



**ANNUAL  
REPORT  
2021**

Prosperity on all Accounts

A hand is shown in the lower-left corner, pointing towards a large, stylized, upward-pointing arrow that dominates the right side of the image. The background is a deep blue with various geometric shapes, including lines and points, suggesting a digital or data environment. The overall aesthetic is futuristic and technological.

**Prosperity on all Accounts**

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## VISION

To be a leading Microfinance Bank providing financial services to Micro, Small and Medium Enterprises and low income households across Pakistan.

## MISSION

To strive for excellence and to adopt sustainable practices for the best long term interest of all stakeholders.



## VALUES

- Empowerment
- Excellence
- Ethical

## **KMBL – An Introduction**

Khushhali Microfinance Bank Limited takes pride in being the largest microfinance bank in Pakistan with a network of 239 footprint across the entire country and has maintained the stature of the “Best Microfinance Bank” of Pakistan by Institute of Bankers Pakistan since 2018. The bank is a recognized market leader and the industry forerunner for more than two decades now.

KMBL is the largest financial institute functioning on the broader concepts of poverty eradication and financial inclusion and is now paving its way towards strengthening various other unbanked segments of SMEs in Pakistan. The biggest clientele involves the agriculture sector, that constitutes as being the backbone of the country's economy; largely consisting of lower-income groups who require the most financial backing but lack the institutional framework required accommodating the specific business requirements. KMBL is constantly working towards providing innovative and customer-centric products and services to bring financial inclusion for these huge unbanked segments of Pakistan.

Founded in 2000, KMBL has extended its services for those at the bottom of the pyramid in both rural and urban areas of Pakistan. The aim is to provide a strong channel of access to productive resources including micro-financing services, financial literacy and trainings on sustainable livelihood.

In 2021, KMBL was able to expand its outreach with 201 provincial branches, 5 SME branches, 18 permanent booths and 15 post office booths, building up the largest network of microfinancing institutes in Pakistan. Currently, Khushhali Microfinance Bank Limited is working on digitally transforming its products and services as well as introducing new portfolio of products for more customized business needs.







## Our Work

As a pioneer in the microfinance business, KMBL has developed a variety of unique financial products and services aimed specifically at lower-income groups in order to provide them with stable resources for a sustainable growth. Loans, savings, insurance, and other digital financial services are among the main areas covered.

KMBL's loan products are deliberately designed to meet the needs of micro-entrepreneurs, small and medium enterprises, covering businesses in both rural and urban areas. To assist the most important source of economic activity, KMBL offers purpose-specific products such as livestock and agriculture loan products to meet their short and long-term demands. Strategically catering to business specific needs, KMBL has now introduced a distinct segment of corporate financing for a huge market of SMEs in Pakistan.

Customers of KMBL can benefit from competitive rates on savings products geared to meet their future needs, in addition to lending options.

Khushhali Microfinance Bank Limited also offers easy and convenient micro-health insurance products for individuals and families in partnership with the most reliable insurance companies of Pakistan.

# Business Highlights

Gross Loan Portfolio  
**70,782,300,678**



Deposit Base  
**93,162,367,160**



Micro Insurance  
Policies  
**26,467**



Active Depositors  
**2,989,604**



Active Borrowers  
**803,820**



Percentage of Active  
Female Borrowers

**29%**



Number of Loans Given to  
Agri/Livestock Farmers

**546,742**



Percentage of Active  
Rural Clients

**89%**



Number of Loans  
Given to MSMEs

**68,547**





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# CORPORATE INFORMATION

## Board Members

Mr. Aameer Karachiwalla	Chairman
Mr. Robert Francis Thomas Binyon	Director
Mr. Geert Peetermans	Director
Mr. Henning Haugerudbraaten	Director
Mr. Sharjeel Shahid	Director
Mr. Eelco Willem Gerard Mol	Director
Ms. Simi Sadaf Kamal	Independent Director
Mr. Humayun Bashir	Independent Director
Mr. Mohammad Ghalib Nishtar	President & Chief Executive

## Board Sub-Committees

### Board Audit Committee Members

Ms. Simi Sadaf Kamal	Chair
Mr. Henning Haugerudbraaten	Member
Mr. Sharjeel Shahid	Member

### Board Human Resource & Compensation Committee Members

Mr. Robert Binyon	Chair
Mr. Geert Peetermans	Member
Ms. Simi Sadaf Kamal	Member

### Board Risk Management Committee Members

Mr. Eelco Willem Gerald Mol	Chair
Mr. Robert Binyon	Member
Mr. Humayun Bashir	Member

### Social and Environmental Committee Members

Mr. Geert Peetermans	Chair
Mr. Henning Haugerudbraaten	Member
Mr. Eelco Willem Gerard Mol	Member

### Digital Finance Committee

Mr. Humayun Bashir	Chair
Mr. Henning Haugerudbraaten	Member
Mr. Sharjeel Shahid	Member

## Share Registrar

Central Depository Company of Pakistan Limited  
 CDC House, 99-B, Block 'B', S.M.C.H.S.,  
 Main Shakra-e-Faisal, Karachi - 74400  
 Tel: +92 21 111 111 500  
 Fax: +92 21 343 26031  
 Web: www.cdcpakistan.com

## Auditors

Ernst & Young Ford Rhodes  
 Chartered Accountants  
 Eagle Plaza, 75-West,  
 Fazl-ul-Haq Road, Blue Area, Islamabad  
 Tel: +92 51 234 4160-62  
 Fax: +92 51 234 4163  
 Web: www.ey.com/pk

## Legal Advisors

Samdani & Qureshi  
 32-A, Street 38,  
 Main Nazimuddin Road,  
 Sector F-10/4, Islamabad  
 Tel: +92 51 211 1595-8  
 Fax: +92 51 210 8011  
 Email: fqureshi@samdaniqureshi.com

## Tax Advisors

Ernst & Young Ford Rhodes  
 Chartered Accountants  
 Eagle Plaza, 75-West,  
 Fazl-ul-Haq Road, Blue Area, Islamabad  
 Tel: +92 51 234 4160-62  
 Fax: +92 51 234 4163  
 Web: www.ey.com/pk

## Company Secretary

Osman Habib Ahmed

## Head office:

Plot No: 55-C, 5th Floor, U-fone Tower, Jinnah Avenue, Blue Area, Islamabad, Pakistan  
 Tel: +92 51 111 092 092  
 Fax: +92 51 924 5120  
 Web: www.khushhalibank.com.pk

## Board of Directors

### Aameer Karachiwalla

Chairman / Director



With over 30 years of experience, Aameer Karachiwalla is a Chartered Accountant from the Institute of Chartered Accountants of England & Wales. Aameer was re-appointed the Chief Financial Officer of UBL in July 2016. He joined UBL in 1998 and has previously held the positions of Chief Operating Officer, Chief of Staff and Group Executive Retail Banking at UBL. During this time, he has been instrumental in launching the bank's branchless banking business, implementing the IT vision of the bank and in developing the bank's overall restructuring plan which led to its successful privatization. He is also the Chairman of the Board at UBL Insurers Ltd. and 1Link. Before joining UBL, Aameer held senior positions at a number of financial institutions and multinationals including American Express Bank, Citicorp Investment Bank and Artal Group of Companies.

### Robert Binyon

Director



UK National, Robert Binyon graduated in Modern History from Christ Church Oxford and has a long experience of the banking industry around the globe, starting in 1972 with Morgan Grenfell, the London Merchant Bank. He held a variety of positions in the London Office and had two periods based in Geneva to run the Morgan Grenfell Bank in Switzerland. In 1985, he was appointed to the main board and in 1986 went to Japan to run the Tokyo operations of the group. Robert served as a member of Group management committee in 1988 and assumed responsibility for the Group's operations in the Asia Pacific region. Subsequently he served as Chief Executive and Managing Director for three years of Tokai Bank Europe in London. From 1994 to 2003, Robert was a Managing Director of the Commonwealth Development Corporation (CDC) in London, responsible for the financial markets department. He has held a number of non-executive chairman and directorship roles, mostly in businesses or funds operating or investing in Asia or other emerging markets and mostly focused on the SME sector.

Currently, he is chairman of Lakeshore LLP, a private equity fund and of Khronos Advisory Limited, both based in Thailand and Chairman of many other commercial businesses operating in China and South East Asia.

## Geert Peetermans

Director



Belgian national, Geert Peetermans is a Masters in Economic Sciences, specializing in General Management. His diversified career spans over 20 years and in various continents & cultures, in Market Research & Analysis. He is Senior Managing Partner of Incofin Investment Management, an impact investment firm with AuM of close to USD 1 billion. He is designated Chief Investment Officer for Incofin Investment Management since 2001.

Geert's strength is in strategy development, industry relations and international investment. He has been chairman of the Board of COAC Accion Rural SARL (Ecuador) & Board member of Financiera Confianza (Peru) and MFI Fie Gran Poder SA (Argentina). Currently he is Board Member of Microfinance Investment Vehicle Rural Impulse Fund II SICAV-FIS (Luxembourg), Incoteam (Belgium), Kenya Women Microfinance Bank in Kenya and Khushhali Microfinance Bank Limited. He is also a multi-linguist person knowing Dutch, English, Spanish, French & German languages at different levels.

## Henning Haugerudbraaten

Director



A Norwegian national, Henning Haugerudbraaten is a CFA (Chartered Financial Analyst) Charter holder. He has a diversified career spanning over 15 years. He holds a Master's degree from the Johns Hopkins University School of Advanced International Studies (SAIS) and a Bachelor's degree from the University of Oslo.

He is currently working as Principal in the private equity department of responsibility Investments AG. He has also served at Triple Jump, Nordic Microfinance Initiative, McKinsey & Company, Norges Bank (central bank of Norway) and the World Bank Group. He is based in Bangkok, Thailand.

## Sharjeel Shahid

Director



Sharjeel Shahid has more than 24 years of diversified experience of managing banking operations in large retail banks and business management for various institutions. A tech savvy qualified Chartered Accountant, Shahid worked in London prior to working for Barclays, Standard Chartered and now United Bank in Pakistan. He has been instrumental in transformation of business models, corporate restructuring, cost optimisation and development of alternate delivery channels. He is currently spearheading the Digital Transformation Strategy for the second largest bank in the country, UBL. He is also serving on the Board of several companies in different sectors.

## Eelco Willem Gerard Mol

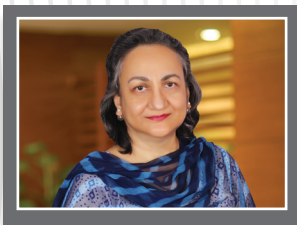
Director



Dutch national, in 1991, Mr. Eelco Mol graduated for his B.Sc in Agricultural Development at the Larenstein University and in 1995 finalized its M.Sc in Development Economics and Sociology at the University of Wageningen in the Netherlands. Mr. Eelco Mol has almost 30 years of experience in International Development and Fund Management. He worked several years with the Dutch Ministry of Foreign Affairs and the UN Food and Agricultural Organization in Central America and Ghana. Afterwards he returned to the Netherlands and worked for Oxfam Novib at the Investment Desk for Financial Institutions. He is co-founder of the Fund Manager Triple Jump in Amsterdam for which he worked between 2006 and 2019. He was part of the management board and in his latest assignment he was overseeing the regional investment teams as the Director for the investments in Financial Institutions. Since 2020, Mr. Eelco Mol works as independent advisor for several investment funds and international organizations. He is Chair of the board of directors in Banco DMiro in Ecuador and Chair of the board of DMDI bank in Liberia. He is advisor to the crowd funding platform 'LendaHand' in Rotterdam and is member of its Credit Committee. He is also advisor to the executive management board of Alliance Microfinance of Norway.

## Simi Sadaf Kamal

Director



Geographer with 39 years of experience in establishing institutions, building platforms and developing programs in her three areas of specialization: poverty alleviation, gender and water. As a poverty alleviation practitioner, she has focused on inclusive development, assets transfer, interest free loans, microfinance, financial literacy, public goods and poverty graduation models. She is known for championing causes of vulnerable populations, marginalized people and poor countries. She has a reputation for solving problems, resolving differences through debate and discussions, building consensus and developing shared perspectives.

In addition to her in-depth experience in Pakistan, she has worked in South Asia, the Asia Pacific region, the Middle East, Europe and Africa. Her expertise ranges from projects in local communities to major national and international programs, transnational dialogues, track two engagements where governments find it hard to talk, research geared to actions and academic endeavors. She has chosen to reside in Pakistan, and continues engagement at the grassroots, following her avowed approach on putting people first.

She is the founder of several private and non-profit organizations as well as international and national networks, programs and initiatives. She has held fiduciary responsibility for multi-million-dollar programs, served on treasury, investment, fund raising, finance and audit committees.

She has headed over 200 assignments and postings as Chief of Party, Head of Programs, Team Leader and lead consultant. She is the author and co-author of over 180 research, evaluation and impact assessment reports.



## Humayun Bashir

Independent Director



Humayun brings 40 years of diversified experience with IBM in Pakistan, Afghanistan, Iran, and MEA headquarters Dubai, with good knowledge of working with banking, capital markets and Telecom sectors. He remained Chief Executive of IBM Pakistan for 16 years before retiring in 2016. He holds an engineering degree with Finance, management and leadership courses from IBA, IBM Academy NY, INSEAD and Boston University.

Humayun is a certified Director under IFC - PICG program and is currently serving as Chairman of National Clearing Company of Pakistan (NCCPL), and serves on Boards of NAFA /NBP mutual fund, Management Association of Pakistan (MAP), INJAZ Pakistan and as Chairman of PSX IT Steering committee. He is engaged with Startups and Incubators and is on Advisory Boards for promoting startups eco system in country.

## M. Ghalib Nishtar

President & CEO



M.Ghalib Nishtar is the founding President of Khushhali Microfinance Bank, Pakistan's largest microfinance bank. He is regarded as a pioneer microfinance banker of Pakistan's burgeoning microfinance industry.

He was part of the process initiated by the Government of Pakistan to reform the financial sector under the Microfinance Sector Development Program in 2000 and has been a critical force in demonstrating the success of microfinance in Pakistan with Khushhali Bank as a leading benchmark. More recent accomplishments include successful steering of the divestment process of Khushhali Microfinance Bank as a consequence of which the bank was able to attract investment from leading domestic and global investors. With the new set of investors on board the bank is undergoing an ambitious transformation program to be able to serve the expanded microenterprise segment of the market in the country.

Prior to Khushhali, he commenced his career with the Bank of America in 1982 and concluding with the National Bank of Pakistan, one of the country's largest commercial bank as its Senior Executive Vice President.

He serves on many Boards and Steering Committees; has represented the Bank at summits, conferences and meetings at national and international forums and contributes regularly towards print media on issues of financial inclusion for the poor.

He holds a Master's degree in Computer Science and is the recipient Sitara-i-Imtiaz, one of Pakistan's highest Presidential civil awards.

## Management

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### **Saleem Akhtar Bhatti**

Group Head Finance & CFO



Saleem Akhtar Bhatti is a finance expert with more than 25 years of industry experience. Saleem joined Khushhali Microfinance Bank in 2001. Prior to KMBL, Saleem held various management positions providing leadership and strategic direction in the finance & accounting functions through financial strategy, planning, financial and management accounting, budgeting, tax planning, defining financial policies and controls.

## Amina Hassan

Group Head Business



Amina Hassan is a well-rounded service-sector professional with profound experience in managing grassroots initiatives for socio-economically vulnerable groups.

Amina joined KMBL in 2001 with the first batch of executive trainees, and has progressed with the bank over the past 20 years to become the first woman on the senior management team. She is recognized for her contribution towards establishing effective retail distribution and client service platform across the branch, area, region and national level.

Amina holds MBA in Management and a Masters in Applied Psychology. In addition, she has received specialized training in micro-enterprise management from the Kennedy School at Harvard University, USA, along with other retail related trainings.

## F.S. Hammad Haider

Head of Operations



F.S. Hammad Haider has a varied experience of about 21 years serving in various International and local Commercial Banks within Pakistan, where he progressed and achieved a learning curve ranging to different areas of Banking. He is a diversified professional with core competencies in the field of Operations, Business Technology Products, Operational Risk and Branch Banking Operations. His banking Career started from Emirates Bank International and prior to joining KMBL, he was Head-Alternate Delivery Channels in Allied Bank. Having a Master's in Public Administration, Commerce & Business background, by working on such dynamic assignments and roles, developed a skill set for technology-based products, that enhanced IT practicality fervor, which enabled him to work for organizations in enhancing their technology driven products in line with their business needs. Hammad is exceedingly motivated and pragmatic person with extensive experience in leading on the analysis, development, and strategic improvement of processes. His areas of expertise other than commercial banking areas are BPR and System Migrations.

### Atif Aziz Ahmed

Chief Information Officer



Atif Aziz Ahmed joined Khushhali Microfinance Bank in 2016. He brings 25+ years of diverse, local as well as international technology experience with him.

Prior to Khushhali Microfinance Bank, Atif headed the technology division at Tameer Micro Finance Bank for four and a half years where his areas of influence included technology strategy, operations and project implementations. He has also worked at well-renowned stock brokerage firms in Pakistan including KASB Securities and AKD Securities, where he led the Information Technology teams. He started his career in 1993 from IBM Pakistan, where he worked as a system engineer for two years before leaving for Canada and then US to work at AT&T Research Labs, New Jersey. He came back to Pakistan in January 2000 to work as a senior project manager at an off-shore software project development company for four years.

Atif holds Masters and Bachelors in Computer Science degrees from FAST (Foundation for Advancement of Science and Technology), which was, at the time affiliated with University of Karachi.

### Syed Ali Imran Bokhari

Chief Risk Officer

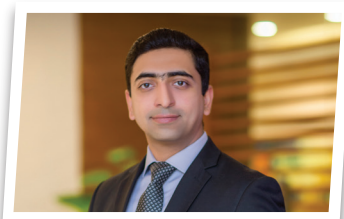


Syed Ali Imran Bokhari is a management executive with diversified experience, of around 20 years, in development and implementation of Compliance and Risk Management Frameworks, Supervision and Administration of operational, financial, and compliance auditing, development and implementation of Standard Operating Procedures (SOPs), Financial & Management Consulting Services, Institutional Assessments and Appraisals, Financial Reporting, Regulatory Compliance, Corporate Governance, and Restructuring & Business Valuation, including feasibility analysis & share valuation.

Ali Imran is a Certified Financial Consultant from Canada and Chartered Accountancy Finalist from Pakistan. He holds memberships of Institute of Internal Auditors, USA, and Institute of Financial Consultants, USA. He is also an associate member of Association of Certified Fraud Examiners (ACFE) USA.

### Daniyal Haq Awan

Chief Internal Auditor



Daniyal is a Chartered Accountant from The Institute of Chartered Accountants of Pakistan with 13 years of professional experience. His expertise is in External/Internal auditing, Risk Management, Project Management and IFRS Compliance. Daniyal has been associated with Khushhali Microfinance Bank for more than 8 years. His most recent assignment was in Finance Department where he was engaged in the implementation of CBAS project. Prior to joining KMBL, Daniyal has worked with Askari Bank Limited and A.F. Ferguson & Co. (a member firm of PwC network).

### Syed Arif Mehmood

Chief Compliance Officer



Syed Arif Mahmood brings with him an overall banking experience of more than 17 years particularly in the areas of Financial Crime Compliance and Regulatory Compliance. As a compliance professional, he has developed a profound knowledge in Compliance risk management, Governance and regulatory issues with a specific focus on Anti-Money Laundering and combating the Financial Crime. Prior to joining KMBL, he has worked for Dubai Islamic Bank Pakistan Limited, Bank AL Habib Limited and UBL in various facets of Compliance function.

He holds a Master's degree in Finance and is also a certified AML Professional from the Association of Certified Anti-Money Laundering Specialists (ACAMS), USA.

### Osman Habib Ahmad

Company Secretary & General Counsel



Mr. Ahmad is an experienced legal professional with expertise in Corporate/Commercial, Telecom, Energy & Power, Construction/Real Estate (FIDIC & Bespoke contracts), Banking (project financing), FMCG (tobacco) and limited exposure to the oil and gas sector. Mr. Ahmad is the Company Secretary & General Counsel at Khushhali Microfinance Bank Limited. Prior to joining Khushhali Microfinance Bank Limited, Mr. Ahmad, from 2018 till 2021, served as Senior Associate at Middle East Alliance Legal Consultancy, Abu Dhabi, UAE and also acted as the external legal advisor for Al Qudra Holding PJSC, Abu Dhabi, UAE. From 2008 till 2018 he also served as legal counsel for Pakistan's leading law firms as well as multinational companies in the telecom and FMCG sector. Mr. Ahmad has experience in advising on legal matters in three jurisdictions, namely Pakistan, the UAE and Myanmar.

Mr. Ahmad has a Master of Laws from School of Oriental and African Studies, University of London, a Post Graduate Diploma in Law from City University, London and a Bachelor of Laws from the University of London. Mr. Ahmad is also admitted as an advocate (High Court) in Pakistan and has been admitted as a Barrister (Lincolns Inn) in England & Wales.

## President & CEO Review: 2021

A complex global economic environment impacted by the resurgent Covid-19 shocks resulting in supply chain disruptions fueling inflation is likely to carry well into 2022. The situation is exacerbated by the recent Russian invasion of Ukraine where energy and wheat markets are bracing for the worst. The global economy is expected to witness continuing uncertainty with respect to interest rates, global political risk, and the path of recovery from the pandemic.

Pakistan has weathered the storm & the economy is set on a recovery path in the fiscal year 2022 with real GDP growth projected at four percent, however, it remains fragile and the rise in oil prices is a major concern that leads to higher inflation, budget & current account deficits putting pressure on the exchange rate which makes imports more expensive.

World Bank credits Pakistan's Microfinance sector for economic stability despite several challenges where the major concern for the industry is the asset quality specifically Post COVID. State Bank of Pakistan launched a deferment/restructuring program to protect the portfolio of the banks and allow moratorium to the borrowers, the scheme expired in March 2021. As per SBP data, around 1.7 million borrowers deferred/restructured loans that amounted to Rs 121 billion. However, post expiry of this scheme, the industry started to see a declining trend in asset quality where overall PAR 30 days crossed 6% during the year 2021. Further, it is anticipated that due to the increasing economic pressure, the non-performing loans may see a rising trend which is a key challenge for the microfinance sector for the year 2022.

Despite the unprecedented challenges last year, we as an institution remained resilient and the bank was able to achieve business targets and complete all planned initiatives for 2021.

### Key highlights of the year include:

- Market leadership in loans, deposit, revenue, and clients, thereby retaining our lead position
- Institute of Banker's Pakistan Award for the "The Best Microfinance Bank in Pakistan" for the fourth consecutive year in a row at the sixth Pakistan Banking Awards 2021, awarded Best Microfinance Bank in Pakistan by CFA society in the consecutive second year.
- The first bank in Pakistan awarded the Gold Level 'Client Protection Certification' and successful completion of Social Rating by the Microfinanza Rating Agency.
- Ventured into new market segments with the introduction of Housing and SME finance products.
- Digital account opening, connectivity to the micropayment gateway, full implementation of SAP audit management system, USSD channel & moving towards digital Merchant lending platform
- Completed the acquisition of our digital infrastructure for API gateway & sandbox, digital platform (infinity), and investment in data analytics.
- Strengthening of the capital base with the injection of Tier-II Capital

The microfinance industry recorded decent growth in the last quarter of 2021 and the bank capitalized on the momentum which continues and to an extent will set off credit loss of deferred/ rescheduled loan portfolios due in 2022.

## Outlook

We look forward to a better yet challenging year, one of a return to stability, growth, and progress for Pakistan.

The Bank plans to focus on strengthening business performance supported by enhanced credit and risk management, to improve asset quality and grow our lending share in Housing and SME finance along with mobilization of the retail segment to generate low-ticket deposits with the introduction of new product lines.

In parallel, greater emphasis will be to capitalize on our investments in digitization for an improved customer experience.

I am optimistic that with the investment in the digital infrastructure and new product lines, we are positioned to pursue opportunities for financial inclusion.

I would like to express my special thanks to the Board & the shareholders for their understanding & support in these challenging times. I wish to acknowledge the proactive response of the regulators and the outstanding commitment of the Khushhali team.



**M. Ghalib Nishtar**  
President

## Financial Highlights: 2021

Financial Position		2021	2020	Change
<b>Assets</b>				
Cash & bank balances	PKR M	14,061	13,602	3%
Lending to financial institutions	PKR M	100	796	-87%
Investments	PKR M	14,090	17,680	-20%
Advances - net of provisions	PKR M	70,884	60,641	17%
Operating fixed assets	PKR M	3,579	3,688	-3%
Others	PKR M	13,810	10,696	29%
<b>Total Assets</b>	<b>PKR M</b>	<b>116,524</b>	<b>107,103</b>	<b>9%</b>
<b>Liabilities</b>				
Deposits	PKR M	(93,162)	(88,650)	5%
Borrowings	PKR M	(4,608)	(428)	977%
Subordinated debt	PKR M	(3,000)	(2,400)	25%
Other liabilities	PKR M	(4,569)	(4,831)	-5%
<b>Total liabilities</b>	<b>PKR M</b>	<b>(105,339)</b>	<b>(96,309)</b>	<b>9%</b>
<b>Net Assets</b>	<b>PKR M</b>	<b>11,185</b>	<b>10,794</b>	<b>4%</b>
<b>Shareholders Funds</b>				
Share capital	PKR M	1,705	1,705	0%
Statutory reserve	PKR M	1,925	1,896	2%
Unappropriated profit	PKR M	7,616	7,200	6%
Revaluation of assets	PKR M	(61)	(7)	715%
<b>Total Shareholders Funds</b>	<b>PKR M</b>	<b>11,185</b>	<b>10,794</b>	<b>4%</b>
<b>Profit &amp; Loss</b>				
Mark-up/Return/Interest earned	PKR M	18,653	18,670	0%
Mark-up/Return/Interest expensed	PKR M	(8,961)	(8,732)	3%
Net Mark-up/Interest income	PKR M	9,692	9,938	-2%
Fee, commission and brokerage income	PKR M	1,857	1,470	26%
Other income	PKR M	137	73	87%
Total Non Mark-up/Non Interest Income	PKR M	1,994	1,543	29%
Operating expenses	PKR M	(6,775)	(6,037)	12%
Provisions & charges	PKR M	(4,041)	(3,052)	32%
<b>Profit before tax</b>	<b>PKR M</b>	<b>870</b>	<b>2,392</b>	<b>-64%</b>
Taxation	PKR M	(298)	(652)	-54%
<b>Profit after tax</b>	<b>PKR M</b>	<b>572</b>	<b>1,740</b>	<b>-67%</b>
<b>Ratios</b>				
Return on equity	%	4.9%	15.9%	-69%
Return on assets	%	0.5%	1.7%	-72%



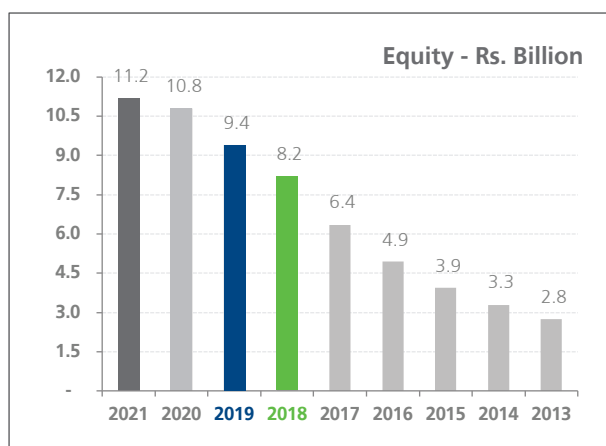
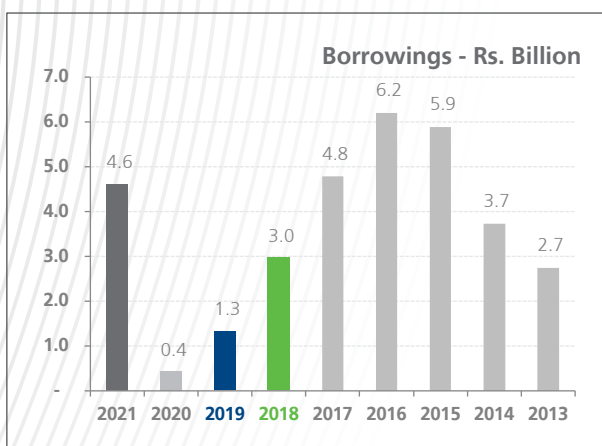
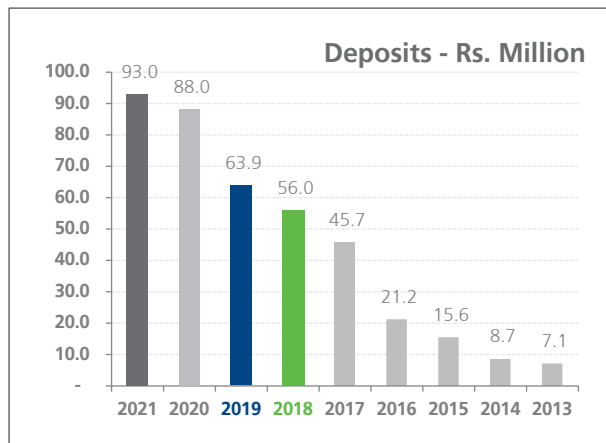
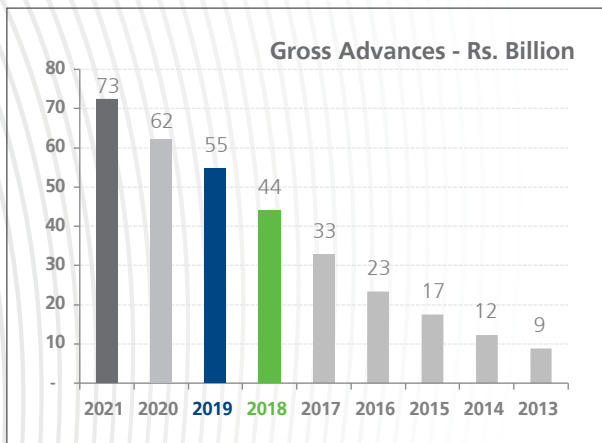
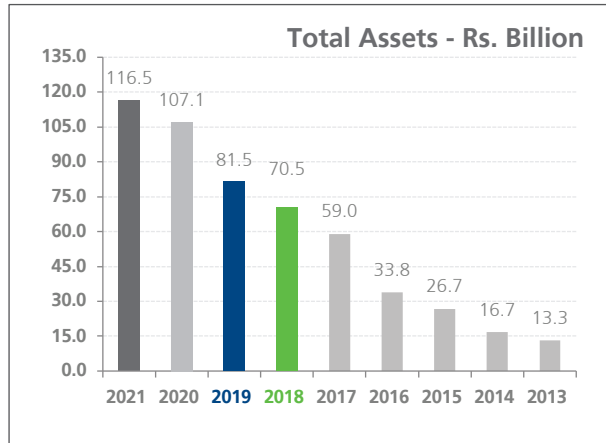
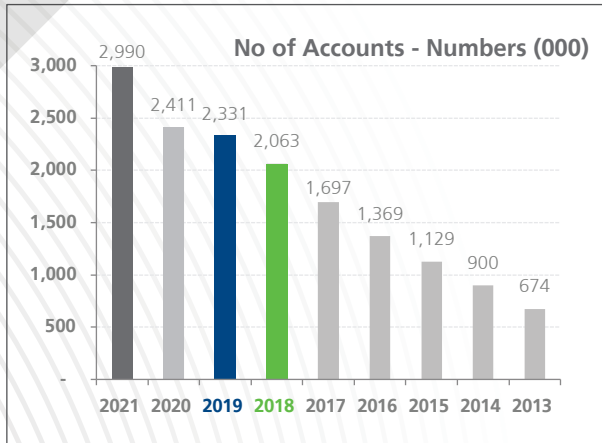
## Nine Years Statistics

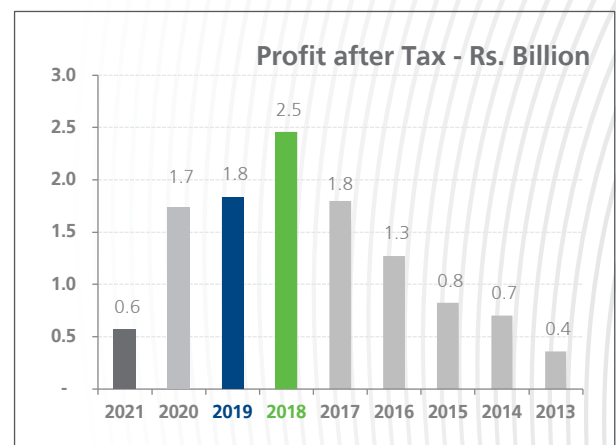
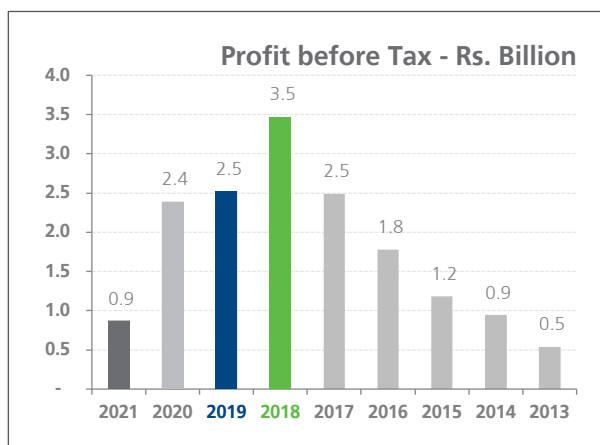
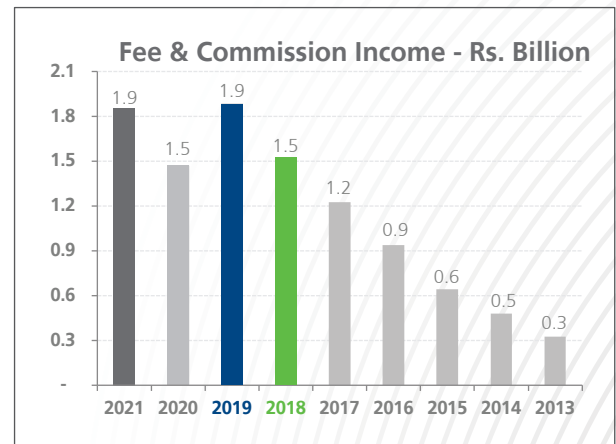
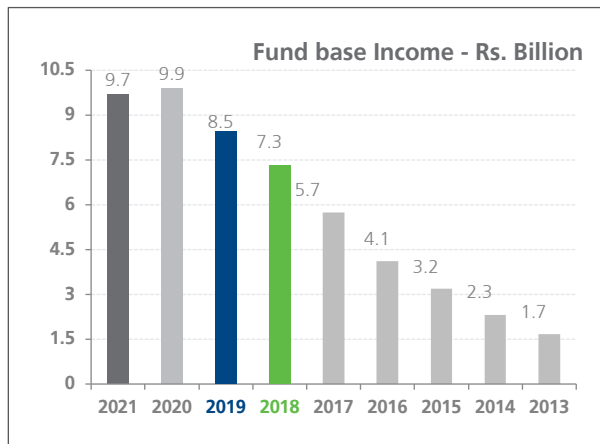
		2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>OUTREACH</b>										
No of accounts	No	2,990,122	2,411,234	2,331,006	2,062,989	1,697,247	1,369,007	1,128,901	900,081	674,061
Active borrowers	No	803,820	879,637	871,228	784,480	671,015	556,787	520,517	468,369	409,010
No of branches	No	239	234	226	197	173	141	129	118	110
<b>ASSETS</b>										
Advances - Net	Rs M	70,884	60,641	53,541	43,374	32,216	22,940	17,247	12,106	8,757
Investments	Rs M	14,190	18,476	10,562	10,754	16,773	2,968	1,848	837	1,039
Cash/bank deposits/bal with SBP	Rs M	14,061	13,602	7,107	9,290	4,064	4,232	4,329	1,472	1,872
Operating fixed assets	Rs M	3,579	3,688	3,612	1,354	1,142	720	549	323	275
Other assets	Rs M	13,810	10,696	6,671	5,700	4,767	2,914	2,724	1,955	1,347
Total assets	Rs M	116,524	107,103	81,493	70,472	58,961	33,774	26,696	16,692	13,290
Non-performing loans	Rs M	2,047	1,667	1,983	512	324	347	338	113	70
Provision for non-performing loans	Rs M	1,628	1,465	1,257	721	598	369	220	132	103
<b>LIABILITIES</b>										
Deposits	Rs M	93,162	88,650	63,882	56,018	45,747	21,179	15,584	8,682	7,133
Borrowings	Rs M	4,608	428	1,326	2,965	4,783	6,200	5,890	3,730	2,746
Subordinated Debt	Rs M	3,000	2,400	2,400	1,000	-	-	-	-	-
Other liabilities	Rs M	4,569	4,831	4,486	2,291	2,076	1,457	1,288	995	658
Total liabilities	Rs M	105,339	96,309	72,094	62,274	52,605	28,836	22,762	13,407	10,537
<b>SHAREHOLDERS FUNDS</b>										
Share capital	Rs M	1,705	1,705	1,705	1,705	1,705	1,705	1,705	1,705	1,705
Reserves	Rs M	1,925	1,896	1,809	1,717	1,226	865	611	446	305
Unappropriated profit	Rs M	7,555	7,193	5,885	4,776	3,424	2,367	1,618	1,134	742
Total Shareholders funds	Rs M	11,185	10,794	9,399	8,198	6,354	4,937	3,934	3,285	2,752
<b>PROFIABILITY</b>										
Interest income	Rs M	18,653	18,670	15,259	11,926	8,741	5,926	4,407	3,129	2,278
Interest expense	Rs M	8,961	8,732	6,799	4,590	2,996	1,807	1,219	810	615
Net interest income	Rs M	9,692	9,938	8,460	7,336	5,745	4,119	3,187	2,320	1,663
Provisions/Written offs	Rs M	3,937	2,983	2,197	676	615	601	341	163	175
Fee & commission income	Rs M	1,857	1,470	1,887	1,524	1,226	940	640	478	325
Other income	Rs M	52	17	22	7	5	87	35	217	259
Operating expenses	Rs M	6,794	6,050	5,653	4,720	3,872	2,766	2,340	1,910	1,534
Profit before tax	Rs M	870	2,392	2,519	3,471	2,489	1,779	1,182	942	538
Taxation	Rs M	298	652	683	1,012	688	506	358	239	175
Profit after tax	Rs M	572	1,740	1,836	2,459	1,801	1,273	824	703	363
<b>PROFITABILITY RATIOS</b>										
Return on Assets (ROA)	%	0.5%	1.7%	2.0%	3.6%	3.4%	3.4%	3.4%	3.7%	1.8%
Return on Equity (ROE)	%	4.9%	15.9%	17.5%	31.8%	28.2%	23.4%	20.2%	18.5%	8.0%
Operating Self Sufficiency (OSS)	%	104.7%	112.9%	115.8%	132.7%	130.6%	129.2%	127.8%	126.7%	114.8%
Financial Self Sufficiency (FSS)	%	104.8%	113.0%	116.0%	133.0%	130.0%	128.0%	126.0%	123.0%	107.8%
<b>EFFICIENCY/PRODUCTIVITY RATIOS</b>										
Operating expense ratio	%	9.9%	10.5%	11.7%	12.6%	14.3%	14.2%	16.6%	18.1%	21.0%
Personnel productivity	No	142	160	162	170	171	170	170	179	178
Loan officer productivity	No	293	330	356	378	377	399	426	518	578
Average outstanding loan size	Rs	88,057	68,947	61,531	55,401	48,322	41,548	33,408	26,102	21,617
<b>PORTFO LIOQUALITY RATIOS</b>										
Portfolio at Risk > 30	%	2.9%	2.8%	3.7%	1.2%	1.0%	1.5%	1.9%	0.9%	0.8%
Portfolio at Risk > 90	%	1.8%	2.3%	2.5%	0.8%	0.7%	0.8%	0.5%	0.3%	0.3%
Write off ratio	%	5.6%	4.8%	3.5%	1.7%	1.7%	2.6%	1.3%	1.2%	2.1%
Risk coverage ratio	%	79.6%	87.9%	63.4%	140.8%	184.4%	106.4%	65.2%	77.9%	103.5%

\* ROA calculated as per CGAP Guideline: Net operating income less taxes divided by average assets.

\*\* ROE calculated as per CGAP Guideline: Net operating income less taxes divided by average equity.

## Nine Years Graph





## Directors' Report

On behalf of the Board of Directors, I am pleased to present audited financial statements for the financial year ended 31 December 2021.

### Economic Developments

At the beginning of 2021, World Economic Forum's Global Crisis Report highlighted that the world faced the risks bursting asset bubbles, price inflation, debt crises, commodity shocks, livelihood crisis, digital power concentration, and digital inequality. A year down the road, one finds that besides the Omicron variant of COVID-19, the world economies were also adversely affected by most of the risks identified in the report.

At the end of 2021, global economic recovery from the pandemic is continuing, even as the Omicron variant has been driving a surge in new cases. The fault lines opened up by COVID-19 are looking more persistent in near-term and divergences are expected to leave lasting imprints on medium-term performance. Differences in vaccine access and early policy support from regulators are the principal drivers of the gaps. Globally, we have seen unusual surge in consumer prices due to increased demand triggered by a faster than expected economic recovery from COVID-19, disrupted supply chains, increase in cost of shipments, and a ripple effect of the hike in energy prices.

Pakistan, being dependent on energy imports, saw a mixed economic performance during the year. A worsening trade deficit was witnessed for six consecutive months owing to an unprecedented increase in the import bill of fiscal year 2021-22 due to increase in global commodities prices. This also impacted the cost of living in Pakistan, and we have experienced stagflation. On the other side, despite of all these risks and challenges Pakistan achieved decent economic growth in the first half of 2021-22 in various sector of economy and moving well against the target GDP of 4.8%.

### Microfinance Industry Performance

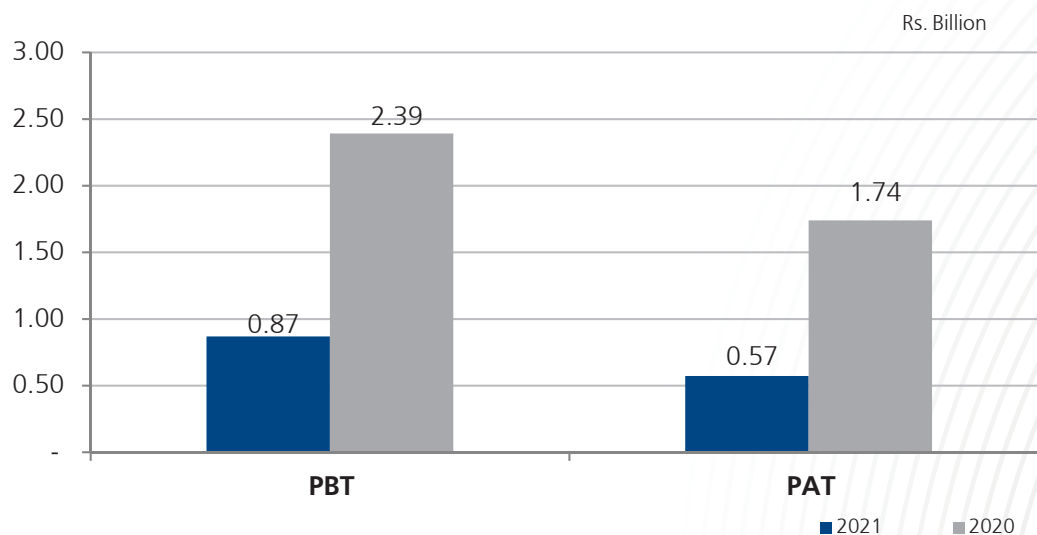
The impact of revival of economy also seen in Pakistan's microfinance industry which shows decent growth in active loans, disbursement, loan book and value of saving as compared to last year which is a positive sign for the progress of the industry. In parallel, the recovery of rescheduled and deferred loan portfolio remains top challenge during the year where we have seen overall PAR (regular & deferred/rescheduled loans) of industry cross 6% mark which increased due to lower recovery trends and unprecedented consumer behavior for the non- payment of due loans despite regulatory and another moratorium relief provided to customer. This adversely impacted the profitability of the industry in the shape of additional charge in provision and accrued markup suspension.

Most of the impact of rescheduled and deferred loan portfolio unfolded in 2021 and rest will be visible in the first half of 2022. Moving forward, with the contraction in the rescheduled and deferred loan portfolio and steady growth in the new disbursements, the PAR ratio is expected to ease out in 2022 resulting into improvement in the operating margins.

### Financial Highlights

The Bank reported Profit Before Tax (PBT) of Rs. 0.87 billion (2020: Rs. 2.39 billion) and Profit After Tax (PAT) of Rs. 0.57 billion (2020: Rs. 1.74 billion) for the year ended 31 December 2021, a reduction of 64% in PBT & 67% in PAT YOY. Consequently, earnings per share dropped to Rs. 2.68 for the year in comparison to Rs. 8.16 per share last year. However, the break-up value per share increased to Rs. 65.60 (2020: Rs. 63.31 per share), an increase of 4%. The return on equity reduced from 15.9% to 4.0% and return on average assets from 1.7% to 0.4% YOY.

The profit margin fell due to major increase in requisite provisions, revenue suspensions against non-performing bullet deferred and rescheduled loans, and partly due to declining net interest margins attributable to monetary easing.



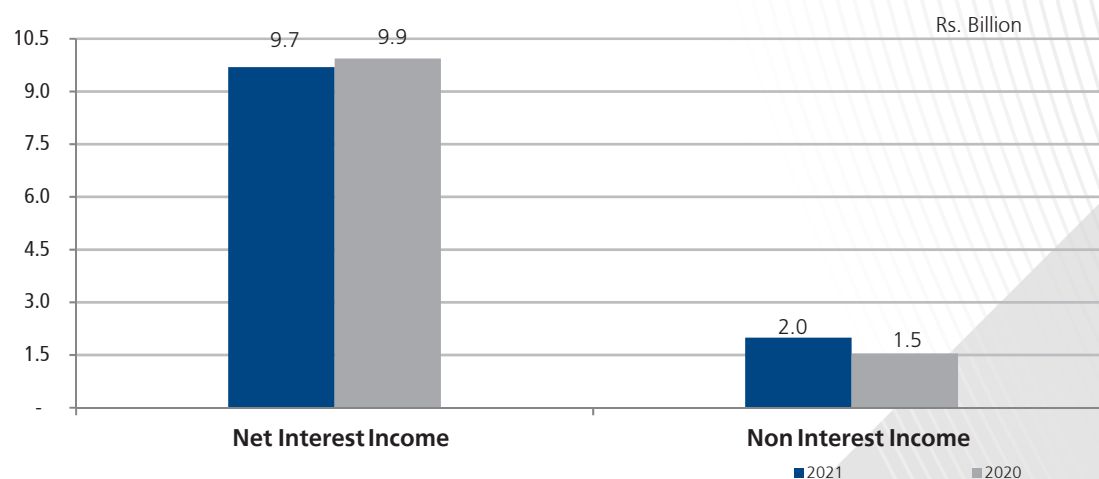
## Financial Performance

### Net Markup Income:

The net markup income closed at Rs. 9.69 billion (2020: Rs. 9.94 billion), reduction of 2%. Markup revenue on loans remains stable at Rs. 18.6 billion, the growth of loan portfolio of 17% helped offset the interest income losses on rescheduled portfolio. Return on investment closed at Rs. 1.89 billion against Rs. 1.84 billion of last year, marginal increase of 2%. On the other side, markup expense closed at Rs. 8.96 billion against Rs. 8.73 billion of last year, an increase of 3% due to growth of 10% in overall funding base. Consequently, interest margin closed at 9.3% from 11.4% of last year.

### Non-Markup Income:

Non-markup income comprising of fees, commission and other income increase by 29%, closing at Rs. 1.99 billion in 2021 (2020: Rs. 1.54 billion). Fee and commission income increase from Rs. 1.47 billion to Rs. 1.86 billion, increase of 26% and other income mainly comprising of recoveries from written off loans and gain on disposal of fixed assets increased to Rs. 137.15 million from Rs. 73.36 million of last year.



### Provision and Loan Losses:

During the year, provision charges on classified loan portfolio increased to Rs. 3,960 million (2020: Rs. 2,992 million), an increase of 32% YOY due to performance issues of Deferred & Reschedule Portfolios. Frequent waves of the pandemic and consequent curtailing measures imposed by the government have, on one side, affected the repayment capacity and the relief, on the other side impacted borrowers' behavior and willingness to repay as they were continuously approaching the Bank to grant further relief.

A key portfolio quality indicator, PAR 30+%, has been recorded at 2.89% (2020: 2.75%) at the end of December 31,2021 and annual loss rate up surged at 5.64% (2020: 4.76%) an increase of 18% YOY broadly due to lower repayment pattern of deferred & reschedule Portfolios. The bank has prudently increase general provision reserve to 1.90% against the regulatory requirement of 1.0% on total loan portfolio at the end of December 31,2021.

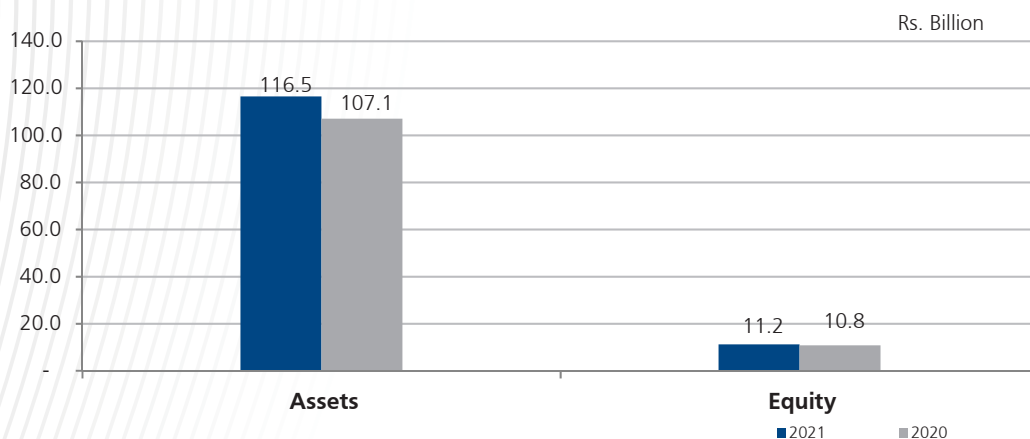
### Cost Management:

The administrative expenses closed at Rs. 6.78 billion (2020 Rs. 6.04 billion), an increase of 12%. The bank continues to work on the optimization of operating cost and during the year employee related cost of Rs. 3.59 billion (2020: 3.41 billion) marginally increased by 5% in spite of portfolio growth of 17%. Other operating expenses increased to 3.19 billion (2020: 2.63 billion), due to full year cost impact of branches opened in 2020, 13 additional branches opened during the year and inflationary impact of over 12 % on the administrative overhead. Consequently, cost to income ratio is measured at 58.8% (2021: 53.5%).

### Assets & Equity:

During the year under review, Bank's total asset registered a growth of 9% and the asset base increased to Rs. 116.52 billion (2020: 107.12 billion). Net advances to total assets also increased to 61% from 57% of last year.

The equity of the Bank increased by Rs. 391 million and closed at Rs. 11.18 billion from Rs. 10.79 billion of last year, growth of 4% YOY.

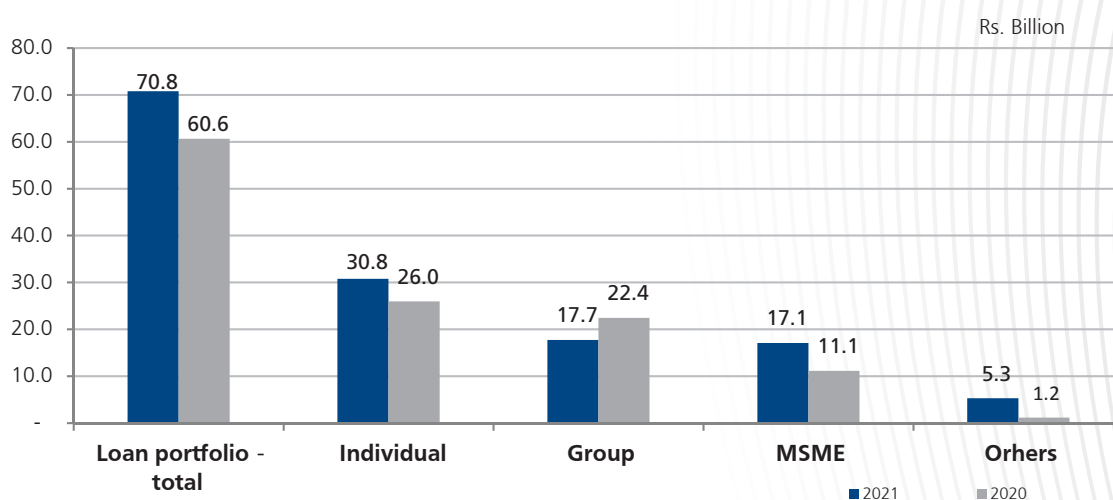


### Loan Portfolio:

The Bank's gross advances portfolio increased to Rs. 70.78 billion (2020: Rs. 60.65 billion), i.e., growth of 17% year on year. The portfolio mix and growth in key segments appears below;

Products	2021		2020		YOY Growth	
	Rs. Billion	Mix - %	Rs. Billion	Mix - %	Rs. Billion	%
Individual Loan	30.8	43%	26.0	37%	4.8	18%
Group Loan	17.7	25%	22.4	32%	(4.7)	-21%
MSME	17.1	24%	11.1	16%	5.9	53%
Others	5.3	7%	1.2	2%	4.1	358%
<b>Total</b>	<b>70.8</b>	<b>100%</b>	<b>60.6</b>	<b>86%</b>	<b>10.1</b>	<b>17%</b>

Post COVID, the Bank changed assets strategy by reducing legacy group lending and expanding individual, MSME and housing. The Individual loan portfolio increased to Rs. 30.8 billion from Rs. 26.0 billion of last year, an increase of 18%, and its share in the total portfolio improved by 6%. The group loan portfolio decreased to 17.7 billion from Rs. 22.4 billion of last year, decrease of 21%, and its share in total portfolio dropped by 7% as compared to last year. The Micro Small and Medium Enterprise (MSME) portfolio closed at Rs. 17.1 billion from Rs. 11.1 billion of last year, registering an increase of 53% YOY with the improved share of 16%. Housing loan portfolio closed at Rs. 5.3 billion from Rs. 1.2 billion of last year, registering an increase of over 350% YOY with the improved share of 2%.



The repositioning of loan book helped to improve secured portfolio to 35% of the book as against 26% of last year.

#### **Restructured Portfolio:**

SBP announced Debt Relief Scheme for deferment or rescheduling of COVID affected borrowers remained valid up to 31 March 2021. Under the aforesaid scheme, loan portfolio of Rs. 35.1 billion was deferred / rescheduled by the Bank. Out of Rs. 35.1 billion, rescheduled portfolio matured last year was around Rs. 4.5 billion and major recoveries of around 26 billion were due during this year. The bank has recovered/settled Rs. 26.1 billion out of the total due amount of Rs. 30.6 billion which translate into recovery rate of around 83%. The amount written off against rescheduled portfolio amount to Rs. 3.1 billion which is around 10% of the due amount and Rs. 2.1 billion is overdue which is pursued for recovery. The rescheduled portfolio not yet due amounts to Rs. 4.5 billion which is due in the IH of 2022. With the maturity of rescheduled portfolio of around 87%, the delinquency trend of last two years is expected to ease out going forward.

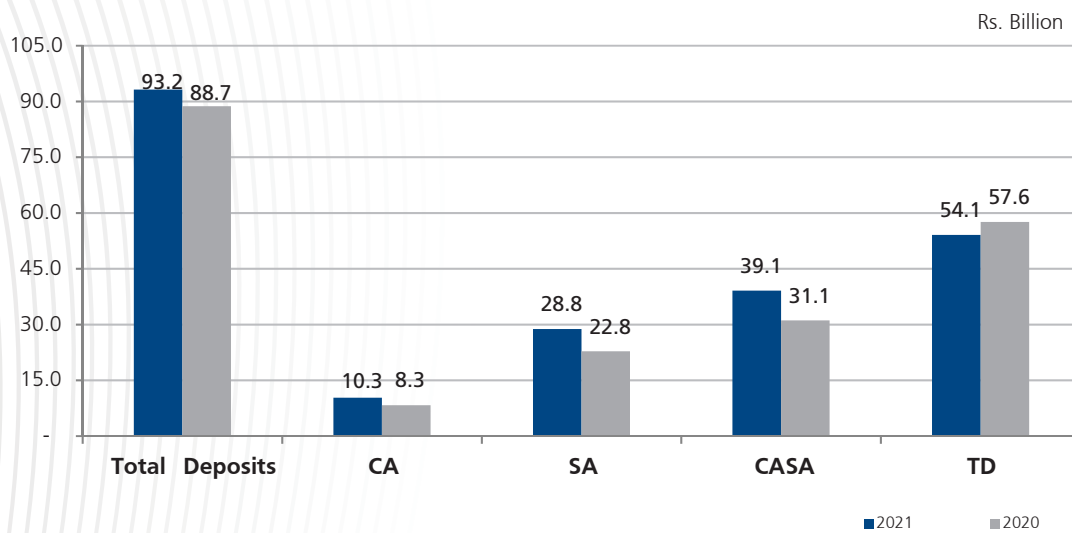
**Liquidity:**

The Bank continues to monitor liquidity position through monitoring of early warning indicators and stress testing, to ensure efficient and timely action. The bank has consolidated its liquidity position and based on improvement in business conditions the liquid assets are held at 24% of total assets. The ADR closed at 76% against 68% of last year. The major portion of the bank’s liquid assets of around 39% are invested in Govt bills/bonds.

**Deposits:**

The Bank continue to serve a broad range of clients including institutional, large, medium and small depositors. The Bank’s deposits increased to Rs. 93.2 billion from Rs. 88.6 billion of last year, posting growth of 5%.

CASA deposit improved from Rs. 31.1 billion to Rs. 39.1 billion an increase of 26%. Saving deposits increased from Rs. 22.8 billion to Rs. 28.8 billion, an increase of 27% and current accounts amounts to Rs. 10.3 billion against Rs. 8.3 billion of last year, an increase of 24%. However, Term deposits decreased by 6% to Rs. 54.1 billion form Rs. 57.6 billion of last year. The changes in the portfolio mix and rationalization of product pricing helped improve cost of deposits to 9.3% as against 11.0% of last year.





The results of operations under review are presented below;

	<b>2021</b> <b>Rs. '000</b>	<b>2020</b> <b>Rs. '000</b>
<b>Profit After Tax</b>	571,680	1,739,756
Re-measurement (loss)/gain employment benefit obligation	(12,946)	10,341
Unappropriated profit brought forward	<u>7,200,276</u>	<u>5,885,119</u>
<b>Profit available for appropriation</b>	<b><u>7,759,010</u></b>	<b><u>7,635,216</u></b>
<b>Appropriations</b>		
Transfer to:		
Statutory reserve	28,584	86,988
Microfinance Social Development Fund	57,168	173,976
Depositors' Protection Fund	28,584	86,988
Risk Mitigation Fund	<u>28,584</u>	<u>86,988</u>
	142,920	434,940
<b>Un-appropriated Profit Carried Forward</b>	<b><u>7,616,090</u></b>	<b><u>7,200,276</u></b>

### Capital Adequacy Ratio

As of December 31, 2021, the Bank's capital adequacy ratio (CAR) is measured at 18.3% against 19.1% of last year. The Bank's CAR compares well against the mandatory requirement of 15% as per the Prudential Regulations (PR) for Microfinance Banks.

### Credit Rating

The credit rating company JCR-VIS has maintained the Bank's long-term credit rating of "A+" (Single A plus) and short-term credit rating at "A-1" (A - One) with "Developing" outlook.

### Awards and Recognition

- Khushhali Microfinance Bank is one of the top and leading microfinance banks of Pakistan and was awarded 'Best Microfinance Bank' for the fourth time in a row at the 6th Pakistan Banking Awards 2021 organized by the Institute of Bankers of Pakistan on account of all-round performance in expanding outreach, efficiency and innovations, social impact, and a strong bottom line.
- Khushhali Microfinance Bank (KMBL) has achieved another great milestone, as it has been awarded the Gold Level in 'Client Protection Certification', by the prestigious MicroFinanza Rating Agency. This international recognition has elevated KMBL as the world's first financial institution to achieve this coveted accolade. The certification acknowledges that the accredited institution has ensured compliance with the most stringent Client-Protection regulations, set forth in the Universal Standards for Social Performance Management.
- KMBL successfully completed Social Rating assessment with Microfinanza Rating Agency. After a thorough review of our Social Performance Management System, KMBL has been assigned the sA, based on the Social Rating scale adopted by MFR. KMBL is the first institution in Pakistan to achieve a high score in good social performance management and client protection systems.
- The CFA society Pakistan also awarded best microfinance bank of Pakistan second year in a row during the year.

## Statement of Corporate Governance

The Bank has adopted good corporate governance practices and the Directors are pleased to inform that:

1. The financial statements prepared by the management of the Bank present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
2. Proper books of account of the Bank have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
4. The Bank has followed international accounting standards, as applicable to Banks in Pakistan, in the preparation of the accounts without any departure therefrom.
5. The system of internal control in the Bank is sound in design, and is effectively implemented and monitored.
6. There are no significant doubts about the Bank's ability to continue as a going concern.
7. No director has acquired any shares in the Bank during the year and no trading was carried out in the shares of the Bank during the year by the Directors, CEO, CFO, CS, CIA or their spouses and minor children.
8. The Board has constituted the following four committees with defined terms of reference,
  - Board Audit Committee - BAC
  - Board Human Resources & Compensation Committee - BHRCC
  - Board Risk Management Committee - BRMC
  - Social & Environmental Committee - SEC
  - Board Digital Finance Committee – BDFC

The board reconstituted the board committees in its 72nd Board meeting held on 26th November 2020 with the following board members' composition and thereafter no change was made in 2021:

Committee Name	Chair	Member	Member
<b>BAC</b>	Ms. Simi Sadaf Kamal	Mr. Henning Haugerudbraaten	Mr. Sharjeel Shahid
<b>BHRCC</b>	Mr. Robert Binyon	Mr. Humayun Bashir	Ms. Simi Sadaf Kamal
<b>BRMC</b>	Mr. Eelco Mol	Mr. Geert Peetermans	Mr. Robert Binyon
<b>SEC</b>	Mr. Geert Peetermans	Mr. Eelco Mol	Mr. Henning Haugerudbraaten
<b>BDFC</b>	Mr. Humayun Bashir	Mr. Henning Haugerudbraaten	Mr. Sharjeel Shahid

The number of board committee meetings attended during the year by each director is shown below;

S.No	Name of member	Designation and name of committee	BAC	BHRCC	BRMC	SEC	BDFC
	<b>Meetings Held</b>		<b>4</b>	<b>4</b>	<b>4</b>	<b>2</b>	<b>4</b>
	<b>Meetings Attended</b>						
1	Mr Geert Peetermans	Chair SEC, Member BRMC	-	-	4	2	-
2	Mr Robert Binyon	Chair BHRCC, Member BRMC	-	4	4	-	-
3	Mr Sharjeel Shahid	Member BAC, BDFC	4	-	-	-	4
4	Mr Henning Haugerudbraaten	Member SEC, BAC & BDFC	4	-	-	2	4
5	Mr Eelco Mol	Chair BRMC, Member SEC	-	-	4	1	-
6	Ms Simi Sadaf	Chair BAC, Member BHRCC	4	4	-	-	-
7	Mr Humayun Bashir	Chair BDFC, BHRCC	-	4	-	-	4

### Meetings of the Board

The Board meets on a quarterly basis, and the meeting dates are scheduled well in advance to enable the Directors to plan ahead. When required, the Board also meet other than the quarterly basis to consider and approve urgent matters. Details of attendance of each Director at Board meetings held during the year 2021 are set out in the table below:

S.No	Name of the Director	Designation	Meeting Attended	Eligibility
1	Mr Aameer Karachiwalla	Chairman	5	5
2	Mr Geert Peetermans	Director	5	5
3	Mr Robert Binyon	Director	5	5
4	Mr Sharjeel Shahid	Director	5	5
5	Mr Henning Haugerudbraaten	Director	5	5
6	Mr Eelco Mol	Director	5	5
7	Ms Simi Sadaf Kamal	Independent Director	5	5
8	Mr Humayun Bashir	Independent Director	5	5
9	Mr M. Ghalib Nishtar	President and CEO	5	5

## Change in Directors

There was no change in the membership of the Board of Directors in the year 2021.

## CGAP Compliant Reporting

The Consultative Group to Assist the Poor (CGAP), a consortium of international public and private development agencies housed at the World Bank, has issued two guidelines to enhance transparent reporting for microfinance institutions, i.e., disclosure guidelines for financial reporting and definitions of selected financial terms, ratios and adjustments.

The Bank in its financial statements as at December 31, 2021, has complied with the above stated guidelines. The CGAP disclosures and ratios are presented in addition to the requirements of SBP BSD circular 11 dated December 30, 2003.

## Pattern of Shareholding

The Pattern of shareholding of the Bank as at December 31, 2021 is as follows;

No. of shareholders	From	To	Total shares - No.
1	1	5,000,000	3,000,000
1	5,000,001	20,000,000	16,879,502
2	20,000,001	35,000,000	58,286,307
2	35,000,001	65,000,000	92,334,191
<b>6</b>			<b>170,500,000</b>

## Shareholders holding above 10% of voting shares are

Shareholders	Shares
United Bank Limited	50,628,528
Rural Impulse Fund II S.A SICAV-FIS	41,705,663
responsAbility Global Micro and SME Finance Fund *	33,929,499
Shorecap II Limited	24,356,808
<b>Total Shares</b>	<b>150,620,498</b>

\*formerly responsAbility Micro and SME Finance Fund and before that responsAbility Global Microfinance Fund, represented by MultiConcept Fund Management S.A (formerly responsAbility Management Company S.A and before that Credit Suisse Microfinance Fund Management Company).

### Categories of Shareholders

Particulars	Number	Shares held	%
Individual	-	-	-
Joint Stock Companies	-	-	-
Financial Institutions	2	53,628,528	31.50%
Others	4	119,871,472	68.50%
<b>Total</b>	<b>6</b>	<b>170,500,000</b>	<b>100.00%</b>

### Auditors

The present auditors, M/s Ernst & Young Ford Rhodes, Chartered Accountants have completed their assignment for the year ended December 31, 2021. Being eligible, they have offered themselves for reappointment. As advised by the Board's Audit Committee, the Board recommends appointment of M/s Ernst & Young Ford Rhodes, Chartered Accountants, as auditors for the year ending December 31, 2022.

### Appreciation and Acknowledgement

On behalf of the Board, I would like to place on record the efforts of regulatory authorities for their prudent policies and measures to safeguard interest of all stakeholders of the economy and thanks to all shareholders for their patronage. I also express my appreciation to our customers who continue to build strong relationship with the bank and most importantly I would like to acknowledge all members of Khushhali family for their valuable contributions during the year.

For and on behalf of the board,



**Chairman**

Place: Islamabad

Dated: February 25, 2022

## This Year in Review

### Leading as the Best Microfinance Bank in Pakistan



Khushhali Microfinance Bank Limited is the founding institute of setting up a structured financial system for the most underserved sectors of Pakistan to help them grow in the economic run. KMBL has heavily invested in uplifting the lower income groups by giving them lending opportunities and providing them a comprehensive exposure to various financial services that they were disregarded for.

Being the market leader for more than two decades, KMBL has yet again been recognized as “The Best Microfinance Bank of Pakistan” for the year 2021 by the Institute of Bankers Pakistan at the ‘6<sup>th</sup> Pakistan Banking Awards 2021’. This event marks the 4<sup>th</sup>

consecutive accolade received by KMBL in the microfinance industry as it once again emerges as the best financial institution in Pakistan. The award was presented to Khushhali Microfinance Bank owing to the highest market share, consistent growth, profitability, customer satisfaction and other high-performance factors during the year.



Khushhali Microfinance Bank received another award of “Best Microfinance Bank” by CFA Society Pakistan at the event of 18<sup>th</sup> Annual Excellence Awards.

Another great milestone to be accomplished by KMBL is being awarded with the Gold Level in ‘Client Protection Certification’, by the prestigious MicroFinanza Rating Agency. This international recognition has elevated Khushhali Microfinance Bank as the world’s first financial institution to achieve this coveted accolade.

As being the first of its kind financial institute in the microfinance sector, KMBL has financially empowered rural and urban communities and has worked towards the financial inclusion of many untouched communities of Pakistan, which also includes promoting females to be financially empowered. The bank was recognized for its consistent growth in profitability and bits customer-centric business expansion strategies.

## **Uplifting Digital Financial Services with the Latest Technological Advancements**

Khushhali Microfinance Bank Limited entered the year 2021 with a vision to exceed in the technological advancements as per the dynamics of the changing market. Post-pandemic market has led the organizations to face many challenges with respect to changing consumer behavior, customer experience and most importantly, the need for digital financial services.

Focusing on providing the services of "Digital Lending" for Small and Medium Enterprises (SMEs) throughout the country, KMBL went into a partnership with Adal Fintech – a Techlogix subsidiary. This new partnership will inflict great value by facilitating retailers and distributors, ensuring convenient access to fully digital financing through instant real-time approval and processing. The venture aims to transform the distribution side of the supply-chain ecosystem in Pakistan.

In order to proceed with digital financial services, KMBL has started a venture with NdcTech to implement Temenos Infinity, the digital banking platform. This implementation will enable KMBL to accelerate growth through digital onboarding and origination as well as providing customers access to crucial financial services elevating their digital experiences.

Furthermore, working towards providing safe and secured financial services to customers, Khushhali Microfinance Bank partnered up with 1LINK 1TIP (Cyber Threat Intelligence Platform) to implement a robust cyber security posture for the bank and to further strengthen the payments ecosystem against ever increasing cyber threats. Given the industry-wide need to formulate a collaborative deterrence model that enhances the security posture via a trusted threat intelligence-sharing platform, KMBL has implemented 1TIP Base & DRP platform that will provide a holistic view of cyber threat landscape and effectively combat threats that materialize.

Khushhali Microfinance Bank Limited also pioneered another technological advancement, by selecting INCHEQS - Image-based Clearing System (ICS). The system enables digital clearing process, to manage and administer inward and outward cheques along with Robotic Process Automation (RPA). It supports and integrates the signature-verification system and hassle-free execution of transactions, through advanced digital-banking tools. This will facilitate customers to limit the need to physically move the clearing instruments.

## **Introducing New Line of Specialized SME Banking Services**

Micro, Small & Medium Enterprises constitute approximately 99% of all the enterprises in Pakistan and employ 78% of the non-agricultural work force with around 40% share in the annual GDP. According to estimates, there are more than five million MSMEs in Pakistan. These SMEs have concentration in the trade, services and small manufacturing sectors. Limited access to formal financing for this huge sector has led Khushhali Microfinance Bank Limited to develop more targeted and diversified loan portfolio with the launch of "Khushhali Karobar" – a dedicated distribution channel for Small & Medium Enterprises (SMEs), to provide customized Term and Running Finance facilities with a lending limit, up to 3 million Rupees to start with.

The target market includes any commercially viable enterprises, including startups, women led enterprises & agriculture, engaged in income and employment generating activities. Khushhali Bank is now focusing on more structured financial products and keeping in view the huge potential market of small businesses, Khushhali aims to provide customized lending products to this hugely untapped segment.

## Khushhali Microfinance Bank receives Grade <sup>5</sup>A - Social Rating Certification

KMBL plans to penetrate the sector with a targeted approach and serve the untapped clusters of small businesses by offering a product suite that covers the end-to-end financial and non-financial needs of these businesses including women led enterprises and startups. This will also lead to expand financial inclusion in line with NFIS by SBP. The bank will also be leveraging on digital solutions by engaging complete value chain of targeted SMEs to meet their financial needs. Empowering small business will definitely result in enhanced income and employment generation along with boosting the exports through e-commerce platform and value chain financing.

### **KMBL Becomes the First Institution in Pakistan to Achieve a High Score in Good Social Performance Management and Client Protection Systems.**

KMBL is proud to announce the successful completion of the Social Rating assessment with Microfinanza Rating Agency. After a thorough review of our Social Performance Management System, KMBL has been assigned the <sup>5</sup>A, based on the Social Rating scale adopted by MFR.



The social rating provides an expert opinion on the social performance management of a financial service provider and its capacity to put its mission into practice and achieve social goals.

As a microfinance bank, KMBL contributed to the social rating rationale in a number of ways such as offering a good variety of financial services that are easily accessible and well-tailored to meet the different business and household financing needs of our intended target populations. KMBL has also proven to be the largest provider of microfinance loan for income-generating purposes in the country along with displaying a clear commitment to the institution's social mission with the implementation of a comprehensive social and environmental framework in place.

This success bears testament to KMBL that we are fully aligned with the latest social performance standards as defined by global initiatives such as the Social Performance Task Force and the Smart Campaign/Client Protection Principles. This rating shows KMBL's long term commitment to promoting transparency and social performance for more responsible microfinance.



## Khushhali Microfinance Bank receives Gold Level - Client Protection Certification

Khushhali Microfinance Bank (KMBL) has achieved another great milestone, as it has been awarded the Gold Level in 'Client Protection Certification', by the prestigious MicroFinanza Rating Agency. This international recognition has elevated KMBL as the world's first financial institution to achieve this coveted accolade. The certification acknowledges that the accredited institution has ensured compliance with the most stringent Client-Protection regulations, set forth in the Universal Standards for Social Performance Management.



KMBL has earned this certification by ensuring 100% adherence to all the highest industry standards including; transparency, responsible pricing, fair and respectful treatment of clients, the privacy of client data, prevention of over-indebtedness and appropriate product design and delivery. These criteria are set by MicroFinanza Rating Agency and also approved by SPTF and Cerise – Self-Assessment Tool for Financial Service Providers to ensure Client-Protection.

## Re-Imagining the Corporate Social Responsibility in Pakistan

Corporate social responsibility (CSR) is a company's commitment to manage the social, environmental and economic effects of its operations responsibly, while ensuring sustainability, in line with public expectations. CSR programs are based on the idea that businesses can make the world a better place, or at the very least, can reduce their negative environmental and social footprint on the world. CSR can be understood as being the mode of operation, through which a company achieves a healthy balance of socio-economic imperatives, while at the same time addressing the high expectations of its stakeholders.



Taking a step further, this year, KMBL carried out a CSR need-assessment, with the help of its branches, to get a realistic picture of the community needs, as it strives to improve community engagement and encourage employee participation in this noble cause. CSR need-assessment proved instrumental for the identification of important CSR initiatives and for the development of an impactful CSR plan.

KMBL believes that CSR need-assessments would prove pivotal in identifying the vulnerable communities and their needs, as well as improving employee-engagement in community development.

### Identifying the CSR Initiatives in the Underserved Communities through Khushhali's Employees



## Khushhali being a Responsible Corporate Citizen

Khushhali Microfinance Bank Limited (KMBL) defines its corporate social philosophy as “Khushhali for Everyone”. The bank aspires to create a society in which everyone lives and works together, in harmony with the environment, to contribute positively in the development of the country.

This leading financial institution of Pakistan has thus been actively incorporating generous CSR programmes in its business-operations comprising of exemplary initiatives, particularly for the community-development, women-empowerment, rehabilitation of persons with disabilities, education, public-health and environmental protection.

This year alone, KMBL began several initiatives particularly in the rural areas of Pakistan, following a comprehensive CSR need-assessment.





**Empowering the  
Women of Pakistan**

## Empowering the Women of Pakistan

For twenty years now, women-empowerment has remained a core focus area for KMBL's Corporate Social Responsibility initiatives. Over time, KMBL worked on various entrepreneurial projects for women, enabling them to learn valuable skills and equip themselves to become a part of the mainstream economic-ecosystem and industrial activities of Pakistan. With a vision to empower women through skill-development and earn sustainable livelihoods, for supporting their families, KMBL continues to organize a series of skill-development and training programmes, for women belonging to the underserved communities of Pakistan.

### SDGs Contributed



4 QUALITY EDUCATION



8 DECENT WORK AND ECONOMIC GROWTH



KMBL initiated a Livelihood Skills Development Program for the deprived women of Meerabad community in Islamabad. More than thirty women were provided a complete stitching-course in collaboration with Jamshed Akhtar Qureshi (JAQ) Trust. The stitching course was followed by an Enterprise Development Training by Mera Maan Pvt Limited, enabling the women to understand the key concepts, including; value chain analysis for their business, developing strong market linkages, tapping into the eco-system for the chosen business, identifying viable business opportunities, finding and retaining customers.



In another effort, KMBL in collaboration with Sindh Graduates Association (SGA), started a 'Skills Improvement Project for Women' in Bachal Goth, Malir, Karachi. The project was designed to provide a complete tailoring course to women from low-income households and equip them with the skills to earn sustainable livelihood and support their families.

KMBL also celebrated the International Day of Rural women by organizing another 'stitching' training programme for women, at Chak 367 Jalianwala, Tehseel Gojra of Punjab. The training was organized in collaboration with 'Society for Human Development' (SHD). The theme for this year's International Day for Rural Women was: 'Rural women - Cultivating good food for all'. The bank salutes the resilience and contribution of rural women and believes that women in rural areas can significantly increase their productivity and earnings, by simply learning and developing some new skills.



Continuing its role and efforts for women empowerment, KMBL in collaboration with the Society for Human Development (SHD) also organized a 'stitching training' for women, in Chak No: 1/10 L Harappa, Sahiwal District. The training was planned and conducted to provide a complete tailoring course to women from low-income households and equip them with the skills to earn sustainable livelihood to support their families.

KMBL also joined hands with the Rahnuma Family Planning Association of Pakistan (RFPAPAK) for the strengthening of 'KATO Women Development Center', in Haripur. Under this partnership, 220 women and girls from Haripur and nearby villages are being provided training in: tailoring, cutting, stitching, sewing, knitting and embroidery training in one year.

Through these series of training programs for women in Rural communities, KMBL is making direct contribution to United Nation's 'Sustainable Development Goals' #4 and #8, by substantially increasing the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.



# Investing in the Youth of Pakistan

**khushhali**  
MICROFINANCE BANK

## Investing in the Youth of Pakistan

KMBL believes that education, when done right, helps develop a solid foundation, enabling the young people to make better choices for their future. Although Pakistan's constitution promises free education to all school-age children, there are millions of children in Pakistan, who are unable to pursue education, primarily due to financial constraints.

Striving to support the children in the underserved communities of Pakistan, KMBL is helping them in getting education, to turn their dreams into reality. Through a comprehensive CSR need-assessment, KMBL is identifying schools in the remote areas of Pakistan, where students are in dire need of educational support. The bank is providing them with essential items, including; books, stationery, uniforms and bags, to continue their education and empower the deserving communities.

### SDGs Contributed



SUSTAINABLE  
DEVELOPMENT  
GOALS

4  
QUALITY  
EDUCATION



8  
DECENT WORK AND  
ECONOMIC GROWTH



KMBL initiated its CSR program "Education for Khushhali" from Government Boys High School, North Colony, Mithi, Tharparkar and provided educational support to deserving students in the underserved communities of Zahir Pir, Chowk Shahbaz Pur, Faisalabad, Allahabad, Shorekot, Khudian Khas, Tando Muhammad Khan, Vehari, Kot Addu and Shahkot.

In another effort, KMBL provided its generous support to NOWA Child-Care Center & Primary School, Khairpur Mirs. KMBL appreciated the efforts of NOWA Child-Care Center for uplifting the underserved segments of the society. KMBL also presented electrical-equipment, including generator and fans, to assist NOWA in its daily operations and services.



Generous support was extended by KMBL to the Government Primary School, Soha, District Hattian Bala, Azad Jammu & Kashmir, where more than one hundred students were studying without any furniture and they had to sit on the ground, to pursue their education. KMBL provided furniture to this school, to support the operation and education of the deserving students and add to their comfort.

Khushhali Microfinance Bank believes that Education is instrumental to community development and poverty-alleviation. Through the "Education for Khushhali" program, KMBL promises to support thousands of students in underserved segments, enabling them to pursue quality education. Through such generous initiatives, KMBL is fulfilling its social commitments and making direct contributions to Sustainable Development Goals #4 and #8, by facilitating access to completely free, equitable and quality education, for both, primary and secondary level boys and girls, while trying to reducing the proportion of the youth, who are deprived of employment, education or training.





**Striving for a Clean  
and Green Pakistan**

## Striving for a Clean and Green Pakistan

Being the leading Microfinance Bank in the country, Khushhali has taken a number of noteworthy initiatives, over the years, for the conservation of Earth's environment and sustainable development. KMBL acknowledges that the importance of environmental conservation cannot be understated in the overall development of a country. This year KMBL also took several initiatives, including; tree plantation drives and clean up campaigns, in line with its commitment to contribute towards the global cause of environmental protection.

Proudly celebrating the International Day of Forests and the World Environment Day, KMBL has organized large-scale tree-plantation drives in Swat and Peshawar respectively. KMBL volunteers marked the international celebrations, by planting hundreds of trees to strengthen its commitment to this global cause, while it also took measures to raise environmental awareness among the public.

SDGs Contributed	
 <p><b>11</b> SUSTAINABLE CITIES AND COMMUNITIES</p>	
 <p><b>13</b> CLIMATE ACTION</p>	 <p><b>15</b> LIFE ON LAND</p>



While climate change and deteriorating environment is a growing concern all over the world, Urban forests are being considered as a possible answer to pollution and high temperatures in the urban cities. Urban forests are being planted in almost all major cities of Pakistan. Khushhali Microfinance Bank also participated in this national effort by planting trees in the Clifton Urban Forest, a game-changing green lung in the center of Karachi, being developed with the aim to create evergreen, sustainable forests to restore Karachi's degraded environment. KMBL is proud to participate in this great initiative to improve the environment in Karachi.



Plant Khushhali Campaign 2021 was also organized in true spirit by planting thousands of trees in Muzaffargarh, Kot Addu and Rahim Yar Khan. KMBL volunteers joined hands with local stakeholders to plant trees for a greener Pakistan. Plantation drives are proving to be an ever-growing evidence of KMBL's continued commitment towards environmental protection and conservation.

In another effort towards Environmental awareness and protection, KMBL partnered with District Administration Hunza and organized a cleanliness drive in subdivision Gojal of Hunza District, Gilgit Baltistan. The main objective of the campaign was to sensitize the public, especially the tourists, regarding the pollution caused by littering. KMBL volunteers, District Administration and a large number of community members participated in the campaign and emphasized the need to protect the environment and to promote responsible tourism.

Through these ambitious initiatives, KMBL is also making direct contributions to Sustainable Development Goals #11, #13 and #15 by reducing the adverse per capita environmental impact of cities, while improving education and awareness along with human and institutional capacity on climate-change mitigation, adaptation, impact-reduction and early-warning.





**Inspiring an Inclusive  
Society for Persons  
with Disabilities**

## Inspiring an Inclusive Society for Persons with Disabilities

Persons with disabilities (PWDs) are often overlooked in discussions about a country's future. This is by no means peculiar to Pakistan: discrimination, exclusion and neglect of persons-with-disabilities, is common all over the world.

Mobility is the first and most critical hurdle faced by a physically challenged individuals, as it severely affects the lifestyle, education, livelihood and career of that person. Therefore, Khushhali Microfinance Bank Limited (KMBL) is working in partnership with multiple organizations, across Pakistan, to improve the mobility of PWDs by means of; prosthetics, assistive devices and other equipment.

### SDGs Contributed



8 DECENT WORK AND ECONOMIC GROWTH



10 REDUCED INEQUALITIES



In partnership with CHAL Foundation, Khushhali Microfinance Bank has provided prosthetics to ten patients in an effort to improve their mobility and to facilitate their reintegration into the society. Among these patients are little angels, who can now return to their school, continue their education and have fun with their friends. We also have inspiring stories of individuals who were struggling to support their families, but are now on their way to reintegrate in the society and earn sustainable livelihoods to support their families.

In partnership with CHAL Foundation, KMBL also sponsored thirty wheelchairs for physically challenged individuals in Gujranwala. KMBL believes that improved mobility can positively impact the lifestyle, education and livelihoods of PWDs.



In another effort, KMBL took a step forward and partnered with 'HANDS Pakistan' to provide fifty wheelchairs to physically challenged individuals, especially in rural areas of Pakistan. Wheelchair distribution ceremonies have been organized in Kotli Sattian, Rawalpindi and Farooqabad, Sheikhpura. Physically challenged persons from underserved segments of the society were identified and wheelchairs were provided to pave the way for their reintegration into the society.



### Prosthetic Devices for Person with Disabilities, Islamabad

KMBL is committed to promote full and equal participation of individuals with disabilities in all segments of the society, to enable accelerated development. KMBL salutes the courage and resilience of the 'Persons with Disabilities' and promises to continue its efforts for their inclusion in the society.

Through these initiatives, KMBL is making direct contributions to Sustainable Development Goals #8 and #10 by empowering and promoting the social, economic and political inclusion of everyone particularly the Persons with Disabilities and by facilitating their reintegration in the society.





**Drinking Water  
for Khushhali**



## Drinking Water for Khushhali

Globally, millions of people lack access to clean drinking water. The impact of water scarcity is severely affecting the communities, as it can directly affect human health. Access to clean-water changes everything in their lives; it's a stepping-stone towards good health and social-development.

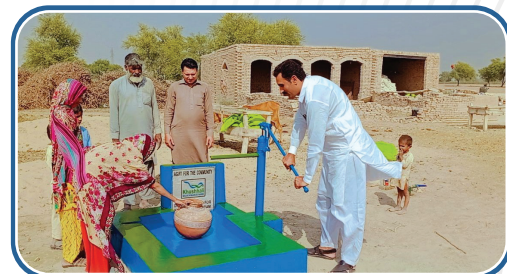
Availability and quality of drinking water is a huge concern for Pakistan. The country is not only suffering from a severe shortage of drinking water, there is also a growing concern over the quality of drinking water available for domestic use. The situation is further aggravated by heat waves and droughts driven by climate change.

With an ambition to provide safe drinking water to the underprivileged communities, KMBL has initiated the provision of clean Drinking Water, through the Khushhali Program. Under this program, KMBL has partnered with Human Development Foundation (HDF) and installed numerous water filters and coolers at hospitals, schools and public places across Pakistan.

### SDGs Contributed



**Water Coolers with Filters Installed across Pakistan**



**Hand pump for the people of Chak 291/HR Colony Cholistan, Tehsil Fortabbas**



**Hand pump for the community of Azafi Basti Mustafabad Chak No. 340/H.R, Marot**



**Hand pump for the community of Thahta Feteah Ali, Chiniot**

In another brilliant effort, KMBL has installed hand pumps in: Malakand, Fort Abbas, Marot, Abbotabad and Chiniot, to provide clean drinking water to underserved communities. These communities were in distress because of unavailability of healthy water for drinking and domestic use. With KMBL's productive initiative, water is now easily available for these deprived communities.

With these initiatives, KMBL is making direct contributions to the Sustainable Development Goal #6, by facilitating equitable access to safe and affordable drinking water for all, through hand-pumps, filtration plants and water coolers.

## Independent Auditors' Report

### To the members of Khushhali Microfinance Bank Limited

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the annexed financial statements of Khushhali Microfinance Bank Limited (the Bank), which comprise balance sheets at 31 December 2021 and the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the balance sheet, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and, give the information required by the Companies Act, 2017(XIX of 2017), provisions of and directives issued under the Microfinance Institutions Ordinance, 2001 and directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP) in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at 31 December 2021 and of the profit, the other comprehensive income, the changes in equity and its cash flows for the year then ended.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the Director's Report but does not include the financial statements and our auditors' report thereon. The Director Report is expected to be made available to us after the date of this draft auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance. We have nothing to report in this regard.

#### Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan, the requirements of the Companies Act, 2017 (XIX of 2017), provisions of and directives issued under the Microfinance Institutions Ordinance, 2001 and directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Bank's financial reporting process.

#### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

#### Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Bank as required by the Companies Act, 2017 (XIX of 2017).
- b) the balance sheet, the profit and loss account, the statement of comprehensive Income, the statement of changes in equity and the cash flow statement (together with the notes thereon have been drawn up in conformity with the Companies Act, 2017(XIX of 2017) and are in agreement with the books of account and returns.
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Bank's business; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditors' report is Ahsan Shahzad.

Date: 19<sup>th</sup> March, 2022



**EY Ford Rhodes**  
Chartered Accountants  
Islamabad, Pakistan


**Balance Sheet** as at December 31, 2021

<b>ASSETS</b>	<b>Note</b>	<b>2021 Rs. '000</b>	<b>2020 Rs. '000</b>
Cash and balances with SBP and NBP	<b>7</b>	3,883,711	2,850,265
Balances with other banks/ NBFIs/ MFBs	<b>8</b>	10,177,317	10,752,177
Lending to financial institutions	<b>9</b>	100,000	795,981
Investments - net of provisions	<b>10</b>	14,089,836	17,679,889
Advances - net of provisions	<b>11</b>	70,884,244	60,640,787
Operating fixed assets	<b>12</b>	3,578,798	3,688,195
Other assets	<b>13</b>	13,270,613	10,241,141
Deferred tax asset	<b>14</b>	539,407	454,439
<b>Total Assets</b>		<b>116,523,926</b>	<b>107,102,874</b>
<b>LIABILITIES</b>			
Deposits and other accounts	<b>15</b>	93,162,369	88,649,814
Borrowings	<b>16</b>	4,608,379	427,708
Subordinated debt	<b>17</b>	3,000,000	2,400,000
Other liabilities	<b>18</b>	4,568,629	4,831,474
<b>Total Liabilities</b>		<b>105,339,377</b>	<b>96,308,996</b>
<b>Net Assets</b>		<b>11,184,549</b>	<b>10,793,878</b>
<b>REPRESENTED BY:</b>			
Share capital	<b>19</b>	1,705,000	1,705,000
Statutory reserve	<b>6.12</b>	1,900,415	1,871,831
Capital reserve	<b>6.13</b>	24,255	24,255
Unappropriated profit		7,616,090	7,200,276
		11,245,760	10,801,362
Deficit on revaluation of assets	<b>20</b>	(61,211)	(7,484)
Deferred grants		-	-
<b>Total Capital</b>		<b>11,184,549</b>	<b>10,793,878</b>
<b>MEMORANDUM/OFF BALANCE SHEET ITEMS</b>	<b>21</b>	-	-

The annexed notes from 1 to 47 form an integral part of these financial statements.



**PRESIDENT**



**CHAIRMAN**



**DIRECTOR**




**DIRECTOR**

**Profit And Loss Account** for the year ended December 31, 2021

	Note	2021 Rs. '000	2020 Rs. '000
Mark-up/ return/ interest earned	22	18,652,795	18,670,291
Mark-up/ return/ interest expensed	23	8,960,999	8,732,042
Net mark-up/ interest income		9,691,796	9,938,249
Provision against non-performing loans and advances -net	11.4	3,938,294	2,963,177
Bad debts written off directly	11.5	22,202	29,178
Net mark-up/ interest income after provisions		5,731,300	6,945,894
<b>NON MARK-UP/ NON INTEREST INCOME</b>			
Fee, commission and brokerage income	24	1,857,405	1,469,614
Other income	25	137,154	73,357
<b>Total non mark-up/non interest income</b>		1,994,559	1,542,971
		7,725,859	8,488,865
<b>NON MARK-UP/ NON INTEREST EXPENSES</b>			
Administrative expenses	26	6,775,162	6,037,253
Other provisions	13	62,145	47,519
Other charges	27	18,962	12,295
<b>Total non-mark-up/ non interest expense</b>		6,856,269	6,097,067
<b>PROFIT BEFORE TAXATION</b>		869,590	2,391,798
Taxation - Current	28	323,829	712,763
- Prior year	28	31,817	-
- Deferred	28	(57,736)	(60,721)
		297,910	652,042
<b>PROFIT AFTER TAXATION</b>		571,680	1,739,756
Unappropriated profit brought forward		7,200,276	5,885,119
Other comprehensive gain/ (loss) transferred to equity		(12,946)	10,341
Profit available for appropriation		7,759,010	7,635,216
<b>APPROPRIATIONS:</b>			
<b>Transfer to:</b>			
Statutory reserve	6.12	28,584	86,988
Microfinance social development fund	6.14	57,168	173,976
Depositors' protection fund	6.14	28,584	86,988
Risk mitigation fund	6.14	28,584	86,988
		142,920	434,940
<b>UNAPPROPRIATED PROFIT CARRIED FORWARD</b>		7,616,090	7,200,276
<b>EARNINGS PER SHARE - BASIC AND DILUTED</b>	33	2.68	8.16

The annexed notes from 1 to 47 form an integral part of these financial statements.

  
PRESIDENT

  
CHAIRMAN


  
DIRECTOR

  
DIRECTOR

**Statement of Comprehensive Income** for the year ended December 31, 2021

	Note	2021 Rs. '000	2020 Rs. '000
<b>Profit after taxation</b>		571,680	1,739,756
<b>Other comprehensive income</b>			
Items that will not be reclassified subsequently to profit and loss:			
Remeasurement gain / (loss) on post employment benefit obligation		(18,234)	14,566
Deferred tax relating to remeasurement gain / (loss) on post employment benefit obligation	14.1	5,288	(4,225)
Other comprehensive gain / (loss) transferred to equity		(12,946)	10,341
Items that may be subsequently reclassified to profit and loss:			
Deficit on revaluation of investments - AFS	10.5	(86,213)	(10,542)
Transfer to profit and loss on disposal of available for sale investments		10,542	798
Deferred tax asset on deficit on revaluation of investments - AFS	14.1	21,944	2,827
		(53,727)	(6,917)
<b>Total comprehensive income</b>		<u>505,007</u>	<u>1,743,180</u>

The annexed notes from 1 to 47 form an integral part of these financial statements.

  
PRESIDENT

  
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## Statement of Changes in Equity for the year ended December 31, 2021

	Share capital	Capital reserve (Note - 6.13)	Statutory reserve (Note - 6.12)	Unappropriated profit	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Balance as at January 01, 2020</b>	1,705,000	24,255	1,784,843	5,885,119	9,399,217
Total comprehensive income for the year	-	-	-	1,739,756	1,739,756
Profit for the year	-	-	-	10,341	10,341
Other comprehensive gain	-	-	-	1,750,097	1,750,097
Transfer to:					
Statutory reserve	-	-	86,988	(86,988)	-
Microfinance Social Development Fund	-	-	-	(173,976)	(173,976)
Risk Mitigation Fund	-	-	-	(86,988)	(86,988)
Depositors' Protection Fund	-	-	-	(86,988)	(86,988)
<b>Balance as at December 31, 2020</b>	1,705,000	24,255	1,871,831	7,200,276	10,801,362
Total comprehensive income for the year	-	-	-	571,680	571,680
Profit for the year	-	-	-	(12,946)	(12,946)
Other comprehensive loss	-	-	-	558,734	558,734
Transfer to:					
Statutory reserve	-	-	28,584	(28,584)	-
Microfinance Social Development Fund	-	-	-	(57,168)	(57,168)
Risk Mitigation Fund	-	-	-	(28,584)	(28,584)
Depositors' Protection Fund	-	-	-	(28,584)	(28,584)
<b>Balance as at December 31, 2021</b>	1,705,000	24,255	1,900,415	7,616,090	11,245,760

The annexed notes from 1 to 47 form an integral part of these financial statements.



PRESIDENT



CHAIRMAN



DIRECTOR



DIRECTOR

Cash Flow Statement for the year ended December 31, 2021

	Note	2021 Rs. '000	2020 Rs. '000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before taxation		869,590	2,391,798
Adjustments for:			
Depreciation of property and equipment		471,148	400,537
Depreciation of right of use asset		372,643	360,906
Amortization of intangible assets		153,309	100,144
Provision against non-performing advances		3,938,294	2,963,177
Gain on sale of fixed assets		(50,914)	(16,376)
Mark-up on advances		(16,765,009)	(16,827,186)
Interest income on investments and deposit accounts		(1,887,786)	(1,843,105)
Interest expense on borrowings and deposits		8,437,673	8,167,239
Interest expense on subordinated debt		275,932	307,936
Interest expense on lease liability		247,394	256,867
Provision against other assets		62,145	47,519
Charge for defined benefit plan		142,258	144,268
		(4,602,913)	(5,938,074)
		(3,733,323)	(3,546,276)
<b>(Increase) / decrease in operating assets</b>			
Advances		(14,181,751)	(10,062,812)
Other assets		(63,893)	93,612
		(14,245,644)	(9,969,200)
<b>Increase / (decrease) in operating liabilities</b>			
Deposits		4,512,555	24,767,465
Other liabilities		(87,308)	(200,566)
		4,425,247	24,566,899
<b>Net cash (used in) / generating from operations</b>			
		(13,553,720)	11,051,423
Mark-up received on advances		14,048,778	12,474,055
Interest received on investments and deposit accounts		1,863,504	1,932,904
Interest paid on borrowings, deposits and subordinated debt		(9,027,083)	(8,122,175)
Contributions to defined benefit plan		(96,452)	(231,182)
Income taxes paid		(694,898)	(570,154)
		6,093,849	5,483,448
<b>Net cash (used in) / generating from operating activities</b>			
		(7,459,871)	16,534,871
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Investments in AFS/HFT/HTM securities		3,514,382	(7,577,889)
Purchase of operating fixed assets		(664,956)	(842,334)
Sale proceeds against disposal of operating fixed assets		64,496	19,889
<b>Net cash generated (used in) from investing activities</b>			
		2,913,922	(8,400,334)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Dividend paid		-	-
Payment of lease liability		(472,117)	(395,159)
Subordinated debt		600,000	-
Borrowings acquired during the year		151,948,367	-
Borrowings paid during the year		(147,767,696)	(898,313)
<b>Net cash used in financing activities</b>			
		4,308,554	(1,293,472)
<b>Net (decrease) / increase in cash and cash equivalents</b>			
		(237,395)	6,841,065
Cash and cash equivalents at beginning of the year		14,398,423	7,557,358
<b>Cash and cash equivalents at end of the year</b>	<b>29</b>	<b>14,161,028</b>	<b>14,398,423</b>

The annexed notes from 1 to 47 form an integral part of these financial statements.

  
PRESIDENT

  
CHAIRMAN

  
DIRECTOR

  
DIRECTOR



## Notes to the Financial Statements for the year ended December 31, 2021

### 1 STATUS AND NATURE OF BUSINESS

Khushhali Microfinance Bank Limited (KMBL/the Bank) came into existence with the promulgation of the Khushhali Bank Ordinance, 2000 as a corporate body with limited liability on August 4, 2000. It commenced its business with the issuance of license by the State Bank of Pakistan (SBP) on August 11, 2000. KMBL was established to mobilize funds for providing microfinance services to poor persons, particularly poor women for mitigating poverty and promoting social welfare and economic justice through community building and social mobilization with the ultimate objective of poverty alleviation.

In pursuance of the requirements of Improving Access of Financing Service Program (IAFSP) Agreement signed in 2008 between the Government of Pakistan (GOP) and Asian Development Bank, where by all microfinance institutions in Pakistan including KMBL were required to operate under Microfinance Institutions Ordinance, 2001. Consequently, with the approval of SBP, KMBL was incorporated as a public company with Securities and Exchange Commission of Pakistan (SECP) and Certificate of Incorporation was issued under the repealed Companies Ordinance, 1984 (repealed with the enactment of Companies Act, 2017) on February 28, 2008.

On March 18, 2008, SBP sanctioned a scheme for transfer of assets, liabilities and undertaking of Khushhali Bank (KB) into KMBL with effect from April 1, 2008, a microfinance institution licensed under the Microfinance Institution Ordinance, 2001. In accordance with the scheme of conversion all assets and liabilities of the KB were transferred to the Bank at their respective book values based on the audited accounts of the Bank as of March 31, 2008.

On June 4, 2012, a consortium led by United Bank Limited and comprising ASN-NOVIB Microdensitometer (Triple Jump B.V), responsAbility Global Micro and SME Finance Fund (formerly responsAbility Micro and SME Finance Fund and before that responsAbility Global Microfinance Fund) represented by MultiConcept Fund Management S.A (formerly responsAbility Management Company S.A and before that Credit Suisse Microfinance Fund Management Company), Rural Impulse Fund II S.A. SICAS-FIS (Incofin Investment Management Comm.VA), and ShoreCap II Limited (Equator Capital Partners LLC) acquired 67.4% equity stake in KMBL from a selling consortium comprising of eleven shareholders. In view of the changes in the shareholding, a new microfinance banking license was issued on November 19, 2012 by SBP to the Bank.

On November 01, 2019, responsAbility Management Company S.A has been replaced as management company by MultiConcept Fund Management Company S.A., acting in its own name but on behalf of the fund ( the "New Management Company").

The Bank's registered office and principal place of business is situated at 5th Floor, Ufone Tower, Blue Area, Islamabad. The Bank has 206 branches and 33 permanent booths in operation as at December 31, 2021 (December 31, 2020: 193 branches, 41 permanent booths) and is licensed to operate nationwide.

### 2 BASIS OF PRESENTATION

These financial statements have been presented in accordance with the requirements of format prescribed by the SBP Banking Supervision Department (BSD) Circular number 11 dated December 30, 2003. The Bank has also elected to present additional disclosures, refer to notes 42 and 43, by applying the definitions of selected financial terms and ratios for microfinance prescribed by the Microfinance Consensus Guidelines, issued by the Consultative Group to Assist the Poor (CGAP), in September 2003.

### 3 STATEMENT OF COMPLIANCE

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) 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 State Bank of Pakistan (SBP) (including Prudential Regulations of Microfinance Banks) and the Securities and Exchange Commission of Pakistan (SECP).

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

The State Bank of Pakistan, vide SBP BPRD circular no. 24, dated July 05, 2021, deferred the applicability of IFRS-9 'Financial Instruments' till annual periods beginning on or after January 01, 2022. Previously the application of IAS 39 'Financial Instruments Recognition and Measurement' and IAS 40 'Investment Property' were also deferred by SBP. According to the notification of the SECP issued vide SRO 411(1)/2008 dated April 28, 2008, IFRS 7, Financial Instruments: Disclosures has not been made applicable for banks. Accordingly, the requirements of these standards have not been

considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

**4 BASIS OF MEASUREMENT**

**Accounting convention**

These financial statements have been prepared under the historical cost convention as modified for obligations under staff retirement benefits, right of use asset and lease liability, which are measured at present value and investments available for sale, which are measured at mark-to-market basis.

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the use of certain accounting estimates and judgments in application of accounting policies. The area involving a high degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 6.34.

**5 New Standards, Interpretations And Amendments To Published Approved Accounting Standards**

**5.1 Standards, interpretations and amendments that are effective in the current year**

Following amendments to existing standards that have become applicable to the Bank for accounting periods beginning on or after January 1, 2020 but are considered not to be either relevant or not have any significant impact on these financial statements:

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - These amendments had no impact on the financial statements of the Bank

Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16 - These amendments had no impact on the financial statements of the Bank.

**5.2 Standards, interpretations and amendments that are not effective in the current year**

a) The following amendments to the accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard:

		<b>Effective date (annual periods beginning on or after)</b>
IFRS 3	Business Combinations – The amendment updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.	January 01, 2022
IAS 16	Property, plant and equipment – Amendment to clarify the prohibition on an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.	January 01, 2022
IAS 37	Provisions, Contingent Liabilities and Contingent Assets to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.	January 01, 2022
"IAS 1 and IFRS Practice Statement 2"	Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 - The amendments aim to help entities provide accounting policy disclosures that are more useful by: - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies; and - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.	January 01, 2023
IAS 8	Definition of Accounting Estimates - Amendments to IAS 8 - The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.	January 01, 2023
IAS 1	Classification of liabilities as current or non-current (Amendments to IAS 1)	January 01, 2023
"IFRS 10 & IAS 28"	Consolidated Financial Statements & Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – (Amendment)	Not yet finalized

As per BPRD Circular No. 24 of 2021 dated July 05, 2021 of SBP, effective date of IFRS 9 implementation is January 01, 2022. The standard has introduced a new impairment model for financial assets which requires recognition of impairment charge based on an 'expected credit losses' (ECL) approach rather than the 'incurred credit losses' approach as currently followed. The ECL approach has an impact on all assets of the Bank which are exposed to credit risk. The Bank is in the process of assessing the full impact of this standard and the Bank awaits final guidelines from SBP for application of some aspects of IFRS 9.

In addition to the above new standards (other than IFRS 9) and amendments to standards, improvements to various accounting standards (under the annual improvements 2018 - 2020 cycle) have also been issued by the IASB in May 2020. Such improvements are generally effective for accounting periods beginning on or after January 01, 2022.

The Bank expects that the adoption of the above standards and amendments will have no material effect on the Bank's financial statements.

#### b) Standards or interpretations not yet effective

The following standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

		<b>Effective date (annual periods beginning on or after)</b>
IFRS 1	First time adoption of international financial reporting standards	July 01, 2004
IFRS 17	Insurance Contracts	January 01, 2023

The Bank expects that the adoption of the above standards will have no material effect on the Bank's financial statements, in the period of initial application.

## 6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 6.1 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, balances with treasury bank and balance with other banks and short term, highly liquid investments that are readily convertible to known amount of cash and subject to an insignificant risk of changes in value.

### 6.2 Sale and repurchase agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognized in the balance sheet and are measured in accordance with the accounting policies for investment securities. The counter party liability for consideration received is included in borrowings from the financial institutions. The difference between sale and repurchase price is treated as markup/return/interest expense over the period of the transaction. Assets purchased with a corresponding commitment to resell at a specified future date (reverse repo) are not recognize as investment in the balance sheet. Amounts paid under these agreements are included in lending to financial institutions. The difference between the purchase and the resale price is treated as markup/return/interest income over the period of the transaction.

### 6.3 Investments

All purchases and sale of investments are recognized using settlement date accounting. Settlement date is the date on which investments are delivered to or by the Bank. All investments are derecognised when the right to receive economic benefits from the investments has expired or has been transferred and the Bank has transferred substantially all the risks and rewards of ownership.

#### Investments are classified as follows:

##### a) Held for trading investments

These represent securities acquired with the intention to trade by taking advantage of short-term market/ interest rate movements. These are measured at mark-to-market and surplus / (deficit) arising on revaluation of 'held for trading' investments is taken to profit and loss account.

##### b) Available for sale investments

Investments which may be sold in response to need for liquidity or changes in interest rates, exchange rates or equity prices are classified as available for sale. Available for sale investments are initially recognized at cost and subsequently measured at mark-to-market basis.

The surplus / (deficit) arising on revaluation of available for sale investments is carried as "surplus / (deficit) on revaluation of assets" through statement of comprehensive income and also shown in the balance sheet below equity. The surplus / (deficit) arising on these investments is taken to the profit and loss account, when actually realized upon disposal.

On reclassification of an investment from the available for sale category, the investment is reclassified at its fair value on the date of reclassification. This fair value becomes its new cost or amortized cost, as applicable. For investments with fixed maturity, any gain or loss previously recognised in "surplus / (deficit) on revaluation of assets" is amortized to profit and loss over the remaining life of the investment using the effective interest rate method and if the investment does not have a fixed maturity, the gain or loss previously recognized in "surplus / (deficit) on revaluation of assets" is recognized in profit and loss when the investment is sold or disposed off.

**c) Held to maturity investments**

Investments with fixed maturity, where management has both the intent and the ability to hold till maturity, are classified as held to maturity. Subsequent to initial recognition at cost, these investments are measured at amortized cost, less provision for impairment in value, if any. Amortized cost is calculated taking into account effective interest rate method. Profit on held to maturity investments is recognized on a time proportion basis taking into account the effective yield on the investments.

Premium or discount on acquisition of held to maturity investments are amortized through profit and loss account over the remaining period, using the effective interest rate method.

**6.4 Advances**

Advances are stated net of provisions for non-performing advances. Advances and mark-up that are overdue for 30 days or more are classified as non-performing and divided into following categories:

**a) Other Assets Especially Mentioned (OAEM)**

Advances and mark-up in arrears for 30 days or more but less than 60 days.

**b) Substandard**

Advances and mark-up in arrears for 60 days or more but less than 90 days.

**c) Doubtful**

Advances and mark-up in arrears for 90 days or more but less than 180 days.

**d) Loss**

Advances and mark-up in arrears for 180 days or more.

In addition, the Bank maintains a watch list of all accounts delinquent by 5 - 29 days. However, such accounts are not treated as non-performing for the purpose of classification / provisioning.

In accordance with the Prudential Regulations for Microfinance Banks issued by SBP (the Prudential Regulations), the Bank maintains specific provision for potential loan losses for all non-performing outstanding advances net of cash and gold collaterals realizable without recourse to a court of law at the following rates:

OAEM	Nil
Substandard	25%
Doubtful	50%
Loss	100%

In addition, minimum of 1% general provision required under the Prudential Regulations is made on outstanding advances net of specific provision. However, general provision is not required in cases wherein loans have been secured against gold or other cash collateral with appropriate margin. General and specific provisions are charged to the profit and loss account.

In accordance with the Prudential Regulations, non-performing advances are written-off one month after the loan is categorized as "Loss". However, the Bank continues its efforts for recovery of the written-off balances.

Under exceptional circumstances, management reschedules repayment terms for clients who have suffered catastrophic events and who appear willing and able to fully repay their loans. The classification made as per the Prudential Regulations is not changed due to such rescheduling. The accrued mark-up till the date of rescheduling is received prior to such rescheduling.

**6.5 Operating fixed assets**

**Capital work in progress**

Capital work-in-progress are stated at cost less impairment losses (if any) and consist of expenditure incurred, advances made and other costs directly attributable to operating fixed assets in the course of their construction and installation. Cost also includes applicable borrowing costs, if any. Transfers are made to relevant operating fixed assets category as and when assets are ready for use.

**Property and Equipment**

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset and the costs of dismantling and removing the items and restoring the site on which they are located, if any.

Depreciation is charged on the straight line basis at rates specified in note 12.3 to the financial statements, so as to write off the cost of assets over their estimated useful lives. Full month's depreciation is charged in the month of capitalization and no depreciation is charged in the month of disposal.

Subsequent costs are included in the assets carrying amount when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. Carrying amount of the replaced part is derecognised. All other repair and maintenance expenses are charged to profit and loss account during the year.

Gains and losses on disposal of property and equipment are taken to the profit and loss account.

#### **Intangible assets**

An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the Bank and that the cost of such asset can also be measured reliably. These are stated at cost less accumulated amortization and impairment losses, if any.

Intangible assets comprise of computer software and related applications. Intangible assets are amortized over their estimated useful lives at rate specified in note 12.4 to the financial statements. Subsequent expenditure is capitalized only when it increases the future economic benefit embodied in the specific asset to which it relates. All other expenditure is recognized in profit and loss account as incurred.

#### **6.6 Impairment of non-financial assets**

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

#### **6.7 Deposits**

Deposits are initially recorded at the amount of proceeds received. Mark-up accrued on deposits, if any is recognised separately as part of other liabilities, and is charged to the profit and loss account over the period.

#### **6.8 Subordinated debt**

Subordinated loans are initially recorded at the amount of proceeds received. Mark-up accrued on subordinated loans is recognised as part of other liabilities and is charged to the profit and loss account over the period on an accrual basis.

#### **6.9 Taxation**

The tax expense for the period comprises current and deferred tax. Tax is recognized in the profit and loss account, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

##### **Current**

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

##### **Deferred**

Deferred income tax is recognized, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are off-set when there is a legally enforceable right to offset current tax assets against current tax liabilities where there is an intention to settle the balances on a net basis.

##### **Prior years**

The taxation charge for prior years represents adjustments to the tax charge relating to prior years, arising from assessments and changes in estimates made during the current year, except otherwise stated.

## 6.10 Employee benefits

Salaries, wages and benefits are accrued in the period in which the associated services are rendered by employees of the Bank.

The Bank operates an approved funded gratuity scheme for all eligible employees completing the minimum qualifying period of one year of service. In accordance with the gratuity scheme eligible salary constitutes the basic salary for the service up till July 26, 2004 and gross salary for service thereafter which is paid to the employee on the basis of period in service. The defined benefit obligation is calculated annually using the projected unit credit method. The present value of defined obligation is determined by discounting the estimated market yield on government bonds and have terms to maturity approximating to the terms of the related liability. The Bank has a policy of carrying out actuarial valuations annually with the assistance of independent actuarial appraisers. The latest actuarial valuation was carried out on December 31, 2021.

The remeasurement gains and losses are recognized immediately in other comprehensive income (OCI). Further, past service costs are recognized in profit and loss account in the year in which they arise.

## 6.11 Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at cost being the fair value of consideration received, less attributable transaction costs. Subsequent to initial recognition mark-up bearing borrowings are stated at original cost less subsequent repayments.

## 6.12 Statutory reserve

In compliance with the requirements of Regulation 4 of the Prudential Regulations, the Bank is required to maintain a statutory reserve to which an appropriation equivalent to 20% of the profit after tax is made till such time the reserve fund equals the paid up capital of the Bank. However, thereafter, the contribution is reduced to 5% of the profit after tax.

## 6.13 Capital reserve

Pursuant to the Scheme of conversion, as explained in note 1 to the financial statements, the unappropriated profit of KB has been treated as Capital reserve of the Bank.

## 6.14 Contributions

In pursuance of the requirement of Microfinance Sector Development Program (Schedule-6 Loan # 1806-Pak, Fund Rules and "Report and Recommendation of the President to the Board of Asian Development Bank" and as confirmed by the SBP vide its letter dated February 17, 2015, the Bank contributes an aggregate of 20% of its annual profit after tax to the following three funds:

Depositor's Protection Fund	5% of the profit after tax
Risk Mitigation Fund	5% of the profit after tax
Microfinance Social Development Fund	10% of the profit after tax

The above contributions represents outflow of economic resources of the Bank and thus are required to be included within profit and loss account as expense, under IFRSs, reducing the amount of profit after tax, but as required by the SBP Banking Supervision Department (BSD) Circular number 11 dated December 30, 2003, the related annual contributions are instead disclosed as appropriation from profit available from distribution, within the profit and loss account, and are separately presented in the statement of changes in equity. The Bank has, however, deducted these contributions, from the amount of profit after tax to arrive at profit attributable to equity holders, for the purpose of calculation of Earnings Per Share.

## 6.15 Cash reserve requirement

In compliance with the Prudential Regulations, the Bank maintains a cash reserve equivalent to not less than 5% of its time and demand liabilities in a current account opened with the State Bank of Pakistan.

## 6.16 Statutory liquidity requirement

The Bank maintains liquidity equivalent to at least 10% of its time and demand deposits in the form of liquid assets i.e. cash, gold and unencumbered approved securities.

## 6.17 Grants

Grants of non-capital nature are recognized as deferred income at the time of their receipt. Subsequently, these are recognized in the profit and loss account to the extent of the actual expenses incurred. Expenses incurred against grants committed but not received, is recognized directly in the profit and loss account and reflected in balance sheet as receivable from donors.

Grants that compensate the Bank for the cost of an asset are recognized in the profit and loss account as other operating income on a systematic basis over the useful life of the asset.

The grant related to an asset is recognised in the balance sheet initially as deferred grant when there is reasonable assurance that it will be received and that the Bank will comply with the conditions attached to it.

## 6.18 Revenue recognition

Mark-up/ return on advances is recognized on accrual/ time proportion basis, except for income, if any, which warrants suspension in compliance with the Prudential Regulations. Mark-up recoverable on non-performing advances is recognized on a receipt basis in accordance with the requirements of the Prudential Regulations. Loan processing fee is recognized as income on the approval of loan application of borrowers and disbursement of loan.

Mark-up/ return on investments is recognized on time proportion basis using effective interest method. Where debt securities are purchased at premium or discount, those premiums/discounts are amortized through the profit and loss account over the remaining period of maturity.

Income from interbank deposits in saving accounts is recognized in the profit and loss account as it accrues using the effective interest method.

Gains and losses on sale of investments and operating assets are recognized in profit and loss account.

Fee and commission income is recognised at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services. The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract.

### 6.19 Borrowing costs

Borrowings are recorded at the amount of proceeds received.

The cost of borrowings is recognized on an accrual basis as an expense in the period in which it is incurred.

### 6.20 Leases

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### Bank as a lessee

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### Right-of-use assets

The Bank recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The right-of-use assets are presented within Note 12 'Operating fixed assets'.

#### Lease liabilities

At the commencement date of the lease, the Bank recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made.

### 6.21 Financial instruments

Financial assets and liabilities are recognized when the Bank becomes a party to the contractual provisions of the instrument. These are derecognised when the Bank ceases to be the party to the contractual provisions of the instrument.

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be.

#### 6.21.1 Financial assets

Financial assets are cash and balances with SBP and NBP, balances with other banks and MFBs, lending to financial institutions, investments, advances and other receivables. Advances are stated at their nominal value as reduced by appropriate provisions against non-performing advances, while other financial assets excluding investments are stated at cost, net of provision, if any. Investments classified as available for sale are valued at mark-to-market basis and investments classified as held to maturity are stated at amortized cost.

#### 6.21.2 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangement entered into. Financial liabilities include deposits, borrowings, subordinated debt and other liabilities which are stated at their nominal value. Financial charges are accounted for on accrual basis.

Any gain or loss on the recognition and derecognition of the financial assets and liabilities is included in profit and loss account for the year in which it arises.

### 6.22 Impairment – financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in profit and loss account.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in profit and loss account.

Impairment assessment of AFS investments is carried out as per the requirements of the Prudential Regulations and directives issued by SBP. T Bill, being a sovereign investment, are not considered for impairment under current applicable financial reporting framework.

### 6.23 Off-setting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Income and expense items of such assets and liabilities are also off-set and the net amount is reported in the financial statements.

### 6.24 Foreign currency translation

#### a) Functional and presentation currency

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the Bank operates (the functional currency) which is Pak Rupees. The financial statements are also presented in Pak Rupees, which is the Bank's presentation currency.

#### b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss account.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit and loss account.

### 6.25 Provisions

Provisions are recognized when the Bank has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate of the amount can be made.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

### 6.26 Exceptional items

Exceptional items, if any, are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Bank. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

### 6.27 Related party transactions

Transactions involving related parties arising in the normal course of business are conducted at agreed terms.

### 6.28 Earnings per share

The Bank presents earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by weighted average number of ordinary shares outstanding during the year.

### 6.29 Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing particular products or services (business segment), or in providing product or services within a particular economic environment (geographical segment), and is subject to risk and rewards that are different from those of other segments. The Bank has only one reportable segment.

### 6.30 Other payables

Liabilities for other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for the goods and services received, whether or not billed to the Bank.

### 6.31 Dividend and apportioning to reserves

Dividend and appropriation to reserves are recognized in the financial statements in the period in which these are approved, except appropriation required by law which are recorded in the period to which they pertain.



### 6.32 Other receivables

These are recognized at cost, which is the fair value of the consideration given. An assessment is made at each balance sheet date to determine, whether there is an indication that a financial asset, or a group of financial assets, may be impaired. If such an indication exists, the estimated recoverable amount of that asset is determined and an impairment loss is recognized for the difference between the recoverable amount and the carrying value.

### 6.33 Contingencies

A contingent liability is disclosed when the Bank has a possible obligation as a result of past events, existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank or the Bank has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

### 6.34 Significant accounting estimates and judgments

The preparation of financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates

#### Estimates and assumptions

The assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustments to the carrying amounts of assets and liabilities within the next financial year are described below:

The Bank based its assumptions and estimates on the parameters under which these financial statements were prepared. Existing circumstances and assumptions about the future development may change due to market changes or circumstances arising that are beyond the control of the Bank. Such changes are reflected in the assumptions when they occur.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have significant effect on the amounts recognized in the financial statements relates to valuation and impairment of investments, advances, determination of useful lives of depreciable assets and intangible assets, provision for income taxes and other provisions which are discussed in following paragraphs:

#### a) Useful lives

The Bank reviews useful life and residual value of operating fixed assets on regular basis. Any change in estimates may affect the carrying amounts of the respective items of operating fixed assets with a corresponding effect on the depreciation charge.

#### b) Provision for income taxes

The Bank recognizes tax liabilities for pending tax assessments using estimates based on expert opinion obtained from tax/legal advisors. Differences, if any, between the income tax provision and the final tax liability is recorded when such liability is determined. Deferred income tax is calculated at the rates that are expected to apply to the period when the differences reverse.

#### c) Staff retirement benefits

Actuarial valuation of gratuity contributions requires use of certain assumptions related to future periods including increase in remuneration, expected long term return on plan assets and the discount rate used to convert future cash flows to current values. Actuarial gains and losses arising from changes in actuarial assumptions are taken in the other comprehensive income immediately.

#### d) Provision against advances

The Bank maintains a provision against advances as per the requirements of the Prudential Regulations and assesses the adequacy of provision against delinquent portfolio. Any change in the criteria/rate for provision may affect the carrying amount of the advances with a corresponding effect on the mark-up/interest earned and provision charge.

#### e) Financial instrument

The fair value of the financial instrument that are not traded in an active market is determined by using valuation techniques based on assumption that are dependent on conditions existing at the balance sheet.

#### f) Provision for doubtful receivables

The carrying amount of other receivables are assessed on regular basis and if there is any doubt about the realisability of these receivables, appropriate amount of provision is made.

#### Judgements

In the process of applying Bank's accounting policies, management has made the judgements, as mentioned below, which have most significant effects on the amounts recognized in the financial statements.

**a) Classification and impairment of investments**

The classification of investments between different categories depends upon management's intentions to hold those investments. Any change in the classification of investments may affect their carrying amounts with a corresponding effect on the return and unrealized surplus / (deficit) on these investments of the Bank.

**b) Provision and contingent liabilities**

The management exercises judgment in measuring and recognizing provisions and exposures to contingent liabilities related to pending litigations or other outstanding claims. Judgment is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement. Because of inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provision.

	Note	2021 Rs. '000	2020 Rs. '000
<b>7 Cash and Balances with SBP and NBP</b>			
Cash in hand - Local currency		1,406,362	925,172
Balance with State Bank of Pakistan in Local currency current accounts - SBP	7.1	2,409,300	1,923,772
Balance with National Bank of Pakistan in Local currency deposit accounts - NBP	7.2	68,049	1,321
		<u>3,883,711</u>	<u>2,850,265</u>
7.1	This represents balance held with SBP to meet the requirement of maintaining a minimum balance equivalent to 5% (2020: 5%) of the Bank's time and demand deposits with a tenure of less than one year, in accordance with R-3A of the Prudential Regulations.		
7.2	This represents balances held in saving account carrying interest at the rate of 7.25% (2020:4.5%) per annum.		

	Note	2021 Rs. '000	2020 Rs. '000
<b>8 Balances With Other Banks/ NBFIs/ MFBs</b>			
In Pakistan			
Local currency current accounts		654,488	1,324,015
Local currency deposit accounts	8.1	9,522,829	9,428,162
		<u>10,177,317</u>	<u>10,752,177</u>
8.1	This represents balances held with various banks in saving accounts carrying interest at the rates ranging from 4.50% to 12.25% (2020: 4.50% to 9.00%) per annum.		

	Note	2021 Rs. '000	2020 Rs. '000
<b>9 Lending to Financial Institutions</b>			
Call/clean lending	9.1	100,000	-
Repurchase agreement lending (reverse repo)	9.2	-	795,981
		<u>100,000</u>	<u>795,981</u>
9.1	This represents called lending carrying interest at the rate 10.70% per annum maturing on January 4, 2022.		
9.2	This represented reverse repo transaction carrying interest rate Nil (2020: 6.05% to 7.18% per annum matured on January 13, 2021).		
9.2.1	Securities held as collateral against lending to financial institutions - reverse repo are as follows:		

	2021			2020		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	Rs. '000			Rs. '000		
Market Treasury Bills/PIBs	-	-	-	800,000	-	800,000

	Note	2021 Rs. '000	2020 Rs. '000
<b>10 Investments - Net of Provisions</b>			
Available for sale (AFS)			
Federal government securities			
Market treasury bills (T-bills)	10.1	3,451,863	8,401,224
Pakistan Investment Bonds (PIB's)	10.2	7,574,186	7,139,207
Held to maturity (HTM)			
Term finance certificates (TFCs)	10.3	150,000	150,000
Term deposit receipts (TDRs)	10.4	3,000,000	2,000,000
		<u>14,176,049</u>	<u>17,690,431</u>
Deficit on revaluation of federal government securities	10.5	(86,213)	(10,542)
		<u>14,089,836</u>	<u>17,679,889</u>

10.1 This represents T-bills having maturity from 26 to 68 days (2020: 84 days) carrying yield ranging from 7.47% to 9.88% (2020: ranging from 7.13% to 7.15%) per annum. These are held by the Bank to comply with the statutory liquidity requirements as set out under Regulations - Risk Management R-3 "Maintenance of cash reserve and liquidity".

10.2 This represents fixed / floating interest based Pakistan Investment Bonds (PIB's) at the interest rate ranging from 7% to 9% (2020: 7.12% to 9.00%) maturing in June, 2023, August, 2023, September, 2023, October, 2023 (2019: June, 2023, September, 2022 and October, 2023) respectively.

10.3 "This represents 10,000 term finance certificates (TFC's) having face value of Rs. 5,000/- each duly issued by Bank Al Habib Limited for perpetual tenure, carrying profit at the rate of 6 month KIBOR + 1.50% (2020: 6 month KIBOR + 1.50%); and 100 TFC's having face value of Rs 1,000,000/- each issued by Soneri Bank Limited for perpetual tenure, carrying profit at the rate of 6 month KIBOR + 2.00% (2020: 6 month KIBOR + 2.00%) respectively. Interest on these TFC's is receivable on semi annual basis from the date of issue.

	Note	2021 Rs. '000	2020 Rs. '000
10.4 Term deposit receipts (TDRs)			
Microfinance banks	10.4.1	1,000,000	2,000,000
Other banks/DFIs/NBFIs	10.4.2	2,000,000	-
		<u>3,000,000</u>	<u>2,000,000</u>

10.4.1 This represents investment in short term deposits receipts maturing on January 31, 2022 (2020: April 13, 2021) and carries mark-up at the rate of 13.45% (2020: 8.50%) per annum.

10.4.2 This represents investment in short term deposits receipts maturing on January 11, 2022 to January 13, 2022 (2020: Nil) and carries mark-up at the rate of 14.5% (2020: nil) per annum.

10.5 In accordance with R-11C of the Prudential Regulations, available for sale securities have been valued on mark-to-market basis and the resulting surplus / (deficit) is kept in a separate account titled 'surplus / (deficit) on revaluation of investments' and is charged through statement of comprehensive income in accordance with the R -11 (c) "Treatment of surplus / (deficit)" of the Prudential Regulations.

11 ADVANCES - NET OF PROVISIONS

Loan type	Note	2021		2020	
		Loans outstanding		Loans outstanding	
		Number	Rs. '000	Number	Rs. '000
Micro credit					
Secured / semi secured	11.1	189,577	28,067,180	147,994	19,122,631
Unsecured	11.2	614,243	42,715,117	731,643	41,525,606
		<u>803,820</u>	<u>70,782,297</u>	<u>879,637</u>	<u>60,648,237</u>
Less: Provisions held					
Specific provision	11.4	22,319	(575,014)	36,356	(649,341)
General provision	11.4	701,310	(1,053,777)	807,021	(815,513)
			<u>(1,628,791)</u>		<u>(1,464,854)</u>
Microcredit advances - net of provisions			<u>69,153,506</u>		<u>59,183,383</u>
Staff loans	11.7	2,614	1,730,738	2,313	1,457,404
Advances - net of provision		<u>806,434</u>	<u>70,884,244</u>	<u>881,950</u>	<u>60,640,787</u>

11.1 This includes microcredit loans amounting to Rs. 15.4 billion (2020: Rs. 9.6 billion) which are secured against gold.

11.2 This includes outstanding deferred and restructured loan portfolio (DRP) amounting to Rs. 19.6 billion (2020 : Rs. 25.4 billion), against SBP relief details of which are provided below;

Note	2021		2020		
	Loans outstanding	Amount of loans outstanding	Loans outstanding	Amount of loans outstanding	
	Number	Rs. '000	Number	Rs. '000	
Regulatory relief under COVID 19	11.2.1	98,540	6,664,124	348,080	20,902,250
Internal rescheduling scheme	11.2.2	211,512	12,914,627	159,077	4,536,666
		<u>310,052</u>	<u>19,578,751</u>	<u>507,157</u>	<u>25,438,916</u>

11.2.1 The SBP has advised vide circular letter No. 1 of 2020 dated March 26, 2020 to provide regulatory relief to dampen the effect of COVID-19 for microfinance borrowers who were regular/performing as on February 15, 2020. Subsequently, SBP vide circular no AC&MFD Circular Letter No. 7 dated August 10, 2020 extended the eligibility of regular/performing borrowers with effect from December 31,2019, instead of February 15, 2020. Under the SBP relief package, the regular/performing borrowers were allowed to rescheduled/deferred their loans in accordance with the SBP guidelines. As on December 31, 2021; 98,540 rescheduled/deferred loans amounting to Rs. 6.7 billion were outstanding.

11.2.2 This represents loans outstanding against internal rescheduling scheme of the Bank, which allows borrowers to defer there payments of loans for period of twelve months.

11.3 Particulars of non-performing advances

The classification of non-performing advances is made in accordance with the requirements of the Prudential Regulations (PRs), related policy has been disclosed in note 6.4 to the financial statements.

In order to provide relaxation, SBP issued circular letter no 1 dated December 01, 2021, whereby criteria for classification of assets and provisioning requirements for MFBs were relaxed by providing 30 days extension for Deferred and Restructured Portfolio (DRP) upto 31 March 2022. The comprasion summary of existing and DRP determinant is presented below;

Category	Determinant (Existing)	Determinant (DRP)
Other Assets Especially Mentioned (OAEM)	Loans (principal/mark-up) is overdue for 30 days or more but less than 60 days	Loans (principal/mark-up) is overdue for 60 days or more but less than 90 days
Substandard	Loans (principal/mark-up) is overdue for 60 days or more but less than 90 days	Loans (principal/mark-up) is overdue for 90 days or more but less than 120 days
Doubtful	Loans (principal/mark-up) is overdue for 90 days or more but less than 180 days	Loans (principal/mark-up) is overdue for 120 days or more but less than 210 days
Loss	Loans (principal/mark-up) is overdue for 180 days or more	Loans (principal/mark-up) is overdue for 210 days or more

- 11.3.1 The categories of classification of non-performing loans including the revised classifications of DRP allowed under SBP AC & MFD Circular letter number 1 date December 1, 2021 are appeared as under:

Category of Classification	2021			2020		
	Amount outstanding	Provisions required	Provisions held	Amount outstanding	Provisions required	Provisions held
	Rs. '000			Rs. '000		
OAEM	1,139,649	-	-	314,089	-	-
Sub-standard	489,051	85,070	85,070	273,902	67,160	67,160
Doubtful	1,302,568	422,282	422,282	1,234,544	529,155	529,155
Loss	83,708	67,662	67,662	70,464	53,026	53,026
	<u>3,014,976</u>	<u>575,014</u>	<u>575,014</u>	<u>1,892,999</u>	<u>649,341</u>	<u>649,341</u>

- 11.3.2 Classified amount outstanding tabulated above includes principal amount of Rs. 2,047.3 million and suspended interest / markup amount of Rs. 967.7 million (2020: principal amount of Rs. 1,666.5 million and suspended interest/markup amount of Rs. 226.5 million).

	2021			2020		
	Specific Provision	General Provision	Total Provision	Specific Provision	General Provision	Total Provision
	Rs. '000			Rs. '000		
Balance at beginning of the year	649,341	815,513	1,464,854	760,829	495,841	1,256,670
Provision charge for the year	3,700,030	238,264	3,938,294	2,643,505	319,672	2,963,177
Advances written/charge off against provision	(3,774,357)	-	(3,774,357)	(2,754,993)	-	(2,754,993)
Balance at end of the year	<u>575,014</u>	<u>1,053,777</u>	<u>1,628,791</u>	<u>649,341</u>	<u>815,513</u>	<u>1,464,854</u>

- 11.4.1 General provision maintained against unsecured microcredit advances net of specific provision at the rate of 1.90 % (2020: 1.58%) against the requirement of 1% specified under the Prudential Regulations issued by the State Bank of Pakistan

#### 11.4 Particulars of provisions against non-performing advances

	Note	2021 Rs. '000	2020 Rs. '000
<b>11.5 Particulars of write offs</b>			
Against provisions		3,774,357	2,754,993
Bad debts written of directly	11.5.1	<u>22,202</u>	<u>29,178</u>
		<u>3,796,559</u>	<u>2,784,171</u>

- 11.5.1 This represents write offs against secured micro credit advances which were not recovered through sale of its collaterals in case of default loans.

#### 11.6 Portfolio quality report

The Bank's main measure of loan delinquency is an aged portfolio-at-risk ratio. Loans are separated into classes depending on the number of days they are over-due. For each of such classes of loan, the outstanding principal balance of such loan class is divided by the outstanding principal balance of the gross loan portfolio before deducting allowance for non-performing advances. Loans are considered overdue if any payment has fallen due and remained unpaid. Loan payments are applied first to any interest due, then to any installment of principal that is due but unpaid, beginning with the earliest such installment. The number of days of delay is based on the due date of the earliest loan installment that has not been fully paid. Late payment surcharge / penalty on overdue advances is not added to principal.

**Normal loans**

	2021		2020	
	Amount Rs. '000	Portfolio at risk %	Amount Rs. '000	Portfolio at risk %
Current	49,368,477	-	32,246,342	-
Watchlist & regular	986,922	1.39%	2,734,138	4.51%
OAEM	376,118	0.53%	54,481	0.09%
Sub-standard	186,610	0.26%	39,054	0.06%
Doubtful	226,959	0.32%	107,213	0.18%
Loss	58,460	0.08%	28,093	0.05%
<b>Total</b>	<b>51,203,546</b>	<b>2.58%</b>	<b>35,209,321</b>	<b>4.89%</b>

**Deferred and Restructured Portfolio**

Current	16,643,430	-	23,467,619	-
Watchlist & regular	1,736,166	2.45%	533,611	0.88%
OAEM	407,448	0.58%	239,060	0.39%
Sub-standard	161,448	0.23%	216,997	0.36%
Doubtful	621,985	0.88%	956,264	1.58%
Loss	8,274	0.01%	25,365	0.04%
	<u>19,578,751</u>	<u>4.2%</u>	<u>25,438,916</u>	<u>3.25%</u>
<b>Total</b>	<b><u>70,782,297</u></b>	<b><u>6.78%</u></b>	<b><u>60,648,237</u></b>	<b><u>8.14%</u></b>

11.7 This includes general purpose loans to employees of the Bank carrying interest at the rate of 5% (2020: 5%) per annum and long term housing loans to eligible employees of the Bank for the period ranging from 5 to 20 years carrying interest at 5% (2020: 5%) per annum. General purpose loans are partially secured against employees' accrued terminal benefits and long term housing loans are secured against equitable mortgage over unencumbered property respectively. This also includes interest free staff entitlement vehicle loans amounting Rs.183.29 million (2020: Rs. 234.52 million).

	Note	2021 Rs. '000	2020 Rs. '000
<b>12 OPERATING FIXED ASSETS</b>			
Capital work-in-progress	12.1	204,687	185,655
Right of use assets	12.2	1,418,622	1,555,393
Property and equipment	12.3	1,394,789	1,393,807
Intangible assets	12.4	560,700	553,340
		<u>3,578,798</u>	<u>3,688,195</u>

**12.1 Capital work-in-progress**

Note	Opening balances	Additions	Transferred	Closing balances
Rs. '000				
Advances to suppliers - software modules	88,602	93,860	(60,359)	122,103
Advances to suppliers - operating fixed assets	97,053	157,731	(172,200)	82,584
<b>December 31, 2021</b>	<u>185,655</u>	<u>251,591</u>	<u>(232,559)</u>	<u>204,687</u>
<b>December 31, 2020</b>	<u>48,165</u>	<u>356,177</u>	<u>(218,687)</u>	<u>185,655</u>

12.1.1 This represents advances to suppliers for development of various software modules and purchase of operating fixed assets.

**12.2 Right of Use Assets**

	2021 Rs. '000	2020 Rs. '000
Right of use assets as at / January	2,257,249	2,158,593
Additions / renewal during the year	<u>235,872</u>	<u>98,656</u>
	2,493,121	2,257,249
Accumulated depreciation	<u>(1,074,499)</u>	<u>(701,856)</u>
<b>Net book value at the end of year</b>	<b><u>1,418,622</u></b>	<b><u>1,555,393</u></b>

Set out below are the carrying amounts of lease liabilities (included under 'Other liabilities' in Note 18) and the movements during the period:

As at January 1	(1,830,695)	(1,870,331)
Additions / renewal during the year	(236,816)	(98,656)
Accretion of interest	(247,394)	(256,867)
Payments during the year	472,117	395,159
<b>As at December 31</b>	<b>(1,842,788)</b>	<b>(1,830,695)</b>

### 12.3 Property and equipment

	Leasehold improvement	Furniture and fixtures	Electrical and office equipment	Computer equipment	Vehicles	Total
<b>Rs. '000</b>						
<b>Cost</b>						
Balance as at January 1, 2020	282,043	511,523	651,875	753,026	369,315	2,567,782
Additions	65,550	49,058	54,394	235,572	147,265	551,839
Disposals	(520)	(10,947)	(6,623)	(12,666)	(25,902)	(56,658)
<b>Balance as at December 31, 2020</b>	<b>347,073</b>	<b>549,634</b>	<b>699,646</b>	<b>975,932</b>	<b>490,678</b>	<b>3,062,963</b>
Balance as at January 1, 2021	347,073	549,634	699,646	975,932	490,678	3,062,963
Additions	110,351	25,419	84,874	210,378	54,690	485,712
Disposals	-	(6,331)	(20,671)	(31,156)	(62,080)	(120,238)
<b>Balance as at December 31, 2021</b>	<b>457,424</b>	<b>568,722</b>	<b>763,849</b>	<b>1,155,154</b>	<b>483,288</b>	<b>3,428,437</b>
<b>Accumulated Depreciation</b>						
Balance as at January 1, 2020	114,395	176,893	413,787	403,879	212,810	1,321,764
Depreciation charge	62,379	50,592	83,521	136,440	67,605	400,537
Disposals	(24)	(10,208)	(5,364)	(11,968)	(25,581)	(53,145)
<b>Balance as at December 31, 2020</b>	<b>176,750</b>	<b>217,277</b>	<b>491,944</b>	<b>528,351</b>	<b>254,834</b>	<b>1,669,156</b>
Balance as at January 1, 2021	176,750	217,277	491,944	528,351	254,834	1,669,156
Depreciation charge	73,933	52,252	78,038	175,305	91,620	471,148
Disposals	(6)	(5,031)	(19,549)	(24,844)	(57,226)	(106,656)
<b>Balance as at December 31, 2021</b>	<b>250,677</b>	<b>264,498</b>	<b>550,433</b>	<b>678,812</b>	<b>289,228</b>	<b>2,033,648</b>
<b>Carrying value</b>						
2020	170,323	332,357	207,702	447,581	235,844	1,393,807
2021	206,747	304,224	213,416	476,342	194,060	1,394,789
<b>Rates of depreciation per annum</b>						
2020	20%	10.0%	20%	20% -33.33%	25%	
2021	20%	10.0%	20%	20% -33.33%	25%	

12.3.1 Cost of the assets as at December 31, 2021 includes Rs. 3.07 million (2020: Rs. 10.72 million) in respect of assets acquired against grants received.

12.3.2 The cost of fully depreciated property and equipment that are still in use is Rs. 953.04 million (2020: Rs. 731.7 million).

12.3.3 Details of property and equipment disposed with the original cost or book value in excess of Rs. 1 million or Rs. 250,000 respectively, whichever is less, are as under:

Particulars of assets	Cost	Book value	Sale Proceed	Gain/(loss) on disposal	Mode of disposal	Particulars of purchaser/Remarks
<b>Rs. '000</b>						
<b>2021</b>						
Mercedes Benz E 200	18,444	4,611	8,300	3,689	As per policy	M. Ghalib Nishtar
	18,444	4,611	8,300	3,689		
<b>2020</b>						
	-	-	-	-		
	-	-	-	-		

**12.4 Intangible assets**

Computer software

**Cost**

Balance as at January 1,

Additions

Write-off

**Balance as at December 31,**

**Amortization**

Balance as at January 1,

Amortization charge

Write-off

**Balance as at December 31,**

**Carrying amount**

	<b>2021</b> Rs. '000	<b>2020</b> Rs. '000
Balance as at January 1,	903,472	750,467
Additions	160,670	153,005
Write-off	(742)	-
<b>Balance as at December 31,</b>	<b>1,063,400</b>	<b>903,472</b>
<b>Amortization</b>		
Balance as at January 1,	(350,132)	(249,989)
Amortization charge	(153,309)	(100,144)
Write-off	741	1
<b>Balance as at December 31,</b>	<b>(502,700)</b>	<b>(350,132)</b>
<b>Carrying amount</b>	<b>560,700</b>	<b>553,340</b>

- 12.4.1 Amortization is charged on straight line basis at the rate ranging from 10% to 33.33 % per annum (2020: 10% to 33.33%), starting from the month the asset is available for use.
- 12.4.2 Cost of the intangible assets includes Rs. 25.48 million (2020: Rs 25.48 million) in respect of assets acquired from grant received.
- 12.4.3 The cost of fully amortized intangible assets that are still in use is Rs. 248.3 million (2020: Rs. 191.1 million)

**13 OTHER ASSETS**

Mark-up accrued

Suspended markup on non-performing advances

Interest receivable on investments and deposit accounts

Advances - unsecured

Employees

Suppliers

Receivable from Microfinance Social Development Fund

Insurance premium receivable from SBP

Receivable from SBP under markup subsidy scheme

Advance tax - net

Prepayments

Insurance claims receivable

Receivable from defined benefit plan - KMBL employees gratuity fund

Security deposits

Other receivables

Less: Provisions against doubtful receivables

Balance at the beginning of the year

Provision charge for the year

Receivables written off against provision

Balance at the end of the year

	<b>Note</b>	<b>2021</b> Rs. '000	<b>2020</b> Rs. '000
Mark-up accrued		13,038,477	9,580,967
Suspended markup on non-performing advances		(967,790)	(226,511)
		<b>12,070,687</b>	<b>9,354,456</b>
Interest receivable on investments and deposit accounts		191,092	166,810
Advances - unsecured			
Employees		8,265	2,842
Suppliers		16,721	3,021
		24,986	5,863
Receivable from Microfinance Social Development Fund	13.1	21,078	52,625
Insurance premium receivable from SBP	13.2	206,009	383,231
Receivable from SBP under markup subsidy scheme		7,640	-
Advance tax - net	18.2	296,554	-
Prepayments		171,318	101,306
Insurance claims receivable		56,943	6,286
Receivable from defined benefit plan - KMBL employees gratuity fund	18.1	-	9,343
Security deposits		6,873	6,676
Other receivables	13.3	345,397	230,505
		<b>13,398,577</b>	<b>10,317,101</b>
Less: Provisions against doubtful receivables			
Balance at the beginning of the year		75,960	40,769
Provision charge for the year		62,145	47,519
Receivables written off against provision		(10,141)	(12,328)
Balance at the end of the year	13.4	127,964	75,960
		<b>13,270,613</b>	<b>10,241,141</b>



- 13.1 This represents amount receivable from Micro Finance Social Development Fund (MSDF) against cost reimbursed to service providers and the Bank's own cost reimbursement against community mobilization lending and management cost of hosting the fund.
- 13.2 This includes receivable from State Bank of Pakistan against claim lodged for crop and livestock insurance premium.
- 13.3 This includes an amount of Rs. 64.15 million (2020: 71.95 million) paid under protest to the taxation authorities.
- 13.4 This represents provisions made against receivables from resigned employees, cash embezzlement and insurance claims receivable.

## 14 DEFERRED TAX ASSET

Deferred tax assets arising on account of temporary differences in:

	2021 Rs. '000	2020 Rs. '000
Provision against advances and other assets	509,460	446,837
Remeasurement of post employment benefit obligation	55,894	50,606
Deficit on revaluation of assets - AFS	25,002	3,058
Provision against Workers' Welfare Fund	22,866	18,082
	<u>613,222</u>	<u>518,583</u>

Deferred tax liabilities arising on account of temporary differences in:

Operating fixed assets	(73,815)	(64,144)
	<u>539,407</u>	<u>454,439</u>

### 14.1 Reconciliation of deferred tax

Balance at the beginning of the year	454,439	395,116
(Reversal) / charge for the year in respect of:		
Operating fixed assets	(9,671)	(13,351)
Provision against advances and other assets	62,623	70,577
Deferred grants	-	-
Provision against Workers' Welfare Fund	4,784	3,495
Charge to profit and loss account	57,736	60,721
Charge to other comprehensive income		
Deferred tax on revaluation of available for sale investments	21,944	2,827
Deferred tax on remeasurement of post employment benefits obligation	5,288	(4,225)
Balance at the end of the year	<u>539,407</u>	<u>454,439</u>

- 14.2 The deferred tax asset recognized in the financial statements represents the management's best estimate of the potential benefit which is expected to be realized in future years in the form of reduced tax liability as the Bank would be able to set off the profits earned in those years against temporary differences.

## 15 DEPOSITS AND OTHER ACCOUNTS

	Note	2021		2020	
		No of accounts	Amount Rs. '000	No of accounts	Amount Rs. '000
Fixed deposits	15.2	64,455	54,051,370	71,370	57,561,426
Saving deposits	15.3	77,276	28,840,400	64,126	22,754,423
Current deposits	15.4	2,848,391	10,270,599	2,275,738	8,333,965
		<u>2,990,122</u>	<u>93,162,369</u>	<u>2,411,234</u>	<u>88,649,814</u>

### 15.1 Particulars of deposits by ownership

Individual depositors	2,985,884	73,677,820	2,407,617	64,096,415
Institutional depositors				
Corporation/firms etc.	4,209	15,175,055	3,539	17,050,192
Banks & financial institutions	29	4,309,494	78	7,503,207
	<u>2,990,122</u>	<u>93,162,369</u>	<u>2,411,234</u>	<u>88,649,814</u>

- 15.2 This represents term deposits having tenure of 3 to 36 months (2020: 1 to 36 months) carrying interest at the rates ranging from 6.50 % to 15.00 % (2020: 7.00% to 14.50%) per annum. This includes fixed deposits amounting to Rs. 594.41 million (2020: Rs. 273.28 million) on which lien is marked against advances to borrowers.
- 15.3 This represents savings accounts carrying interest at the rates ranging from 5 % to 12.50 % (2020: 7.00 % to 9.50 %) per annum. This include lien marked against advances to borrowers 56.6 million (2020: Rs. 0.125 million).
- 15.4 This represents current accounts. This includes current deposits amounting to Rs. 81.21 million (2020: 60.125) on which lien is marked against advances to borrowers.

	Note	2021 Rs. '000	2020 Rs. '000
<b>16 BORROWINGS</b>			
Borrowing from financial institutions outside Pakistan	16.1	-	90,208
Borrowings from financial institutions in Pakistan	16.2	4,608,379	337,500
		<u>4,608,379</u>	<u>427,708</u>
<b>16.1 Borrowings from financial institutions outside Pakistan</b>			
Unsecured			
ECO Trade & Development Bank (TF-III)	16.1.2	-	90,208
		<u>-</u>	<u>90,208</u>

- 16.1.2 This represented borrowing from ECO Trade and Development Bank originally amounting to USD 5 million which carried interest at the rate of 6 month USD LIBOR plus 2.5% per 360 days. The repayment of borrowing was in six (6) equal semi annual installments starting on 18th month after the disbursement and interest was payable semi annually and was matured on June 28, 2021.

	Note	2021 Rs. '000	2020 Rs. '000
<b>16.2 Borrowings from financial institutions in Pakistan:</b>			
Secured			
Pak Oman Investment Company Limited (TF-III)	16.2.1	-	125,000
Pak Oman Investment Company Limited (TF-IV)	16.2.2	62,500	187,500
Allied Bank Limited (TF-1)	16.2.3	8,333	25,000
The Bank of Punjab (TF-2)	16.2.4	500,000	-
Pakistan Mortgage Refinance Company Limited (TF-1)	16.2.5	900,000	-
Allied Bank Limited (RF)	16.2.6	200,000	-
Repo Borrowings	16.2.7	2,937,546	-
		<u>4,608,379</u>	<u>337,500</u>

- 16.2.1 This represents term finance facility of Rs. 500 million carrying interest at the rates ranging from 8.74% to 9.22% (2020:8.74% to 15.67%) per annum for a period of five years with a grace period of twelve months from draw down date and repayable in 8 semi annual equal installments and have matured on August 01, 2021. These borrowings are secured against charge over current and future assets of Rs. 667 million
- 16.2.2 This represents term finance facility of Rs. 500 million carrying interest at the rates ranging from 8.88% to 9.22% (2020:8.88% to 15.73%) per annum for a period of five years with a grace period of twelve months from draw down date and repayable in 8 semi annual equal installments and are due to mature latest by February 16, 2022. These borrowings are secured against charge over current and future assets of Rs. 667 million
- 16.2.3 This represents term finance facility of Rs. 50 million carrying interest rates ranging from 8.95% to 12.07% (2020:8.90% to 15.20%) per annum for a period of 5 years with a grace period of twenty four months from draw down date and are due to mature latest by June 30, 2022. These borrowings are secured against charge over current and future assets of Rs. 67 million.
- 16.2.4 This represents interbank money market borrowing carrying interest rate ranging from 8.27% to 10.85% (2020: NIL) per annum for a period of 3 years from the draw down date inclusive of grace period of 1 year. This borrowing is secured against charge over present and future current assets of the Bank worth Rs.2,667 million.
- 16.2.5 This represents mortgage refinance facility for creating Bank's housing mortgage portfolio carrying fixed interest rate of 6.5% for first 5 years and 8.5% per annum for next 5 years (2020: NIL) per annum for a period of 10 years from the draw down date inclusive of 2 years as grace period under the Government's Markup Subsidy Scheme for Housing Finance (GMSS). Markup is payable quarterly in arrears. This borrowing is secured against charge over present and future current assets of the Bank worth Rs.1,200 million.

16.2.6 This represents running finance borrowing carrying interest rate of 8.68% (2020: NIL) This borrowing is secured against charge over present and future assets of the Bank. Bank worth of Rs.267 million.

16.2.7 This represents repo borrowings carrying interest rate ranging from 10.50% to 10.70% (2020: NIL) per annum maturing on January 4, 2022 and January 21, 2022.

	Note	2021 Rs. '000	2020 Rs. '000
<b>16.3 Quarterly average borrowing</b>			
1st Quarter		342,986	1,241,299
2nd Quarter		733,750	956,653
3rd Quarter		3,078,022	748,393
4th Quarter		4,890,994	551,246

#### 16.4 Borrowing repayment schedule

Balance at the beginning of the year		427,708	1,326,021
Availed during the year		151,948,367	-
Repayments during the year		(147,767,696)	(898,313)
Balance at the end of the year		<u>4,608,379</u>	<u>427,708</u>

#### 17 Subordinated Debt

Term finance certificate - TFC I	17.1	1,000,000	1,000,000
Term finance certificate - TFC II	17.2	1,400,000	1,400,000
Term finance certificate - TFC III	17.3	600,000	-
		<u>3,000,000</u>	<u>2,400,000</u>

17.1 The Bank has raised 10,000/- rated, unsecured, subordinated and privately placed term finance certificates of worth Rs 100,000/- each fully subscribed on March 19, 2018 to improve capital adequacy at the rate of 6 month KIBOR plus 2.05% per annum. The issue is for a period of 8 years from the date of subscription and mature on March 19, 2026. The issue has call option after 10th redemption date including lock-in and loss absorbency clause. The principal will redeemed in two equal semi annual installments falling on the end of 90th month and 96th month from the date of issue. The issue has preliminary rating of 'single A' with stable outlook.

17.2 This represents rated, unsecured, subordinated and privately placed term finance certificates of worth Rs.100,000/- each fully subscribed on December 27, 2019 to improve capital adequacy at the rate of 3 month KIBOR plus 2.70% per annum. The issue is for a period of 8 years from the date of subscription and will mature on December 27, 2027. The issue has assigned preliminary rating of single 'A' (Single A) with stable outlook. The principal amount of issued TFC - II will be redeemed in twelve equal quarterly installments, commencing from the 63rd month from the issue date including lock-in and loss absorbency clause.

17.3 This represents unsecured, subordinated and privately placed term finance certificates of worth Rs.100,000/- each fully subscribed on June 18, 2021. The issue is for a period of 8 years from the date of subscription and mature on June 18, 2029. Profit is priced at 6 months KIBOR plus 2.70% and repayable every three months in arrears while principal shall be redeemed in twelve equal quarterly installments commencing from the 63rd month from the issue date including lock-in and loss absorbency clause.

<b>18 OTHER LIABILITIES</b>	<b>Note</b>	<b>2021 Rs. '000</b>	<b>2020 Rs. '000</b>
Mark-up / return /interest payable on deposits		1,142,874	1,462,270
Interest payable on borrowings/subordinated debt		45,756	39,838
Lease liability	12.2	1,842,788	1,830,695
Accrued expenses		695,932	539,646
Payable to defined benefit plan - KMBL employees gratuity fund	18.1	54,697	-
Corporate taxes payable - net	18.2	-	42,699
GST/FED payable		83,900	64,782
Payable to suppliers		51,276	65,525
Bills payable		184,993	114,582
Provision for Workers' Welfare Fund		78,946	62,350
Dividend payable		150,244	150,244
Payable to service providers		2,553	4,524
Withholding tax payable		2,773	9,565
Contribution payable to:			
Microfinance social development fund	6.14	57,168	173,976
Risk mitigation fund	6.14	28,584	86,988
Depositors' protection fund	6.14	28,584	86,988
Other payables	18.3	117,561	96,802
		<u>4,568,629</u>	<u>4,831,474</u>

### **18.1 Payable to defined benefit plan - gratuity**

#### **General description**

The scheme provides for terminal benefits for all its permanent employees who attain the minimum qualifying period of one year where eligible salary constitutes the basic salary for the service upto July 26, 2004 and last drawn gross salary thereafter. The percentage depends on the number of service years with the Bank. Annual charge is based on actuarial valuation carried out as at December 31, 2021 using the Projected Unit Credit Method.

The Bank faces the following risks on account of gratuity:

**Final salary risk** - The risk that the final salary at the time of cessation of service is greater than what the Bank has assumed. Since the benefit is calculated on the final salary, the benefit amount would also increase proportionately.

**Investment risks** - The risk of the investment underperforming and not being sufficient to meet the liabilities. This risk is mitigated by closely monitoring the performance of investment.

#### **Demographic Risks**

**Mortality Risk** - The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

**Withdrawal Risk**- The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

Disclosures related to employees gratuity fund are given below:

	2021 Rs. '000	2020 Rs. '000
<b>a) Amounts recognized in the balance sheet</b>		
Present value of defined benefit obligations	965,507	834,405
Fair value of plan assets	(910,810)	(843,748)
Balance sheet (assets)/liability	<u>54,697</u>	<u>(9,343)</u>
<b>b) Movement in net liability</b>		
Opening net liability	(9,343)	92,137
Net expense recognized in profit or loss	142,258	144,268
Remeasurement gain/(losses) recognized in OCI	18,234	(14,566)
Contributions	(96,452)	(231,182)
Closing net (assets)/liability	<u>54,697</u>	<u>(9,343)</u>
<b>c) Changes in present value of defined benefit obligation</b>		
Opening defined benefit obligation	834,406	697,783
Current service cost	149,373	147,840
Interest expense	79,919	77,757
Benefits due but not paid (payables)	(23,679)	(13,895)
Benefits paid	(85,728)	(58,143)
Remeasurements:		
Acturail (gains)/losses from change in demographic assumptions	-	-
Acturail (gains)/ losses from change in financial assumptions	6,130	(4,125)
Experience adjustments	5,086	(12,811)
Closing defined benefit obligation	<u>965,507</u>	<u>834,406</u>
<b>d) Changes in fair value of plan assets</b>		
Opening fair value of plan assets	843,749	605,646
Interest income	87,034	81,329
Contributions	96,452	231,182
Benefits paid	(85,728)	(58,143)
Benefits due but not paid	(23,679)	(13,895)
Return on plan assets, excluding interest income	(7,018)	(2,370)
Closing fair value of plan assets	<u>910,810</u>	<u>843,749</u>
<b>e) Amounts recognized in the profit and loss account</b>		
Current service cost	149,373	147,840
Interest cost on defined benefit obligation	79,919	77,757
Interest income on plan asset	(87,034)	(81,329)
	<u>142,258</u>	<u>144,268</u>
<b>f) Amounts recognized in other comprehensive income</b>		
Remeasurement losses for the year		
Experience adjustments in present value of defined benefit obligation	11,216	(16,936)
Return on plan assets, excluding interest income	7,018	2,370
	<u>18,234</u>	<u>(14,566)</u>

	2021		2020	
	Rs. '000	Percentage	Rs. '000	Percentage
<b>g) Major categories of plan assets</b>				
Accrued interest	9,500	1.04%	4,269	0.51%
Cash at bank - Saving Deposits	361,126	39.65%	289,513	34.31%
Term Finance Certificates	150,000	16.47%	150,000	17.78%
Pakistan investments bonds	413,863	45.44%	413,863	49.05%
Term deposit receipts	-	0.00%	-	0.00%
Payables to out-going employee	(23,679)	(2.60%)	(13,895)	(1.65%)
	<u>910,810</u>	<u>100.00%</u>	<u>843,750</u>	<u>100.00%</u>

- h) The latest actuarial valuation was carried out on December 31, 2021. The significant assumptions used for actuarial valuation are as follows:

	2021	2020
Discount rate - per annum	12.25%	10.25%
Salary increase rate - per annum	11.25%	9.25%
Mortality rate	SLIC 2001-05	SLIC 2001-05

- i) **Sensitivity analysis**

	Change in assumption	Impact on defined benefit obligation	
		Increase in assumptions	Decrease in assumptions
		Rs. '000	Rs. '000
Discount rate	1%	868,730	1,080,804
Salary rate increase	1%	1,083,022	865,140

The above sensitivity analysis is based on changes in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognized within the balance sheet.

The weighted average duration of the defined benefit obligation is 11 years (2020: 11 years).

- j) Expected contribution of the Bank to the defined benefit gratuity fund for the year ending December 31, 2022 will be Rs. 164.3 million.

- k) **Comparison for five years**

	2021	2020	2019	2018	2017
	Rs. '000				
Present value of defined benefits obligation and fair value of plan assets					
Present value of defined benefits obligation at year end	965,507	834,405	697,783	545,320	457,011
Fair value of plan assets at year end	(910,810)	(843,748)	(605,646)	(525,902)	(385,699)
	<u>54,697</u>	<u>(9,343)</u>	<u>92,137</u>	<u>19,418</u>	<u>71,312</u>

## 18.2 Taxes payable/ (Advance tax) - net

	Note	2021 Rs. '000	2020 Rs. '000
Opening balance		42,699	65,946
Payments		(464,369)	(327,528)
Advance tax paid		(230,530)	(242,625)
Provision of prior periods / (tax paid)		31,817	(165,857)
Provision for the year		356,112	712,763
Closing balance	28	<u>(264,271)</u>	<u>42,699</u>

- 18.3 This includes payable to insurance companies amounting to Rs. 22.41 million (2020: Rs. 16.30 million) against crop and livestock insurance premium.

## 19 SHARE CAPITAL

### 19.1 Authorized capital

	Note	2021 Rs. '000	2020 Rs. '000
2021 Number			
600,000,000			
2020 Number			
600,000,000		6,000,000	6,000,000
			Ordinary shares of Rs. 10 each

### 19.2 Issued, subscribed and paid up capital

	Note	2021 Rs. '000	2020 Rs. '000
2021 Number			
170,500,000			
2020 Number			
170,500,000	19.2.1	1,705,000	1,705,000
			Ordinary shares of Rs. 10 each fully paid for consideration other than cash

**19.2.1 The Shareholders of the Bank are as follows:**

United Bank Limited	506,285	506,285
Rural Impulse Fund II S.A. SICAS-FIS	417,057	417,057
ShoreCap II Limited	243,568	243,568
ASN-NOVIB Microkredietfonds	168,795	168,795
MultiConcept Fund Management S.A (formerly responsAbility Management Company S.A)	339,295	339,295
Bank Al Habib Limited	30,000	30,000
	<u>1,705,000</u>	<u>1,705,000</u>

Particulars of major foreign shareholders, other than natural person, holding more than 5% of paid up capital of the Bank are as follows:

- Rural Impulse Fund II S.A. SICAV-FIS, a Luxembourg specialized investment fund with its registered address at 5, Rue Jean Monnet, L-2013 Luxembourg, Grand Duchy of Luxembourg (hereinafter referred to as "RIF II"), and duly represented by its alternative investment fund manager, Incofin Investment Management Comm. VA, a company incorporated under the laws of Belgium, having its registered office at Sneeuwbeslaan 20, 2610 Antwerp, Belgium.
- ShoreCap II Limited, a private limited life company limited by shares, organized and existing under the laws of the Republic of Mauritius, having its registered office at CIM Global Business 33, Edith Cavell Street, Port Louis, Republic of Mauritius (hereinafter referred to as "ShoreCap") and duly represented by its attorney/investment manager, Equator Capital Partners LLC of 100 North LaSalle Street, Suite 1710, Chicago IL 60602 USA.
- ASN Microkredietpool (formerly ASN Novib Microkredietfonds), acting through its legal owner Pettelaar Effectenbewaarderbedrijf N.V., a public company with limited liability organized and existing under the laws of the Netherlands with registered office in Utrecht, the Netherlands, and with offices at Graadt van Roggenweg 250, 3531 AH, Utrecht, the Netherlands, managed by ASN Beleggingsinstellingen Beheer B.V., duly represented by its agent Triple Jump B.V., a private company with limited liability, organized and existing under the laws of the Netherlands, with registered address in Amsterdam, and with offices at Nachtwachtlaan 20, 6th floor, 1058 EA Amsterdam, the Netherlands.
- responsAbility Management Company S.A. (formerly named Credit Suisse Microfinance Fund Management Company), a public limited liability company (société anonyme), organized and existing under the laws of Luxembourg, having its registered office at 148-150, Boulevard de la Pétrusse, L-2330 Luxembourg, Grand Duchy of Luxembourg, and registered with the Luxembourg Trade and Companies Register under number B 45629, acting in its own name for responsAbility Global Microfinance Fund, an unincorporated investment fund (fonds commun de placement) organized under the laws of Luxembourg.

On November 01, 2019, responsAbility Management Company S.A has been replaced as management company by MultiConcept Fund Management Company S.A., acting in its own name but on behalf of the fund ( the "New Management Company") having its registered office at 5, Rue Jaen Monnet, L-2180 Luxembourg.

		<b>2021</b> Rs. '000	<b>2020</b> Rs. '000
<b>20 DEFICIT ON REVALUATION OF ASSETS</b>			
Deficit on revaluation of investment - AFS	10	(86,213)	(10,542)
Related deferred tax effect		<u>25,002</u>	<u>3,058</u>
Net deficit on revaluation of investment - AFS		<u>(61,211)</u>	<u>(7,484)</u>

20.1 Deficit on revaluation of available for sale investments is charged through statement of comprehensive income in accordance with the Prudential Regulation "R -11(c) Treatment of Surplus / (deficit)".

**21 MEMORANDUM/OFF BALANCE SHEET ITEMS****21.1 Contingencies**

- a) For the period from January 2013 to December 2014, the taxation authorities issued order of Rs. 48 million in respect of non payment of FED on processing fee, Rs. 27 million in respect of non-payment of FED on grant received by the bank, Rs. 49 million in respect of apportionment of input tax, non withholding of sales tax / FED and non payment of sales tax on disposal of fixed assets. The Bank filed civil petitions against the alleged demand which is pending for adjudication before the Honourable Islamabad High Court.
- b) For the period from January 2016 to December 2017, Punjab Revenue Authority (PRA) issued assessment order and created alleged demand of Rs. 84 million due to apportionment of input tax between taxable and exempt revenue. The Bank views that apportionment does not apply to the Bank being a service company and being aggrieved of the order, the Bank filed a reference with Honourable Lahore High Court. On January 20, 2020 notice was issued to the respondent department. The Bank has paid, under protest, an amount of Rs. 28 million, which is recognized as other receivables.

- c) For the period from January 2015 to December 2015, the Bank has received an order from DCIR for non- deduction of withholding tax on profit on debt under section 151 of Income Tax Ordinance, 2001. The Bank preferred an appeal against the alleged demand of Rs. 62.77 million which is pending adjudication before the Appellate Tribunal Inland revenue.
- d) For the period from January 2012 to December 2015 and January 2018 to December 2018, Punjab Revenue Authority (PRA) issued assessment order alleging short deposit of Sales Tax as input tax was fully claimed by the Bank instead of applying apportionment of input tax rules. The Bank views that apportionment does not apply to the Bank and being aggrieved of the order, the Bank filed an appeal against the alleged aggregate demand of Rs. 59.36 million, which is pending for adjudication before the Commissioner Appeals Punjab Revenue Authority.
- e) For the tax year 2012, 2013, 2015 and 2016, the Bank received assessment orders from Assistant Commissioner, Sindh Revenue Board (Sindh) for value of services short declared and short payment of Sindh Sales Tax. The Bank preferred an appeal against the alleged aggregate demand of Rs. 52 million which is pending adjudication before the Commissioner Appeals Sindh Revenue Board.

In respect of above tax cases, based upon advise of its tax consultants, management expects favorable outcomes and is confident that significant outflow of economic resources will be not be required, as a result of final decisions of Appellate authorities. Accordingly, no provision has been recognized, in respect of these tax cases.

	Note	2021 Rs. '000	2020 Rs. '000
<b>21.2 COMMITMENTS</b>			
Capital expenditure	21.2.1	198,114	240,660
21.2.1 This represents capital commitments relating to IT related services and non-IT related services of Rs. 138 million (2020: Rs. 117 million), and Rs. 60 million (2020: Rs. 124 million) respectively.			

	Note	2021 Rs. '000	2020 Rs. '000
<b>22 MARK-UP/RETURN/INTEREST EARNED</b>			
Mark-up/interest/gain on :			
- Advances		16,765,009	16,827,186
- Investment in Federal Government securities		1,019,266	760,577
- Deposits/placements with other banks/Fis/MFBs/TFCs etc		868,520	1,082,528
		<u>18,652,795</u>	<u>18,670,291</u>
<b>23 MARK-UP/RETURN/INTEREST EXPENSED</b>			
Interest on borrowings from:			
Financial institutions - Outside Pakistan		4,012	47,636
Financial institutions - Inside Pakistan		178,178	71,231
		<u>182,190</u>	<u>118,867</u>
Interest on subordinated debt		275,932	307,936
Interest on deposits		8,255,483	8,048,372
Interest on lease liability		247,394	256,867
		<u>8,960,999</u>	<u>8,732,042</u>
<b>24 FEE, COMMISSION AND BROKERAGE INCOME</b>			
Micro-credit application processing fee		1,736,966	1,349,704
Other commission		120,439	119,910
		<u>1,857,405</u>	<u>1,469,614</u>
<b>25 OTHER INCOME</b>			
Recoveries against advances written off		85,113	56,652
Gain on disposal of fixed assets		50,914	16,376
Others		1,127	329
		<u>137,154</u>	<u>73,357</u>



**26 ADMINISTRATIVE EXPENSES**

Salaries, wages and benefits		2,841,804	2,733,605
Charge for defined benefit plan	18.1	142,258	144,268
Contract/ seconded staff expenses		604,244	528,606
Training / capacity building		30,544	37,122
Rent and rates		31,939	25,268
Legal and professional charges		16,340	15,184
Communication		240,514	218,149
Vehicles up keep and maintenance		393,258	315,512
Repairs and maintenance		317,237	267,876
Advertisement		163,018	115,585
Printing, stationery and office supplies		166,536	145,052
Insurance		351,210	282,419
Cash management and financial charges		75,259	57,817
Utilities		260,292	193,974
Security charges		73,230	86,148
Meetings and conferences		34,868	25,164
Travelling and conveyance		24,587	17,210
Recruitment and development		11,886	8,098
Consultancies		4,233	-
Newspapers and subscriptions		4,824	7,631
Auditors' remuneration	26.1	6,643	5,864
Depreciation	12.3	471,148	400,537
Depreciation - right of use assets		372,643	360,906
Amortization	12.4	153,309	100,144
Miscellaneous		3,163	6,096
		<u>6,794,987</u>	<u>6,098,235</u>
Expenditure reimbursed during the year	26.2	(19,825)	(60,982)
		<u>6,775,162</u>	<u>6,037,253</u>

**26.1 Auditors' remuneration**

Audit fee		1,978	1,857
Tax consultancy fee		1,478	1,037
Other services		1,318	925
Certifications		-	179
Out of pocket expenses		1,104	1,226
Sales tax		765	640
		<u>6,643</u>	<u>5,864</u>

26.2 This represents cost reimbursement from Microfinance Social Development Fund (MSDF) to recover the new client acquisition cost incurred by the Bank under the Loan Agreement (Special Operations) - Microfinance Sector Development Project, Loan No. 1806 between ADB and Islamic Republic of Pakistan.

	Note	2021 Rs. '000	2020 Rs. '000
<b>27 OTHER CHARGES</b>			
Penalties	27.1	300	45
Workers' welfare fund		18,096	12,050
Professional tax		566	200
		<u>18,962</u>	<u>12,295</u>

27.1 This represent penalties imposed by State Bank of Pakistan (SBP) against non-compliance of certain Prudential Regulations and other directives issued by SBP.

**28 TAXATION**

	2021 Rs. '000	2020 Rs. '000
Current	323,829	712,763
Prior year	31,817	-
Deferred	(57,736)	(60,721)
	<u>297,910</u>	<u>652,042</u>

## 28.1 Tax charge reconciliation

	2021 Rs. '000	2020 Rs. '000
Profit before tax	869,590	2,391,798
	%	%
Applicable tax rate	29.00	29.00
Income tax relating to prior period	3.66	-
Change in rate of tax	-	-
Permanent difference	0.24	(1.63)
Others	1.36	(0.11)
Average effective tax rate	34.26	27.26

## 29 CASH AND CASH EQUIVALENTS

	2021 Rs. '000	2020 Rs. '000
Cash and balances with SBP and NBP	3,883,711	2,850,265
Balances with other Banks/ NBFIs/ MFBs	10,177,317	10,752,177
Lending to financial institutions	100,000	795,981
	14,161,028	14,398,423

## 30 NUMBER OF EMPLOYEES

	2021 Numbers	2020 Numbers
Credit sales staff-Permanent	2,743	2,668
Banking/support staff		
Permanent	2,003	1,918
Contractual	898	925
	2,901	2,843
Total number of employees at the end of the year	5,644	5,511

## 31 AVERAGE NUMBER OF EMPLOYEES

Credit sales staff - Permanent	2,645	2,522
Banking / support staff		
Permanent	1,936	1,935
Contractual	895	907
	2,831	2,842
Average number of employees during the year	5,476	5,364

## 32 NUMBER OF BRANCHES

Total branches/service center/booths at beginning of the year	234	226
Opened during the year		
Branches	13	7
Service centers/booths		14
Closed / merged during the year	(8)	(13)
Total branches/service centers/booths at the end of the year	239	234
Total branches at the end of the year	206	193
Total service centers/booths at the end of the year	33	41
Total branches/service centers/booths at the end of the year	239	234

## 33 EARNINGS PER SHARE

### Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Bank and held as treasury shares.

	2021 Rs. '000	2020 Rs. '000
Profit after taxation	571,680	1,739,756
Microfinance Social Development Fund	(57,168)	(173,976)
Depositors' Protection Fund	(28,584)	(86,988)
Risk Mitigation Fund	(28,584)	(86,988)
	(114,336)	(347,952)
Profit attributable to equity holders	457,344	1,391,804
Weighted average number of ordinary shares (Numbers)	170,500	170,500
Earnings per share - basic (Rupees)	2.68	8.16

### Diluted

There is no dilutive effect on the basic earnings per share of the Bank. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all dilutive potential ordinary shares. The Bank has no dilutive equity instruments.

**34 REMUNERATION PAID TO PRESIDENT, DIRECTORS AND EXECUTIVES**

The aggregate amount charged in the financial statements for remuneration, including all benefits to President /Chief Executive, Directors and Executives of the Bank is as follows:

	2021				2020			
	President	Directors	Executives		President	Directors	Executives	
			KMPs	Other			KMPs	Other
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
Fee		4,400			-	3,500	-	-
Managerial remuneration	15,493	-	47,405	304,504	14,616	-	49,997	274,245
Charge for defined benefit plan	-	-	6,851	42,392	-	-	6,875	38,002
House rent allowance	6,972	-	21,332	137,027	6,577	-	22,499	123,410
Utilities	3,099	-	9,481	60,902	2,923	-	9,999	54,849
Medical	1,549	-	4,740	30,450	1,462	-	5,000	27,424
Conveyance allowance	933	-	7,410	133,249	789	-	8,878	117,788
Bonus	10,000	-	18,056	54,118	5,000	-	15,991	36,147
Others	2,224	-	543	19,355	2,074	-	551	15,619
<b>Total</b>	<b>40,270</b>	<b>4,400</b>	<b>115,818</b>	<b>781,997</b>	<b>33,441</b>	<b>3,500</b>	<b>119,790</b>	<b>687,484</b>
Number of person(s)	1	2	9	315	1	3	10	295

34.1 The President is also provided with a bank maintained car. Further, he is entitled to certain additional benefits in accordance with the Bank policy.

34.2 Key Management Personnel (KMP) means persons having authority and responsibility for planning, directing and controlling the activities of the entity, either directly or indirectly, including any member (or non-executive) of the board.

34.3 Executives mean employees, other than the Chief Executive and Directors, whose basic salary exceeds five hundred thousand Rupees in a financial year. Further, executives are entitled to certain additional benefits in accordance with the Bank Policy.

**35 SCHEDULE OF MATURITY DISTRIBUTION OF MARKET RATE ASSETS AND LIABILITIES AS AT DECEMBER 31, 2021**

	Total	Up to one month	Over one month up to six months	Over six months up to one year	Over one year
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Market rate assets</b>					
Advances	70,884,244	6,773,460	21,480,111	26,055,082	16,575,591
Investments	14,089,836	3,000,000	3,441,709	1,527,644	6,120,483
Other earning assets					
Balances with SBP and NBP - deposit accounts	68,049	68,049	-	-	-
Balances with other banks - deposit accounts	9,522,829	9,522,829	-	-	-
Lending to financial institutions	100,000	100,000	-	-	-
<b>Total market rate assets</b>	<b>94,664,958</b>	<b>19,464,338</b>	<b>24,921,820</b>	<b>27,582,726</b>	<b>22,696,074</b>
<b>Other non-earning assets</b>					
Cash in hand	1,406,362	1,406,362	-	-	-
Balances with SBP and NBP - current accounts	2,409,300	2,409,300	-	-	-
Balances with other banks - current accounts	654,488	654,488	-	-	-
Operating fixed assets	3,578,798	24,011	322,224	142,253	3,090,310
Other assets	13,270,613	1,327,061	1,990,592	2,654,123	7,298,837
Deferred tax asset	539,407	-	-	-	539,407
<b>Total non-earning assets</b>	<b>21,858,968</b>	<b>5,821,222</b>	<b>2,312,816</b>	<b>2,796,376</b>	<b>10,928,554</b>
<b>Total assets</b>	<b>116,523,926</b>	<b>25,285,560</b>	<b>27,234,636</b>	<b>30,379,102</b>	<b>33,624,628</b>
<b>Market rate liabilities</b>					
Cost bearing deposits	82,891,770	14,733,592	34,380,064	14,434,665	19,343,449
Subordinated debt	3,000,000	-	-	-	3,000,000
Borrowings	4,608,379	3,137,546	70,833	125,000	1,275,000
<b>Total market rate liabilities</b>	<b>90,500,149</b>	<b>17,871,138</b>	<b>34,450,897</b>	<b>14,559,665</b>	<b>23,618,449</b>
<b>Other non-cost bearing liabilities</b>					
Deposits	10,270,599	1,540,590	2,567,650	3,081,180	3,081,179
Other liabilities	4,568,629	987,558	1,234,448	1,728,227	618,396
<b>Total non-cost bearing liabilities</b>	<b>14,839,228</b>	<b>2,528,148</b>	<b>3,802,098</b>	<b>4,809,407</b>	<b>3,699,575</b>
<b>Total liabilities</b>	<b>105,339,377</b>	<b>20,399,286</b>	<b>38,252,995</b>	<b>19,369,072</b>	<b>27,318,024</b>
<b>Net assets</b>	<b>11,184,549</b>	<b>4,886,274</b>	<b>(11,018,359)</b>	<b>11,010,030</b>	<b>6,306,604</b>

**35.1 SCHEDULE OF MATURITY DISTRIBUTION OF MARKET RATE ASSETS AND LIABILITIES AS AT DECEMBER 31, 2020**

	Total	Up to one month	Over one month up to six months	Over six months up to one year	Over one year
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Market rate assets</b>					
Advances	60,406,263	4,736,445	19,669,541	27,778,931	8,221,346
Investments	17,679,889	491,901	9,898,781	-	7,289,207
Other earning assets					
Balances with SBP and NBP - deposit accounts	1,321	1,321	-	-	-
Balances with other banks - deposit accounts	9,428,162	9,428,162	-	-	-
Lending to financial institutions	795,981	795,981	-	-	-
<b>Total market rate assets</b>	<b>88,311,616</b>	<b>15,453,810</b>	<b>29,568,322</b>	<b>27,778,931</b>	<b>15,510,553</b>
<b>Other non-earning assets</b>					
Cash in hand	925,172	925,172	-	-	-
Balances with SBP and NBP - current accounts	1,923,772	1,923,772	-	-	-
Balances with other banks - current accounts	1,324,015	1,324,015	-	-	-
Operating fixed assets	3,688,195	24,011	303,898	142,253	3,218,033
Other assets	10,475,665	1,047,567	1,571,350	2,095,133	5,761,615
Deferred tax asset	454,439	-	-	-	454,439
<b>Total non-earning assets</b>	<b>18,791,258</b>	<b>5,244,537</b>	<b>1,875,248</b>	<b>2,237,386</b>	<b>9,434,087</b>
<b>Total assets</b>	<b>107,102,874</b>	<b>20,698,347</b>	<b>31,443,570</b>	<b>30,016,317</b>	<b>24,944,640</b>
<b>Market rate liabilities</b>					
Cost bearing deposits	80,315,849	8,404,555	26,307,184	23,655,795	21,948,315
Subordinated debt	2,400,000	-	-	-	2,400,000
Borrowings	427,708	-	223,542	133,333	70,833
<b>Total market rate liabilities</b>	<b>83,143,557</b>	<b>8,404,555</b>	<b>26,530,726</b>	<b>23,789,128</b>	<b>24,419,148</b>
<b>Other non-cost bearing liabilities</b>					
Deposits	8,333,965	1,250,095	3,750,284	1,666,793	1,666,793
Other liabilities	4,831,474	987,558	1,234,448	1,728,227	881,241
<b>Total non-cost bearing liabilities</b>	<b>13,165,439</b>	<b>2,237,653</b>	<b>4,984,732</b>	<b>3,395,020</b>	<b>2,548,034</b>
<b>Total liabilities</b>	<b>96,308,996</b>	<b>10,642,208</b>	<b>31,515,458</b>	<b>27,184,148</b>	<b>26,967,182</b>
<b>Net assets</b>	<b>10,793,878</b>	<b>10,056,139</b>	<b>(71,888)</b>	<b>2,832,169</b>	<b>(2,022,542)</b>

## 36 FINANCIAL INSTRUMENTS

## 36.1

## Interest rate risk

The Bank's exposure to interest rate risk and the effective rates on its financial assets and liabilities as at December 31, 2021 are summarized as follows:

Description	Interest rate %	INTEREST/MARK-UP BEARING							NON INTEREST BEARING	Total	
		Maturity up to one year	Maturity after one year & up to two years	Maturity after two years & up to three years	Maturity after three years & up to four years	Maturity after four years & up to five years	Maturity after five years	Sub Total			
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000			
<b>Financial assets:</b>											
Cash and balances in current and other accounts	4.50 to 12.25	-	-	-	-	-	-	-	4,470,150	4,470,150	
Balance in deposit accounts	10.70	9,590,878	-	-	-	-	-	-	9,590,878	9,590,878	
Lending to financial institutions	7.12 to 14.50	100,000	5,950,952	-	-	-	-	-	100,000	100,000	
Investments	5.00 to 33.00	7,988,884	7,877,720	3,662,197	494,081	1,751,231	-	150,000	14,089,836	14,089,836	
Advances	-	54,308,653	-	-	-	-	-	2,607,070	70,700,952	70,884,244	
Other assets	-	71,988,415	13,828,672	3,662,197	494,081	1,751,231	2,757,070	17,388,818	17,388,818	17,388,818	
<b>Financial liabilities:</b>											
Deposits and other accounts	5.00 to 15.00	63,548,321	11,362,614	7,940,076	36,460	3,800	499	884,550	10,270,599	93,162,369	
Borrowings	6.50 to 12.07	3,333,379	251,482	134,392	4,576	966,667	-	1,066,666	-	4,608,379	
Subordinated debt	9.81 to 14.07	-	-	-	-	-	-	-	-	3,000,000	3,000,000
Other liabilities	-	66,881,700	11,614,096	8,074,468	1,007,703	970,467	1,951,715	805,355	4,568,629	4,568,629	
		5,106,715	2,214,576	(4,412,271)	(513,622)	780,764	805,355	3,981,517	14,839,228	105,339,377	
<b>On balance sheet gap</b>											
<b>Unrecognized:</b>											
Commitments	-	-	-	-	-	-	-	-	(198,114)	(198,114)	
<b>Off balance sheet gap</b>											
		5,106,715	2,214,576	(4,412,271)	(513,622)	780,764	805,355	3,981,517	7,004,918	10,986,435	

The Bank's exposure to interest rate risk and the effective rates on its financial assets and liabilities as at December 31, 2020 are summarized as follows:

Description	Interest rate %	INTEREST/MARK-UP BEARING							NON INTEREST BEARING	Total
		Maturity up to one year	Maturity after one year & up to two years	Maturity after two years & up to three years	Maturity after three years & up to four years	Maturity after four years & up to five years	Maturity after five years	Sub Total		
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000		
<b>Financial assets:</b>										
Cash and balances in current and other accounts	4.50 to 9.00	-	-	-	-	-	-	-	-	4,172,959
Balance in deposit accounts	6.05 to 7.18	9,429,483	-	-	-	-	-	-	-	9,429,483
Lending to financial institutions	7.40 to 9.00	795,981	505,043	6,634,164	-	-	-	-	-	795,981
Investments	5.00 to 34.00	10,390,682	5,157,539	1,539,740	239,468	243,004	150,000	1,041,595	234,524	17,679,889
Advances	-	52,184,917	-	-	-	-	-	-	-	60,640,787
Other assets	-	72,801,063	5,662,582	8,173,904	239,468	243,004	1,191,595	14,383,775	18,791,258	14,383,775
<b>Financial liabilities:</b>										
Deposits and other accounts	7.00 to 14.50	58,367,534	17,092,388	4,840,138	11,989	3,800	-	-	8,333,965	88,649,814
Borrowings	8.74 to 15.73	356,875	70,833	-	-	-	-	-	-	427,708
Subordinated debt	9.35 to 16.25	-	-	-	-	-	-	-	-	2,400,000
Other liabilities	-	58,724,409	17,163,221	4,840,138	11,989	970,467	1,433,333	4,831,474	4,831,474	4,831,474
		14,076,654	(11,500,639)	3,333,766	227,479	(727,463)	(241,738)	5,168,059	13,165,439	96,308,996
<b>On balance sheet gap</b>										
<b>Unrecognized:</b>										
Commitments	-	-	-	-	-	-	-	-	(240,660)	(240,660)
<b>Off balance sheet gap</b>										
		14,076,654	(11,500,639)	3,333,766	227,479	(727,463)	(241,738)	5,168,059	5,385,159	10,553,218

## 37 RISK MANAGEMENT

The Bank defines risk as the possible outcome of actions or events which could hamper the Bank's ability to meet its objective (business objectives, ongoing financial viability, legal & regulatory compliance). In order to achieve these objectives, optimal trade-off between risk and return is the ultimate goal of the Risk Management function within the Bank. The Risk Governance function is segregated into three levels i.e. Strategic, Macro and Micro. The BOD has delegated the oversight function of Risk Management to its Sub-Committee i.e. Board Risk Management Committee. Robust Risk Management System is in place including frameworks, policies, product programs, procedures and manuals to proactively address all potential threats to the Bank. The Bank ensures that the Risk management function is embedded within the culture of the organization.

### 37.1 Credit risk

Credit risk is the risk of suffering financial loss due to any of Bank's customer or counterparty failing to fulfill their contractual obligations which arise mainly from Bank's lending activities, placement of funds in deposits/money market and taking cover through guarantees and derivatives. The Bank has a sound and effective credit risk management framework in place which is based on bank's strategy and risk appetite established by the BOD. Credit evaluation system comprises of credit appraisal and monitoring mechanism where special focus is given to asset quality management. There is also a system in place to identify and correct portfolio concentrations in terms of geographies, products, economic segments etc. The risks identified through portfolio testing are reported to the Risk Management Committees of the Bank along-with the corrective action plan. For this purpose, various tools, techniques and stress tests are used to ensure that risk-return tradeoff is maintained. Risk review function is independent of those who approve and take risk. The Risk Asset Review function is performed by Risk Management as well as internal Audit Departments of the Bank. The provision of loan losses is maintained in terms of SBP Regulations. The Bank reviews financial performance of various counterparties on annual basis through detailed analysis using Financial Models and past business experience and limits for each counterparty in respective segments are defined accordingly.

### 37.2 Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk governance structure of the Bank is at the core of the three lines of defense including strategic, macro and micro - integrating risk management practices into processes, procedures, product programs, systems and culture. The bank has in place board approved Risk management framework which is flexible enough to implement in stages and permits the overall approach to evolve in response to banks future requirements. The Bank uses various risk mitigating tools and techniques such as Risk and Control Self-Assessment, Key Risk Indicators Analysis, and Stress testing under well-defined programs. There are dedicated units within the bank to manage operational risk, information security risk, business continuity risk, disaster recovery risk etc.

### 37.3 Market risk

Market risk is the risk that banks earnings or capital can be adversely affected by movement in market rates and prices. The Bank is directly exposed to market risk through its investment in instruments whose value is influenced by the market (investment price risk) and position in financial assets and liabilities that are not matched in terms of repricing dates or interest rate basis (interest rate risk). The Bank is indirectly exposed to market risk through its collateralized lending whose value is marked to market. In order to manage these risks effectively, the bank has implemented Risk Management Framework including defined policies, procedures, tools and methodology to identify, measure, monitor and control market risk. The tools include Value-at-Risk (VaR), Price Value of Basis Point (PVBP) and Stress Testing to track potential losses. The Bank's Treasury Middle Office function monitors and reports risks on an ongoing basis. The Bank maintains diversified investments portfolio in order to make maximum returns and capital gains and minimize underlying risks.

### 37.4 Liquidity risk

Liquidity risk is the risk that the Bank will be unable to meet its obligations in a timely manner as they fall due. The Market and Liquidity desk monitors risk appetite limits to avoid undue threats. The Bank's liquidity position is monitored by ALCO on monthly basis through liquidity and capacity ratios, concentrations in terms of nature and size of funding on portfolio as well as on transaction basis, liquidity and cashflow gaps etc. The Bank has a Liquidity Contingency Plan in place to manage liquidity risk and maintains sufficient counter balancing capacity at all times to meet all its obligations on timely basis. Early warning indicators have been developed and are assessed on daily basis in order to envisage any incoming risks and take appropriate actions.

### 37.5 Capital adequacy risk

Capital adequacy risk is the risk that the Bank may not meet minimum regulatory capital requirements. The Bank maintains conservative safety margin beyond the regulatory requirements to ensure full compliance even in the event of stress. While setting targets in business and strategic plans, it is ensured that optimal use of available capital is made.

### 37.6 Currency risk

Currency risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rate. Currency risk arises in financial instruments that are denominated in foreign currencies. The Bank is not exposed to foreign currency risk.

### 37.7 Social and environmental risk

Social and environmental risk is the risk of KMBL's activities or transactions directly or indirectly resulting in any loss or harm to the environment and to any individual. The Bank is committed to adequately balancing its core objective of financial sustainability with its social mission of economic empowerment by improving the standard of living and accessibility of financial services. The Bank seeks to adhere to socially and environmentally sustainable business principles which create an environment that encourages the development of long-term value, the development of communities in which it operates and serves high standards of occupational health and safety, and of environmental, social and ethical responsibility. Social and environmental risks arising from the totality of the Bank's operations and business activities are adequately defined, monitored and mitigated, within the Bank's overall ESMS (Environmental and Social Management System). ESMS is a management process and goal oriented function whereby the institution specifies its social and environmental goals, aligns them to different functions of the Bank, creates processes for said functions to achieve these goals, and following the implementation, assesses the performance of the Bank in relation to its social and environmental goals.

## 38 CUSTOMER GRIEVANCE

### 38.1 Overview

To effectively manage customer grievances at the Bank, Complaint Cell working under Operations Department is given an essential role. In accordance with State Bank's guidelines regarding Customer Grievance Handling Mechanism (CGHM), Bank has strengthened its complaint management function by developing centralized complaint management system which helps in capturing, acknowledging, tracking, automatic escalation of unresolved complaints, managing complaint statuses and producing/extracting relevant report.

For desired objectives, dedicated Complaint Cell at Corporate Office is persistently performing relevant tasks.

The Complaint Cell is effectively engaged in resolving & responding customers' complaints, queries, requests and feedbacks received through multiple channels. Such Channels include Contact Center, Branches, SBP/PMDU, Website, Social Media, email, letter, fax, and complaint cell toll free number.

### 38.2 General process for complaint resolution

Customer complaints received from any of the specified channels are being lodged, acknowledged, investigated and responded as per timelines defined by State Bank of Pakistan. After doing an initial assessment of a complaint, it is further assigned to the concerned department for investigation. Upon satisfaction with inquiry findings, Complaint Cell informs the customer about the resolution details with alternate grievance redressal forum, if dissatisfied with the resolution.

### 38.3 Initiative taken during 2021

During the year 2021, Bank had invested its best efforts to streamline the Complaints Management to the extent of utmost customer satisfaction by way of comprehensive, quick and efficient disposal of complaints.

Moreover, for customer ease upon complaint lodgment, Bank has enhanced its complaint lodgment channels and new forums have been introduced

- Social Media
- Website

Bank is also in process to approach the Benchmark for complaints lodgment through Internet Banking & Mobile Banking and in 2021 kicked-off the project to update Internet/Mobile Banking platform.

During 2021, bank has embedded all enhanced Product/complaint types in Complaint Management System, introduced through revised SBP CGHM circular reference BC &CPD Circular no. 02 of 2021.

### Complaint status

Total number of complaints received during the year

**2021**      **2020**

Average time taken to resolve (days)

2,989      2,542

3      4

Complaints' Data for the year 2020

Complaint Nature	Complaint received	Open as on 31-12-2021 (Within Regulator's)
Minor	1,690	12
Major	1184	26
Total Count	<u>2,874</u>	<u>38</u>

**39 FAIR VALUE MEASUREMENT**

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and fair value estimates.

Underlying the definition of fair value is the presumption that the Bank is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

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. The provision for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy.

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.

**Fair value hierarchy**

International Financial Reporting Standard (IFRS) 13, "Fair Value Measurement" requires to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

The Bank use the following hierarchy for determining and disclosing the fair value of the assets and liabilities by valuation method:

**Level 1:** based on quoted (unadjusted) prices in active markets for identical assets or liabilities.

**Level 2:** based on valuation techniques whereby all inputs having a significant effect on the fair value are observable, either directly or indirectly and includes quoted prices for identical or similar assets or liabilities in markets that are not so much actively traded.

**Level 3:** based on valuation techniques whereby all inputs having a significant effect on the fair value are not observable market data.

The following table provides the fair value measurement hierarchy of the Bank's assets and liabilities carried at fair value. The valuation was carried at December 31, 2021.

Note	Rs. '000	Level of hierarchy	Significant unobservable inputs	Inter-relationship between unobservable inputs and fair value
<b>2021</b>				
<b>Available for sale investment</b>				
	3,441,709	Level 2	-	-
	7,498,127	Level 2	-	-
<b>2020</b>				
<b>Available for sale investment</b>				
	8,400,586	Level 2	-	-
	7,260,950	Level 2	-	-

**Valuation technique used & key inputs**

Revaluation rates for T-bills are contributed by money market brokers on daily basis.

Transfer between levels of the fair value hierarchy are recognized at the end of the reporting period, during which the changes have occurred.

During the reporting period there were no transfers into and out of level 3.

**40 RELATED PARTY TRANSACTIONS**

The Bank's related parties comprise of the President, directors, executives, shareholders, entities over which the directors are able to exercise significant influence and employee gratuity fund. The detail of Bank's shareholders is given in Note 19.2.1 while remuneration of the president, directors and executives is disclosed in Note 34 to the financial statements. Detail of transactions during the year and balances outstanding at the year end are as follows:



	<b>2021</b> Rs. '000	<b>2020</b> Rs. '000
<b>Transactions during the year</b>		
<b>- with shareholders</b>		
Lending to financial institutions	-	12,589,750
Repayment of lending to financial institutions	-	12,598,122
Investments made during the year	207,794	-
Borrowings	-	478,005
Subordinated debt	-	-
Repayment of borrowings/Subordinated Debt	45,556	527,341
Repayment against TFC's Investment	4,367	6,043
Branchless banking services recovery of loan portfolio	17,479	54,344
ATM services payments	6,086	981
<b>Income</b>		
Interest income on deposit account bank balances	6,577	13,092
Interest income on lending to financial institutions	-	8,372
Interest income on Investment (TFC)	4,577	6,043
<b>Expenses</b>		
Interest expense on borrowings	-	121
Interest expense on TFC	45,908	49,216
Fee, Commission & Bank charges	16,233	11,618
Branchless banking service commission/ATM charges	-	-
<b>Transactions during the year</b>		
<b>- with defined benefit plan</b>		
Contribution paid to KB employees gratuity fund	96,452	231,182
<b>- with others</b>		
Cost reimbursement received from MSDF	83,830	338,103
Cost reimbursement claim from MSDF	51,218	183,201
<b>Balances outstanding at the year end</b>		
<b>- with shareholders</b>		
Balances with banks	274,770	977,787
Investments/ TFCs	50,000	50,000
Interest receivable on investments/TFCs	210	145
Borrowings and subordinated debt	460,000	360,000
Interest payable on borrowings/subordinated debt	7,289	4,272
<b>- with defined benefit plan</b>		
Balance (receivable) / payable to gratuity fund	54,697	(9,343)
<b>- with key management personnel including President</b>		
Advances - staff loans	141,560	94,882
Other assets - staff advances	-	885
Deposits	148,131	121,311
<b>- with others</b>		
Receivable from MSDF	21,078	52,625

## 41 CAPITAL RISK MANAGEMENT

The Bank's objectives when managing its capital are:

- To comply with the capital requirements set by the SBP;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital requirements applicable to the Bank are set out under the Regulations. These requirements are put in place to ensure sufficient solvency margins. The Bank manages its capital requirement by assessing its capital structure against required capital level on regular basis. Currently, the Bank has paid up capital of Rs. 1.705 billion. The minimum paid up capital requirement applicable to the Bank is Rs. 1.00 billion. The Bank has maintained capital adequacy ratio in accordance with Regulation No. 1 which states that the Bank shall maintain capital equivalent to at least 15% of its risk-weighted assets.

The Bank will continue to maintain the required regulatory capital either through its risk management strategies or by increasing the capital in line with the business and capital needs.

## 42 GENERAL INFORMATION

The following information, based on definition of financial terms prescribed by Microfinance Consensus Guidelines, is included in these financial statements to facilitate the calculation of financial ratios.

	2021 Rs. '000	2020 Rs. '000
<b>Offices</b>		
Total branches of the Bank	206	193
Total service centers/booth of the Bank	33	41
<b>Micro credit cases</b>		
Number of active cases at year end	803,820	879,637
Number of loans disbursed during the year	369,209	417,755
Number of loan rescheduled and deferment during the year	411,967	589,046
Average number of active borrowers for the year	841,729	875,433
<b>Microcredit portfolio</b>		
Microcredit advances receivable - Gross	70,782,297	60,648,237
Total disbursements for the year	48,552,005	38,198,363
Total rescheduled and deferment during the year	27,553,995	35,069,000
<b>Portfolio Quality</b>		
Portfolio at risk (Normal / deferred loan)	2,047,302	1,666,527
Portfolio written off	3,796,559	2,784,171
Loan loss reserve	1,628,791	1,464,854
<b>Average loan sizes</b>		
Average outstanding loan size	88,057	68,947
Average gross loan portfolio	65,715,267	57,127,841
<b>Information about the Bank's assets/ liabilities</b>		
Total assets	116,523,926	107,102,874
Current assets	89,709,647	87,449,687
Fixed assets	3,578,798	3,688,195
Average total assets	111,813,400	94,298,001
Current liabilities	78,021,353	69,341,814
Bank's equity	11,184,549	10,793,878

## 43 FINANCIAL RATIOS

The definition of ratios, presented below and described in notes 43.1 to 43.22, are in accordance with provisions of Microfinance Consensus Guidelines issued by The Consultative Group to Assist the Poor (CGAP) and does not necessarily reflect the Bank's internal practices, which are based on more granular data.

	Note	2021 Percentage	2020 Percentage
<b>Sustainability/Profitability</b>			
Return on equity	43.1	4.02%	15.86%
Adjusted return on equity	43.2	4.16%	15.82%
Return on assets	43.3	0.40%	1.70%
Adjusted return on assets	43.4	0.41%	1.69%
Operational self sufficiency	43.5	104.04%	112.94%
Financial self sufficiency	43.6	104.11%	113.00%
Profit margin	43.7	3.88%	11.46%
<b>Asset/Liability Management</b>			
Current ratio (times)	43.8	1.06	1.18
Yield on gross loan portfolio	43.9	23.45%	23.65%
Yield gap	43.10	12.63%	22.65%
Funding-expense ratio	43.11	13.31%	14.94%
Cost-of-funds ratio	43.12	9.32%	10.98%
<b>Portfolio Quality</b>			
Portfolio at risk	43.13		
Watchlist & regular		3.84%	5.39%
OAEM		1.11%	0.48%
Sub-standard		0.49%	0.42%
Doubtful		1.20%	1.76%
Loss		0.09%	0.09%
Write-off ratio	43.14	5.64%	4.76%
Risk coverage ratio	43.15	79.56%	87.90%
<b>Efficiency/Productivity</b>			
Operating expense ratio	43.16	10.12%	10.45%
Cost to revenue ratio	43.17	58.84%	53.46%
Cost per borrower (Rupees)	43.18	8,072	6,962
Personnel productivity (Numbers)	43.19	142	160
Loan officer productivity (Numbers)	43.20	293	330
Average disbursed loan size (Rupees)	43.21	131,503	91,437
Average outstanding loan size (Rupees)	43.22	88,057	68,947

- 43.1 Return on equity (RoE) calculates the rate of return on the average equity for the year. RoE calculations are net operating income less taxes divided by average equity for the year.
- 43.2 Adjusted return on equity is calculated on an adjusted basis to address the effects of subsidies, provision against non-performing advances and other items that are not in the Bank's net operating income.
- 43.3 Return on assets (RoA) measures how well the Bank uses its total assets to generate returns. RoA calculations are net operating income less taxes divided by average assets during the year.
- 43.4 Adjusted return on assets is calculated on an adjusted basis to address the effects of subsidies, provision against non-performing advances and other items that are not included in the Bank's net operating income.
- 43.5 Operational self sufficiency measures how well the Bank covers its costs through operating revenues. In addition to operating expenses, financial expenses and loan loss provision expense are also included in the calculation.
- 43.6 Financial self sufficiency measures how well the Bank covers its costs, taking into account a number of adjustments to operating revenues and expenses. The purpose of these adjustments is to model how well the Bank covers its costs if its operations were unsubsidized and was funding its expansion with commercial-cost liabilities.
- 43.7 Profit margin measures the percentage of operating revenue that remains after all financial, loan loss provision and operating expenses are paid.
- 43.8 Current ratio measures how well the Bank matches the maturities of its assets and liabilities.

- 43.9 Yield on gross loan portfolio indicates the gross loan portfolio's ability to generate cash financial revenue from interest, fees and commission. It does not include any revenues that have been accrued but not paid in cash, or any non-cash revenues in the form of post-dated cheques, seized but unsold collateral, etc.
- 43.10 Yield gap compares revenue actually received in cash with revenue expected from microcredit advances.
- 43.11 Funding-expense ratio shows the blended interest rate the Bank is paying to fund its financial assets. This ratio can be compared with yield on the gross microcredit advances to determine the interest margin.
- 43.12 Cost-of-funds ratio gives a blended interest rate for all of the Bank's funding liabilities. Funding liabilities do not include interest payable or interest on loans to finance fixed assets.
- 43.13 Portfolio at risk ratio is the most accepted measure of portfolio quality. Portfolio at risk is the outstanding amount of all loans that have one or more installments of principal past due by certain number of days. Rescheduled loans are also included in the calculation, if any.
- 43.14 Write-off ratio represents the percentage of the Bank's microcredit advances that have been removed from the balance of the gross microcredit advances because they are unlikely to be repaid.
- 43.15 Risk coverage ratio shows how much of the portfolio at risk is covered by the Bank's provision against non-performing advances. It is an indicator of how prepared the Bank is to absorb loan losses in the worst case scenario.
- 43.16 Operating expense ratio is the most commonly used efficiency indicator for Microfinance Banks. It includes all administrative and personnel expenses.
- 43.17 Cost to revenue ratio measures how well the Bank covers its operating costs through net revenue.
- 43.18 Cost per borrower provides a meaningful measure of efficiency for the Bank, by determining the average cost of maintaining an active borrower.
- 43.19 Personnel productivity measures the overall productivity of total Bank's human resources in managing clients who have an outstanding loan balance and are thereby contributing to the financial revenue of the Bank.
- 43.20 Loan officer productivity measures the average case load of each loan officer.
- 43.21 Average disbursed loan size measures the average loan size that is disbursed to client.
- 43.22 Average outstanding loan size measures the average outstanding microcredit balance by client, which may be significantly less than the average disbursed loan size

#### 44 MATERIAL OUTSOURCING ARRANGEMENTS

In compliance to the BPRD circular no 06 of 2017 of SBP, the material outsourcing arrangements of the Bank are listed below;

Sr. No.	Name of the service provider	Nature of service	Estimated cost of outsourcing 2021 (per annum)
1	Prime Human Resource	Employees various outsourcing services	Rs. 320 million
2	Data technologies (Pvt) Ltd	Data archive, scanning and record management	Rs. 31 million
3	Human Development Foundation	Client mobilization for group loans	Rs. 12.3 million
4	Family Planning Association of Pakistan	Client mobilization for group loans	Rs. 10.7 million
5	Sindh Graduates Association	Client mobilization for group loans	Rs. 2.8 million
6	Health & Nutrition Development Society	Client mobilization for group loans	Rs. 1.2 million
7	Society of Human Development	Client mobilization for group loans	Rs. 2.4 million
8	Idemia Pakistan (Pvt) Ltd	Debit card production & stuffing	Rs. 1.8 million

#### 45 CORRESPONDING FIGURES

The corresponding figures have been rearranged and reclassified, wherever considered necessary, to comply with the requirements of format prescribed by the SBP Banking Supervision Department (BSD) Circular number 11 dated December 30, 2003 and Companies Act, 2017. There is no major reclassifications during the year.

#### 46 DATE OF APPROVAL

These financial statements were approved by the Board of Directors of the Bank in their meeting held on February 25, 2022.

#### 47 GENERAL

- 47.1 Account captions as prescribed by BSD circular No. 11 dated December 30, 2003 which have nil balances, have not been reproduced in these financial statements.

## 47.2 The addresses of the branches of the Bank are as follows:

S. No.	Branch Name	Address
1	<b>Abbottabad</b>	Ground Floor, Ali Plaza, Mansehra Road, Supply Bazar Abbotabad
2	<b>Ahmedpur East</b>	Khewat No.54/54, Khatooni No. 55, Katechary Road N/By Sheikh Petrol Pump Tehsil Ahmed Pur East.
3	<b>Ali Abad</b>	Khasra No.3891, Ramzan Plaza, Near Agha Khan health center, Karakurum Highway, Aliabad Hunza, Gilgit Baltistan
4	<b>Ali pur</b>	Khata No221, College Chowk, Opposite Sibtain Town, Ali Pur Road, Mohallah Ghalwain, Tehsil Ali Pur, Distt MuzaffarGarh
5	<b>Arifwala</b>	21- A/ Block, Main Muhammadi Road, Karkhana Bazar, Arifwala, Distt PakPatan
6	<b>Attock</b>	BV 11-56 & 57, Indus Plaza, Barq Road, Near Geedar Chowk, Attock City
7	<b>Badeh</b>	Shop No 1-3, Mohallah Pyaro Khan Sariyo, Main Badeh Naseerabad Road, Badeh, Tehsil Dokri, Dictrict Larkana
8	<b>Badin</b>	Survey # 33, Adjacent Abbasi Hospital Main DCO Chowk, karachi Road, Badin
9	<b>Bagh</b>	Al Noor Plaza, Ground Floor, college Road Bagh AK
10	<b>Bahawalnagar</b>	Plot no 7, City Chowk, Jail Road Bahawalnagar
11	<b>Bahawalpur</b>	Shop # 43, New Ghalla Mandi, Model Town 'B', Bahawalpur
12	<b>Basirpur</b>	Khewat No. 416, Khasra No. 75/15/1, Main basirpur Road, Tehsil Depalpur, District Okara
13	<b>Bhakkar</b>	Plot No- 155/2, Club Road , Bhakkar
14	<b>Bhalwal</b>	Plot No 451, Block 4, Liaqat Shaheed Road Bhalwal
15	<b>Buner</b>	Khatooni No 464, Shops located at Opposite New Bus Stand Mardan Road Sawarai District Buner
16	<b>Burewala</b>	Khewat No. 165/154, Khatooni No.331, Salim Khatta, Mohal 439/E.B, Multan Road Industrial Area Tehsil Burewala, Distric Vehari
17	<b>Chakwal</b>	Shop No. 4/1785, Tehsil Chowk, Near Warid Franchise, Rawalphindi Road, Chakwal
18	<b>Charsada</b>	M. G Plaza, Tangi Road, Charsadda
19	<b>Chichawatni</b>	Plot No. 18-19, Main G T , Road, Near Lakkar Mandi Pull, Chichawatani
20	<b>Chiniot</b>	Plot No. 2/13-Z, Block-Z Development Scheme, Opposite Hascol Pump, Ghalla Mandi Chowk, Jhumra Road Chiniot
21	<b>Chishtian</b>	Opposite Sadar Eid Gah Gillani Market High Way Road Chishtian Distt Bahawalnagar
22	<b>Chona Wala</b>	Khewat No.56/54, Khatooni No. 338 to 343, Square No. 43, 62, situated at Main Hasilpur road Chonawala, Mohal Chak No. 161/M, Tehsil Hasil Pur, District Bahawalpur
23	<b>Chowk Azam</b>	Khata # 19 Moza lohanch thal Kalan, Multan Mianwala Road, Near greenway Petrol Pump, Chowk Azam, tehsil & District Layyah
24	<b>Chowk Sarwar Shaheed</b>	Property No. 964SH, Khatta No.18, Salim Khatta, Mohal 571/TM,MM Road, Chowk Sarwar Shaheed, Tehsil Kot Addu, District Muzaffargarh.
25	<b>Dadu</b>	Plot # 629, Mian Road, Adjacent to Govt Girls High School, Dadu
26	<b>Daherki</b>	Deh Tapo, Taluka Daherki, District Ghotki.
27	<b>Dahranwala</b>	Warraich Market, Haroonabad Road, Dahranwala, District Bahawalnagar
28	<b>Darya Khan</b>	Plot No 89, ward No. 8, Bhakkar Road Darya Khan, Tehsil Darya Khan, District Bhakkar
29	<b>Daska</b>	Property No.889/11-B/Banglow, Circular Road, oppoiste Civil Hospital, Daska, District Sialkot
30	<b>Dera Ghazi Khan</b>	Khasra No 12289/9829, 12288/9829, Block- J Railway Road , Dera Ghazi Khan
31	<b>Dera Ismail Khan</b>	Khatooni No. 1969, Ground Floor, West Circular Road Syndicate Mor, Dera Ismail Khan
32	<b>Dunyapur</b>	Khewat No. 17, Khatooni No. 110, Railway Road , Near Al- Mulk Hospital, Dunyapur, District Lodhran
33	<b>Ellahabad</b>	Khasra No 2928/1153, Khewat No. 831, Khatooni No. 1638, Situated at Mahal Main Chunian Ellahabad Road Near PSO Pump Ellahabad, Tehsil Chunian, and District Kasur.
34	<b>Faisalabad</b>	Ayubi Plaza P- 834/A , Liaqat Road, Near Police Line Petrol Pump Faisalabad
35	<b>FatehJang</b>	Shop No 1, Ground Floor, Mudassir Awan Arcade, Pindi Road Fatehjhang, District Attock
36	<b>Fazilpur</b>	M Ismaeel Plaza Traffic Chowk Main Indus Highway Fazilpur
37	<b>Feroza</b>	Khewat No. 167, Khatooni No.248, Situated at Shahi Road Feroza, Mouza Hayat Lar, Feroza ,Tehsil Liaqatpur & District Rahim Yar Khan.
38	<b>Fort Abbas</b>	Khata No 259/260, Khatooni No, 259, School Bazar, Fort Abbas, Bahawalnagar
39	<b>Gahkuch</b>	Khasra No.1087, Rais Market, Opposite City Park, Near LG & RD Office, Main Bazar, Gahkuch, Tehsil Puniial, District Ghizar, Gilgit
40	<b>Ghotki</b>	Plot No 115 , Devri Sahib road Near National bank of Pakistan Ghotki
41	<b>Gilgit</b>	S M Abdul Hakim Market , Near radio Pakistan, Zulfiqarabad, Jutial, tehsil & district Gilgit
42	<b>Gojra</b>	P -499, Siddique Commercial Center, Tehsil Office Road, Gojra Distric Toba Tek Singh
43	<b>Gujar Khan</b>	Haji Raja Karam Ellahi Plaza, G T Road, Gujar Khan District Rawalphindi
44	<b>Gujranwala</b>	Khasra No 182, Khewat No. 42, Khatooni Number 43, Mouza Main Sansi, Tehsil & District Gujranwala
45	<b>Gujrat</b>	Khewat No.228, Khatooni No.342 & 343, Khasra No. 1144,1145, Abid Colony G.T Road, Mouza Nanwa, Tehsil & District Gujrat
46	<b>Hafizabad</b>	Khewat No.508, Khatooni No.1469, Street No. 06 Near Fiza Carpet, Gujranwala Road, Tehsil and District Hafizabad
47	<b>Hala</b>	Plot No. 284, Old Main National Highway, Adjacent babi- Nooh, Hala
48	<b>Haripur</b>	Pandak Area, Shahrah-e-e Hazara, Haripur
49	<b>Haroonabad</b>	Plot # 734, Front Main Bazar Bangla Road Tehsil Haroonabad, District Bahawalnagar
50	<b>Hasilpur</b>	Khata No. 34/29, Plot Adjacent Honda Motorcycle Showroom, Near Bus Stand, Main Bahawalpur Road Hasilpur.
51	<b>Hassanabdal</b>	Manan Ali Khan Plaza, Near General Bus Stand, G T Road Hassanabdal, District Attock
52	<b>Havelian</b>	Malik Cottage, main Bazar Havelian, District Abbottabad.
53	<b>Hyderabad</b>	Plot No. HCB-73, Qazi Abdul Qayyom Road, gari Khata hyderabad.
54	<b>Islamabad</b>	Amir Plaza, Ground Floor, 94-West, Jinnah Avenue, Blue Area, Islamabad.
55	<b>Jahnia</b>	Khewat No. 19, Chak No. 111/10 - R, Opposite Govt. Middle School No. 03 for Boys, Madina Chowk, Jahanian, District Khanewal.

S. No.	Branch Name	Address
56	Jail Road-Lahore	House No 15, Shadman Colony, Jail Road, Lahore
57	Jalalpur Pirwala	Al-Madina Market, near General Bus Stand, Multan road, Jalalpur Pirwala
58	Jampur	Ward No. 13, Registry No. 692/1 Pesticide Market Dajal Road Jampur, Tehsil Jampur, District Rajanpur
59	Jaranwala	Ismail plaza, Muhallah Usmania Park, Faisalabad Road, Near Fesco Office, Jaranwala.
60	Jhang	Near Govt College for women main Gojra road Jhang Saddar
61	Jhelum	Ground Floor, Shan-e-e Muhammadi Plaza, Opposite Tableegh-ul-Islam High School, Near NADRA Office, Civil Lines Jhelum
62	Juddo	Plot City Survey No 7, Ward No 3 B, Near Rajput Chowk, Shahi Bazar, jhuddo, Tehsil jhuddo, District Mirpurkhas.
63	Kahrora Pacca	Near Railway, Track Mails Chowk, Main City Road, Mohal Pacca Hadbast 390, Tehsil Kahrora Pacca District Lodhran.
64	Kallur Kot	Khata No.244/243, Khatooni No.366, Ward No.2, Lodhi Market Kallur Kot, District Bhakkar
65	Kambar/Wagan	Opposite Govt primary boys School, Miro Khan Road, Kambar
66	Kamoki	197/162, Near Shifa Eye Hospital, Main G T Road, Kamoki
67	Kandkot	Jaryan No 264, Main Haibat Road Near National Bank of Pakistan Branch Kandh Kot
68	Karachi	Plot No 13, Commercial Area main Rashid Minhas Road, Gulshan e Iqbal, Block- 10 Opp. Lal Flats Karachi.
69	Karachi - Korangi	Plot No L-04, Sector 35- C, korangi Township, Karachi.
70	Karor Lal Essan	Khasra No. 289, Sewag Plaza, Opposite PTCL Exchange, Fatehpur Road, karor lal Essan, District Layyah.
71	Kashmore	Jaryan No.1/684, Deh kashmore, Taluka & District Kashmore
72	Kasur	Khewat No. 1068, Khatooni No. 1388, Minhas Colony, Chowk Khan Mahal Cinema, Main Lahore Road Kasur.
73	Khairpur	Kacherri Road Khairpur.
74	Khairpur Tamewali	Khata No 119/111, Khatooni No 271-276 Opposite Chand Restrurant, Tehsil Khairpur Tamewali, District Bahawalpur.
75	Khanewal	Plot No.1, Street No 1, Block-2, RCA Chowk, khanewal.
76	Khanpur	Qaid Millat Road, opposite Saving Center, khanpur, District Rahim Yar Khan.
77	Khudian Khas	Khewat No.1005, Khatooni No. 3230, Khasra No.6664, Mahal khudian, Near New Bus Stand, Main Depalpur Road, Tehsil & District Kasur.
78	Khushab	Block # 02, Plot # 01, Bank Square, Jauharabad Distt. Khushab
79	Kohat	Najam Complex, Near Police Lines, hangu Road, Kohat.
80	Kot addu	Opp. Faisal Motors, Near PSO Pump, Main G T Road, Kot Addu, Tehsil Kotaddu, District Muzaffargarh.
81	Kot Chuhitta	Khata No. 109, Opposite Tehsil Office, Main Indus Highway, Kot Chutta, District Dera Ghazi Khan
82	Kot Mithan	Ward No.7, Registry No.1018 & 1081, Darbar Road, Kot Mithan, Tehsil & District Rajanpur
83	Kot Sultan	Khata No. 77, Mohalla Husnain Abbad Near Civil Hospital, Multan Road, Kot Sultan, District Leyyah.
84	Lahore Shahdara	71, Near Allah Ho Darbar & Masjid Tuheed, Adjacent ZTBL Bank, Main Sheikhpura Road, Jia Musa, Shahdara, Lahore.
85	Lahore-DHA	Plot No. 79, Block CCA, Phase-IV, Defense Housing Authority, Lahore Cantt
86	Larkana	C.S/ R.s No 1827/1876, Near Bank Square, Larkana
87	Leyyah	Plot # 405 / B- 2nd, Main Choubara Road, Near MCB Leyyah.
88	Liaquat Pur	87- A, Scheme No.2, Bank Road, Opposite Qayyum petroleum, Liaquatpur.
89	Lodhran	Plot / khewat No. 509/479 & 528/486, Jalal Pur More Near Masjid e Ahl - e - Hadees, Bahawalpur Road Lodhran
90	Malakand Agency	Shop # 1-5 and 29-34Tahir Plaza, Main Bazar, Batkhela, Malakand Agency.
91	Mandi Bahauddin	Khewat # 208, Punjab Center, Phalia Road Mandi Bahauddin
92	Mandi Yazman	Khata/Khawat No 404 Khatoni No. 609, Situated at Chak No. 56/DB Alif, Bahawalpur Road, Opposite NBP Bank Mandi Yazman
93	Mankera	Khata # 224-225/218-219, Khatooni # 356-357, Mankera Town, Main Jhang-bhakhar Road, Tehsil Mankera District Bhakhar
94	Mansehra	Ammar's Arcade, Near noor College, Old Balakot Bypass Road, Mansehra.
95	Mardan	CB 445/ A- 2, Saddar Bazar, The Mall, Mardan Cantt. Mardan.
96	Mehar	Survey No 151, Khairpur Nathan Shah Road, Mehar, District Dadu
97	Mian Channu	M A Ghani colony, street # 04, Corner Plot, GT Road, Near Opposite Tehsil Complex Mosque, Mian Channu
98	Mianwali	Plot No. 706, Soney Khel Market, Govt. High School Road, Mianwali.
99	Minchan Abad	Khata/ khatooni No. 152, Mouza (Mohal Michinabad) Distt. Bahawalnagar.
100	Mirpur	Plot No 1, Sector No. II, Allama Iqbal Road, Mirpur, Azad Kashmir.
101	Mirpurkhas	Ward-A, MP Colony, Main Umer Kot Road, Mirpurkhas.
102	Mithi	Shop # 01 to 6, Sameer & Kunal Market Near Kashmir Chowk Main Naukot Road Mithi, District Tharparkar
103	Mubarak Pur	Khewat no. 205, Khatooni No.526, Situated at Mohala Mubarak Pur, Tehsil Ahmad Pur east, Disst. Bahawalpur
104	Multan	Shop No.1, Royal Shopping Centre, Azmat Warsi Road, Dera Ada Chowk, Multan.
105	Mureedke	Salim Qitta 17, Khewat No. 419, Khatooni No. 1019 to 1023, Mouza Mureedke Near Bilal Masjid Main GT Road Tehsil Mureedke, District Sheikhpura
106	Muzaffar Garh	Khewat No. 664, Jhang Road near Zewa Hotel Mohalla Khurshidabad Tehsil & District Muzaffar Garh.
107	Muzaffarabad	Raza Building, Poultry Farm Road, Opposite AJK University, Muzaffarabad, A.K
108	Nankana Sahib	Khewat # 551, Khatooni # 700, Adjacent Khalid Rice Mill, Morni Wala Karkhana, Nankana Sahib

S. No.	Branch Name	Address
109	Narowal	VI-284, Near Siddique Pura Morre, Circular Road, Narowal.
110	Naseerabad	Khushhali Microfinance Bank Near City Police Station Quetta Road Dera Murad Jamali Nasirabad Balouchistan
111	NawabShah	House # A-306,Paro Hospital Road,Otaq Quarter, Nawabshah
112	Nosheroferoze	Plot Near Jilbani Petroleum Services, Mian National Highway, Nashero Feroze.
113	Nowshera	Al jamil city center near PSO petrol pump Main GT road Nowshera
114	Okara	Habib Cotton Factory, M. A Jinnah Road, Chack No. 1-A/4-L, Okara.
115	Paharpur	Khawat No.870 Khatooni No.843, Khasra No.4809/1&4814,Qitta 4,Khewat No.886, Khatooni No.839, Khasra No.4810, Rangpur Road, Mouza Paharpur Kalain, Tehsil Paharpur, Dera Ismail Khan
116	Pakpattan	Khata No. 3182/3152, 4347/3993, Khatooni No. 3384, 4754, College Road, Pakpattan.
117	Pannu Aqil	Plot No. 435, Bajji Road, Pannu Aqil.
118	Pasrur	Main Sialkot, Pasrur Road, Near Gujjar Pso Petrol Pump, Pasrur
119	Pattoki	Khasra # 1920/1573 Khewat # 926 Khatoni # 2857 Main Multan Road opposite Naseem Anwar Hospital Pattoki
120	Peshawar	Amin Hotel Main GT Road Hashtnagri Peshawar
121	Pir Mahal	Khewat No. 3, Khatooni No.12 to 13, Situated at Chak No.319 GB Urban, Tehsil Pir Mahal, District Toba Taik Singh
122	Qadirpur Rawan	Plot No. 26, Opposite Town committee Office , G.T. Road Qadirpur Rawan
123	Qasba Gujrat	Khewat No. 382, khatooni No. 1, Salim Khatta, ghazi Ghat Road, Near Chowk Ghazi Ghat, Qasba Gujrat, Tehsil Kot Addu, Disst. Muzaffargarh
124	Rahim Yar Khan	Khewat No. 302/278, Situated at 16-A, Businessman Colony, Opposite Desert Palm Hotel, Rahim Yar Khan
125	RajanPur	Kamran Market, opposite Jamia Sheiks Darkhasti, Rajanpur.
126	Ranipur	Shop No. 1-3, Plot No. 232/4-7, Near Mazhar Model School, Main National Highway, Ranipur.
127	Ratodero	Shop No 1,2 & 3, Ward- B, Near Main Bus Stand, Ratodero, District Larkana
128	Rawalpindi	Ropyal Brothers Plaza, Property No. B- 130, Main Muree Road, Chandni Chowk, Satellite Town, Rawalpindi
129	Rawlakot	Al- Makkah Shopping Plaza , CMH Road , Near Ali Firdous Clinic, Supply Bazaar, Rawalakot.
130	Rohillanwala	Khata No. 57 Situated at Mohal Sandaila, Main Ali Pur Road Near Canal House Rohillanwali, Tehsil & District Muzafargarah.
131	Sadiq Abad	Chak No. 10/NP, Nishtar Chowk, KLP Road, Sadiqabad, District Rahim Yar Khan.
132	Sahiwal	Khewat No.15848/4764, Liaqat Ali Road, Sahiwal.
133	Sahiwal-SGD	Khewat No. 2695, Nawan Lok, Main Sargodha Road, Tehsil Sahiwal, District Sargodha.
134	Sanghar	Choudhary Corner, Main Nawabshah Road Sanghar.
135	Sargodha	Khasra # 35, Khewat # 16,Khatooni # 16,Block # 16 Chak No.45 Shumali Main Khushab Road, Tehsil & District Sargodha
136	Shah Kot	Khawat No 33, Khatooni No 34, Khasra No, 519, Haq Bahoo Chowk, Shah Kot, District Nankana
137	Shahdad Kot	City Survey No. 883, Ward- A, Lakhpati Road Near Keenjhar Public School, Shahdad Kot, Tehsil & District Shahdad Kot.
138	Shakargarh	Khasra No. 1449/178, Maqsood Plaza, Near Railway Phatak, Railway Road, Shakargarh, Tehsil Shakargarh, District Narowal.
139	Sheikhupura	Al Rehman Center, Near Millan Marriage Hall , Main Lahore Road Sheikhupur.
140	shikarpur	Khushhali Microfinance Bank Hizb Plaza Plot# 3/1, Near Jahaz Chowk Station Road Shikarpur
141	Shorekot	Khata No. 1191, Ammad Ashraf Plaza Jhang Road, Shorekot City, Tehsil Shorekot District Jhang
142	Shujahabad	Plot No E-456, opposite Khan Brothers Bus Stand , Jalalpur Road, Shujahabad.
143	Sialkot	Small Industrial State, Near Alam Chowk, Shahabpura Road Sialkot
144	Sukkur	Khushhali Microfinance Bank Military Road opposite Public School Sukkur
145	Swabi	Rehman Market, Swabi Mardan Road , Swabi.
146	Swat (Mingora)	Ground Floor , Shahzad Plaza, Saidu Sharif, Makan Bagh Road, Mingora, Swat.
147	Tando Allahyar	Plot # 2 Block A, Survey # 273/1, Opposite to Civil Hospital, Main Hyderabad Road, Tando Allahyar
148	Tando Muhammad Khan	Plot No. C S 832, Opposite SSP office, Tando Muhammad Khan
149	Taunsa Sharif	Khata No. 1739, Mangrotha Road, Taunsa Sharif
150	Thatta	Shop No. 6, Al-Shahbaz Shops, National Highway, Thatta
151	Tibbi	Khata No.81, main Indus Highway, Tibbi Qaisrani,Tehsil Taunsa & District D G Khan
152	Toba Tek Singh	Al- Aziz Center Shore Kot Road, Toba Tek Singh.
153	UCH Sharif	Abbaisa Road Opposite Mariam Hospital Near Lallu Wali Pull Uch Sharif Tehsil Ahmedpur East Dist. Bahawalpur
154	UmarKot	Saleem Shopping Center, Shop No. 1 & 2 Gulshan-e- Saleem Housing Society, Main Chore Cantt Road, Opposite M. A Jinnah Park, Umarkot
155	Vehari	Plot # E/8 Main Karkhana Bazar Near Goal Chowk, Vehari
156	Wazirabad	Sialkot Road Opposite Bandhan Marriage Hall, Wazirabad
157	Zafarwal	Khewat No. 575, Khasra No. 2637, Situated at Town Committee, Zafarwal, Mohalla & Tehsil Zafarwal, Disst. Narowal
158	Zahirpir	Old GT Road, Canal Rest House Chowk, Zahir Pir, District Rahim Yar Khan.

S. No.	Branch Name	Address
159	Zareef Shaheed	Khewat no. 350/342, Khatooni no. 1120 to 1124, Situated at Main Lodhran Road Near Liaqat Chowk Raja Ram Zareef Shaheed Tehsil Shujabad Dist. Multan
160	Malir Karachi	S-1/296, Saudabad, Malir, Karachi
161	North Nazim Abad	Sub-Plot No.6, Block No.1, Sooq Ul Aman, Plot No. FLT-1, Block-G, North Nazimabad, KDA's Scheme No.2, Karachi
162	Head Rajkaan	Chak No.35, DNB Noor Pur Road, Head Rajkaan, Tehsil Mandi Yazman, Distt. Bahawalpur
163	Kot Radha Kishan	Khewat No.302, Khatooni No.422 to 437, Main Raiwind Road, Azam Abad, Opposite NADRA Office, Kot Radha Kishan, Distt. Kasur
164	Talagang	Khewat No. 664, Khatooni No. 1192, Khasra No. 3625/1274, Sadiq Abad Chowk Main Sargodha Road, Talagang, Distt Chakwal
165	Farooqabad	Khewat No. 266, Khatooni No. 320, Near Bus Stand Main Approach Road, Farooqabad, Distt. Sheikhpura
166	Tando Adam	Shop No. CCS/945/1, Near Muhammadi Chowk, Tando Adam, Distt. Sanghar
167	Marot	Khewat No. 122/116, Khatooni No.311 & 580, Salim Khatta Qitta 6, Mohal 319/HR, Main Fort Abbas Road, Marot, Tehsil Fort Abbas Distt. Bahawalnagar.
168	Jatoi	Khata No. 7/6, Khatooni No.13 to 16, Mohalla Qasir Ghazlani, Tehsil Jatoi & District Muzaffargarh
169	Gagoo Mandi	Khewat No. 182, Khatooni No. 525 to 529, Salim Khatta, Chak No. 187 EB, P/O Gagoo, Tehsil Burewala District Vehari
170	Sarai Mohajir	Khewat No 130, Jhang Bhakkar Road, Sarai Mohajir
171	Mandi Ahmad Abad	Khewat No.44, Khatooni No.95 Kangan Pur Road Mandi Ahmad Abad Tehsil Deepalpur, District Okara
172	Sanjar Pur	Khewat No. 3, Khatooni No.29 to 33, KLP Road Opposite Agriculture Office Sanjarpur, Chak No.44/NP, Hadbast 102, Tehsil Sadiqabad & District Rahim Yar Khan
173	Adda Zakhira	Khewat No.75/71, Khatooni No.195, Salim khatta Qitta 1, Mohal 231-WB, Adda Zakhira, Tehsil Dunyapur, District Lodhran
174	Shah Jamal	Khata No. 309 Khatooni No. 357 Khan Garh Road Near Mullan Walla Chowk Shah Jamal, District Muzfargarh
175	Muhammad Pur Dewan	Khata # 268 main Indus highway, opposite Rural Health Center, Muhammad Pur Dewan, Tehsil Jampur District Rajanpur
176	Sillanwali	Khawat No.522, Khatooni No.642, Khasra No546/55, Zia Shaheed Road, Mohalla Mandi Sillanwali, District Sargodha.
177	Jacobabad	Survey No. 202/33/5, Kamora Line, Main Quetta Road, Taluka & District Jacobabad
178	Pindi Bhattian	Khawat No.183, Khatooni No.476 to 494, Qitta 397, Hafizabad Road, Mohal & Tehsil Pindi Bhattian, District Hafizabad
179	Shahdad Pur	City Survey No.1009, Situated at Ward A, Station Road, Shahdadpur, District Sanghar.
180	Timergara	Ground Floor, Shah Shopping Centre, Bypass Road, Near Shaheed Chowk Timergara District Lower Dir.
181	Kunri	Plot No.148-149, Survey No. 209/1 & 209/2 Deh Chajhro, Tapo Chajhro, Taluka Kunri District Umerkot.
182	Lala Musa	Khata No.1, Khatooni No. 1 to 263, Khasra No. 288, G. T Road, Near Nisar Hospital, Mohal Kaira, Lala Musa, Tehsil Kharian & District Gujrat.
183	Qaidabad	Khawat No.1188, Khatooni No.1569, Plot No.62, Mianwali Sargodha Road Qaidabad Tehsil Qaidabad District Khushab.
184	Mailsi	Khewat No 73/71, Khatooni No. 97, Khasra no.92/19/2, Mohal & Tehsil Mailsi, District Vehari
185	Sangla Hill	Khewat No. 335, Khatooni No. 783, Murabba No. 28, Qila No.05, Main Safdarabad Road, Opposite Allah Bux Town, Chak No 46/R.B, Tehsil Sangla Hill, District Nankana Sahib.
186	Karachi-DHA	Shop # 01, Plot # 30-E, Badar Commercial, Street # 1, Phase V, DHA Karachi.
187	Kot Ghulam Muhammad	Ward No B,Plot No.977, Main Road Kot Ghulam Muhammad, Tehsil Kot Ghulam Muhammad, District Mirpurkhas
188	Chowk Shahbazpur	Khata No.101, Khatooni No. 273 to 276,Mohal Muhammad Nazazwasa, JDW Road, Chowk Shahbazpur, Tehsil Sadiqabad, District Rahim Yar Khan.
189	Sui Wala	Khatooni No. 731, Sui Wala, Mohala Hafiz Muhammad Wala, Tehsil & District Lodhran
190	Basti Malook	Khewat No.22, Khatooni No.180.-198, Mouza 12 F, Basti Malook, Tehsil Multan Saddar, District Multan
191	Mor Khunda	Khewat no 24,Khatooni No.166, Khasra No. 846/2/2, Main Lahore Road, Opposite UC-49 office,More Khunda, Tehsil & District Nankana Sahib
192	Hattian Bala	Khewat No. 5, Khatooni No.170, Chandkot, Tehsil Hattian Bala, District Jehlum Valley, AJK
193	Samundari	Khewat No.373/348, Khatooni No. 651 to 652, Chak no. 467, Ghaf Bay, Tehsil Samundari, District Faisalabad
194	Mehrabpur	DSC No.IIIA-285, Town Mehrabpur, District Naushehro Feroze, Sindh
195	Kahuta	Khasra No.144, Arshad Plaza, Main Rawalpindi Road, Near NBP Kahuta, tehsil Kahuta, District Rawalpindi.
196	Kallar Syedan	Khewat No.249, Khatooni No.453, mouza Kallar badhal, tehsil Kallar Syedan, District Rawalpindi
197	Shaheed Fazal Rahu	Plot No. A 1, Deh Barodari, Tapo Golarchi Taluka/Tehsil Shaheed Fazil Rahu, District Badin
198	Fateh Pur	Chak No.249 TDA, Ward NO.1., opposite Yaseen Petrol Pump, Karor Lal Esan Road, FatehPur, Tehsil Karor Lal Esan and District Layyah.
199	Gujranwala-SME	Main G. T Road Opposite General Bus Stand, Gujranwala, Tehsil & District Gujranwala
200	Bhera	Khewat No. 1304, Khatooni No 1877, Cha Jhangi Wala Dahkeli, Tehsil Bhera, District Sargodha
201	Harappa	Khewat-128/126, Khatooni-309/310, Jinnah Town, G.T. Road Harappa station, District & Tehsil, Sahiwal
202	Sialkot-SME	Mohalla Haji Pura, Main Road Near Executive Passport Office, Sialkot, Tehsil, District Sialkot.
203	Sharaqpur	Bhatti Town,Lahore Jaranwala Road Near Main Bus Stop Sharaqpur.
204	Gujrat-SME	Khasra No 872, Khatooni No. 1442, Nanwa Rangpura, Sargodha Road Gujrat.
205	Faisalabad-SME	Plot No 30, GCU Road, Jinnah Colony,Near Saeed Mart, Faisalabad.
206	Sargodha-SME	Khewat No 4334, Khatooni no. 4344, Khasra No. 196/A Sattelite town Block A, Chak No 42, NB Sargodha



47.3 The addresses of the permanent/GPO booths of the Bank are as follows:

S. No.	Permanent Booth Name	Address
1	<b>GPO-New Town Karachi</b>	General Post Office, New Town Guru Mandir, Karachi.
2	<b>GPO-Chandigarh Road Karachi</b>	General Post Office, I.I Chundrigar Road, Karachi.
3	<b>GPO-Model Town Lahore</b>	General Post Office, Model Town Lahore.
4	<b>GPO-Mall Road Lahore</b>	General Post Office, Bank Square, Mall Road, Lahore.
5	<b>GPO-University Road Peshawar</b>	General Post Office, Beside Pashtu Academy, University of Peshawar, Peshawar.
6	<b>GPO-Saddar Cannt Peshawar</b>	General Post Office, main Saddar,GPO Road Peshawar.
7	<b>GPO -G 6 Islamabad</b>	General Post Office, Near Melody Food Park, Sector G-6, Islamabad.
8	<b>GPO-Saddar Road Rawalpindi</b>	General Post Office, Main Saddar, Adjacent Mall Plaza, Mall Road, Rawalpindi.
9	<b>Nowshera Virkan</b>	Khewat No. 257, Khatooni No. 305, Qitta 2, Salim Khatta, Mohal Ghathri, Tehsil Virkan, Distt. Gujranwala
10	<b>Safdarabad</b>	Khewat No. 682, Khatooni No. 1356, Murrabba, 193, Qila 10, Mohal Chak 13 RB, Tehsil Safdarabad, Distt. Sheikhpura
11	<b>Phalia</b>	Khewat No. 14, Khatooni No. 69, Abdullah Plaza, Main gujrat Road, Phalia Keema, Distt. Mandibahauddin.
12	<b>GPO-Jafferabad</b>	Pakistan Post Office, T chowk, Dera Allah Yar, Distt. Jafferabad.
13	<b>GPO-Abdullah Haroon Road Karachi</b>	Pakistan Post Saddar GPO, Abdullah Haroon Road Karachi.
14	<b>Chaksawari</b>	Wahid Plaza, Main Road, Chaksawi, Mirpur, Azad Kashmir.
15	<b>GPO Oghi- Abbotabad</b>	Pakistan Post Office, Batgram Road, Near Police Station, Oghi, Distt. Mansehra
16	<b>Alipur Chatta</b>	Khewat No. 1100, Khatooni No 1547, Khasra No. 1599, Near Railway Phatak, Gujranwala Road, Tehsil Wazirabad, Alipur Chatta, Distt. Gujranwala.
17	<b>Lalian</b>	Khewat No. 291, Khasra No.720, Bangle Road, Near Nawab Chowk, Opposite Dera Ghulam Muhammad Lali, Mouza Lalian, Tehsil Lalian , District Chiniot
18	<b>Nowshera</b>	Khewat No. 821, Khatooni no. 1482, Khasra No. 2155, Opposite Nissal Plaza, Sakesar Road Nowshera, District Khushab
19	<b>Kamalia</b>	Khasra No. 4209, Plot No. 1062 D, Niaz Chowk, Mohalla Niazabad, Kamalia, District Toba Tek Singh
20	<b>Thoker Niaz Baig</b>	Khasra No 10713, Khatooni No. 1099, Lalazar Market Raiwind Road Lahore
21	<b>Mandi Faizabad</b>	Khewat No. 05, Khatooni No. 143- in Salam Khata, Qitat 104 Main Jaranwala Road, Mohala Kot Yaqoob, Mandi Faizabad
22	<b>Kot Momin</b>	Khawat No.226 Bhagtan Wala Road, Near Askar Petrol Pump, Mohal & Tehsil Kot Momin District, Sargodha
23	<b>Jhabran Mandi</b>	Khewat 1096/1084, Khatooni no. 2257, Main Grain Market Jhabran Mandi , Sheikhpura.
24	<b>Chungi Amar Sadhu</b>	Khewat No. 194, Khatooni No. 542 to 549, Ferozepur Road, Mouza Dhollu khurd, Model Town, Lahore.
25	<b>Paroa</b>	Khewat No. 859, Khatooni No. 1135, Khasra No. 2452/3121, Main Paroa Adda, Near HBL, Tehsil Paroa, Distt. D.I.Khan
26	<b>Qila Didar Singh</b>	Khewat No.1246, Khatooni No.1543, Khasra No. 324, Main Bazar Adjacent to Govt. Technical Training Center Mouza Qila Didar Singah Tehsil & District Gujranwala.
27	<b>Dulley Wala</b>	Khewat No. 2126/2039,Khatooni No. 3649, MM Road, Mohal Dulley Wala, Tehsil & District Bhakkar
28	<b>Dinga</b>	Khasra No. 3028/2, & 3028/1, Khewat No 140 & 142, Khatooni No. 747, 749, Mouza Dinga, tehsil Kharian, district Gujrat
29	<b>GPO-Gujranwala</b>	General Post office, Main GT Road, Near Dal Bazar, gujranwala, teshil & District Gujranwala
30	<b>GPO-SAILKOT</b>	General Post office, Main Paris Road, Saikot
31	<b>GPO-Gilgit</b>	General Post office, Near Govt. Boys High School No.1, Gilgit, Tehsil & District Gilgit
32	<b>GPO- Faisalabad</b>	General Post office, Main Railway Road, Near Ghumti, Faisalabad.
33	<b>Gharo</b>	Main National Highway ,Near Town Committee gharo, Taluka Mirpur Sakro, District Thatta

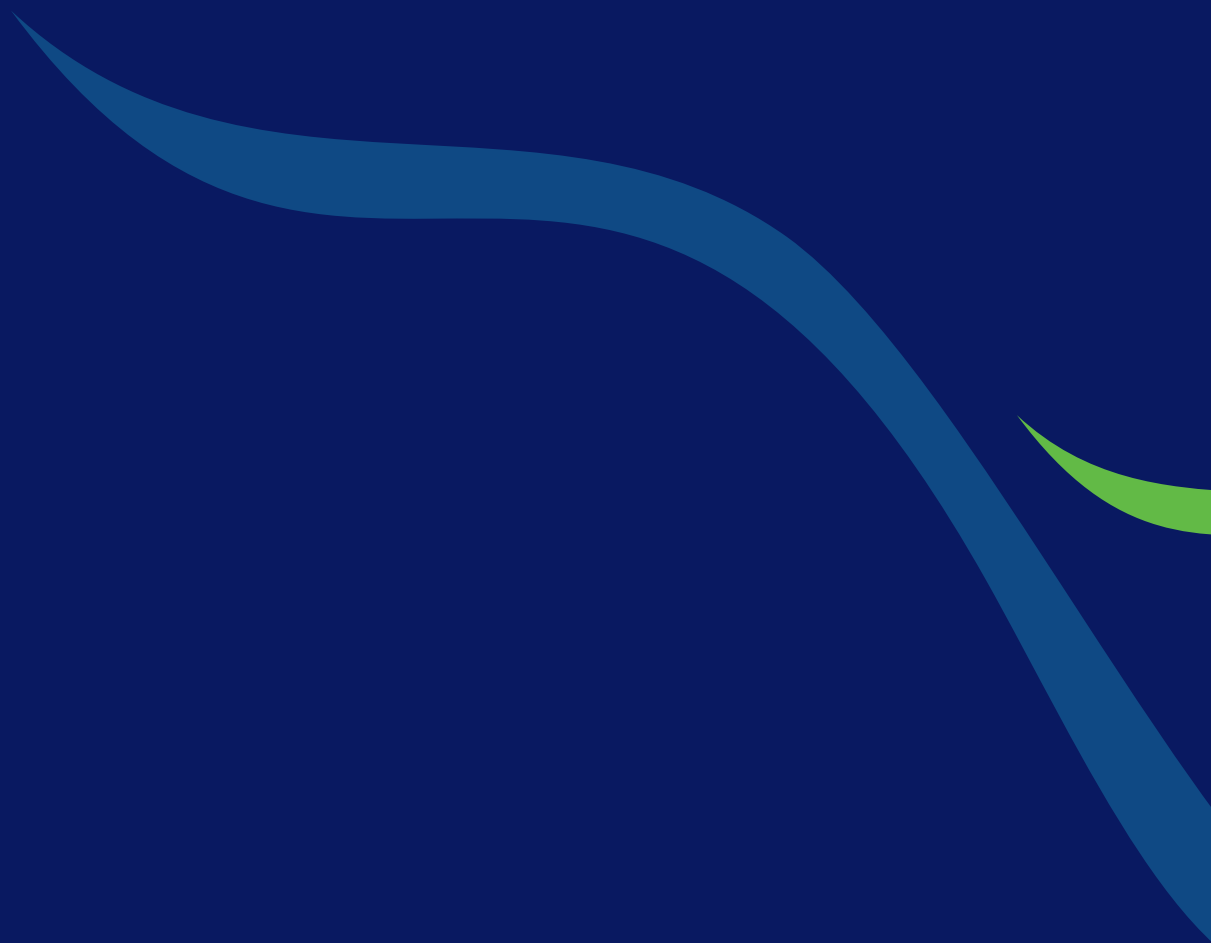
47.4 Figures have been rounded off to the nearest thousand rupees unless otherwise stated.

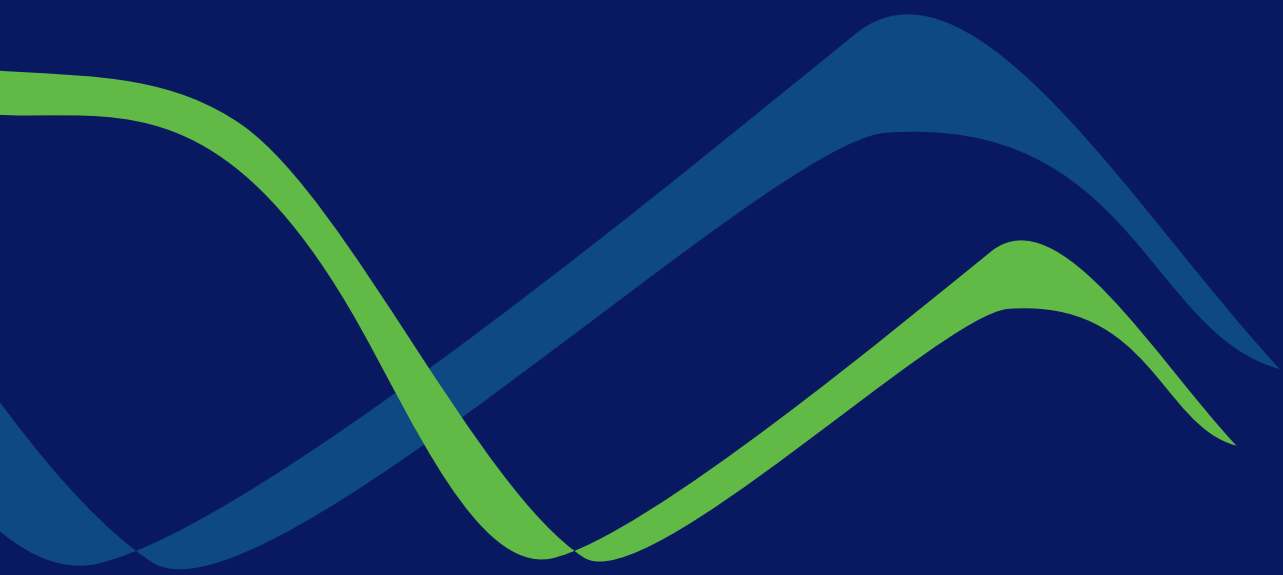
  
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