



Condensed Quarterly Accounts
(Un-Audited)
SEP - 2023



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BALANCE SHEET

	Note	Actual 30-Sep-23 PKR Million	Actual 31-Dec-22 PKR Million
ASSETS			
Balances with State Bank of Pakistan	1	1,510	2,677
Cash in hand and balances with banks	2	2,959	3,505
Lending to financial institutions	3	4,746	4,893
Investments - net of provisions	4	12,116	14,162
Gross Advances		74,127	88,595
<i>Less: Provisions Held</i>		2,944	2,223
Advances - net of provisions	5	71,183	86,372
Operating fixed assets	6	3,079	4,154
Other assets	7	14,688	14,433
Deferred tax assets		4,062	2,010
Total Assets		114,343	132,206
LIABILITIES			
Deposits and other accounts	8	98,848	111,792
Borrowings	9	1,818	2,175
Subordinated debt	10	3,000	4,500
Other liabilities	11	5,449	5,630
Total Liabilities		109,115	124,097
NET ASSETS		5,228	8,109
REPRESENTED BY :			
CAPITAL			
Paid up capital	20	1,954	1,705
Share Premium		1,251	-
Capital and general reserves	12	1,929	1,876
Unappropriated profit		82	4,514
		5,216	8,095
Deferred Grants	21	12	14
Total Capital		5,228	8,109

PROFIT AND LOSS ACCOUNT

	Note	YTD - SEP - 23	YTD - SEP - 22
		Actual PKR Million	Actual PKR Million
Gross Markup Earned on Advances		18,307	16,933
Markup Suspended/Waiver on Advances	13	(4,391)	(4,963)
Net Mark up/Interest Earned on advances		13,916	11,970
Net Mark up/Interest Earned on Investments/Placements		2,319	1,937
Total Mark up / Interest earned		16,235	13,907
Mark up/Interest Expensed on Borrowings/Debt		1,073	930
Mark up/Interest Expensed on Deposits		11,458	7,737
Mark up / Interest expensed		12,531	8,667
Net Mark up / Interest income		3,704	5,240
Micro Credit Processing Fees	14	1,065	1,337
Retail Banking Services Fees	15	110	108
Non Mark up/Interest Income		1,175	1,445
Gross Income Earned		4,879	6,685
OPERATING EXPENSES			
Salaries, wages & other benefits		3,034	2,742
Incentive on Asset and Liability Sales		272	197
Recruitment & Development		2	5
Management consultancy		1	1
IT Operations		547	349
Training & Development		10	22
Operating Lease/Rent Expense	18	548	512
Meeting & Conferences		28	28
Utilities		332	326
Communication & Verification		81	101
Traveling & conveyance		23	24
Insurance	16	53	56
Repair & maintenance		65	69
Security services		49	45
Health Hygiene - COVID -19		-	2
Vehicle running & maintenance		622	429
Legal & Professional		31	16
Printing, stationery & office supplies		136	162
Subscription		4	5
Advertisement & business promotion		29	172
Financial charges		67	62
ATM Operations and Call Center Charges		59	22
Depreciation and amortization		469	471
Other Expenses		12	4
Workers Welfare Fund		-	9
		6,474	5,831
Reimbursement of Social Mobilization Cost		-	2
		6,474	5,829
Net Provision against advances/other assets	17	4,736	4,675
Total operating expenses		11,210	10,504
OPERATING PROFIT/(LOSS)		(6,331)	(3,819)
OTHER INCOME			
Amortization of deferred grant		2	-
Gain/(Loss) on Disposal of Fixed Assets		23	(1)
Modification of ROU Asset/Liability	18.2	69	-
Miscellaneous Income		2	1
		96	-
PROFIT/(LOSS) BEFORE TAXATION		(6,235)	(3,819)
Taxation - Current	19	271	191
- Prior Year	19	-	-
- Deferred		(2,074)	(1,312)
		(1,803)	(1,121)
PROFIT/(LOSS) AFTER TAXATION		(4,432)	(2,698)
Un-appropriated profit b/f		4,514	7,616
UNAPPROPRIATED PROFIT c/f		82	4,918

NOTES TO THE MANAGEMENT ACCOUNTS

1	BALANCES WITH SBP	Note	30-Sep-23		31-Dec-22	
			PKR Million		PKR Million	
	Balances with SBP	1.1	1,510		2,677	
			<u>1,510</u>		<u>2,677</u>	
1.1	This represents balance held with State Bank of Pakistan to meet the requirement of maintaining minimum balance equivalent to 5% (2022: 5%) of the Bank's time and demand liabilities in accordance with the Regulation R - 3A.					
2	CASH IN HAND AND BALANCES WITH BANKS		30-Sep-23		31-Dec-22	
			PKR Million		PKR Million	
	Cash in hand		1,137		2,387	
	Current Account		329		997	
	Saving Account	2.1	1,493		121	
			<u>2,959</u>		<u>3,505</u>	
2.1	This represents corporate accounts carrying interest rate ranging from 20.50% to 24.00% (2022: 4.50% to 14.50%) per annum.					
3.	LENDING TO FINANCIAL INSTITUTIONS		30-Sep-23		31-Dec-22	
			PKR Million		PKR Million	
	Reverse Repo Lending	3.1	4,746		4,893	
			<u>4,746</u>		<u>4,893</u>	
3.1	This represents reverse repo lending at the rate ranging from 22.10% to 22.70% per annum (2022: 16.00% to 16.50% per annum) maturing on October 23, 2023 (2022: January 3, 2023)					
3.2	Securities held as collateral against lending to financial institutions - Reverse Repo					
			Held by Bank	Further given as collateral	Total	
			PKR Million			
	Market Treasury Bills/PIB's		4,905	-	4,905	
			<u>4,905</u>	<u>-</u>	<u>4,905</u>	
4.	INVESTMENTS - NET OF PROVISIONS		30-Sep-23		31-Dec-22	
		Note	PKR Million		PKR Million	
	Available for sale securities					
	Pakistan Investment Bonds	4.1	11,958		11,205	
	Held to maturity securities					
	Term Finance Certificates	4.2	150		150	
	Term Deposit Receipts/Placements	4.3	-		2,875	
			<u>12,108</u>		<u>14,230</u>	
	Surplus/(Deficit) on revaluation on T-Bills/PIB's	4.4	8		(68)	
			<u>12,116</u>		<u>14,162</u>	
4.1	This represents 3 years PIB's having floater coupon rate ranging from 21.99% to 23.39% per annum (2022: 7.00% to 17.30% per annum) maturing on February 9, 2026.					
4.2	This represents 10,000 and 100 term finance certificates (TFC's) having face value of Rs.5,000/- and Rs.1,000,000/- each duly issued by Bank Al Habib Limited and Soneri Bank Limited respectively for perpetual tenor. These TFC's carrying profit @ 6 month KIBOR plus 1.50% and 2.00% respectively receivable on semi annual basis from the date of issue.					
4.3	This represents placement with microfinance bank carrying interest rate NIL% (2022: 17.00%) per annum.					
4.4	In compliance with the requirements of the Regulations (R-11C), available for sale investments have been valued on mark-to market basis and the resulting (deficit) / surplus is kept in a separate account and is charged through statement of comprehensive income.					
5.	ADVANCES - NET OF PROVISIONS	Note	30-Sep-23		31-Dec-22	
			Loans Outstanding	Amount outstanding	Loans Outstanding	Amount outstanding
			Number	PKR Million	Number	PKR Million
	General Loans					
	Secured/Semi Secured	5.1	136,909	16,671	177,434	19,094
	Unsecured	5.3	352,774	26,345	441,678	31,400
			<u>489,683</u>	<u>43,016</u>	<u>619,112</u>	<u>50,494</u>
	Micro Enterprise Loans					
	Secured	5.2	42,926	15,859	68,410	22,311
	Unsecured	5.2	25,792	7,067	35,170	6,197
			<u>68,718</u>	<u>22,926</u>	<u>103,580</u>	<u>28,508</u>
	Micro Housing Loans					
	Secured		2,106	2,900	2,101	2,989
	Unsecured		7,747	3,352	10,067	4,543
			<u>9,853</u>	<u>6,252</u>	<u>12,168</u>	<u>7,532</u>
	Microcredit advances :		<u>568,254</u>	<u>72,194</u>	<u>734,860</u>	<u>86,534</u>
	Staff Loans					
	Staff Loans - General Purpose	5.4	1,792	414	2,280	459
	Staff Loans - Housing Finance	5.5	394	1,519	401	1,602
			<u>2,186</u>	<u>1,933</u>	<u>2,681</u>	<u>2,061</u>
	Gross advances :		<u>570,440</u>	<u>74,127</u>	<u>737,541</u>	<u>88,595</u>
	Less : provisions held					
	Specific provision		47,724	2,168	33,867	1,609
	General provision		463,548	776	590,905	614
			<u>511,272</u>	<u>2,944</u>	<u>624,772</u>	<u>2,223</u>
	Advances - Net of Provisions		<u>570,440</u>	<u>71,183</u>	<u>737,541</u>	<u>86,372</u>
5.1	This includes microcredit loans amounting to Rs. 16.8 million (2022: Rs. 24.2 million) which are partially (50%) secured against own deposit lien marking with the Bank.					

- 5.2 This includes 1,544 (2022: 64) micro enterprise clients having aggregate outstanding amount of Rs. 116.1 million (2022: Rs. 4.1 million) which are 50% backed by Guarantee under the of Loan Portfolio Guarantee Agreement between USAID and the Bank on September 30, 2014. The Guarantee is effective from November 24, 2014. Further to existing credit guarantee agreement with USAID, the Bank also enters into two 50% partial credit guarantee agreement for enterprise lending to KPK Borrowers and Women Entrepreneurs nationwide for eight years. These two new credit guarantees are effective from February 15, 2023
- 5.3 This includes 8,940 (2022: 10,754) borrowers having aggregate outstanding amount of Rs. 587.37 million (2022: Rs. 693.5) against the issuance of Credit Guarantee Scheme for Small Marginalized Farmers (CGSMF) approved by State Bank of Pakistan which is 50% backed by Guarantee under the terms of the scheme.
- 5.4 This represents short to medium term general purpose loans to employees of the Bank carrying fixed interest at the rate of 5% per annum (2022: 5%) per annum. These loans are partially secured against employees' accrued terminal benefits.
- 5.5 This represents long term housing loans to eligible employees of the Bank for the period ranging from 5 to 20 years carrying fixed interest at the rate of 5% per annum (2022: 5%) annum. These loans are secured against equitable mortgage over unencumbered property.
- 5.6 Particulars of non-performing advances
- Non performing advances includes principal amount of Rs. 4,448.20 million and interest/markup amount of Rs. 2,482.02 million (2022: principal amount of Rs. 3,502.80 million and interest/markup amount of Rs. 1,432.78 million) which, as detailed below, have been placed under non performing status.

Category of classification	30-Sep-23			31-Dec-22		
	Amount out standing	Provision required	Provision held	Amount out standing	Provision required	Provision held
General and Staff Loans		PKR Million			PKR Million	
OAEM	268	-	-	934	0	0
Sub-standard	403	69	69	852	147	147
Doubtful	3,804	1,150	1,150	1,018	351	351
Loss	271	170	170	753	499	499
	4,746	1,389	1,389	3,557	998	998
Micro Enterprise Loans						
OAEM	267	19	19	190	12	12
Sub-standard	412	70	70	226	41	41
Doubtful	304	84	84	156	58	58
Loss	1,047	554	554	713	471	471
	2,029	727	727	1,285	582	582
Micro Housing Loans						
OAEM	21	-	-	23	-	-
Sub-standard	40	9	9	29	6	6
Doubtful	55	21	21	24	10	10
Loss	38	22	22	18	13	13
	155	52	52	94	29	29
	6,930	2,168	2,168	4,936	1,609	1,609

- 5.7 Particulars of the provisions against non-performing advances

	30-Sep-23			31-Dec-22		
	Specific	General	Total	Specific	General	Total
		PKR Million			PKR Million	
Opening Provision	1,609	614	2,223	575	1,054	1,629
Provision Charge	4,839	162	5,001	6,082	(440)	5,642
Less: Portfolio Charged off	4,280	-	4,280	5,048	-	5,048
Closing Provision	2,168	776	2,944	1,609	614	2,223

- 5.8 Particulars of Charge off during the nine months/year

	30-Sep-23	31-Dec-22
	PKR Million	PKR Million
Loans Charge off against provision	4,280	5,048
Loans Charge off directly	409	247
	4,689	5,295

- 5.9 Particulars of Off Balance Sheet Product wise Loans Charged off:

The outstanding balance of charged off loans since establishment of the Bank till date is as under:

	30-Sep-23	31-Dec-22
	PKR Million	PKR Million
General and Staff Loans		
Group	9,811	8,648
Individual	9,548	6,784
	19,359	15,432
Micro Enterprise Loans	372	329
Micro Housing Loans	5	5
	19,736	15,766

- 5.10 Portfolio Quality

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 class 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-advances.

Loans payment 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 of delay days 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.

Loan Portfolio	Note	30-Sep-23		31-Dec-22	
		Portfolio at Risk %	Amount Outstanding PKR Million	Portfolio at Risk %	Amount Outstanding PKR Million
Normal and Staff Loans					
Current		0.00%	52,883	0.00%	63,333
Watchlist		1.13%	628	1.32%	868
OAEM		0.59%	326	0.70%	461
Substandard		0.77%	426	0.57%	375
Doubtful		1.59%	882	0.46%	304
Loss		0.50%	275	0.42%	278
		4.58%	55,420	3.48%	65,620
Deferred and Restructured - Repeat Loans					
Current		0.00%	9,780	0.00%	11,060
Watchlist		0.97%	106	0.29%	192
OAEM		0.96%	105	0.18%	118
Substandard		1.25%	137	0.17%	115
Doubtful		6.40%	700	0.20%	132
Loss		1.07%	117	0.20%	131
		10.64%	10,945	1.05%	11,747
Deferred and Restructured Loans					
Current		0.00%	6,237	0.00%	9,216
Watchlist		0.59%	46	3.77%	423
OAEM		0.88%	68	2.57%	288
Substandard		0.88%	68	2.79%	314
Doubtful		12.52%	972	3.65%	410
Loss		4.78%	371	5.14%	578
	5.10.2	19.65%	7,762	17.92%	11,228
Global Over Due Loans		7.05%	74,127	5.63%	88,595
Global Non-Performing Loans		6.00%	4,447	3.95%	3,502.80

5.10.1 Category wise portfolio classification is as under:

Loan Portfolio	Portfolio at Risk	30-Sep-23			Portfolio at Risk	Normal	Deferred Rescheduled	Total
		%	PKR Million					
General and Staff Loans								
Current	0.00%	27,299	14,192	41,491	0.00%	31,435	17,558	48,993
Watchlist - 1-29 Days	0.98%	330	109	439	2.07%	543	546	1,089
OAEM - 30-59 Days	0.60%	152	116	268	1.29%	305	371	676
Substandard - 60-89 Days	0.62%	131	147	278	1.12%	226	365	591
Doubtful - 90-179 Days	5.12%	686	1,616	2,302	1.34%	223	482	705
Loss - 180 -209 Days	0.38%	80	90	171	0.95%	135	365	500
	7.69%	28,677	16,272	44,949	6.78%	32,867	19,687	52,554
Micro Enterprise Loans								
Current	0.00%	19,891	1,448	21,339	0.00%	25,043	2,184	27,227
Watchlist - 1-89 Days	1.21%	246	32	278	1.16%	276	55	331
OAEM - 90-179 Days	0.92%	158	51	210	0.59%	138	31	169
Substandard - 180 - 364 Days	1.39%	270	49	319	0.66%	130	57	187
Doubtful - 365 - 544 Days	0.92%	165	45	211	0.42%	71	50	121
Loss - 545 - 1945 Days	2.49%	187	383	570	1.66%	141	333	474
	6.92%	20,918	2,008	22,926	4.50%	25,797	2,711	28,509
Micro Housing Loans								
Current	0.00%	5,692	377	6,069	0.00%	6,854	534	7,388
Watchlist - 1 - 89 Days	1.01%	52	11	63	0.84%	49	14	63
OAEM - 90-179 Days	0.34%	16	5	21	0.29%	18	4	22
Substandard - 180-364 Days	0.56%	26	9	35	0.35%	20	6	26
Doubtful - 365 - 729 Days	0.67%	31	10	42	0.27%	10	10	20
Loss - 730-1945 Days	0.36%	8	15	22	0.17%	3	10	13
	2.93%	5,825	427	6,252	1.91%	6,955	577	7,532
Global Over Due Loans	7.05%	55,420	18,707	74,127	5.63%	65,619	22,976	88,595

5.10.2 This consist of outstanding rescheduled/deferred loan portfolio (DRP) against SBP COVID relief package.

	Loans Outstanding	Amount Outstanding
	Number	PKR Million
Rescheduled/Deferred Loans under regulatory relief	5,192	410
Rollover Loans under internal policy	120,008	7,352
Total Outstanding Deferred and Rescheduled Loans	125,200	7,762

6. OPERATING FIXED ASSETS	Note	30-Sep-23		31-Dec-22	
		PKR Million		PKR Million	
Capital work-in-progress	6.1	280		280	262
Right of Use Assets	6.2	1,169		1,169	2,007
Property and equipment	6.3	1,158		1,158	1,345
Intangible assets	6.3	472		472	540
		3,079		3,079	4,154

6.1 Capital Work-in-progress
This includes payments made to the vendor for the development of various software Modules and purchase of fixed assets.

	30-Sep-23		31-Dec-22	
	PKR Million		PKR Million	
Opening Balance	262		262	205
Advances issued	352		352	1,030
Assets transferred	(334)		(334)	(973)
Closing Balance	280		280	262

6.2 RIGHT OF USE ASSETS	30-Sep-23		31-Dec-22	
	PKR Million		PKR Million	
Opening Right of Use Assets	3,479		3,479	2,493
Asset Recognized/(Derecognized) during the nine months/year	(612)		(612)	986
Total ROU Assets	2,867		2,867	3,479
Accumulated Depreciation	(1,698)		(1,698)	(1,472)
Net Right of Use Assets	1,169		1,169	2,007

6.3 Property and Equipment & Intangible Assets

	Leasehold Improvements	Vehicles	Furniture & Fixture	Electrical and Office Equipment	Computer Equipment	Total	Computer Software
Cost	PKR Million						PKR Million
Balances as on January 1, 2023	591	480	600	852	1,279	3,802	1,164
Additions	14	-	9	87	157	267	20
Disposals	(105)	(30)	(29)	(22)	(27)	(213)	(1)
Balance as on September 30, 2023	500	450	580	917	1,409	3,856	1,183
Depreciation	PKR Million						PKR Million
Balances as on January 1, 2023	331	326	312	625	863	2,457	624
Depreciation/Amortization Charge	59	55	41	69	158	382	87
Disposals	(39)	(29)	(24)	(22)	(27)	(141)	-
Balance as on September 30, 2023	351	352	329	672	994	2,698	711
Carrying Value	PKR Million						PKR Million
As on September 30, 2023	149	98	251	245	415	1,158	472
As on December 31, 2022	260	154	288	227	416	1,345	540
Rate of Depreciation per annum	20.00%	25.00%	10.00%	20.00%	20% - 33.33%		33.33%

7. OTHER ASSETS	Note	30-Sep-23	31-Dec-22
		PKR Million	PKR Million
Markup/interest accrued on advances	7.1	14,744	14,027
Less: Suspended Markup/interest on non performing advances	7.1	2,482	1,433
		12,262	12,594
Interest receivable on investments/placements		569	436
Advances to staff		17	6
Advances to Suppliers and Service Providers		8	1
Prepayments & Security deposit		400	295
Receivable from MSDF	7.2	3	2
Insurance Claims Receivable		65	52
Receivable from SBP		888	523
Advance Taxation		199	347
Other receivables		491	640
		14,902	14,896
Less: Provision held against classified assets			
Opening Provision		463	128
Provision Charge during the nine months		(249)	343
Receivable written off against provision		-	(8)
Closing Provision		214	463
		14,688	14,433
7.1 Markup Receivable and Suspended Markup represented by:			
Markup on DRR Portfolio		4,817	6,097
Suspended Markup on DRR Portfolio		(1,291)	(966)
Net Markup Receivable on DRR Portfolio		3,526	5,131
Markup on DRR - Repeat Portfolio		2,482	1,610
Suspended Markup on DRR Repeat Portfolio		(457)	(151)
Net Markup Receivable on DRR Repeat Portfolio		2,024	1,459
Markup on Normal Portfolio		7,445	6,320
Suspended Markup on Normal Portfolio		(734)	(316)
Net Markup Receivable on Normal Portfolio		6,712	6,004
Net Markup Receivable on Advances		12,262	12,594

7.2 This represents claims lodged by the Bank with Microfinance Social Development Fund (MSDF) for reimbursement of client acquisition cost incurred by the Bank under the Loan Agreement (Special Operations) - Microfinance Sector Development Project, Loan #1806 between ADB and Islamic Republic of Pakistan.

8. DEPOSITS	Note	30-Sep-23		31-Dec-22	
		Accounts Outstanding	Amount Outstanding	Accounts Outstanding	Amount Outstanding
		Number	PKR Million	Number	PKR Million
Time Liabilities:					
Term Deposits	8.2	60,623	75,466	55,052	68,471
Demand Liabilities:					
Saving Deposits	8.3	92,001	17,019	83,082	33,762
Current Deposits	8.4	2,997,560	6,272	2,979,936	9,525
Call Deposits (CDR)		531	91	609	34
		3,090,092	23,382	3,063,627	43,321
		3,150,715	98,848	3,118,679	111,792
8.1 Particulars of Deposits by ownership					
Individual Depositors		3,145,879	86,494	3,113,916	78,278
Institutional Depositors					
a) Corporations/Firms		4,801	9,498	4,714	27,564
a) Banks/Financial Institutions		35	2,856	49	5,950
		3,150,715	98,848	3,118,679	111,792

- 8.2 This represents term deposits having tenure of 3 to 60 months (2022: 1 to 36 months) carrying interest at rates ranging from 8.50% to 24.00% (2022: 7.00% to 17.50%) per annum. The term deposits amounting to Rs 537.38 Million (2022: Rs 623.09 Million) are lien marked against advances to borrowers.
- 8.3 This represents saving deposits carrying interest rates ranging from 5.00% to 23.00% per annum (2022: 5.00% to 17.50%). The saving deposits amounting to Rs. 8.80 million (2022: Rs. 26.01 million) are lien marked against advances to borrowers.
- 8.4 This represents non-remunerative current deposits . The current deposits amounting to Rs. 33.72 million (2022: Rs. 43.22 million) are lien against advances to borrowers.

9. BORROWINGS	Note	30-Sep-23	31-Dec-22
		PKR Million	PKR Million
Borrowings from banks/financial Institutions in Pakistan			
Secured	9.1	1,818	2,175
		1,818	2,175
9.1 Borrowings from Financial Institutions in Pakistan			
The Bank of Punjab (TF-2)	9.1.1	188	375
Pakistan Mortgage Refinance Company Limited (TF-1)	9.1.2	899	900
Pakistan Mortgage Refinance Company Limited (TF-2)	9.1.3	338	450
Pakistan Mortgage Refinance Company Limited (TF-3)	9.1.4	394	450
		1,818	2,175

9.1.1 This represents interbank money market borrowing carrying interest rate ranging from 10.85% to 23.09% (2022: 10.85% to 17.82%) per annum for a period of 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.

9.1.2 This represents mortgage refinance facility for creating Bank's housing mortgage portfolio carrying fixed interest rate of 6.5% per annum for first 5 years and annum for next 5 years 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 Housing Finance (GMSS). Markup is payable quarterly in arrears. This borrowing is secured against charge over present and future current assets of the Bank Rs.1,200 million.

9.1.3 This represents mortgage refinance facility for creating Bank's housing mortgage portfolio carrying floating interest rate ranging from 11.82% to 21.34% per with floor of 8% for a period of 3 years from the draw down date inclusive of 1 years as grace period under the Government's Markup Subsidy Scheme for Finance (GMSS). Markup is payable half yearly in arrears. This borrowing is secured against charge over present and future current assets of the Bank worth Rs. million.

9.1.4 This represents mortgage refinance facility for creating Bank's housing mortgage portfolio carrying floating interest rate ranging from 12.32% to 21.84% per with floor of 8% for a period of 5 years from the draw down date inclusive of 1 years as grace period under the Government's Markup Subsidy Scheme for Finance (GMSS). Markup is payable half yearly in arrears. This borrowing is secured against charge over present and future current assets of the Bank worth Rs. million.

10. SUB-ORDINATED DEBT	Note	30-Sep-23	31-Dec-22
		PKR Million	PKR Million
Term Finance Certificate IV (TFCs) - Additional Tier I	10.1	-	1,500
Term Finance Certificate I (TFCs) - Tier II	10.2	1,000	1,000
Term Finance Certificate II (TFCs) - Tier II	10.3	1,400	1,400
Term Finance Certificate III (TFCs) - Tier II	10.4	600	600
		3,000	4,500

10.1 This represents rated, unsecured, subordinated, privately placed/DSL R Listed, Perpetual and Non-Cumulative Debt Instrument in the nature of Additional Tier I Term Finance Certificates of worth Rs.100,000/- each fully subscribed on June 16, 2022. The funds raised by the Bank through the issuance of these TFC's have contributed towards the Bank's Additional Tier 1 Capital for meeting its capital adequacy requirements as per Basel III Guidelines set by SBP under BPRD Circular 6 dated 15th August 2013. The instrument is sub-ordinated to the payment of principal and profit to all other indebtedness of the Bank Including the TFC's under previously issued by the Bank. These funds are intended to be utilized for the Bank's ongoing business operations in accordance with the Bank's Memorandum Articles of Association. The instrument has assigned preliminary rating of single 'A-' (Single A Minus) with stable outlook.

Profit is priced @ 6 months KIBOR plus 4.00% and repayable every six months in arrears. The Bank may call the TFC's at par (either partially or in full) with approval from SBP, on any profit payment date after 5 years from the issue date. The instrument has lockin and loss absorption clauses and no put option.

10.2 This represents rated, unsecured, subordinated and privately placed term finance certificates of worth Rs.100,000/- each fully subscribed on March 19, 2018. for a period of 8 years from the date of subscription and mature on March 19, 2026. The issue has assigned preliminary rating of single 'A' (Single A) with outlook.

Profit is priced @ 6 months KIBOR plus 2.05% and repayable every six months in arrears while principal shall be redeemed in two equal semi annual the end of 90th and 96th months.

The issue has call option after 10th redemption date, lockin clause and loss absorbency clause.

10.3 This represents rated, unsecured, subordinated and privately placed term finance certificates of worth Rs.100,000/- each fully subscribed on December 27, issue is for a period of 8 years from the date of subscription and mature on December 27, 2027. The issue has assigned preliminary rating of single 'A' (Single stable outlook).

Profit is priced @ 3 months KIBOR plus 2.70% and repayable every three months in arrears while principal shall be redeemed in twelve equal quarterly commencing from the 63th month from the issue date. The issue has lockin and loss absorbency clause.

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

The issue has lockin and loss absorbency clause.

11. OTHER LIABILITIES	Note	30-Sep-23 PKR Million	31-Dec-22 PKR Million
Markup/Interest payable on deposits		1,522	1,564
Markup/Interest payable on borrowings/subordinated debt		657	192
Bills Payable		119	174
Accrued expenses		797	640
Payable to defined benefit plan - Gratuity/EOBI		25	32
Payable to suppliers and service providers		242	48
Provision for workers welfare fund		89	89
Sundry deposits		9	1
Right of Use Liability		1,690	2,547
Dividend Payable		108	108
Other Payables		191	235
		5,449	5,630
12. CAPITAL AND GENERAL RESERVES			
Statutory Reserve		1,900	1,900
Capital Reserve		24	24
Net Surplus/(Deficit) on revaluation of available for sale securities		5	(48)
		1,929	1,876
13. MARKUP/INTEREST ON ADVANCES		30-Sep-23 PKR Million	30-Sep-22 PKR Million
Gross Markup/Interest Earned			
Markup/Interest on Advances - General Loans		11,517	9,944
Markup/Interest on Advances - Micro Enterprise Loans		5,509	5,556
Markup/Interest on Advances - Micro Housing Loans		1,212	1,371
Markup/Interest on Advances - Staff Loans		69	62
Gross Markup Earned		18,307	16,933
Less: Markup/Interest Suspended	13.1	(3,440)	(3,933)
Less: Markup/Interest Waiver	13.2	(951)	(1,030)
Net Markup Earned	13.3	13,916	11,970
13.1 Gross Markup/Interest Earned			
Gross Markup/Interest Earned on Normal Portfolio		13,547	14,762
Gross Markup/Interest Earned on DRR Repeat Portfolio		2,579	0
Gross Markup/Interest Earned on DRR Portfolio		2,181	2,171
		18,307	16,933
13.2 Markup/Interest Suspended:			
Markup/Interest Suspended on Normal Portfolio		(1,108)	(1,395)
Markup/Interest Suspended on DRR Repeat Portfolio		(520)	(0)
Markup/Interest Suspended on DRR Portfolio		(1,811)	(2,538)
		(3,440)	(3,933)
13.3 Markup/Interest Waiver:			
Markup/Interest Waiver on Normal Portfolio		(162)	(107)
Markup/Interest Waiver on DRR Repeat Portfolio		(53)	-
Markup/Interest Waiver on DRR Portfolio		(735)	(923)
		(951)	(1,030)
14. MICROCREDIT PROCESSING FEES			
Micro Credit Processing Fee - General Loans		802	979
Micro Credit Processing Fee - Micro Enterprise Loans		263	328
Micro Credit Processing Fee - Micro Housing Loans		1	30
		1,065	1,337

	Note	30-Sep-23 PKR Million	30-Sep-22 PKR Million
15. RETAIL BANKING SERVICES FEES			
Banking Services Fee		101	90
Remittance Services Fee		1	3
Bancassurance Services Fee		7	14
BB Channel Services Fee		1	1
		110	108
16. INSURANCE			
Insurance - Advances		8	11
Insurance - Deposits		1	7
Insurance - Operating Fixed Assets & Others		44	38
		53	56
17. NET PROVISION AGAINST ADVANCES/OTHER ASSETS			
Provision against advances			
Specific Provision	5.7, 17.1	4,839	5,030
General Provision	5.7	162	(449)
		5,001	4,581
Bad Debts Written off Directly		409	122
Bad Debts Recovered		(425)	(79)
Net Provision against advances		4,985	4,624
Provision against Other Assets			
Provision against other assets	7	(249)	51
Recovery against other assets		-	-
		(249)	51
		4,736	4,675
17.1 Specific Provision Expense:			
Specific Provision Expense on Normal Portfolio		2,207	3,291
Specific Provision Expense on DRR Repeat Portfolio		941	0
Specific Provision Expense on DRR Portfolio		1,691	1,739
		4,839	5,030
18. PREMISES RENT & OPERATING LEASE			
Interest Expense - Operating Lease Liability		178	190
Depreciation - Right of Use Assets		342	292
Rent Expense - Archiving Services		28	30
		548	512
18.1 IFRS 16 INCREMENTAL IMPACT			
Premises Rent Expense		396	383
IFRS 16 Impact		124	99
Rent Expense - Archiving Services		28	30
		548	512
18.2 Gain/(Loss) on Modification of ROU Asset & Liability			
Gain / (Loss) on modification of ROU Asset & Liability	18.2.1	132	-
Closure or relocation cost	18.2.4	(63)	-
		69	-
<p>18.2.1 This represents net gain / (loss) on modification of existing lease agreements of Corporate & treasury office and 21 other locations including 11 SM branches, 6 retail branches, 3 Booths/SC and 1 store. Under IFRS 16 all these amendments i.e. reduction in lease terms of existing contracts are accounted for as modifications, where standard requires:</p> <p>a) Reduction of ROU asset and lease liability in proportion to the reduction in lease terms and recognise the difference in profit & loss; Note 18.2.2</p> <p>b) Adjust the lease liability resulting from step a to its modified carrying amount with a corresponding charge to the ROU asset. Note 18.2.2</p>			
<p>18.2.2 Reduction in ROU Asset & Liability</p>			
	Note	30-Sep-23 PKR Million	30-Sep-22 PKR Million
Reduction of ROU Assesst & Liability			
CV of ROU Assets pertaining to modified lease agreements		886	-
PV of ROU Liability pertaining to modified lease agreements		920	-
Gain / (Loss) on modification (a)		34	-
Adjustment of ROU Assesst & Liability			
CV of ROU Assets pertaining to modified lease agreements		98	-
PV of ROU Liability pertaining to modified lease agreements	18.2.3	-	-
Gain / (Loss) on Adjustment		98	-
Net Gain / (loss) on modification of lease agreements (a+b)		132	-

18.2.3 All modifications are reduction in lease term of existing contracts where all agreements will expire in the month of June & Jul 2023, ROU assets & liabilities are recalculated on revised lease terms, accordingly ROU asset have been recognised while ROU liability will be zero as the Bank has payment terms of advance payments in all lease agreements resultantly one time gain is Profit & Loss account. This gain reflects to prior periods additional impact of interest expense on ROU liability booked in approximately Rs. 400mn at the time of adoption in June 2019.

18.2.4 This head includes all the cost related to branch closure, relocation and write of leasehold assets on these locations. Leasehold improvements of 12 SME branches and Corporate office ufone tower have been written off during the period.

	30-Sep-23	31-Dec-22
	PKR Million	PKR Million
Leasehold improvements written off		
CV of leasehold improvements written off - SME Branches	55	-
CV of leasehold improvements written off - Corporate office Ufone Tower	8	-
Total Cost	63	-

19. TAXATION

The bank has provided for corporate tax at the rate of 29% (2022: 29%) for the year with minimum tax being limited to 1.25% of non exempt turnover.

20. SHARE CAPITAL

Note

	30-Sep-23	31-Dec-22
	PKR Million	PKR Million
20.1 Authorized Capital	15,000	6,000
20.1.1 The Bank's authorized share capital is 1500 million (2022: 600 million) ordinary shares of Rs.10/- each.		
20.2 Issued, Subscribed and Paid up Capital	1,954	1,705

20.2.1 The Bank's issued, subscribed and fully paid up capital amounts to Rs. 1,954,410,310 comprising of 195,441,031 number of shares of Rs 10 each. The detail of shareholders is provided below:

Shareholders	30-Sep-23						31-Dec-22	
	Capital Before Conversion of ADT1		Conversion of ADT1		Capital After Conversion of ADT1		Capital Before Conversion of ADT1	
	%	PKR Million	PKR Million	%	PKR Million	%	PKR Million	
United Bank Limited	29.7%	506	39	27.9%	545	29.7%	506	
Rural Impulse Fund II S.A. SICAV-FIS (Incofin Investment Management Comm. VA)	24.5%	417	-	21.3%	417	24.5%	417	
MultiConcept Fund Management Company S.A (responsibility Global Microfinance Fund)	19.9%	339	-	17.3%	339	19.9%	339	
ShoreCap II Limited (Equator Capital Partners LLC)	14.3%	244	-	12.5%	244	14.3%	244	
ASN Microkredietpool (Tripple Jump B.V)	9.9%	169	-	8.6%	169	9.9%	169	
National Bank of Pakistan	0.0%	-	37	1.9%	37	0.0%	-	
Pak China Investment Company Limited	0.0%	-	37	1.9%	37	0.0%	-	
U Microfinance Bank Limited	0.0%	-	37	1.9%	37	0.0%	-	
Bank Al Habib Limited	1.8%	30	-	1.5%	30	1.8%	30	
EFU Life Assurance Limited	0.0%	-	25	1.3%	25	0.0%	-	
The Bank of Punjab	0.0%	-	25	1.3%	25	0.0%	-	
Askari Bank Limited	0.0%	-	20	1.0%	20	0.0%	-	
The Bank of Punjab Employees' Gratuity Fund	0.0%	-	12	0.6%	12	0.0%	-	
Khushhali Bank Employees Gratuity Fund	0.0%	-	10	0.5%	10	0.0%	-	
Askari Bank Limited Employees Provident Fund	0.0%	-	7	0.4%	7	0.0%	-	
	100.0%	1,705	249	100.0%	1,954	100.0%	1,705	

20.2.2 The Bank has converted ADT- I instrument of PKR 1.5 Billion into Common Shares of the Bank in accordance with the loss absorbency clause of the ADT -1 of the Investors Agreement. The conversions was approved by the SECP (Securities and Exchange Commission of Pakistan) on July 13, 2023. The conversion was made at a pre-determined price of Rs 60.14 per share of the Bank and accordingly 24,941,031 number of shares having face value of Rs 10 per shares amounting to Rs 249,410,310 were issued among the ADT-1 investors. The difference between the face value of Rs 10 and share price of Rs 60.14 for total number of shares issued of 24,941,031 amounting to Rs 1,250,543,294 is shown under share premium account of the Bank.

Out of the 10 ADT-1 investors, four investors amounting to Rs 390m, has obtained stay order from the Islamabad High Court at the time of transfer of shares in CDC. The Bank is pursuing legal case against the aforesaid investors as it believes the conversion was in accordance with the SBP guidelines and with the approval of SECP. Accordingly, the Bank has given full effect of conversion in its financial statements.

21. DEFERRED GRANTS

	14	14
Grant from ADB	14	14
Less: Grant amortized		
Up to December 31, 2022	-	-
Up to September 30, 2023	(2)	-
	(2)	-
	12	14

The Bank enters into Term Finance agreement of US\$20 Million which also includes Technical Assistance Grant of US\$500K which comprise of Technical Assistance for Training and Development of staff amounting to US\$125K, Mobile Banking Platform amounting to US\$275K and Enterprise Data Analysis amounting to US\$100K. The Technical Assistance cost 33% shared by ADB and remaining 67% bear by the Bank.

22. GENERAL INFORMATION

	30-Sep-23	31-Dec-22
	Number	Number
22.1 Number of Employees		
Credit Sales Staff		
Permanent	2,025	2,225
Banking/Support Staff		
Permanent	2,268	2,210
Contractual	1,013	921
	3,281	3,131
Total number of employees at the end of nine months	5,306	5,356
22.1.1 Credit Sales Staff - MSME	329	414
22.1.2 Female Staff	468	506
22.1.3 Managers	113	119

	30-Sep-23				31-Dec-22			
	Branches	Service Center	Permanent Booth	Total Outlets	Branches	Service Center	Permanent Booth	Total Outlets
22.2.1 At the Beginning of the year				243	206	-	33	239
Opened/Converted during the nine months/year	220	-	23	-	14	-	-	14
Closed/merged during the nine months/year	-	-	-	(28)	-	-	(10)	(10)
At the end of the nine months/year	206	-	9	215	220	-	23	243



PROSPERITY ON ALL ACCOUNTS

These Financial Statements are proprietary to Finance & Accounts Department, Khushhali Microfinance Bank Limited for the sole intended management purposes.

Khushhali Microfinance Bank Limited

Plot No. 87-88, Mezzanine Floor
Civic Center, Executive Block,
Gulberg Greens, Islamabad

www.khushhalibank.com.pk