 0.10%.
- The loan is secured against the Bank's investment in JS Asset Management Units with 10% margin as well as ranking hypothecation charge over the Bank's current assets.
- 19.2.7** This represents privately placed term finance certificates (TFCs) of Rs. 3,500 million distributed in 35,000 TFCs of Rs. 100,000 each. The Issue amount was utilized to enhance the advances portfolio of the Bank. The facility tenure is 04 years (inclusive of 01 year grace) and is priced at 6 Month KIBOR + 1.35% . Semi - annual principal redemption shall commence from 2nd year from issue date in 06 equal principal installments and shall continue till the maturity of the instrument. The rating of these certificates issued by PACRA is AA- with stable outlook. These TFCs are required to be inducted in CDS and the laws and regulation relating to the CDS with respect to the term finance certificates will be applicable to the TFCs.
- 19.2.8** The Bank entered into a short term finance facility amounting to Rs 10,000 million with Bank Alfalah to finance the working capital requirements for expansion of the Bank's advances portfolio. The principle amount of is repayable in one single installment on maturity. The loan will mature on June 7, 2024. Markup is chargeable at the rate of 06-month KIBOR + 1% per annum.
- 19.2.9** The Bank entered into a loan agreement for house financing amounting to Rs 500 million with MCB Bank Limited .This loan is repayable in twelve (12) quarterly instalments of Rs. 41.67 million starting from fifteenth (15th) month each inclusive of 1 year grace period. Markup is chargeable at the rate of 3-month KIBOR plus 0.75% per annum. The loan was drawn on December 31, 2021.
- 19.2.10** The Bank entered into a Bai Muajjal Agreement amounting to Rs 2,900 million with Meezan Bank Limited to finance the lending operations of Islamic Microfinance Division of the Bank by utilizing the short-term facility to setup, establish and develop loan portfolio. Markup was chargeable at the rate of KIBOR + 0.05% per annum with floor of 3% and cap of 25%.
- This is secured against principle value of Pakistan investment Bond's or treasury bills in 3rd party IPS account of the Bank maintained with ABL or Pak Brunei Investment Company Limited at the rate of 5% margin and / or lien over GOP Ijarah Sukuk in the IPS account of the Bank maintained with MBL with nil margin.
- 19.2.11** The Bank entered into a running finance facility agreement amounting to Rs 1,000 million with National Bank of Pakistan. The initial disbursement was made against ranking charge which was upgraded to first pari passu charge within 120 days from date of disbursement. Markup is chargeable at the rate of 3-months KIBOR plus 0.75% per annum payable on quarterly basis.
- This is secured against first pari passu charge on all current and future book debts, advances and receivable of the Bank.
- 19.2.12** The Bank entered into a term finance facility agreement amounting to Rs 1,500 million with National Bank of Pakistan. The loan is repayable in 8 equal semi annual installments from the eighteenth (18th) month. Markup is chargeable at the rate of 6-months KIBOR plus 0.65% per annum.

The facility is secured against First pari passu hypothecation charge over all present and future assets (excluding land and building) of the company including but no limited to advances, microcredit receivables, and investments beyond CRR and SLR requirements of the Bank with 25% margin.

- 19.2.13** The Bank entered into a loan agreement for house financing amounting to Rs 500 million with Pakistan Mortgage Refinance Company Limited. First payment shall fall due at the end of 3rd month from disbursement and subsequently every quarter thereafter. Markup is chargeable at the rate of 1-year KIBOR with negative spread of 1% depending upon the utilization. The loan was drawn on December 30, 2021.

The loan is secured against first pari-passu charge on all present and future assets of the Bank.

- 19.2.14** The Bank entered into a loan agreement for house financing amounting to Rs 475 million with United Bank Limited .This loan is repayable in six (06) equal semi-annual instalments of Rs. 79.17 million starting from June 2022. Markup is chargeable at the rate of 1-month KIBOR plus 0.85% per annum. The loan was drawn on December 29, 2021.

The loan is secured against first pari-passu hypothecated charge on all present and future assets inclusive of 25% margin

		(Un-Audited) March 31, 2024	(Audited) December 31, 2023
		Rupees in '000	
20	DEPOSITS AND OTHER ACCOUNTS		
	Customers:		
	Current deposits	8,533,346	9,726,251
	Savings deposits	18,885,697	17,610,479
	Term deposits	57,384,000	51,025,511
		84,803,043	78,362,241
	Financial Institutions		
	Current deposits	65,337	26,937
	Savings deposits	29,334,513	26,841,597
	Term deposits	636,200	566,200
		30,036,050	27,434,734
		114,839,093	105,796,975
		(Un-Audited) March 31, 2024	(Audited) December 31, 2023
		Rupees in '000	
21	LEASE LIABILITIES		
	At beginning of period / year	3,325,017	2,502,385
	Additions during the period / year	-	1,353,590
	Deletions during the period / year	-	(13,548)
	Interest expense	94,833	378,952
	Payment	(3,282)	(896,362)
	Closing balance	3,416,568	3,325,017

		(Un-Audited) March 31, 2024	(Audited) December 31, 2023
	Note	Rupees in '000	
22 SUBORDINATED DEBT			
Subordinated debt from PTCL	22.1	1,269,995	1,477,894
Term Finance Certificates	22.2	1,222,026	1,150,238
		<u>2,492,021</u>	<u>2,628,132</u>

22.1 This represents unsecured, subordinated debt from PTCL, the Parent Company. The facility tenure is 7 years with grace period of 5 years and is priced at 3 Month KIBOR + 2% per annum. The loan is availed as TIER-II subordinated debt for inclusion in the Bank's Supplementary Capital. Loan is structured to redeem in four equal semi-annual instalments starting from June 2024. The debt is unsecured, subordinated as to the payment of principle and profit to all other indebtedness of the Bank, including deposit and is not redeemable before maturity without prior approval of the SBP. During the year ended December 31, 2022, subordinated debt amounting to Rs 1,000 million was converted into ordinary shares of the Bank after approvals of SBP and Securitas and Exchange Commission of Pakistan (SECP).

		(Un-Audited) March 31, 2024	(Audited) December 31, 2023
	Note	Rupees in '000	
22.2 Term Finance Certificates (TFCs)			
Pak Oman Tier II TFCs	22.2.1	149,700	149,700
UMBL ADT -1 TFCs	22.2.2	1,072,326	1,000,538
		<u>1,222,026</u>	<u>1,150,238</u>

22.2.1 This represents term finance certificates (TFCs) of Rs. 600 million distributed in 120,000 TFCs of Rs. 5,000 each issued to Pak Oman Investment Company as subordinated loan in June 2017. The loan is availed as TIER-II subordinated debt for inclusion in the Bank's Supplementary Capital. The facility tenure is 7 years and is priced at 6 Month KIBOR + 3.50% (2023: 6 Month KIBOR + 3.50%). The instrument is structured to redeem 0.02% of principal, semi-annually, over the first 60 months and remaining principal of 24.95% each of the issue amount respectively, in four equal instalments starting from 66th month. The TFCs are subordinated as to the payment of principal and profit to all other indebtedness of the Bank. The rating of these certificates issued by JCR-VIS is A- with a stable outlook.

22.2.2 This represents the fully paid up, rated, privately placed / DSLR listed, unsecured, subordinated, perpetual and non cumulative debt instrument in the nature of Additional TIER 1 Capital Term Finance Certificates of Rs. 1,000 million (inclusive of Green shoe option of Rs. 250 million) (The "TFC") as instrument of redeemable capital under section 66 (1) of Companies Act, 2017 carrying markup at the rate of 6 months KIBOR plus 3.5% payable semi-annually on a non-cumulative basis on the outstanding issue amount. The Bank has full discretion over the amount and timing of profit distribution and waiver of any profit distribution or other payment does not constitute an event of default. The Bank may call the TFCs at par (either partially or in full) with prior approval of State Bank of Pakistan (SBP), on any profit payment date after 5 years from the issue date. The instrument is subordinated as to payment of principal and profit to all other claims except common shares. These term finance certificates are convertible into fixed number of ordinary shares of the Bank upon CET 1 trigger event, the point of non viability (PONV) trigger event of failure by the Bank to comply with the lock in clause.

		(Un-Audited) March 31, 2024	(Audited) December 31, 2023
	Note	Rupees in '000	
23	OTHER LIABILITIES		
	Accrued expenses	161,743	217,218
	Payable to utility companies for utility bills collection	37,918	67,668
	Sales tax Payable	-	21,454
	Withholding tax payable	-	264,526
	Payable to PTML, an associated company	931,848	226,339
	Uncollected remittances	162,150	202,869
	Payable to defined contribution plan - provident fund	30,972	1,705
	Payable to defined benefit plan- gratuity fund	14,135	-
	Workers' Welfare Fund	57,406	57,406
	Others	18,055	126,523
		<u>1,414,227</u>	<u>1,185,708</u>
24	SURPLUS/ (DEFICIT) ON REVALUATION OF ASSETS		
	Surplus / (deficit) on revaluation of		
	- FVOCI - debt	11.1 (52,536)	(64,259)
	Deferred tax on surplus / (deficit) on revaluation of:		
	- FVOCI - debt	20,489	25,061
		<u>(32,047)</u>	<u>(39,198)</u>
25	CONTINGENCIES AND COMMITMENTS		
25.1	Contingencies		
	There have been no material change in the contingencies as disclosed in the last audited financial statements of the bank for the year ended December 31, 2023.		
25.2	Commitments		
		(Un-Audited) March 31, 2024	(Audited) December 31, 2023
		Rupees in '000	
		Note	
	Standby letter of guarantee	25.2.1	18,000
	Property and equipment		14,572

25.2.1 This represents letter of guarantee issued by the Bank to China Union Pay International Company Limited for interbank settlements.

	(Un-Audited) March 31, 2024	(Un-Audited) March 31, 2023
Note	Rupees in '000	
26 MARK-UP / RETURN / INTEREST EARNED		
Loans and advances	2,802,007	4,741,254
Investments	2,012,586	3,665,420
Lendings to financial institutions	453,677	52,560
Balances with other MFBs / banks / NBFIs	932,106	1,221,406
Markup / Return on Islamic Financing	214,429	60,460
Interest Earned on Employees' loan	104	837
	<u>6,414,909</u>	<u>9,741,937</u>
27 MARK-UP / RETURN / INTEREST EXPENSED		
Deposits	5,977,293	3,278,578
Islamic deposits	122,260	47,095
Borrowings	2,123,873	4,128,194
Subordinated debt	69,995	56,219
Finance lease charges of leased vehicles	-	46
Finance lease charges of Right-of-use assets	94,833	60,834
	<u>8,388,254</u>	<u>7,570,966</u>
27.1 Interest expense calculated using effective interest rate method	8,388,254	7,570,966
Other financial liabilities	-	-
	<u>8,388,254</u>	<u>7,570,966</u>
28 FEE & COMMISSION INCOME		
Loan processing fees	420,063	457,280
Branchless banking Income	12,524	18,080
Card related fees	2,445	7,279
Commission income	485	313
Other fee income collected from customers	22,887	16,928
	<u>458,404</u>	<u>499,880</u>
29 GAIN / (LOSS) ON SECURITIES		
Realised	(59,283)	17,748
Unrealised	11,723	5,806
	<u>(47,560)</u>	<u>23,554</u>
29.1 Realised gain/(Loss) on:		
Federal Government securities	(59,283)	17,748
	<u>(59,283)</u>	<u>17,748</u>
29.2 Net gain / loss on financial assets / liabilities measured at FVPL:		
Designated upon initial recognition	-	-
Mandatorily measured at FVPL	2,931	1,452
	<u>2,931</u>	<u>1,452</u>
Net gain / (loss) on financial assets measured at FVOCI	8,792	4,354

	(Un-Audited) March 31, 2024	(Un-Audited) March 31, 2023
	Rupees in '000	
30 OTHER INCOME		
Gain on sale of property and equipment - net	1,161	308
Grant income	-	-
Others		
Other services income	11,594	69,854
	<u>12,755</u>	<u>70,162</u>
31 OPERATING EXPENSES		
Total compensation expense	1,334,520	996,240
Non-Executive directors' fee	300	550
Rent, rate and taxes	22,684	33,563
Legal and professional charges	6,534	9,875
Repair and maintenance	198,055	153,996
Stationary and printing	49,443	30,248
Training and development	992	5,858
Travelling and conveyance	48,575	42,487
Charity	1	-
Auditor's remuneration	6,080	1,445
Depreciation	187,535	130,168
Amortization	34,509	132,722
Amortization of Right-of-use assets	176,130	16,845
Bank charges	132,650	17,885
Charge for defined benefit plans	23,601	21,127
Contribution for defined contribution plan	24,772	17,991
Financial charges on leased assets	14,076	62,055
Insurance expenses	109,479	94,831
Internet and connectivity charges	46,521	29,185
Marketing expenses	60,609	38,076
NADRA verification charges	12,523	21,909
Office supplies	23,436	20,759
Postage, courier etc.	10,438	7,359
Security services	129,228	94,598
Software support and maintenance fee	87,298	89,713
Utilities	106,043	57,251
Miscellaneous expenses	9,844	6,692
	<u>2,855,876</u>	<u>2,133,428</u>

		(Un-Audited) March 31, 2024	(Un-Audited) March 31, 2023
		Rupees in '000	
32 OTHER CHARGES			
Penalties imposed by the State Bank of Pakistan		132	250
		<u>132</u>	<u>250</u>
33 CREDIT LOSS ALLOWANCE & WRITE OFFS - NET			
Credit loss allowance against loans & advances	12.1.2	851,512	(992,254)
		<u>851,512</u>	<u>(992,254)</u>
34 TAXATION			
Current		-	206,851
Deferred tax		(1,388,519)	(121,366)
		<u>(1,388,519)</u>	<u>85,485</u>
35 BASIC EARNINGS/ (LOSS) PER SHARE			
Profit/(Loss) for the period		<u>(2,165,723)</u>	<u>357,532</u>
Weighted average number of ordinary shares (in '000)		<u>408,571</u>	<u>408,571</u>
Basic earnings per share		<u>(5.30)</u>	<u>0.88</u>
36 DILUTED EARNINGS/ (LOSS) PER SHARE			
Profit for the period		<u>(2,165,723)</u>	<u>357,532</u>
Weighted average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares in '000)		<u>568,571</u>	<u>408,571</u>
Diluted earnings per share		<u>(3.81)</u>	<u>0.88</u>
37 FAIR VALUE MEASUREMENTS			

The fair value of traded investments is based on quoted market prices, except for securities classified by the Bank as 'amortized cost'. Securities classified as held to maturity are carried at their carrying value less any expected credit loss. Fair value of unquoted equity investments is determined on the basis of break up value of these investments as per the latest available audited financial statements.

Fair value of fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments.

Fair value of remaining financial assets and liabilities except fixed term loans, staff loans, non-performing advances and fixed term deposits is not significantly different from the carrying amounts since assets and liabilities are either short term in nature or are frequently repriced in the case of customer loans and deposits.

37.1 Fair value of financial assets

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

Financial instruments in level 1:

Financial instruments in level 1 comprise of investment in Mutual Funds and Term Finance Certificates listed at Pakistan Stock Exchange (PSX).

Financial instruments in level 2:

Financial instruments included in level 2 comprise of investment in Market Treasury Bills (MTBs), Pakistan Investment Bonds (PIBs), Ijarah Sukuks and Term Finance Certificates / Private Sukuks not listed at PSX.

Financial instruments in level 3:

Financial instruments included in level 3 comprise of investment in Term Finance Certificates of Khushali Bank Limits (KBL)

The Bank's policy is to recognize transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused such transfer takes place. There were no transfers between levels 1 and 2 during the year.

The table below analyses the financial and non-financial assets carried at fair values, by valuation methods. Valuation of investments is carried out as per guidelines specified by the SBP.

	(Un-Audited)			Total
	March 31, 2024			
On Balance Sheet Financial Instruments	Level 1	Level 2	Level 3	
	Rupees in "000"			
Financial Assets - Measured at Fair Value				
Investments				
Federal Government securities	-	31,653,126	-	31,653,126
Non Government debt securities	-	2,748,439	-	2,748,439
Lendings to financial institutions	4,502,770	-	-	4,502,770
Mutual Funds	152,411	-	-	152,411
Financial Assets - Disclosed				
But Not Measured at Fair Value				
Federal Government securities	4,731,381	-	-	4,731,381

	Audited			Total
	December 31, 2023			
On Balance Sheet Financial Instruments	Level 1	Level 2	Level 3	
	Rupees in "000"			
Financial Assets - Measured at Fair Value				
Investments				
Federal Government securities	-	38,644,950	-	38,644,950
Non-Government debt securities	-	2,739,735	-	2,739,735
Lendings to financial institutions	454,522	-	-	454,522
Mutual Funds	5,570,319	-	-	5,570,319
Financial Assets - Disclosed				
But Not Measured at Fair Value				
Federal Government securities	4,735,770	-	-	4,735,770

Valuation techniques used in determination of fair valuation of financial instruments within level 2 and level 3

Item	Valuation approach and input used
Non-Government debt securities	The valuation has been determined through the valuation of debt securities published by the MUFAP.
Federal Government securities	The fair value of Pakistan Investment Bonds are derived using PKRV rates. The PKRV rates are announced by FMA (Financial Market Association) through Reuters. The rates announced are simple average of quotes received from eight different predefined/ approved dealers / brokers.

38 Related Party Transactions

The Bank is a subsidiary of Pakistan Telecommunication Company limited (PTCL) which holds 100% share capital of the Bank. Therefore, all subsidiaries and associated undertakings of the Parent Company 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. The significant transfer and balances involving related parties are outlined below:

		(Un-Audited) March 31, 2024	(Un-Audited) March 31, 2023
	Relationship with related party	Rupees in '000	
Transactions during the period:			
Pakistan Telecommunication Company Limited (PTCL)			
	Parent Company		
Utility bill collected on behalf of PTCL		55,272	31,939
Payment in respect of utility bills collected on behalf of PTCL		55,266	31,939
Utility Bill collection charges		170	110
Payment for administrative costs and fixed assets		57,384	19,277
Interest expense on TIER-II subordinated debt		69,995	56,219
Interest expense on savings account		-	668
Pakistan Telecommunication Company Limited (PTCL) - Employees Provident Fund			
	Associated Company		
Interest expense on PTCL employee on GP fund		127,952	8,417
Pak Telecom Mobile Limited (PTML)			
	Associated Company		
Payment for administrative costs and fixed assets		61,239	10,428
Amount received against reimbursement of agent's commission		99,824	50,606
Income from branchless banking		12,525	73,486
Interest expense on savings account		522	571
U Microfinance Bank Limited Employees' provident fund			
	Employees' Trust		
Contribution to provident fund		24,772	17,991
U Microfinance Bank Limited Employees' Gratuity Fund			
	Employees' Trust		
Contribution to gratuity fund		23,601	21,127

		(Un-Audited) March 31, 2024	(Audited) December 31, 2023
		Rupees in '000	
Balances outstanding as at March 31, 2024			
Pakistan Telecommunication Company Limited (PTCL)	Relationship with related party Parent Company		
Receivable / (payable) to PTCL		3,258,636	1,815,975
Payable against utility bills collected		4,954	6,018
Utility bills collection charges receivable		643	643
Sub-ordinated debt from PTCL		1,269,995	1,477,894
Interest Payable on subordinated debt		69,995	277,894
Pak Telecom Mobile Limited	Associated Company		
Payable against branchless banking and bills collected		931,136	226,203
U Microfinance Bank Limited Employees' provident fund	Employees' Trust		
Payable / (receivable) to provident fund		30,972	1,705
U Microfinance Bank Limited Employees' gratuity fund	Employees' Trust		
Payable to gratuity fund		14,135	451
Pakistan Telecommunication Company Limited	Parent Company	1,142	1,109
Pakistan Telecommunication Company Limited Gratuity Fund	Associated Company	2,108,078	3,570,239
Pakistan Telecommunication Company Limited Provident Fund	Associated Company	1,527,668	546,501
Pakistan Telecommunication Employees Trust	Associated Company	5,055,655	4,764,596
Pak Telecom Mobile Limited	Associated Company	8,283	6,518
Pak Telecom Mobile Limited Employees Gratuity fund	Associated Company	594,563	591,984
U Microfinance Bank Limited Employees Provident fund	Employees' Trust	237,937	230,936
U Microfinance Bank Limited Employees Gratuity fund	Employees' Trust	219,934	211,678

	March 31, 2024	December 31, 2023
Rupees in '000		
39 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS		
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	<u>6,660,000</u>	<u>6,660,000</u>
Break up paid up capital		
Fully paid ordinary share capital	4,060,000	4,060,000
Fully paid preference share capital	1,000,000	1,000,000
Advance against issue of shares	1,600,000	1,600,000
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	<u>3,479,226</u>	5,496,595
Eligible Additional Tier 1 (ADT 1) Capital	<u>860,205</u>	1,374,149
Total Eligible Tier 1 Capital	<u>4,339,431</u>	6,870,744
Eligible Tier 2 Capital	<u>1,449,793</u>	2,290,431
Total Eligible Capital (Tier 1 + Tier 2)	<u>5,789,224</u>	<u>9,161,175</u>
Risk Weighted Assets (RWAs):		
Credit risk	<u>60,044,984</u>	64,561,034
Operational risk	<u>1,549,154</u>	1,549,154
Total	<u>61,594,138</u>	<u>66,110,188</u>
Common Equity Tier 1 Capital Adequacy Ratio	<u>5.65%</u>	<u>8.31%</u>
Tier 1 Capital Adequacy Ratio	<u>7.05%</u>	<u>10.39%</u>
Total Capital Adequacy Ratio	<u>9.40%</u>	<u>13.86%</u>

The Bank's policy is to maintain a strong capital base to maintain investor, depositor, creditor and market confidence and to sustain future development of the business, while providing adequate returns to shareholders.

The SBP, through AC&MFD Circular No. 03 dated June 10, 2014, has required Microfinance Banks to maintain a minimum paid-up capital of Rs.1,000 million (net of accumulated losses). The paid-up capital of the Bank as at March 31, 2024 stood at Rs. 6,660 million (2023: Rs. 6,686 million) and is in compliance with SBP requirements.

Subsequent to the period end, the Board of Directors of the parent company i.e PTCL, in their meeting held on April 18, 2024 have resolved to approve further equity injection for the Bank as per the details below:

- a) Conversion of PTCL preference shares into ordinary share capital of Rs. 1,000 million.
- b) Conversion of PTCL subordinated debt of Rs. 1,200 million into ordinary share capital.
- c) Additional cash equity injection of Rs. 1,200 million.

With this equity injection (mentioned above), Total Capital Adequacy Ratio of the Bank would had been 15.4% as on March 31, 2024 and 16.6% as on December 31, 2023.

40 ISLAMIC BANKING BUSINESS

The bank is operating with 74 (prior year: 74) Islamic banking branches and Nil (prior year: Nil) Islamic banking windows at the end of the year.

		(Un-Audited) March 31, 2024	0 December 31, 2023
	Note	Rupees in '000	
ASSETS			
Cash and balances with treasury banks		742,695	506,693
Balances with other banks		4,557	4,557
Investments	40.1	4,116,953	3,429,679
Islamic financing and related assets - net	40.2	4,342,109	3,755,086
Property and equipment		549,287	504,008
Intangible assets		2,401	2,613
Total assets		9,758,002	8,202,636
LIABILITIES			
Bills payable		7,601	5,514
Deposits and other accounts	40.3	4,765,579	4,422,019
Due to head office		4,798,639	3,611,573
Other liabilities		82,455	66,906
Total liabilities		9,654,274	8,106,012
NET ASSETS		103,728	96,624
REPRESENTED BY			
Islamic banking fund		200,000	200,000
Unappropriated / Unremitted profit		(96,272)	(103,376)
		103,728	96,624
CONTINGENCIES AND COMMITMENTS	40.4		

The profit and loss account of the Bank's Islamic banking branches for the period ended March 31, 2024 is as follows:

		(Un-Audited) March 31, 2024	(Un-Audited) March 31, 2023
		Rupees in '000	
Profit / return earned	40.5	426,552	60,299
Profit / return expensed	40.6	(180,384)	(47,093)
Net profit / return		246,168	13,206
Other income			
Fee and commission income		45,959	19,712
Total other income		45,959	19,712
Total income		292,127	32,918
Other expenses			
Operating expenses		266,719	105,875
Total other expenses		266,719	105,875
Profit / (Loss) before credit loss allowance		25,408	(72,957)
Credit loss allowance and write offs - net		(18,304)	-
Profit / (Loss) before taxation		7,104	(72,957)
Taxation		-	-
Profit / (Loss) after taxation		7,104	(72,957)

40.1 Investments by segments:	Mar 31, 2024				Dec 31, 2023			
	Cost/ Amortised cost	Credit loss allowance for	Surplus / (Deficit)	Carrying value	Cost/ Amortised cost	Credit loss allowance for diminution	Surplus / (Deficit)	Carrying value
	Rupees in '000							
- Debt Instruments								
Classified / Measured at FVOCI								
-Ijarah Sukuks	3,732,477	-	3,295	3,735,772	2,127,892	-	1,876	2,129,768
-Private Sukuks	296,685	-	-	296,685	296,663	-	-	296,663
	4,029,162	-	3,295	4,032,457	2,424,555	-	1,876	2,426,431
Classified / Measured at FVPL								
Mutual Funds	84,496	-	-	84,496	1,003,248	-	-	1,003,248
	84,496	-	-	84,496	1,003,248	-	-	1,003,248
Total investments	4,113,658	-	3,295	4,116,953	3,427,803	-	1,876	3,429,679

(Un-Audited) (Audited)
March 31, December 31
2024 2023

40.2 Islamic financing and related assets

Rupees in '000

Murabaha	2,623,529	1,455,132
Diminishing Musharaka	23,030	18,937
Salam	1,787,200	2,354,363
	4,433,759	3,828,432
Less: Credit loss allowance against Islamic financings		
-Stage 1	(28,994)	(24,934)
-Stage 2	(14,863)	(17,387)
-Stage 3	(47,793)	(31,025)
	(91,650)	(73,346)
Islamic financing and related assets - net of Credit loss allowance	4,342,109	3,755,086

	(Un-Audited) March 31, 2024	(Audited) December 31 2023
Rupees in '000		
40.3 Deposits		
Customers		
Current deposits	354,117	402,758
Savings deposits	783,718	729,238
Term deposits	2,381,309	2,158,091
	3,519,144	3,290,087
Financial Institutions		
Current deposits	2,711	1,115
Savings deposits	1,217,323	1,111,493
Term deposits	26,401	23,446
	1,246,435	1,136,054
	4,765,579	4,426,141

40.4 CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments related to Islamic financing as at March 31, 2024 (December 31, 2023: None)

	(Un-Audited) March 31, 2024	(Un-Audited) March 31, 2023
Rupees in '000		
40.5 Profit / Return Earned of Financing, Investments and Placement		
Profit earned on:		
Financing	210,543	29,763
Investments	216,009	30,536
	426,552	60,299

40.6 Profit on Deposits and other Dues Expensed

Deposits and other accounts

(Un-Audited)	(Un-Audited)
March 31,	March 31,
2024	2023

Rupees in '000

180,384	47,093
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180,384	47,093
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(Un-Audited)	(Audited)
March 31,	December 31,
2024	2023

Rupees in '000

40.7 Islamic Banking Business Unappropriated Profit

Opening Balance

Add: Islamic banking profit/(loss) for the period

Less: Taxation

Less: Reserves

Less: Transferred / Remitted to head office

Closing balance

96,624	249,058
7,104	(152,434)
-	-
-	-
-	-
103,728	96,624

41 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

Subsequent to the period end, the Board of Directors of the parent company i.e PTCL, in their meeting held on April 18, 2024 have resolved to approve further equity injection for the Bank as per the details below:

- a) Conversion of PTCL preference shares into ordinary share capital of Rs. 1,000 million.
- b) Conversion of PTCL subordinated debt of Rs. 1,200 million into ordinary share capital.
- c) Additional cash equity injection of Rs. 1,200 million.

42 DATE OF AUTHORISATION FOR ISSUE

These financial statements were approved by the Board of Directors of the Bank in their meeting held on **May 15, 2024.**

President/Chief Executive

Chief Financial Officer

Director

Director

Director