Healing the Nation

ANNUAL REPORT

Prosperity on all Accounts

2022

khushhali
MICROFINANCE BANK

INSIDE THE

REPORT

VISION

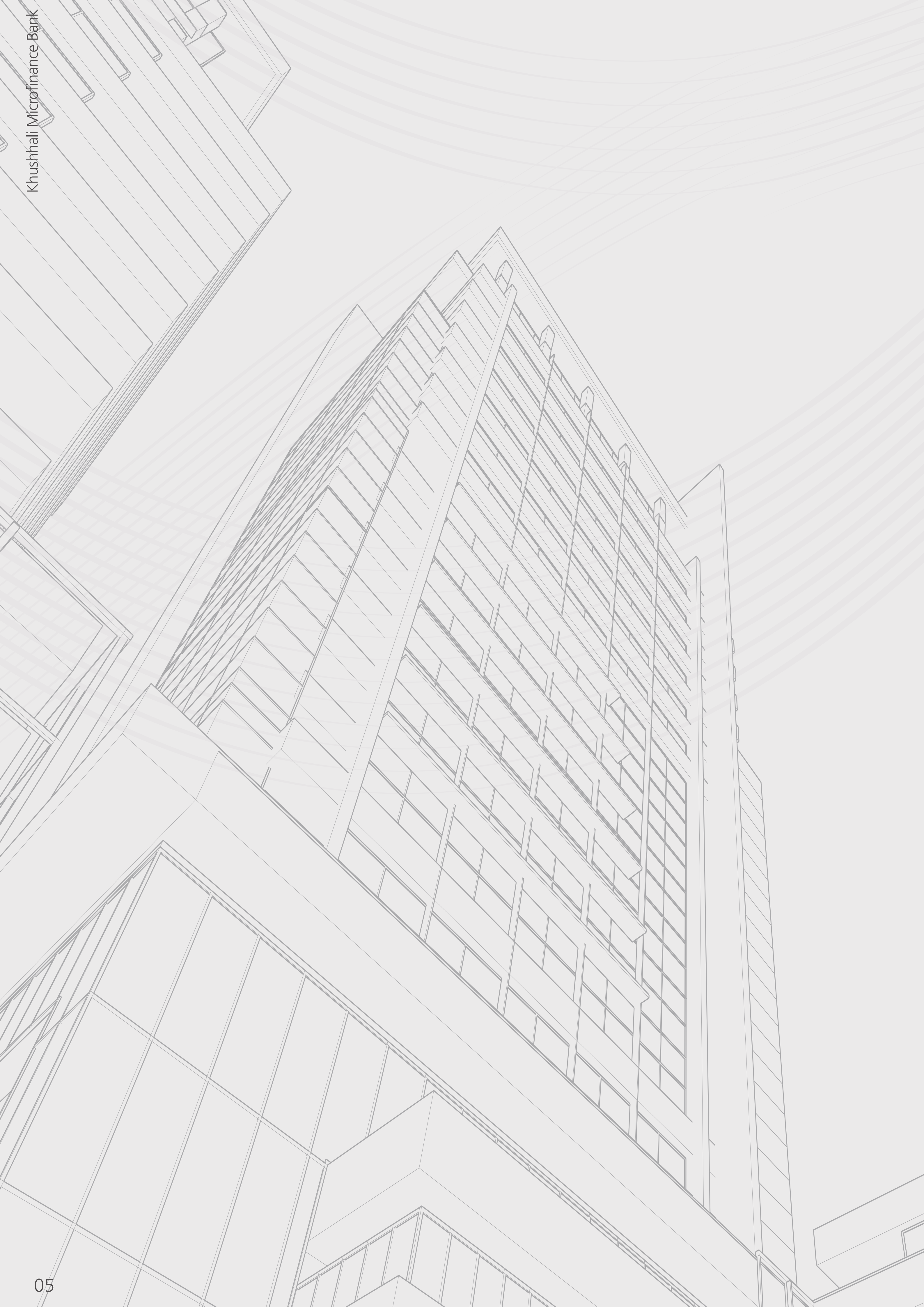
To be a leading Microfinance Bank providing financial services to Micro, Small and Medium Enterprises and low income households across Pakistan.

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.


CURRENT ACCOUNT

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

Board of Directors

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.

Sharjeel Shahid

Directorr

Sharjeel Shahid has more than 23 years of diversified experience in managing banking operations in large retail banks and business management for various institutions. A tech-savvy qualified Chartered Accountant, Shahid worked in London before working for Barclays, Standard Chartered and now United Bank in Pakistan. He has been instrumental in the transformation of business models, corporate restructuring, cost optimization 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.

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.

Eelco Willem Gerard Mol

Director

Dutch national, in 1991, Mr. Eelco Mol graduated with his BSc in Agricultural Development at the Larenstein University and in 1995 finalized his MSc 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 for 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, where 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 an independent advisor for several investment funds and international organizations. He is Chair of the board of directors at Banco DMiro in Ecuador and Chair of the board of DMDI bank in Liberia. He is an advisor to the crowdfunding platform 'LendaHand' in Rotterdam and is a member of its Credit Committee. He is also an advisor to the executive management board of Alliance Microfinance of Norway.

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.

Simi Sadaf Kamal

Independent Director

Geographer with 38 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, tracking two engagements where governments find it hard to talk, and research geared to actions and academic endeavours. She has chosen to reside in Pakistan, and continues engagement at the grassroots, following her avowed approach to 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, and served on treasury, investment, fundraising, 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 in 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 the National Clearing Company of Pakistan (NCCPL), and serves on the 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 startup Ecosystems in the country.

Aameer Karachiwalla
President & CEO

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.

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 & amp; accounting functions through financial strategy, planning, financial and management accounting, budgeting, tax planning, defining financial policies and controls.

Hammad Haider

Head Operations

Hammad Haider has over 25 years of experience in the country's leading Commercial & Microfinance banks, including Multinational entities. He progressed through a learning curve encompassing diversified banking domains including Branch & Corporate Operations, Credits, Alternate Delivery Channels, Digital Transformation, Core Banking Systems Deployment, Business Process Reengineering, Service Quality, Enterprise Project Management, Business Continuity & Disaster Recovery Management, General Administration and Operational Risk Management. He started his banking career with Emirates Bank International. Prior to joining KMBL, he was Head of Alternate Delivery Channels at Allied Bank. His key projects over the past 7 years in KMBL include Corporate Office Relocation, T24 (CBAS) implementation as a Project Director, CBAS Functional Support Set-up and MPG/RAAST deployment. His earlier hands-on experience with ADCs has been instrumental in Digital channels Enablement of the KMBL, entailing IRIS setup, Call Centre, ATMs (Issuer & Acquirer), Debit Cards, Internet & Mobile Banking, Digital Clearing, and Digital Account Opening.

Having a Master's in Public Administration with Commerce & Business background and spearheading the above projects, Hammad has developed a strategic drive for technology-based business transformation.With his experience, attention to detail, pragmatic approach and motivation to delivery, he acts as a strategic advisor and change catalyst in all enterprise-level projects, particularly in Digitization, Governance, BPR and Control domains that have remained his key strengths in achieving operational objectives; while keeping the governance regime intact in KMBL.

Muhammad Aftab Alam

Head of Distribution

Mr. Aftab is a retail banking professional. He has over 20 years of progressive experience with Pakistan's leading microfinance bank and non-bank MF institutions. He possesses extensive hands-on experience in different management positions. In these positions, he has demonstrated his expertise to lead and manage Microfinance, MSME lending, Housing Finance, Consumer Lending and deposit value streams. He excels in business planning, product management, people management and growing distribution networks.In his present role, he is leading the sales and distribution network of Pakistan's largest microfinance bank - a role in which he led the bank's efforts to provide best-in-class financial services to the 'bottom-of-the-pyramid' segment as well as MSMEs of the country. He is responsible for developing and executing the bank's sales & distribution strategy. He has to develop, drive & achieve the bank's Financial and Non-financial business targets for profitable growth.

Mr. Alam serves as an active member of several SBP sub-committees & special groups on financial inclusion, microfinance, SME, Agriculture and Housing. He has attended the Boulder Microfinance program (Turin, Italy) and the Frankfurt School of Business and Finance (Frankfurt, Germany).

Mr. Aftab has a Master's degree in Business Administration – Finance

Atif Aziz Ahmed
Chief Information Officer

Atif Aziz Ahmed joined Khushhali Microfinance Bank in 2016. He brings 26+ years of diverse, local, and international technology experience.

Before 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 at IBM Pakistan, where he worked as a system engineer for two years before leaving for Canada and then the 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 a Master's and Bachelor's in Computer Sciences from FAST (Foundation for Advancement of Science and Technology), which was, at the time affiliated with the 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 the 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 is a Certified Expert in Risk Management from the Frankfurt School of Finance & Management, Germany, a Chartered Accountancy Finalist from Pakistan and a Certified Financial Consultant from Canada. He holds memberships of the Institute of Internal Auditors, USA, and the Institute of Financial Consultants, USA. He is also an associate member of the Association of Certified Fraud Examiners (ACFE) USA.

Saira Gabol

Chief Human Resource Officer

Saira is a senior HR professional with over 15 years of experience in Pakistan, the Middle East and the United Kingdom, and has worked with business leaders across diverse cultures and backgrounds to deliver results for their teams.Saira has experience in leading the HR function in the microfinance industry, for an international MFB and has also been part of the HR team for large commercial banks including HBL and HSBC.

Saira previously worked at a regional level for one of the world's largest multinationals, with offices in 80 territories. Saira holds a Master's Degree in Human Resource Development with distinction from the University of Manchester in the United Kingdom.

Aqeel Ahmed

Chief Compliance Officer

Aqeel Ahmed has a diversified progressive experience of over 27+ years in different institutions, multiple departments and in various Leadership roles. His experience covers the key segments/functions like Finance & Accounts, Operations, Internal/External Audits, Risk Management, Taxation and Corporate Affairs. He has been part of the founding team of Khushhali Microfinance Bank Limited (KMBL) and played a pivotal role in establishing the Compliance function of KMBL. Before joining KMBL, he completed his Chartered Accountants (CA) Articleship under the byelaws of The Institute of Chartered Accountants of Pakistan with "Tariq Ayub Anwar & Co. CAs Islamabad)". He holds a Master's degree in Business Administration-Finance.

Adnan Sattar

Head SME

Adnan Sattar started his career with Khushhali bank in July 2002 as a Trainee CSO at the DGK branch and during his long association with Khushhali, he served in various positions at branches and Area offices till 2015. In 2016 he joined the corporate office and led various challenging portfolios of Microfinance, MSME and Housing Finance. Adnan Sattar is the 1st employee of Khushhali bank who has progressed from a trainee officer to the position of head of the department.

During his inspiring career with Khushhali, Adnan has achieved many accomplishments ranging from the launch of new branches & MSME distribution channel "Khushhali Karobar" across Pakistan, and establishing the Retail Functional Training Unit, to developing various Value chain financing models. Adnan Sattar holds an MBA and has completed certifications in ToT by Business Edge-IFC, Agriculture Value Chain Financing (AVCF) by APRACA, and Housing Finance by IBP. As a lead trainer, he has conducted numerous functional pieces of training both internally as well through the platform of NIBAF-Islamabad on Microfinance, MSME & Housing Finance. He has also attended International Training Program at the prestigious Microfinance Bank of Indonesia- BRI.

President & CEO Review 2022:

Global

Global economies are facing recession and economic activities is experiencing a broad based and sharper than expected slowdown, with inflation higher than seen in several decades. The cost of living crisis, tightening financial conditions in most regions, Russia's invasion of Ukraine, and the lingering COVID-19 pandemic all weigh heavily on the outlook. Global growth is forecast to slow from 6.0 % in 2021 to 3.2 % in 2022 and projected at 2.7 % in 2023. This is the weakest growth profile since 2001 except for the global financial crisis and the acute phase of the COVID-19 pandemic.

Pakistan

Pakistan's economy was grappling with multinational economic challenges as sluggish growth was witnessed on several economic fronts. We witnessed large fiscal deficit, growing govt debts, external imbalances, hyperinflation and monitoring policy tightening. These challenges intensified with the impacts of devastating floods caused by unprecedented rainfalls in August 2022. The immediate economic impact of floods on agriculture due to significant crop losses and disruption to crop cycles affected industrial and services activity and caused loss of infrastructure. Pakistan's economy is at an inflection point, difficult external environment and procyclical domestic policies have worsened the challenges manifolds and recovery options are severely limited. Policy makers needs to devise tangible plans and policies to tackle inflationary pressures, protection of foreign currency reserves and to pursue inclusive growth trajectory.

Pakistan Microfinance Sector

Pakistan's microfinance sector is facing enormous challenges in the wake of last year floods and historic inflation that have dented the ability of small borrowers to repay loans, just as the sector was on the path of recovery from the COVID-19 pandemic, torrential monsoon rains that began in mid-June 2022 and triggered floods across the country posed a fresh challenge to its growth and recoveries in the pipelines. Unfortunately, these people were also the main borrowers for the sector and their ability to pay back loans was severely compromised. Thus, the sector was faced with an unprecedented liquidity crunch and the vulnerability of its business model was exposed through deteriorating portfolio quality. The devastation caused by the calamity would have a greater impact on the institutions compared to COVID 19 as around 60 percent of the microfinance lending portfolio is for Agri inputs and livestock in rural parts of the country.

Future Outlook

During the outgoing year 2022, Pakistan has faced unprecedented challenges on the economic front due to multiple reasons, together with devastating floods, and political uncertainty. Moving forward, Govt of Pakistan had to take some tough decision of prioritizing imports to tackle macroeconomic imbalances, stabilize the national economy, correct the economic fundamentals, and also has to focused on improving food security, improving investor confidence, starting barter trade with neighbor countries and increasing reliance on indigenous sources for power generation.

The bank had gone through some major transformations over the years and will be going through another evaluation to consolidate, de-risk, and further optimize business operations in the coming year. However, bank recognize the challenging times ahead and are committed to continue to serve with our best to our clients. Lastly, we remain committed to pursue our mission of financial inclusion and poverty alleviation with prudent risk mitigation.

I would like to express my special thanks to the Board and appreciate their wise counsel and understanding during this challenging time. At the same time, I also wish to acknowledge the support of our shareholders, regulators and committed Khushhali team.

Aameer Karachiwalla
President & CEO

Ten Years Statistics

		2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
OUTREACH											
No of accounts	No	3,118,679	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	734,860	803,820	879,637	871,228	784,480	671,015	556,787	520,517	468,369	409,010
No of branches	No	237	239	234	226	197	173	141	129	118	110
ASSETS											
Advances - Net	Rs M	86,372	70,884	60,641	53,541	43,374	32,216	22,940	17,247	12,106	8,757
Investments	Rs M	11,287	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	9,057	14,061	13,602	7,107	9,290	4,064	4,232	4,329	1,472	1,872
Operating fixed assets	Rs M	4,154	3,579	3,688	3,612	1,354	1,142	720	549	323	275
Other assets	Rs M	14,433	13,810	10,696	6,671	5,700	4,767	2,914	2,724	1,955	1,347
Total assets	Rs M	132,206	116,524	107,103	81,493	70,472	58,961	33,774	26,696	16,692	13,290
Non-performing loans	Rs M	3,491	2,047	1,667	1,983	512	324	347	338	113	70
Provision for non-performing loans	Rs M	2,224	1,628	1,465	1,257	721	598	369	220	132	103
LIABILITIES											
Deposits	Rs M	111,792	93,162	88,650	63,882	56,018	45,747	21,179	15,584	8,682	7,133
Borrowings	Rs M	2,175	4,608	428	1,326	2,965	4,783	6,200	5,890	3,730	2,746
Subordinated Debt	Rs M	4,500	3,000	2,400	2,400	1,000	-	-	-	-	-
Other liabilities	Rs M	5,630	4,569	4,831	4,486	2,291	2,076	1,457	1,288	995	658
Total liabilities	Rs M	124,097	105,339	96,309	72,094	62,274	52,605	28,836	22,762	13,407	10,537
SHAREHOLDERS FUNDS											
Share capital	Rs M	1,705	1,705	1,705	1,705	1,705	1,705	1,705	1,705	1,705	1,705
Reserves	Rs M	1,925	1,925	1,896	1,809	1,717	1,226	865	611	446	305
Unappropriated profit	Rs M	4,480	7,555	7,193	5,885	4,776	3,424	2,367	1,618	1,134	742
Total Shareholders funds	Rs M	8,109	11,185	10,794	9,399	8,198	6,354	4,937	3,934	3,285	2,752
PROFIABILITY											
Interest income	Rs M	20,100	18,653	18,670	15,259	11,926	8,741	5,926	4,407	3,129	2,278
Interest expense	Rs M	12,595	8,961	8,732	6,799	4,590	2,996	1,807	1,219	810	615
Net interest income	Rs M	7,505	9,692	9,938	8,460	7,336	5,745	4,119	3,187	2,320	1,663
Provisions/Written offs	Rs M	5,643	3,937	2,983	2,197	676	615	601	341	163	175
Fee & commission income	Rs M	1,980	1,857	1,470	1,887	1,524	1,226	940	640	478	325
Other income	Rs M	4	52	17	22	7	5	87	35	217	259
Operating expenses	Rs M	7,652	6,794	6,050	5,653	4,720	3,872	2,766	2,340	1,910	1,534
Profit before tax	Rs M	4,185	870	2,392	2,519	3,471	2,489	1,779	1,182	942	538
Taxation	Rs M	1,133	298	652	683	1,012	688	506	358	239	175
Profit after tax	Rs M	3,052	572	1,740	1,836	2,459	1,801	1,273	824	703	363
PROFITABILITY RATIOS											
Return on Assets (ROA)	%	-3.63%	0.5%	1.7%	2.0%	3.6%	3.4%	3.4%	3.4%	3.7%	1.8%
Return on Equity (ROE)	%	-46.70%	4.9%	15.9%	17.5%	31.8%	28.2%	23.4%	20.2%	18.5%	8.0%
Operating Self Sufficiency (OSS)	%	84.18%	104.7%	112.9%	115.8%	132.7%	130.6%	129.2%	127.8%	126.7%	114.8%
Financial Self Sufficiency (FSS)	%	84.23%	104.8%	113.0%	116.0%	133.0%	130.0%	128.0%	126.0%	123.0%	107.8%
EFFICIENCY/PRODUCTIVITY RATIOS											
Operating expense ratio	%	9.50%	9.9%	10.5%	11.7%	12.6%	14.3%	14.2%	16.6%	18.1%	21.0%
Personnel productivity	No	137	142	160	162	170	171	170	170	179	178
Loan officer productivity	No	330	293	330	356	378	377	399	426	518	578
Average outstanding loan size	Rs	117,757	88,057	68,947	61,531	55,401	48,322	41,548	33,408	26,102	21,617
PORTFO LIOQUALITY RATIOS											
Portfolio at Risk > 30	%	4.03%	2.9%	2.8%	3.7%	1.2%	1.0%	1.5%	1.9%	0.9%	0.8%
Portfolio at Risk > 90	%	3.03%	1.8%	2.3%	2.5%	0.8%	0.7%	0.8%	0.5%	0.3%	0.3%
Write off ratio	%	6.57%	5.6%	4.8%	3.5%	1.7%	1.7%	2.6%	1.3%	1.2%	2.1%
Risk coverage ratio	%	63.70%	79.6%	87.9%	63.4%	140.8%	184.4%	106.4%	65.2%	77.9%	103.5%

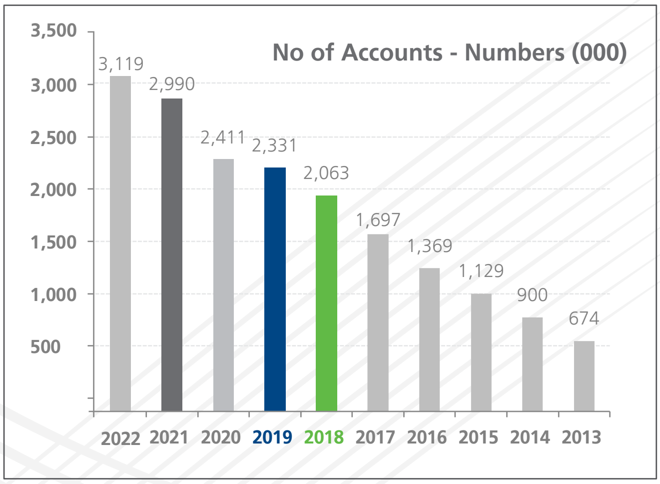
* ROA calculated as per CGAP Guideline: Net operating income less taxes divided by average assets.

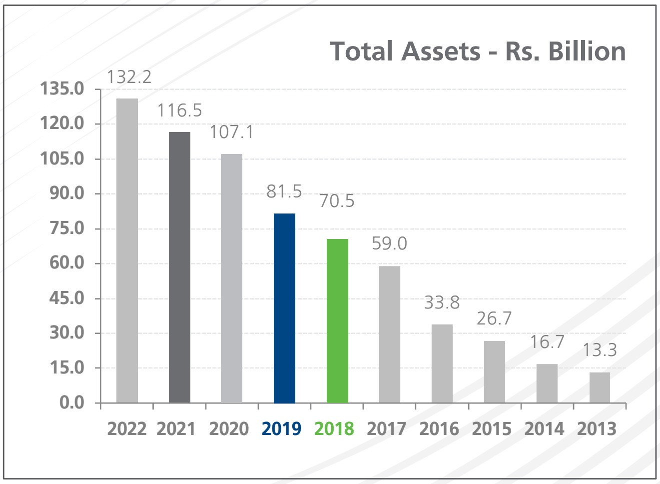
** ROE calculated as per CGAP Guideline: Net operating income less taxes divided by average equity.

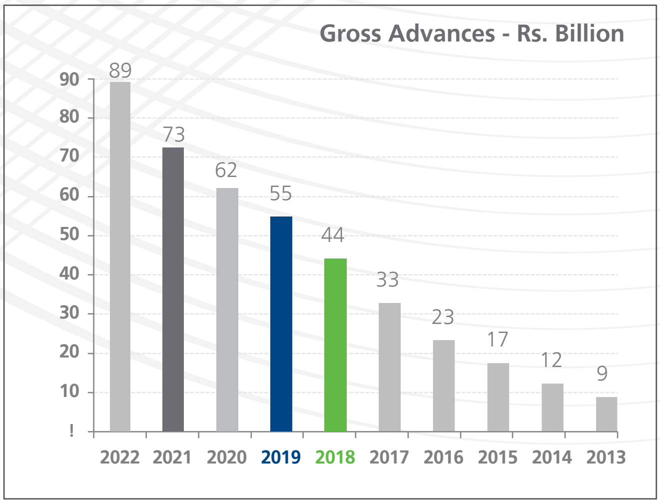
Financial Highlights: 2022

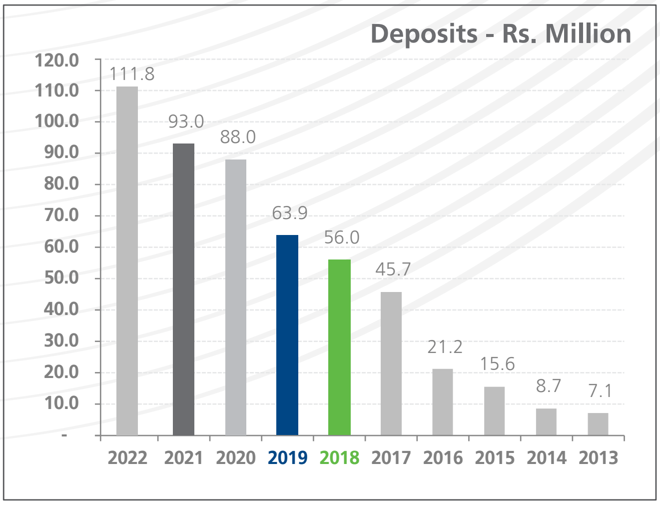
Financial Position		2022	2021	Change
Assets				
Cash & bank balances	PKR M	9,057	14,061	-36%
Lending to financial institutions	PKR M	4,893	100	4793%
Investments	PKR M	11,287	14,090	-20%
Advances - net of provisions	PKR M	86,372	70,884	22%
Operating fixed assets	PKR M	4,154	3,579	16%
Others	PKR M	16,443	13,810	19%
Total Assets	**PKR M**	**132,206**	**116,524**	**13%**
Liabilities				
Deposits	PKR M	(111,792)	(93,162)	20%
Borrowings	PKR M	(2,175)	(4,608)	-53%
Subordinated debt	PKR M	(4,500)	(3,000)	50%
Other liabilities	PKR M	(5,630)	(4,569)	23%
Total liabilities	**PKR M**	**(124,097)**	**(105,339)**	**18%**
Net Assets	**PKR M**	**8,109**	**11,185**	**-28%**
Shareholders Funds				
Share capital	PKR M	1,705	1,705	0%
Statutory reserve	PKR M	1,925	1,925	0%
Unappropriated profit	PKR M	4,527	7,616	-41%
Revaluation of assets	PKR M	(48)	(61)	-21%
Total Shareholders Funds	**PKR M**	**8,109**	**11,185**	**-28%**
Profit & Loss				
Mark-up/Return/Interest earned	PKR M	20,100	18,653	8%
Mark-up/Return/Interest expensed	PKR M	(12,595)	(8,961)	41%
Net Mark-up/Interest income	PKR M	7,505	9,692	-23%
Fee, commission and brokerage income	PKR M	1,980	1,857	7%
Other income	PKR M	215	137	57%
Total Non Mark-up/Non Interest Income	PKR M	2,195	1,994	10%
Operating expenses	PKR M	(7,638)	(6,775)	13%
Provisions & charges	PKR M	(6,247)	(4,041)	55%
Profit before tax	**PKR M**	**(4,185)**	**870**	**-581%**
Taxation	PKR M	(1,133)	(298)	280%
Profit after tax	**PKR M**	**(3,052)**	**572**	**-634%**
Ratios				
Return on equity	%	-46.70%	15.9%	-1053%
Return on assets	%	-3.63%	1.7%	**-826%**

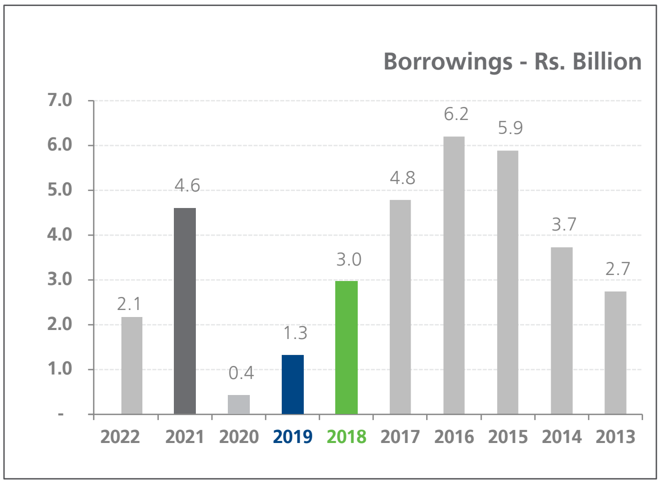
Ten Years Graph

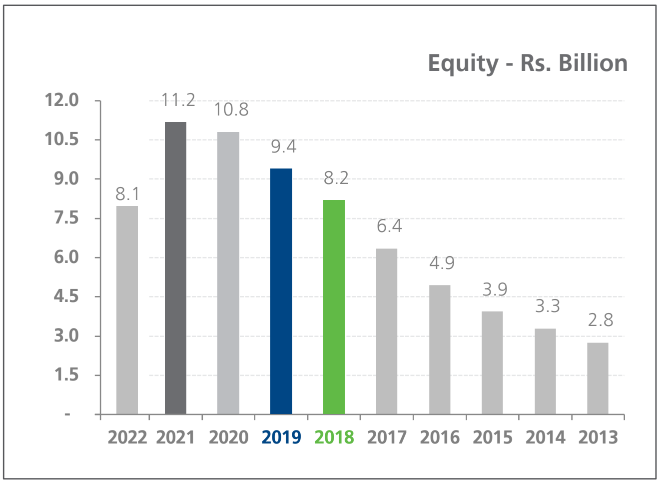


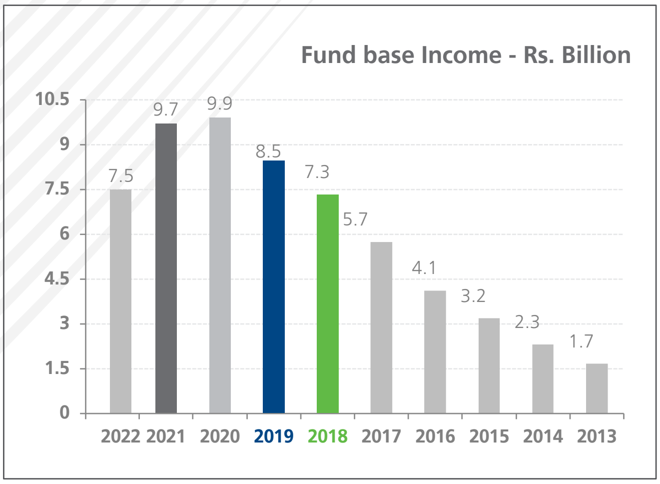


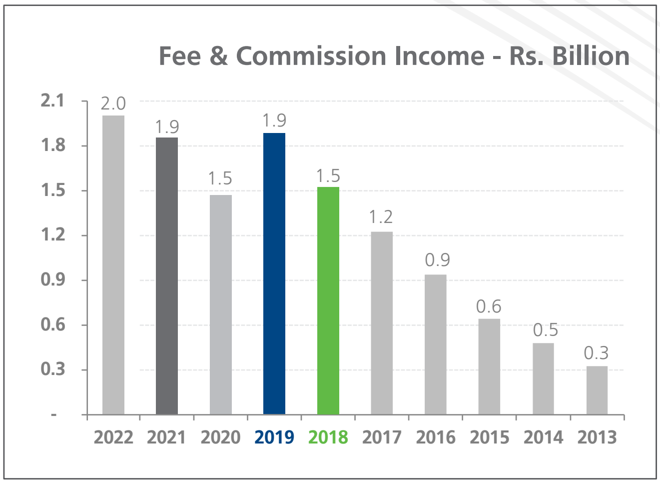


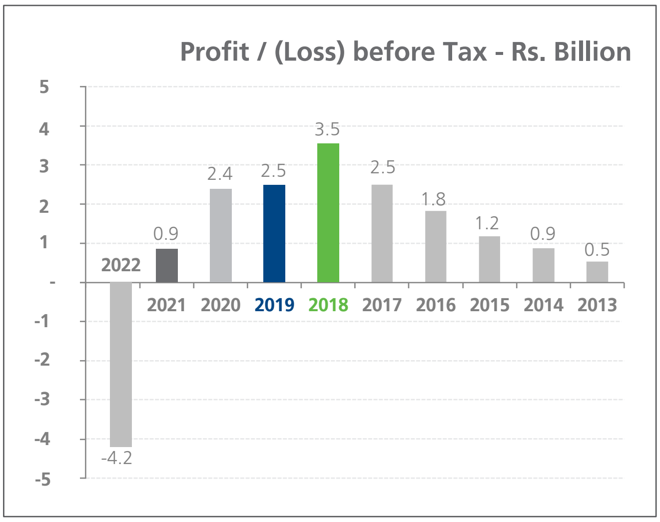


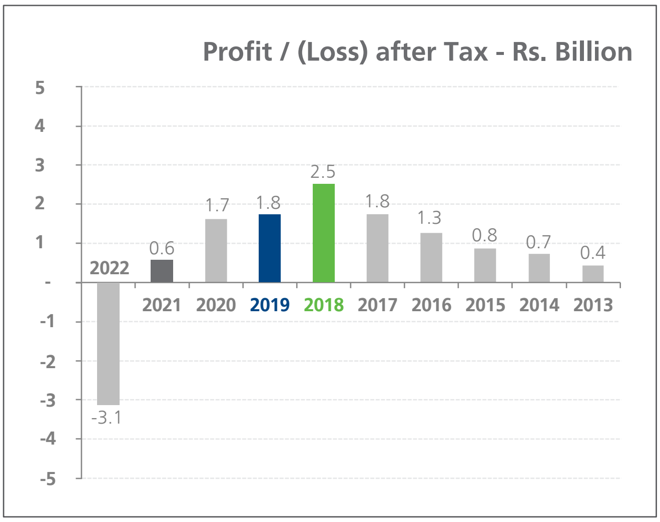





Fund base Income - Rs. Billion
10.5
9
7.5
6
4.5
3
1.5
0
7.5
9.7
9.9
8.5
7.3
5.7
4.1
3.2
2.3
1.7
2022 2021 2020 2019 2018 2017 2016 2015 2014 2013


Fee & Commission Income - Rs. Billion
2.1
1.8
1.5
1.2
0.9
0.6
0.3
-
2.0
1.9
1.5
1.9
1.5
1.2
0.9
0.6
0.5
0.3
2022 2021 2020 2019 2018 2017 2016 2015 2014 2013


Profit / (Loss) before Tax - Rs. Billion
5
4
3
2
1
-
-1
-2
-3
-4
-5
-4.2
0.9
2.4
2.5
3.5
2.5
1.8
1.2
0.9
0.5
2022 2021 2020 2019 2018 2017 2016 2015 2014 2013


Profit / (Loss) after Tax - Rs. Billion
5
4
3
2
1
-
-1
-2
-3
-4
-5
-3.1
0.6
1.7
1.8
2.5
1.8
1.3
0.8
0.7
0.4
2022 2021 2020 2019 2018 2017 2016 2015 2014 2013

Directors' Report

On behalf of the Board of Directors, I am pleased to present audited financial statements for the financial year ended 31 December 2022.

The outlook for the microfinance sector has changed significantly against the backdrop of the unprecedented impact of COVID 19. The sector high double-digit growth has been lacked mainly due to the overall economic downturn and more specifically portfolio quality issues of COVID 19 impacted portfolio, changed client behavior and weak economic indicators. The cost of doing business has increased greatly due to high inflation, portfolio quality issues have increased portfolio losses and liquidity challenges. Client behavior have changed due to subsidies offered to clients during COVID 19 which have impacted the lending opportunities in the market. Altogether, this has resulted in significant operating losses for many players of the sector during the year.

Financial Highlights

At the ended of 31 December 2022, the Bank reported Loss Before Tax (LBT) of Rs 4.2 billion against the profit of Rs 0.9 in 2021 and Loss After Tax (LAT) of Rs 3.0 billion against the profit of Rs 0.6 billion in 2021. Consequently, earnings per share dropped to Rs (17.90) for the year in comparison to Rs 2.68 per share of last year.

The loss before tax is broadly due to markup suspension & provision charged on Deferred/Rescheduled bullet loan (DRR) and, to a lesser extent, the portfolio affected by the torrential rain & floods of summer 2022. Increased funding cost due to the sharp rise in policy rate of 625 bps during 2022 and un precedented increase in inflation rate also adversely affected the operating performance.

Financial Performance

Net Markup Income:

The net markup income closed at Rs 7.5 billion (2021: Rs 9.7 billion), reduction of 23%. Markup revenue on loans increased by 5% and closed at Rs 17.5 billion (2021: Rs 16.8 billion) and markup on placement and investment increased by 36% and closed at Rs 2.6 billion (2021: Rs 1.9 billion). On the other side, markup expense closed at Rs 12.6 billion against Rs 9.0 billion of last year, an increase of 41% due to growth of 17% in overall funding base and increase of 625 bps in the policy rate during the year.

Non-Markup Income:

Non-markup income comprising of fees, commission and other income increased by 10%, closing at Rs 2.2 billion in 2022 (2021: Rs 2.0 billion). Fee and commission income increased from Rs 1.9 billion to Rs 2.0 billion, an increase of 7%, and other income mainly comprising recoveries from written off loans and a gain on disposal of fixed assets increased to Rs 214.5 million from Rs 137.2 million of last year.

Provision and Loan Losses:

During the year, provision charges on classified loan portfolio increased to Rs 5.6 billion (2021: Rs 4.0 billion), an increase of over 42% YOY due to performance issues of Deferred & Rescheduled Portfolios. Following are the key contributors to provision charge;

- Changed customer behavior after the expiry of SBP relief period as borrowers are expecting & demanding further relief as other MFBs provided a longer-term rescheduling;
- Increased debt burden/ loan liability due to accrued markup of two loan cycles;
- higher attrition rate of sales team and
- Over indebtedness (borrowings from multiple institutions simultaneously) along with current socio-economic factors i.e. high inflation (on avg. 30%) and lower economic activities due to political in-stability etc. in the country.

A key portfolio quality indicator, PAR has been recorded at 4.03% (2021: 2.89%) at the end of December 31,2022 and annual loss rate rose at 6.7% (2021: 5.6%) an increase of 20% YOY broadly due to the lower repayment pattern of deferred & reschedule Portfolios.

Cost Management:

The administrative expenses closed at Rs 7.6 billion (2021 Rs 6.8 billion), an increase of Rs 0.8 billion. Employee related cost increased by Rs 0.3 billion to support portfolio growth of 22% and other operating expenses increased by Rs 0.5 billion broadly on account of the steep increase in the cost of fuel and utilities during the year.

Assets & Equity:

During the year under review, the Bank's total asset registered a growth of 13% and the asset base increased to Rs 132.2 billion (2021: 116.5 billion). Net advances to total assets also increased to 65% from 61% of last year.
The equity of the Bank decreased by 28% and closed at Rs 8.1 billion (2021: Rs 11.2 billion)

Loan Portfolio:

The Bank's gross advances portfolio increased to Rs 86.5 billion (2021: Rs 70.8 billion), i.e. growth of 22% year on year.

The bank has been improving the portfolio mix by expanding secured loans over the past few years and plans to continue pursuing this path. At the end of FY 2022, risk weighted assets growth was only 6% as against the book value growth of 22%. The portfolio diversification will positively impact on two accounts of: a) risk management and loan losses; b) preservation of capital resource. The repositioning of loan book helped to improve secured/semi secured portfolio to 51% of the book as against 40% of last year.

Post COVID, the Bank changed its assets strategy by reducing legacy group lending and expanding individual, MSME and housing loans. The Individual loan portfolio increased to Rs 41.3 billion from Rs 30.8 billion of last year, an increase of 34%, and it share in the total portfolio improved by 12%. The Micro Small and Medium Enterprise (MSME) portfolio closed at Rs 28.5 billion from Rs 17.1 billion of last year, registering an increase of 67% YOY with the improved share of 13 %. The group loan portfolio decreased to 9.1 billion from Rs 17.7 billion of last year, decrease of 49%, and its share in total portfolio dropped by 9 % as compared to last year. Housing loan portfolio closed at Rs 7.6 billion from Rs 5.3 billion of last year, registering an increase of over 44% YOY with the improved share of 3 %. The portfolio mix and growth in key segments appears below;

Products	2022		2021		YOY Growth	
	Rs Billion	Mix - %	Rs Billion	Mix - %	Rs Billion	%
Individual loans	41.3	48%	30.8	36%	10.5	34%
MSME	28.5	33%	17.1	20%	11.4	67%
Group Loan	9.1	11%	17.7	20%	(8.6)	-49%
Others	7.6	9%	5.3	6%	2.3	44%
Total	**86.5**	**100%**	**70.8**	**82%**	**15.7**	**22%**

Restructured Portfolio (DRR):

The relief and stimulus package of the SBP to dampen the effect of COVID 19 resulted in the industry wide restructuring and rescheduling of portfolio of nearly Rs 100 billion which approximate over 40% of the sector's total portfolio. Under the SBP guidelines, KMBL rescheduled portfolio of Rs 35.0 billion which is reduced to Rs 11.2 billion at the end of December 31,2022. The DRR portfolio share to total loan outstanding decreased to 13% as compared to 28% of last year.

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 111.8 billion from Rs 93.2 billion of last year, posting growth of 20%.

CASA deposit improved from Rs 39.1 billion to Rs 43.3 billion, an increase of 26%. Saving deposits increased from Rs 28.8 billion to Rs 33.8 billion, an increase of 17% and current accounts amounted to Rs 9.6 billion against Rs 10.3 billion of last year, decrease of 7%. Term deposits increased by 27% to Rs 68.5 billion form Rs 54.1 billion of last year. The cost of deposits closed at 10.9% as against 9.3% of last year.

The ADR closed at 77% against 76% of last year. The major portion nearly 45% of the bank's liquid are invested in Govt bills/bonds.

The results of operations under review are presented below;

	2022	2021
	------- Rupees '000 -------	
Profit After Tax	**(3,051,845)**	**571,680**
Re-measurement (loss)/gain employment benefit obligation	(49,798)	(12,946)
Un-appropriated profit brought forward	7,616,090	7,200,276
Profit available for appropriation	**4,514,447**	**7,759,010**
Appropriations		
Transfer to:		
Statutory reserve	-	28,584
Microfinance Social Development Fund	-	57,168
Depositors' Protection Fund	-	28,584
Risk Mitigation Fund	-	28,584
	-	142,920
Un-appropriated Profit Carried Forward	**4,514,447**	**7,616,090**

Credit Rating

The credit rating company JCR-VIS has assigned the Bank's medium to long-term credit rating of "A" (Single A) and short-term credit rating at "A-2" (A - Two) with "Developing" outlook.

Statement of Corporate Governance

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

1. The financial statements prepared by the management of the Bank fairly present 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

Following are the composition committees as of December 31,2022.

Committee Name	Chair	Member	Member
BAC	Ms. Simi Sadaf Kamal	Mr. Henning Haugerudbraaten	Mr. Sharjeel Shahid
BHRCC	Mr. Geert Peetermans	Mr. Eelco Mol	Ms. Simi Sadaf Kamal
BRMC	Mr. Eelco Mol	Mr Imran Sarwar	Mr. Humayun Bashir
SEC	Mr. Henning Haugerudbraaten	Ms. Simi Sadaf Kamal	Mr. Geert Peetermans
BDFC	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
	Meetings Held		**4**	**4**	**4**	**2**	**4**
	Meetings Attended						
1	Mr Geert Peetermans	Chair HR, Member SEC	-	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	Chair SEC, Member BAC & BDFC	3	-	-	2	4
5	Mr Eelco Mol**	Chair BRMC, Member BHRCC	-	-	4	-	-
6	Ms Simi Sadaf	Chair BAC, Member BHRCC, SEC	4	4	-	-	-
7	Mr Humayun Bashir	Chair BDFC, Member BRMC	-	4	4	-	4
8	Mr Imran Sarwar ***	Member BRMC	NA	NA	NA	NA	NA

* Resigned from BHRCC and BRMC on December 08,2022.
**Appointed chair BHRCC on March 16 2023
*** Appointed member of the BRMC on March 16, 2023 subject to FPT approval of SBP.

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 on a quarterly basis to consider and approve urgent matters. Details of attendance of each Director at a Board meetings held during the year 2022 are set out in the table below:

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

* Resigned from the Chairman of the board on December 08,2022.
** Appointed as the Chairman of the board on December 08,2022.
*** Appointed as the Member of the board on March 16, 2023 subject to FPT approval of SBP.
**** Resigned on December 31,2022

Change in Directors

Mr Ghalib Nishtar President /CEO resigned on December 31, 2022. On behalf of the Board of Directors, we wish to place on record our sincere appreciation for the contributions made during his tenure. Mr. Aameer Karachiwalla resigned from the Board of Directors and was appointed as CEO/ President on December 08, 2022 subject to FPT approval of SBP. In order to fill the casual vacancy, the board appointed Mr Imran Sarwar subject to FPT approval from SBP.

Pattern of Shareholding

The Pattern of shareholding of the Bank as at December 31, 2022 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
6			**170,500,000**

Shareholders holding above 10% of voting shares are

Share holders	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
Total Shares	**150,620,498**

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%
Total	**6**	**170,500,000**	**100.00%**

Auditors

The present auditors, M/s Ernst & Young Ford Rhodes, Chartered Accountants have completed their assignment for the year ended December 31, 2022 and tendered the resignation. Accordingly, the Board of Directors, on the recommendation of the Board Audit Committee, recommends the appointment of BDO Ebrahim & CO, Chartered Accountants, as the auditors of the Bank for the nancial year 2023.

Appreciation and Acknowledgement

On behalf of the Board, i would like to place on record and appreciate the efforts of regulatory authorities for their prudent policies and measures to safeguard the interest of all stakeholders in the economy and thanked to all shareholders for their support. 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 the Khushhali family for their valuable contributions during the year.

For and on behalf of the board,

Chairman
Dated : April 28, 2023

2022 in Recap Rehabilitation of Communities in Response to Climate Change in Pakistan

In response to this year's devastating floods in Pakistan, Khushhali Microfinance Bank launched a resourceful initiative to help thousands of families in need of food, shelter, and rehabilitation after the disaster. The bank provided full support to families who lost their homes and livelihoods as a result of this disaster to receive appropriate relief items such as food rations, winter clothing, tents and medical assistance. Being committed to mitigating flood and losses suffered by flood victims in remote areas of Sindh, Baluchistan and Punjab, the bank also mobilized volunteer teams which enthusiastically participated in relief efforts in these areas.

Khushhali Microfinance Bank provided food packages to flood victims in the surrounding villages of DG Khan and Taunsa to meet their immediate food needs. In the second phase of this initiative, the bank provided tents, sheets and food packages to the Khairpur victims. Medical camps were also organized in surrounding villages to provide free health checks and medicines for many people, including women and children.

Paving the Way for Digital Banking

Khushhali Microfinance Bank Limited is playing a pivotal role in empowering the underprivileged masses to accelerate Pakistan's socio-economic growth and development. It deployed the most innovative technological solutions to enable the customers (all resident Pakistanis) to 'digitally' open their 'Asaan Digital Account' and conveniently operate it through contactless interactions.

Furthermore, one of the primary objectives of the Bank is to expand access to financial services in Pakistan. As per this, Khushhali Microfinance Bank pioneered USSD Banking to add convenience for its customers, with a mobile-banking solution. This state-of-the-art digital tool enables 'remote-monitoring' of the KMBL account, even if the account holder uses a basic 'Feature-Phone'

The Bank has introduced Image-Based clearing (IBC), and the future of the clearing process will transform from the movement of physical clearing instruments to the processing of clearing through image files. These images of clearing instruments will be up-loadable in an integrated/centralized system and the transaction against clearing images will also be posted through integration with T24 Core Banking System for the final execution of the transaction either to Pass/Return the instrument or hold the transaction.

Khushhali Microfinance Bank also entered into a strategic partnership with GROWTECH Services - a leading agriculture-technology company operating in Pakistan. Through this agreement, GROWTECH Services will provide technological solutions to Khushhali Microfinance Bank, to overcome the agricultural challenges and to meet the evolving needs of the farmers.

Khushhali Microfinance Bank Acquires PCI DSS Compliance Certification

Organizations have become prone to cyber-attacks due to continuous expansion in the digital landscape and exposure of services to customers on cell phones and computers. Khushhali Microfinance Bank strives to lead the industry on the digital front and considers that the security and protection of customers' data are of utmost importance.

Recently, the Bank acquired the Payment Card Industry Data Security Standard (PCI DSS) Compliance Certification - an international standard for payment card and data security via PCI QSA Firm Risk Associates, a premier global information technology company, a certification body of Payment Card Industry Security Standard Council (PCI SSC). This certification recognizes KMBL's high financial security standards, as recommended by the Payment Card Industry Security Standards Council (PCI SSC). It is a global forum that brings together payments industry stakeholders to develop and drive the adoption of data security standards and resources for safe payments worldwide. Khushhali Microfinance Bank's recent PCI-DSS certification bears testament to the Bank's values, ensures the protection of customer card data from misuse, theft, and hacking, and adheres to the international standards set by the Payment Card Industry Council in all the areas of technology.

Khushhali For Everyone Social Battleground/ Khushhali Bank Recognized For Social Responsibility Initiatives

Over the years, Khushhali Microfinance Bank has achieved operational excellence, through customer-centric innovations and advanced technologies. To further enrich its performance, it has launched "Khushhali for Everyone" – its exemplary Corporate Social Responsibility Programme focused on: elevating quality of life, public health, education, financial inclusion, women-empowerment, re-integration of persons with disabilities and environmental sustainability.

The generous 'Social Impact & Sustainability' initiatives of Khushhali Microfinance Bank were recognized with an award presented at the 14th International CSR Summit – 2022, organized by the National Forum for Environment and Health (NFEH). The key stakeholders of the corporate sector lauded the generous initiatives of the pioneering microfinance institution working towards social impact in Pakistan.

Pakistan's Largest Microfinance Bank Achieves Record-Breaking Growth

Khushhali Microfinance Bank has crossed the Rs. 100 Billion deposit base threshold, which further solidifies the position of the bank as the leading microfinance bank in Pakistan.
KMBL owes it all to the irrevocable trust placed by the customers and takes pride in the shared ownership and commitment of the staff, which has allowed KMBL to become Pakistan's bank of choice. The Bank congratulates all the stakeholders on this achievement and vows to continue to be customer-centric in the efforts to bank the unbanked as we move towards a digital future.

USAID Provides $25 million commitment to empower women and MSMEs/ USAID And Khushhali Microfinance BankLaunch New Partnership

The United States government, through the U.S. International Development Finance Corporation (DFC) and the U.S. Agency for International Development (USAID), launched a new partnership with Pakistan's leading financial institution Khushhali Microfinance Bank Ltd. (KMBL) to support micro, small and medium-sized enterprises (MSMEs) and women-led businesses in Pakistan.

The partnership will enable MSMEs to access finance with enhanced credit history and collateral accommodations. This project has been made possible by an investment guarantee of up to $25 million provided by DFC in collaboration with USAID/Pakistan to KMBL

DFC has provided KMBL with a $10 million, 50 per cent loan portfolio guarantee to mobilize commercial loans to qualified MSMEs that are majority-owned, operated or staffed by Pakistani women across the country. DFC also provided a $15 million, 50 per cent loan portfolio guarantee to KMBL that will help mobilize commercial loans, specifically to MSMEs operating in Khyber Pakhtunkhwa Province and its Newly Merged Districts (NMDs).

Proving Institutions Can Provide Credit to MSMEs

Besides the vast network of more than 200 branches, Khushhali Microfinance Bank has launched a specialized SME channel - "Khushhali Karobar", with exclusive branches that provide customized Term-Financing and Running-Finance facilities for Small & Medium Enterprises (MSMEs).

These specialized branches are already operating in 12 major cities including Lahore, Gujranwala, Gujrat, Sialkot, Faisalabad, Okara, Sahiwal, Sargodha, Rawalpindi, Hairpur, Peshawar, and Sheikhupura. After one year of its launch, this channel has already provided financing facilities to a large number of SME borrowers, including SMEs owned by women.

Fully trained sales and operations teams have been deployed to provide complete banking facilities to male & female customers related to Small business segments. Key focus areas by Karobar Branches include:

- Cash flow-driven financing facilities for small manufacturing, trading and services business from Agri & Non-Agri value chains.
- Offering Term Finance and Running Finance facilities up to three million per individual entrepreneur for business expansion, asset purchase and working capital.
- Supporting women enterprises and Agri SMEs through partnerships. These small businesses will also be facilitated through market linkages and digital banking solutions to increase their business outreach.
- Leveraging digital solutions by engaging the complete value chain of targeted SMEs to meet their financial needs.
- Offering low-cost insurance facilities to our targeted segments for improving their livelihood.

Affordable Housing — An Important Priority

In 2018, Khushhali Microfinance Bank pioneered the Khushhali Home Plus loans facility, offering up to 1 Million Rupees for low-income individuals, who need affordable housing finance for the renovation and improvement of existing houses. This facility has already provided loans worth 08 billion Rupees, to more than 15,900 low-income individuals, to date, to accelerate socio-economic growth all over Pakistan.

The Government's Markup- Subsidy Scheme introduced in July 2021, further enriched KMBL's high-ticket house-loan scheme to expand and enrich the bank's portfolio. The Khushhali Apna Makaan (KAM) under the Government's Subsidized Scheme approved a total amount of over 3 Billion Rupees. It serviced 1,400 rural-area individuals, by disbursing a cumulative amount of over 1.8 billion Rupees, while the total approved amount for this segment is 2.2 billion Rupees. Among these, more than 294 were female clients, who have been granted cumulative loans of 409 million Rupees, while the total amount approved for the female segment to date is 510 million Rupees.

The overall Housing Portfolio of KMBL comprises 17,800 Low-Income individuals, who have been serviced by disbursing a cumulative amount of 10.9 Billion Rupees, while the total amount approved for this portfolio is over 11 Billion Rupees. More than 13,000 Rural area customers have been serviced so far, by disbursing 8 Billion Rupees. A total of 2,515 Female clients have been serviced in this portfolio by providing loans worth 1.6 Billion Rupees.

Our Entrepreneurs Win at the 14th annual Citi-PPAF Micro-Entrepreneurship Awards

Seven of the best-performing clients of Khushhali Microfinance Bank were shortlisted to win prestigious accolades at the "14th "Citi-PPAF Micro Entrepreneurship Awards – 2022". Five of these seven shortlisted candidates, personally attended the ceremony organized by Pakistan Poverty Alleviation Fund (PPAF) and Citi Foundation in Islamabad, to recognize the achievements of successful micro-entrepreneurs across Pakistan.

The Citi Micro-entrepreneurship Awards Programme showcases Pakistan's real success stories to a global audience and enriches the nation's image. These awards recognize the achievements of the most successful micro-entrepreneurs across Pakistan, who have effectively utilized Micro-Loans, to build sustainable businesses and revenue streams to elevate their quality of life. They are enabling socio-economic growth for their families, communities, and the nation, despite resource constraints and extraordinary challenges.

Promising Fresh Air For Sustainable Growth

The true potential of many hard-working people in Pakistan remains largely untapped because they do not have enough resources or financial capacity, to turn their ideas into profitable ventures and achieve prosperity.

Here we discuss the story of one exemplary young man – Muhammad Umair, who had acquired extensive knowledge and skill-set, to operate an electric-fans manufacturing business in Pakistan.

Over the past two years, the global Covid-19 pandemic had a debilitating impact on his business and he experienced a severe financial crunch, due to uncertainty and low productivity caused by the prolonged urban lockdowns. Fierce competition in the industry and a shortage of human resources had also made the situation worse. Umair visited the newly inaugurated branch specializing in Khushhali Karobar products and applied for a working capital loan from KMBL. Soon, his loan was approved for building the capacity of his fan-production business.

KMBL has enabled him to increase his productivity and meet the growing demand for Fans in the market. Today, with his hard work and commitment, this 30-year-old entrepreneur owns and manages a progressive factory, located near Arrupe Mor, Gujranwala. This venture generates over 500,000 (Half a million) Rupees of monthly income for Umair, his beloved wife, and three children, while also providing a respectable livelihood for its 10 employees.

Achieving Business Growth with Convenient Financing Services

A developing nation like Pakistan must support talented entrepreneurs for nurturing more productive businesses for faster socioeconomic growth. Khushhali Microfinance Bank has the vision to unleash the true potential of these entrepreneurs, by providing them with affordable and convenient financial resources and robust investment models, to help them tap bigger opportunities for prosperity.

This is the story of Shahbaz Ahmed who is successfully running his own 'Surgical-Instruments Manufacturing & Trading Business' in Miana Pura, Sialkot. Over the recent years, Shahbaz had acquired deeper knowledge and a valuable skillset, so he felt ready to expand his business in the domestic as well as international markets. However, he needed to make an additional investment, to upgrade his factory, train a better workforce and enhance the productive capacity of his operations.

After approaching Khushhali Microfinance Bank, Shahbaz was able to choose a loan package, which best suited his requirements to expand his business. Once he acquired this additional investment, his business grew rapidly and its sales volume doubled.

This facility resolved the financial challenges of his business, helping him to meet the market demand and multiply his business volumes, with higher profitability and growth. Today, Shahbaz is earning three times more than he was before acquiring the loan for expansion. His workforce has increased to more than 20 employees. He plans to build a bigger setup at a new location with more advanced machinery. With Khushhali Karobar's support, his family's living standard has improved significantly and today his son is going abroad for higher education. He can meet all his personal and business expenses more easily, while also saving good money for the future.

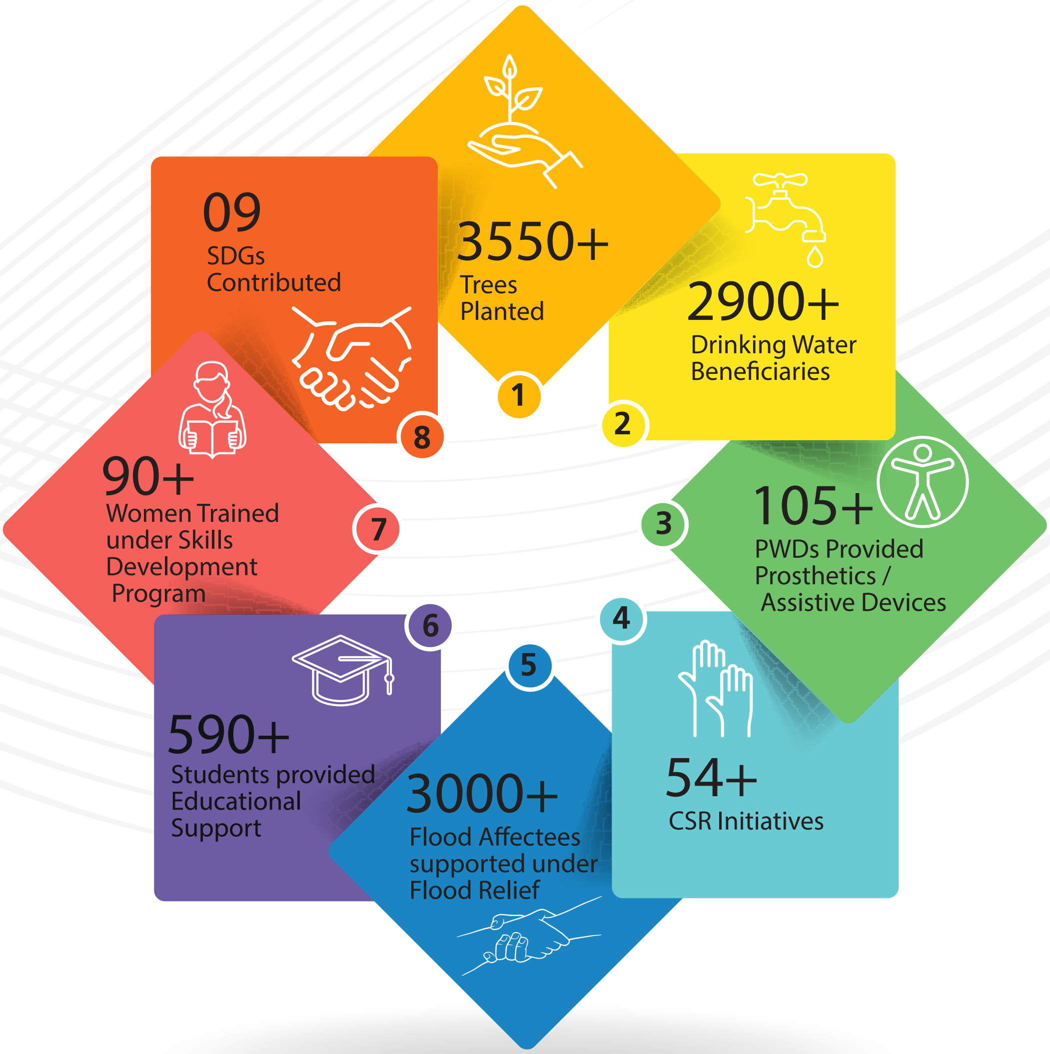
Khushhali being a Responsible Corporate Citizen

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 to the development of the country.

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

This year again, KMBL took several initiatives particularly in the rural areas of Pakistan, following a comprehensive 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. Here are some of the highlights and achievements of KMBL's CSR program:

CSR Highlights 2022



EMPOWERING THE WOMEN OF PAKISTAN

Empowering the Women of Pakistan

According to the Global Gender Gap Index Report 2022, Pakistan ranks 145/156 for economic participation and opportunity, 135/156 for educational attainment, 143/156 for health and survival, and 95/156 for political empowerment. On the economic front, women account for a mere 22.63% of the labour force while men make up 84.79% of the labour force. The overarching constraints that restrict economically active women from maximizing their income include cultural constraints of free mobility, restricted access to and acquisition of skills in business management and expansion, and lack of direct access to markets and technology.

Khushhali Microfinance Bank Limited remains committed to the cause of women's empowerment. KMBL believes that skill-based training programs are a progressive step towards empowering underprivileged women to be independent and generate sufficient incomes to support their families. Over the years, 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.

To mark the #internationalwomensday2022, KMBL partnered with the Institute of Rural Management (IRM) and organized a Skill Development Training Program for women from marginalized communities of Rawalpindi. The training program included a complete tailoring course and a beautician course for two groups of participants. KMBL also provided stitching machines and makeup kits to the participants to encourage them towards starting their ventures soon after the completion of the training.

In another effort, KMBL partnered with Sindh Graduates Association (SGA) and started a skill development program at Roshan Tara School, Mirpurkhas. A group of women from underserved communities of Mirpurkhas were enrolled in the program and completed a three-month tailoring course.

Continuing its skills development program in Sahiwal, KMBL completed another batch of tailoring courses in collaboration with the Society for Human Development (SHD). A group of women, struggling to support their families by earning sustainable livelihoods, completed a comprehensive tailoring course.

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INVESTING IN THE YOUTH OF PAKISTAN

Investing in the Youth of Pakistan

If Pakistan's large young population is prepared for the transition to adulthood, the country will turn its youth bulge into a demographic dividend – making the potential for progress unlimited. Thus, Pakistan's young people will have to be educated, trained and connected opportunities for gainful employment, entrepreneurship and engagement if they are to contribute to economic growth and sustainable development.

According to UNICEF, Pakistan is facing a serious challenge to ensure all children, particularly the most disadvantaged, attend, stay and learn in school. While enrolment and retention rates are improving, progress has been slow to improve education indicators in Pakistan. Currently, Pakistan has the world's second-highest number of out-of-school children (OOSC) with an estimated 22.8 million children aged 5-16 not attending school, representing 44% of the total population in this age group. Household wealth has an impact on enrolment in schools. Pakistan's poorest children are three times more likely to drop out, compared to children from the country's wealthiest households.

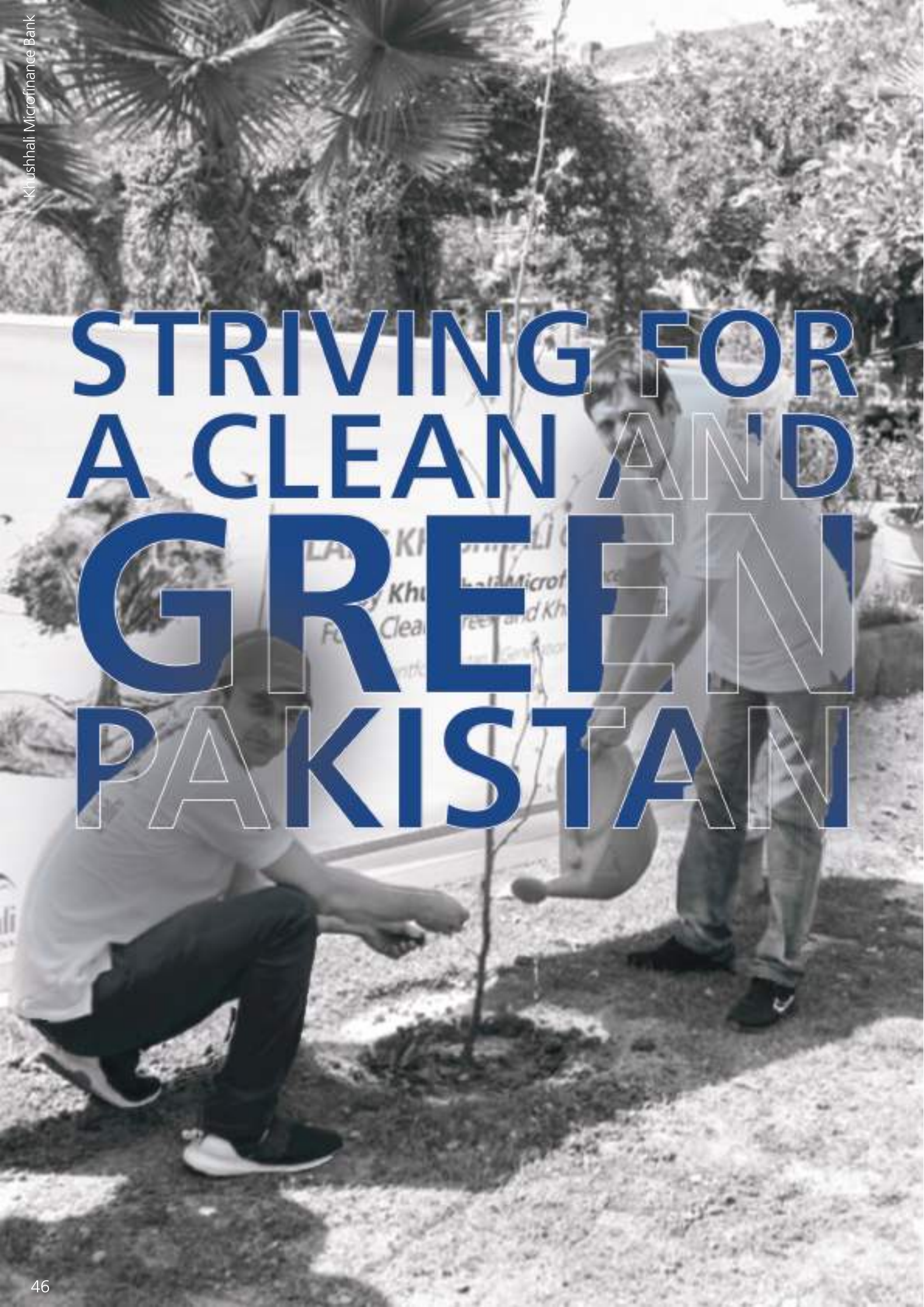
Millions of children in Pakistan are unable to pursue education primarily because of financial circumstances. KMBL is trying to bridge this gap by supporting students from underserved communities, particularly in remote rural areas of Pakistan, to at least continue their education.

Under its ambitious CSR initiative; Education for Khushhali, KMBL is identifying schools in the remote areas of Pakistan through a comprehensive CSR need assessment where students are in dire need of educational support. KMBL is then supporting these students with boo stationery, uniforms and school bags in hope that these students would be able to continue their education.

This year, KMBL identified multiple schools in Haripur, Mardan, Lalamusa, Patoki, Gujranwala and Vehari. Following a comprehensive need assessment, KMBL volunteers from the respective branches, led by the area managers, visited the schools to encourage and appreciate the students. KMBL's volunteers also presented books, stationery, uniforms and school bags to the students to support them in pursuit of their education.

From Government Girls Primary School Toru, Mardan (KPK), to Govt Special Education School Vehari (Punjab), Education for Khushhali supported around six hundred students in seven government institutions. 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 reduce 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

Pakistan's environment has been degrading over the years. Poor waste management, polluted rivers, contaminated air and declining forest cover are some of the key issues yet to be addressed. The extent of urban air pollution in Pakistan—South Asia's most urbanized country—is among the world's most severe, significantly damaging human health, quality of life, and the economy and environment of Pakistan. The harm from Pakistan's urban air pollution is among the highest in South Asia, exceeding several high-profile causes of mortality and morbidity in Pakistan. Improved air quality in Pakistan can have notable economic and health benefits.

Striving for a clean and green Pakistan, Khushhali has taken several noteworthy initiatives, over the years, for the protection and conservation of our environment. 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.

In another effort towards Environmental awareness and protection, Khushhali partnered with District Administration Ishkoman, Ghizer District Gilgit Baltistan and initiated a cleanliness drive in this picturesque valley famous for hosting tourists from around the world. The main objective of the campaign was to sensitize the public regarding the pollution caused by littering. To improve the collection and disposal of waste and to avoid littering, KMBL also provided waste bins that were installed in Gahkuch Market.

To sensitize the students and to encourage their participation towards environmental protection, KMBL organized plantation drives at the Women University of Swabi and Shaheed Benazir Bhutto Women University, Peshawar. University faculty, administration and students participated in the plantation drive and planted hundreds of trees in the vicinity of their universities. These plantation drives not only sensitized the students but also increased the vegetation cover on the campus.

Continuing its flagship campaign, Plant Khushhali, over the years, KMBL initiated the plantation drive from Narowal, Sialkot Area. KMBL volunteers from the respective branch, under the leadership of the Area Manager, enthusiastically participated in the plantation drive and planted several trees in Punjab Housing Society, Narowal. Continuing the effort, plantation drives were organized in Okara, Hyderabad and Dadu. KMBL believes that these plantation drives will improve the environment in these cities and will also help in fighting climate change by reducing the CO_2 from the atmosphere and providing oxygen in return

In another initiative, KMBL partnered with HANDS Pakistan to plant an urban forest in Kandhkot, northern Sindh. Several cities of Sindh particularly Kandhkot, Sukkur, Larkana, Dadu, Karachi and Hyderabad have been gripped by heatwaves for the last few years now. Thousands of people have been directly affected by the extreme heat and the situation is getting worse with each passing year. Khushhali urban forest has been planned in Kandhkot in hopes of improving the environment as well as reducing the urban temperature since urban forests prove to be an excellent heat sink.

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 are more likely to live in poverty than persons without disabilities due to barriers in society such as discrimination, limited access to education and employment and lack of inclusion in livelihood and other social programmes. National data on income poverty disaggregated by disability remain scarce, but available data show that the proportion of persons with disabilities living under the national or international poverty line is higher, and in some countries double, than that of persons without disabilities.

According to United Nation's report on Disability and Development, Persons with disabilities face persistent inequality in social, economic and political spheres and are disadvantaged in all areas covered by the SDGs. Although gaps between persons with and without disabilities vary among countries, in some countries the gaps reach more than 20 percentage points in income poverty, 15 percentage points in the ability to afford a meal with protein every second day, 50 percentage points in experiencing good health, in literacy rates and employment-to-population ratios. Persons with disabilities are also at a disadvantage in terms of accessing and affording essential services including water and sanitation, energy, and the Internet. Besides these gaps, persons with disabilities are underrepresented in political participation.

Mobility is the first and most critical hurdle faced by 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 using; prosthetics, assistive devices and other equipment.

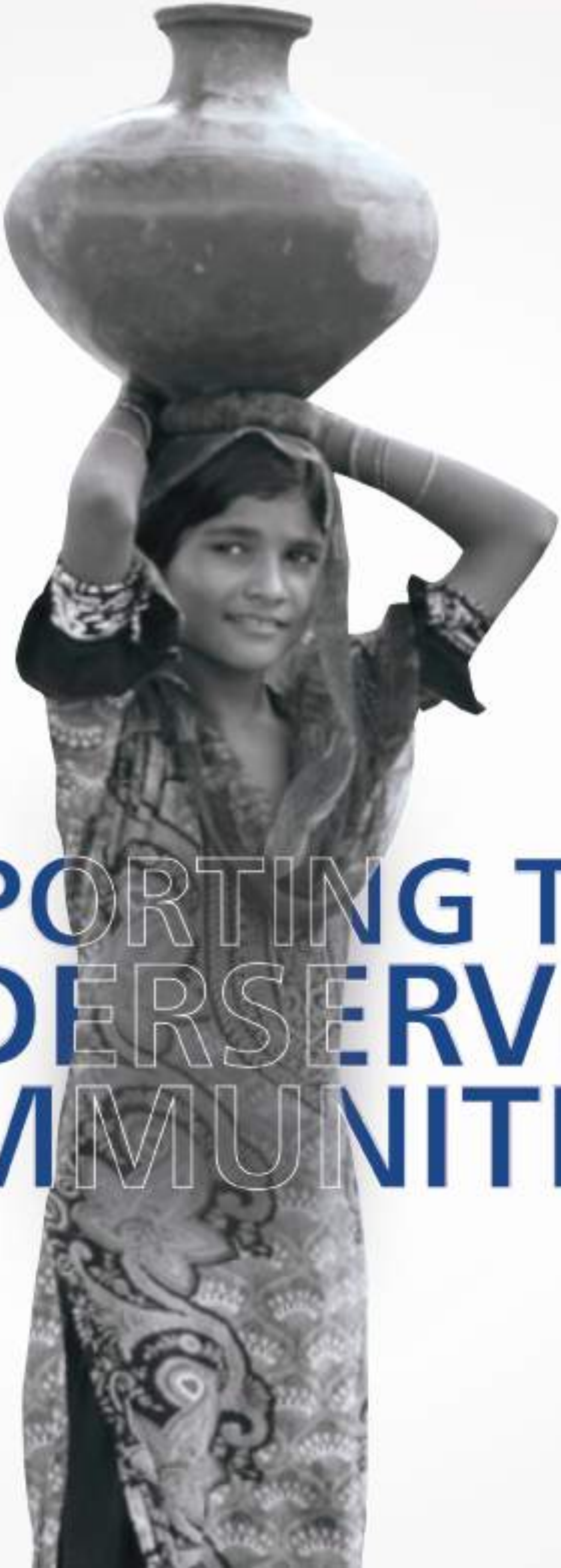
In partnership with CHAL Foundation, Khushhali Microfinance Bank has provided prosthetics to five patients from marginalized communities of Swabi, KPK. The idea behind this initiative is to improve the mobility of these patients and to facilitate their reintegration into society.

In another initiative, KMBL is providing wheelchairs to people from underserved communities who cannot afford to purchase them by themselves. This year, KMBL partnered with HANDS Pakistan and Saaya Association of Persons with Disabilities and distribute wheelchairs in Muzaffargarh and Multan. Similarly, KMBL distributed wheelchairs for PWDs in Karachi in collaboration with Ladies Fund and Dawood Global Foundation. Overall, more than 100 wheelchairs were distributed among PWDs belonging to lower segments of society.

KMBL is committed to promoting full and equal participation of individuals with disabilities in all segments of 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 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 Persons with Disabilities and by facilitating their reintegration into society.

SUPPORTING THE UNDERSERVED COMMUNITIES



Supporting the Underserved Communities

SDGs Contributed

Being a responsible corporate citizen, KMBL recognizes its responsibility to empower and progress in partnership with the communities where KMBL operates. Therefore, KMBL continues to take initiatives for the prosperity of the people, particularly in the marginalized and underserved communities across Pakistan.

One of the major issues being faced by people in Pakistan is water scarcity and KMBL is trying to address this issue using water coolers & filters, hand pumps, solar pumps and water filtration plants. While the survival of humans is highly dependent on water, water scarcity has multidimensional health and socioeconomic impacts on people, particularly in developing countries like Pakistan. The country is not only suffering from a severe shortage of water but 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. A high percentage of the population in urban cities of Pakistan is dependent on unsafe water sources which is ultimately the cause of rising waterborne diseases.

Helping our communities across Pakistan access drinking water is one of our ambitions and we are striving to provide this basic necessity to as many people as possible. Access to clean water changes everything; it's a stepping stone to good health and development. Khushhali Microfinance Bank through its CSR program 'Drinking Water for Khushhali' aims to help our communities in accessing safe drinking water.

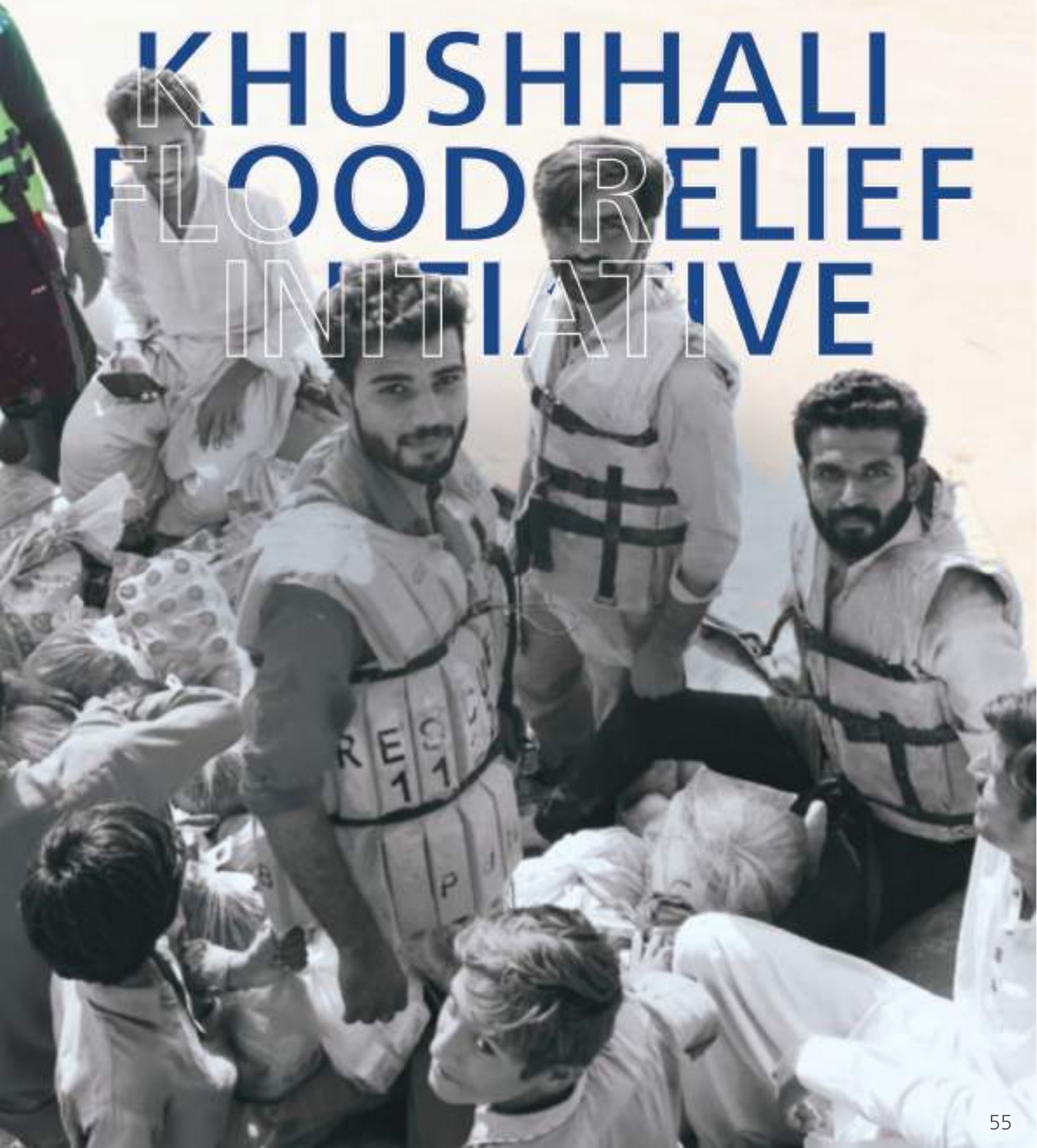
This year again, KMBL has taken multiple initiatives in different cities of Pakistan to help people in accessing safe drinking. KMBL installed water coolers with filters in multiple schools, hospitals and healthcare centres of Farooqabad, Patoki, Dera Ghazi Khan, Multan and Sukkur. These drinking water facilities will ensure that safe drinking water is available to the public, especially the children in schools and patients in hospitals or healthcare centres.

In another effort, KMBL installed solar-powered water pumps in the water-stressed villages of Kagia Chachro, Tharparkar and Basti Murad Chahal, Cholistan. These villages were identified during the CSR need assessment as the people were struggling to find water for consumption and domestic use. KMBL installed water pumps and constructed tanks for the storage of water. Since the villages were located in a remote rural area and electricity is usually unavailable. Therefore, solar systems were also installed to provide continuous water to these communities to fulfil their needs and improve their lives. More than 200 homes with almost 700 people are getting water from these solar-powered facilities regularly.

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

In another effort, KMBL repairs the Wacha-Wana suspension bridge in Tirah Valley to restore transportation infrastructure in the Khyber Tribal District. This bridge will restore the accessibility to this remote region, for facilitating the socio-economic rehabilitation of almost 10,000 residents of the Tirah Valley, who were impacted by geopolitical instability and militancy, over the past decades. Thousands of resident families of this valley had lost their homes and livelihoods because of geopolitical instability. However, peace and stability have recently been restored in the valley and people are now returning to their homes after decades of displacement.

KHUSHHALI FLOOD RELIEF INITIATIVE



Khushhali Flood Relief Initiative

The terrible storms, floods and landslides brought on by this year's high monsoon rains in Pakistan have affected more than 33 million people. Homes, farms and vital infrastructures such as roads, bridges, schools, hospitals and public health facilities were destroyed. The devastating floods in Pakistan have resulted in economic losses to the country's fragile economy. Hundreds of thousands of families have been displaced because of damages to the homes, infrastructure and inundation of land. People are forced to take shelter in relief camps set up across the province and wait for help to arrive.

While the widespread socioeconomic impacts of the floods were witnessed by the World, climate change has been denounced for devastating flooding in Pakistan, which has left nearly 1,400 people dead. While Pakistan contributes less than 1 per cent of global carbon emissions but has been consistently ranked as the top 10 most vulnerable countries on the Climate Change Performance Index (CCPI) to extreme weather events. The calamity has reignited debate about global warming – particularly carbon emissions by the world's most industrialized nations – as developing countries bear the brunt of its consequences.

While the unprecedented flood left behind a tale of destruction, NGOs and charities came forward to help the people in desperate times. In this time of crisis, Khushhali stood with the people in the flood-affected areas and initiated its flood relief program Dera Ghazi Khan where KMBL volunteers distributed food packages among the flood affectees. Continuing the efforts, KMBL volunteers from Tibbi and Taunsa reached out to the displaced families in the camps and distributed cooked meals among hundreds of families.

In another initiative, KMBL in collaboration with 'Team Helps the Khairpur', distributed tents and sheets in village Manghanwari, Taluka Kingri, District Khairpur. Medical camps were also organized extending free checkups and medicines to a large number of people including women and children.

As the flood water slowly receded, KMBL mobilized a team of volunteers from Jhudo, Kunri, Mirpurkhas, Kot Ghulam Muhammad, Umarkot, Dadu, Hyderabad and Dera Murad Jamali. These volunteers took part in relief and rehabilitation efforts in the respective affective areas and distributed food packages among hundreds of families.

While KMBL supported hundreds of families through these initiatives, it also made humble contributions to Sustainable Development Goal #2 and Goal #3 by providing food packages to the flood affectees and arranging medical camps for free healthcare services in the affected areas.

Contribution to Sustainable Development Goals

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 2022 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 2022 and of the loss, the other comprehensive loss, 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.

Material Uncertainty Related to Going Concern

We draw attention to note 2 to the financial statements, which indicates that at the report date the Bank's capital adequacy ratio fell below the percentage prescribed by State Bank of Pakistan and, the Bank has incurred a net loss after tax of Rs. 3,051.8 million and it has negative operating cashflows during the year ended 31 December 2022. These events or conditions along with other matters as set forth in note 2 indicate the existence of material uncertainty which may cast significant doubt about the Bank's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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: 30th April, 2023

EY Ford Rhodes
Chartered Accountants
Islamabad, Pakistan

Balance Sheet as at December 31, 2022

ASSETS	Note	2022 Rs. '000	2021 Rs. '000
Cash and balances with SBP and NBP	8	5,153,731	3,883,711
Balances with other banks/ NBFIs/ MFBs	9	3,902,980	10,177,317
Lending to financial institutions	10	4,893,064	100,000
Investments - net of provisions	11	11,287,050	14,089,836
Advances - net of provisions	12	86,372,392	70,884,244
Operating fixed assets	13	4,154,127	3,578,798
Other assets	14	14,433,078	13,270,613
Deferred tax asset	15	2,009,938	539,407
Total Assets		**132,206,360**	**116,523,926**
LIABILITIES			
Deposits and other accounts	16	111,791,738	93,162,369
Borrowings	17	2,175,000	4,608,379
Subordinated debt	18	4,500,000	3,000,000
Other liabilities	19	5,630,369	4,568,629
Total Liabilities		**124,097,107**	**105,339,377**
Net Assets		**8,109,253**	**11,184,549**
REPRESENTED BY:			
Share capital	20	1,705,000	1,705,000
Statutory reserve	7.12	1,900,415	1,900,415
Capital reserve	6.13	24,255	24,255
Unappropriated profit		4,514,447	7,616,090
		8,144,117	11,245,760
Deficit on revaluation of assets	21	(48,458)	(61,211)
Deferred grants		13,594	-
Total Capital		**8,109,253**	**11,184,549**
MEMORANDUM/OFF BALANCE SHEET ITEMS	22	-	-

The annexed notes from 1 to 48 form an integral part of these financial statements.

PRESIDENT	CHAIRMAN	DIRECTOR	DIRECTOR

Profit And Loss Account for the year ended December 31, 2022

	Note	2022 Rs. '000	2021 Rs. '000
Mark-up/ return/ interest earned	23	20,099,705	18,652,795
Mark-up/ return/ interest expensed	24	12,594,913	8,960,999
Net mark-up/ interest income		7,504,792	9,691,796
Provision against non-performing loans and advances -net	12.4	5,643,058	3,938,294
Bad debts written off directly	12.5	247,164	22,202
Net mark-up/ interest income after provisions		1,614,570	5,731,300
NON MARK-UP/ NON INTEREST INCOME			
Fee, commission and brokerage income	25	1,980,252	1,857,405
Other income	26	214,515	137,154
Total non mark-up/non interest income		2,194,767	1,994,559
		3,809,337	7,725,859
NON MARK-UP/ NON INTEREST EXPENSES			
Administrative expenses	27	7,637,758	6,775,162
Other provisions	14	342,549	62,145
Other charges	28	14,022	18,962
Total non-mark-up/ non interest expense		7,994,329	6,856,269
(LOSS) / PROFIT BEFORE TAXATION		(4,184,992)	869,590
Taxation - Current	29	273,798	323,829
- Prior year	29	48,594	31,817
- Deferred	29	(1,455,539)	(57,736)
		(1,133,147)	297,910
(LOSS) / PROFIT AFTER TAXATION		(3,051,845)	571,680
Unappropriated profit brought forward		7,616,090	7,200,276
Other comprehensive loss transferred to equity		(49,798)	(12,946)
Profit available for appropriation		4,514,447	7,759,010
APPROPRIATIONS:			
Transfer to:			
Statutory reserve	7.12	-	28,584
Microfinance social development fund	7.14	-	57,168
Depositors' protection fund	7.14	-	28,584
Risk mitigation fund	7.14	-	28,584
		-	142,920
UNAPPROPRIATED PROFIT CARRIED FORWARD		4,514,447	7,616,090
(LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED	34	(17.90)	2.68

The annexed notes from 1 to 48 form an integral part of these financial statements.

PRESIDENT	CHAIRMAN	DIRECTOR	DIRECTOR

Statement of Comprehensive Income for the year ended December 31, 2022

	Note	2022 Rs. '000	2021 Rs. '000
(Loss) / Profit after taxation		(3,051,845)	571,680
Other comprehensive income			
Items that will not be reclassified subsequently to profit and loss:			
Remeasurement loss on post employment benefit obligation		(70,139)	(18,234)
Deferred tax relating to remeasurement gain on post employment benefit obligation	**15.1**	20,341	5,288
Other comprehensive loss transferred to equity		(49,798)	(12,946)
Items that may be subsequently reclassified to profit and loss:			
Deficit on revaluation of investments - AFS	**11.5**	(68,252)	(86,213)
Transfer to profit and loss on disposal of available for sale investments		86,213	10,542
Deferred tax (liability) / asset on deficit on revaluation of investments - AFS	**15.1**	(5,349)	21,944
		12,612	(53,727)
Total comprehensive (loss) / income		(3,089,031)	505,007

The annexed notes from 1 to 48 form an integral part of these financial statements.

PRESIDENT	CHAIRMAN	DIRECTOR	DIRECTOR

Statement of Changes in Equity for the year ended December 31, 2022

	Share capital	Capital reserve (Note - 7.13)	Statutory reserve (Note - 7.12)	Unappropriated profit	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at January 01, 2021	1,705,000	24,255	1,871,831	7,200,276	10,801,362
Total comprehensive income for the year					
Profit for the year	-	-	-	571,680	571,680
Other comprehensive gain	-	-	-	(12,946)	(12,946)
	-	-	-	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)
Balance as at December 31, 2021	1,705,000	24,255	1,900,415	7,616,090	11,245,760
Total comprehensive income for the year					
Profit for the year	-	-	-	(3,051,645)	(3,051,645)
Other comprehensive loss	-	-	-	(49,798)	(49,798)
	-	-	-	(3,101,643)	(3,101,643)
Transfer to:				-	-
Statutory reserve	-	-	-	-	-
Microfinance Social Development Fund	-	-	-	-	-
Risk Mitigation Fund	-	-	-	-	-
Depositors' Protection Fund	-	-	-	-	-
Balance as at December 31, 2022	1,705,000	24,255	1,900,415	4,514,447	8,144,117

The annexed notes from 1 to 48 form an integral part of these financial statements.

PRESIDENT | CHAIRMAN | DIRECTOR | DIRECTOR

Cash Flow Statement for the year ended December 31, 2022

	Note	2022 Rs. '000	2021 Rs. '000
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before taxation		(4,184,992)	869,590
Adjustments for:		515,926	471,148
Depreciation of property and equipment		397,218	372,643
Depreciation of right of use asset		121,114	153,309
Amortization of intangible assets		5,643,058	3,938,294
Provision against non-performing advances		(3,049)	(50,914)
Gain on sale of fixed assets		(17,538,857)	(16,765,009)
Mark-up on advances		(2,560,848)	(1,887,786)
Interest income on investments and deposit accounts		11,850,214	8,437,673
Interest expense on borrowings and deposits		466,373	275,932
Interest expense on subordinated debt		278,326	247,394
Interest expense on lease liability		342,549	62,145
Provision against other assets		152,673	142,258
Charge for defined benefit plan		(335,303)	(4,602,913)
		(4,520,295)	(3,733,323)
(Increase) in operating assets			
Advances		(21,131,208)	(14,181,751)
Other assets		(685,211)	(63,893)
		(21,816,417)	(14,245,644)
Increase / (decrease) in operating liabilities			
Deposits		18,629,369	4,512,555
Other liabilities		(143,702)	(87,308)
		18,485,667	4,425,247
Net cash (used in) / operations		(7,851,045)	(13,553,720)
Mark-up received on advances		17,014,927	14,048,778
Interest received on investments and deposit accounts		2,315,796	1,863,504
Interest paid on borrowings, deposits and subordinated debt		(11,749,265)	(9,027,083)
Contributions to defined benefit plan		(245,922)	(96,452)
Income taxes paid		(373,072)	(694,898)
		6,962,464	6,093,849
Net cash (used in) / operating activities		(888,581)	(7,459,871)
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in AFS/HFT/HTM securities		2,820,747	3,514,382
Purchase of operating fixed assets		(661,043)	(664,956)
Sale proceeds against disposal of operating fixed assets		40,478	64,496
Net cash generated from investing activities		2,200,182	2,913,922
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		(42,660)	-
Payment of lease liability Subordinat-		(560,409)	(472,117)
ed debt		1,500,000	600,000
Borrowings acquired during the year		286,113,969	151,948,367
Borrowings paid during the year		(288,547,348)	(147,767,696)
Deferred grant received		13,594	-
Net cash (used in) / generating from financing activities		(1,522,854)	4,308,554
Net (decrease) in cash and cash equivalents		(211,253)	(237,395)
Cash and cash equivalents at beginning of the year		14,161,028	14,398,423
Cash and cash equivalents at end of the year	30	13,949,775	14,161,028

The annexed notes from 1 to 48 form an integral part of these financial statements.

PRESIDENT	CHAIRMAN	DIRECTOR	DIRECTOR

Notes to the Financial Statements for the year ended December 31, 2022

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 Microkredietfonds (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 220 branches and 17 permanent booths in operation as at December 31, 2022 (December 31, 2021: 219 branches, 33 permanent booths) and is licensed to operate nationwide.

2 CAPITAL ADEQUACY

Pre-COVID period, microfinance sector was facing the challenges of unprecedented locust attacks and multiple crop failures. The outbreak of COVID aggravated the portfolio quality issues resulting into increased losses for the sector. In order to dampen the effect of COVID, SBP provided regulatory relief whereby rescheduling and loan deferment was allowed. The central bank support helped the customers stay afloat, but inherently resulted into potential losses which were realized after the expiry of SBP relief period. The core reason behind customer default was the massive decline in the purchasing power of the borrowers, changed client behaviour affected by inconsistent rescheduling practices among the sector and expectation of further relief. The NPLs ratio of the entire sector increased on the rescheduled loans.

Under the SBP COVID relief guidelines, KMBL rescheduled loans of approximately Rs 35 billion. At the reporting date, rescheduled portfolio has completely matured posting cash recovery of 49% (Rs 17 billion), further roll over / rescheduling of 31% (Rs 11 billion and loss / overdue write off of 20% (Rs 7 billion). It is pertinent to note that further rescheduling was allowed to certain customers due to financial hardships but after servicing of full/partial accrued mark up on their due loans. In view of the losses on rescheduled loans, Bank's CAR at 11.50%, fell below the regulatory requirement of 15% at the reporting date. These conditions and events indicate the existance of material uncertainty that may cause significant doubt on the banks ability to continue as going concern, and therefore the bank may be unable to realise its assest and discharge its reliability in the normal course of business.

In order to address the foregoing, the Board of Directors of the Bank has approved two plans 1) a Contingency plan and 2) long-term strategic plan:

Contingency plan

The Bank intend to increase its regulatory capital and increase its CAR above regulatory requirements, in FY 2023, by:

a. Converting Additional Tier (ADT) -1 capital (sub-ordinated), amounting to Rs. 1.5 billion, into common equity. The Bank's financing agreements for ADT-1 capital contains loss absorption clause, whereby, the Bank can convert this sub-ordinated loan into common capital, under a mechanism established pursuant to provisions of Basel-III guidelines issued by SBP, if the Bank's Loss Absorbency Ratio (LAR) has fallen below prescribed benchmark - as has happened in February 2023. The Board of Directors of the Bank has approved the conversion of ADT-1, in their meeting held on 19 April 2023.

b. The Bank has requested funding from Risk Mitigation Fund (RMF), previously established under the direction of Asian Development Bank (ADB) at the time of formation of the Bank. RMF mitigate losses of the borrowers of the Bank by helping them re-establish their earning assets enabling them to repay the loan obligations towards the Bank. These loans have already been written-off in the financial statements. Based on management's discussion with SBP, management is confident that out its claim, an amount of not less than Rs 2 billion is expected to be realized in FY 2023.

c. The plan also planned to sell securitized (gold backed) loan portfolio to a commercial bank, in FY 2024, which will also help in improving CAR. In this respect, discussion with multiple commercial banks have already commenced.

Upon successful execution of actions highlighted in point (a) and (b) above - as already discussed with SBP, the Bank expects to be compliant with regulatory requirement for CAR by end of FY 2023.

Long term strategic plan

A long-term strategic plan and five years financial projections for returning to growth and profitability with an additional capital need of Rs 8 billion. The strategic plan has been approved by the Board in the meeting held on March 07,2023 to improve the capital base of KMBL and to enable it to pursue sustainable future growth. The Bank is in the process of raising new capital from the existing shareholders through right issue through right option and for any unsubscribed right issue, from potential new shareholders through other than right issue for which financial advisor of KMBL is working on a time bound plan ending on 30 June 2023. Amongst the existing shareholders, United Bank Limited (UBL) representing 29.9% shareholding in KMBL has Indicated their willingness, subject to approval by their Board, to inject the share capital amounting to Rs 2.4 billion, as per their shareholding in the Bank. While UBL is also providing support to KMBL in arranging capital from existing and / or new shareholders to ensure that KMBL remains compliant with regulatory requirements.

Subsequent to reporting date, three potential investors have signed up Non-disclosure Agreements with KMBL as a part of their due diligence process to assess the investment opportunity. Management of the Bank is confident that the process for further capital injection will be completed by end of FY 2023.

Based on above contingency plan, long term strategic plan, actions outlined above, and projections prepared by KMBL's management, which have been approved by the Board of KMBL, the management and Board of KMBL are of the view that KMBL would have adequate capital and resources to continue its business on a sustainable basis in the foreseeable future. Accordingly, these financial statements have been prepared under the going concern basis of accounting.

3 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.

4 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. 3, dated July 05, 2022, deferred the applicability of IFRS-9 'Financial Instruments' till annual periods beginning on or after January 01, 2023. 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.

5 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.

6 New Standards, Interpretations And Amendments To Published Approved Accounting Standards

6.1 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, 2022 but are considered not to be either relevant or not have any significant impact on these financial statements:

- 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.

  The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. In accordance with the transitional provisions, the Bank applies the amendments prospectively, i.e., to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

  These amendments had no impact on the separate financial statements of the Bank.

- 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.

- In accordance with the transitional provisions, the Bank applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application). These amendments had no impact on the financial statements of the Bank as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

- IAS 37 - Provisions, Contingent Liabilities and Contingent Assets - Amendments to specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Bank applied the amendments to the contracts for which it had not fulfilled all of its obligations at the beginning of the reporting period. These amendments had no impact on the financial statements of the Bank, as prior to the application of the amendments, the Bank had not identified any contracts as being onerous and the unavoidable costs under the contracts, which were the costs of fulfilling them, comprised of incremental costs directly related to the contracts and an allocation of costs directly related to contract activities.

  The adoption of the above amendments to accounting standards did not have any material effect on the financial statement.

  In addition to the above 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 were generally effective for accounting periods beginning on or after January 01, 2022:

- "IFRS 16 Leases: Lease incentives – The amendment removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 acBanking IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16 and had no impact on the financial statements of the Bank."

- IAS 41 Agriculture: Taxation in fair value measurements – The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

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

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

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

		Effective date (annual periods beginning on or after)
IFRS 9	IFRS 9, Financial Instruments: Classification and Measurement, addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also 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.	January 01, 2024
IAS 1	IAS 1 Presentation of Financial Statements to clarify how to classify debt and other liabilities as current or non-current. In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify: • What is meant by a right to defer settlement • That a right to defer must exist at the end of the reporting period • That classification is unaffected by the likelihood that an entity will exercise its deferral right • That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification. • Only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months. The amendments must be applied retrospectively and are not expected to have a material impact on the Bank’s financial statements.	January 01, 2024
	- 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. - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. Earlier application of the amendments is permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. The Bank is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.	January 01, 2023
	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. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Bank’s financial statements. Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12 - In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.	January 01, 2023

IFRS 9	The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations. The amendments are not expected to have a material impact on the Bank's financial statements.	
IAS 1		
	- IFRS 16 Leases - Lease Liability in a Sale and Leaseback - Amendments requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease. A seller-lessee applies the amendments retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to sale and leaseback transactions entered into after the date of initial application.	January 01, 2024
	- 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). The effective date of Amendments to IFRS 10 and IAS 28 has been deferred indefinitely (until the research project of IASB, on the equity method, has been concluded. Earlier application of the September 2014 amendments continues to be permitted. The Bank expects that the adoption of the amendments will have no material effect on the Bank's financial statements.	Not yet finalized

As per BPRD Circular No. 3 of 2022 dated July 05, 2022 of SBP, effective date of IFRS 9 implementation is January 01, 2024.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.

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):

		Effective date (annual periods beginning on or after)
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.

7 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.

7.1 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.

7.2 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.

7.3 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 derecognized 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.

7.4 Advances

Advances are stated net of provisions for non-performing advances. Advances and mark-up that are overdue as per following mentioned categories are classified as non-performing:

a) **General Loans:**

Category	Determinant	Treatment of Income	Provisioning to be made
Other Assets Especially Mentioned (OAEM)	Where mark-up or principal is overdue for 30 days or more but less than 60 days	Nil.	No provisioning Required.
Substandard	Where mark-up or principal is overdue for 60 days or more but less than 90 days	The unrealized interest / profit /mark-up / service charges on NPLs shall be suspended and credited to memorandum account.	25% of outstanding principal net of liquid assets realizable without recourse to a court of law.
Doubtful	Where mark-up or principal is overdue for 90 days or more but less than 180 days	As above.	50% of outstanding principal net of liquid assets realizable without recourse to a court of law.
Loss	Where mark-up or principal is overdue for 180 days or more.	As above.	100% of outstanding principal net of liquid assets realizable without recourse to a court of law.

b) **For Micro Enterprise Loans:**

Category	Determinant	Treatment of Income	Provisioning to be made
Other Assets Especially Mentioned (OAEM)	Where mark-up or principal is overdue for 90 days or more but less than 180 days from the due date.	Unrealized interest / profit / mark-up to be kept in Memorandum Account and not to be credited to Income Account except when realized in cash. Unrealized interest / profit / mark-up already taken to income account to be reversed and kept in Memorandum Account.	Provision of 10% of outstanding principal net of (i) liquid assets realizable without recourse to a court of law, and (ii) FSV of pledged stocks,plant & machinery under charge and mortgaged properties (land & building only) as per 11.9.3.

Category	Determinant	Treatment of Income	Provisioning to be made
Substandard	Where mark-up/ interest or principal is overdue by 180 days or more but less than one year from the due date.	As above.	Provision of 25% of outstanding principal net of (i) liquid assets realizable without recourse to a court of law, and (ii) FSV of pledged stocks, plant & machinery under charge and mortgaged properties (land & building only) as per 11.9.3.
Doubtful	Where mark-up/ interest or principal is overdue by one year or more but less than 18 months from the due date.	As above.	Provision of 50% of outstanding principal net of (i) liquid assets realizable without recourse to a court of law, and (ii) FSV of pledged stocks, plant & machinery under charge and mortgaged properties (land & building only) as per as per 11.9.3.
Loss	Where mark-up/ interest or principal is overdue by 18 months or more from the due date. Where Inland Trade Bills are not paid/ adjusted within 180 days of the due date.	As above.	Provision of 100% of outstanding principal net of (i) liquid assets realizable without recourse to a court of law, and (ii) FSV of pledged stocks, plant & machinery under charge and mortgaged properties (land & building only) as per as per 11.9.3

The benefit of FSV (other than liquid collateral) is not considered for calculation of provision held in the books of accounts.

Charging-off Non-Performing Loans (NPLs)

Loan Categories	Criteria for Charging Off NPLs
General/Unsecured Loans	NPLs shall be charged off, one month after being classified as "Loss."
Housing Loan	NPLs shall be charged off, one month after 05 years from the date of classification of financing.
Microenterprise Loans	NPLs secured against Mortgaged residential, commercial and industrial properties (Land & building only) shall be charged off, one month after 05 years from the date of classification. All other NPLs shall be charged off, one month after 03 years from the date of classification.

Extent of benefit of Forced Sale Value available in provisioning on Microenterprise Loans

Benefit of Forced Sale Value (FSV) of pledged stocks, plant & machinery under charge, and mortgaged residential, commercial and industrial properties held as collateral against Non-Performing Loans (NPLs) available for calculating provisioning requirements shall be:

Category of Assets	FSV Benifit allowed from the date of classification
Liquid Assets (Gold, Cash & Deposits)	100%
Mortgaged residential, commercial and industrial properties (Land & building only).	75% for first, 60% for second, 45%for third, 30% for fourth, 20% for fifth year.
Plan & Machinery under Charge	30% for first, 20% for second, 10% for third year
Pledge Stock	40% for first, second and third year

Above benefit shall be available only if all other conditions as prescribed in prudential regulations are complied with.

Classification before 1 January 2022

a) Other Assets Especially Mentioned

These are advances in arrears (payments/ instalments overdue) for 30 days or more but less than 60 days.

Substandard:

These are advances in arrears (payments/ instalments overdue) for 60 days or more but less than 90 days.

d) Loss:

These are advances in arrears (payments/ instalments overdue) for 180 days or more.

In accordance with the requirements of the Regulations, HBL MfB maintains a specific provision for potential loan losses for all non-performing advances as follows:

(i) Other Assets Especially Mentioned	Nil
Substandard	25% of outstanding principal net of cash collateral and gold collateral (ornaments and bullion) realizable without recourse to a court of law.
Doubtful	50% of outstanding principal net of cash collateral and gold collateral (ornaments and bullion) realizable without recourse to a court of law.
Loss	100% of outstanding principal net of cash collateral and gold collateral (ornaments and bullion) realizable without recourse to a court of law.

MFBs shall maintain a watch list of all overdue accounts before they are classified in terms of objective (time-based) criteria. However, such accounts may not be treated as NPLs for the purpose of classification / provisioning.

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.

7.5 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 13.3 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 derecognized. 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 13.4.1 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.

7.6 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.

7.7 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.

7.8 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.

7.9 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.

7.10 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 uptill 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, 2022.

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.

7.11 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.

7.12 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.

7.13 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.

7.14 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.

7.15 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.

7.16 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.

7.17 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.

	2022 Rs. '000	2021 Rs. '000
Grant from Asian develop	14,063	-
Less: Grant amortized	469	-
	13,594	-

The bank enters into term finance agreement with asain development bank which include technical assitance grant of $0.5 million comprises of technical assistance for training and development of staff amounting to $0.125 million, mobile banking platform amounting to $0.275 million and enterprise data analysis amounting to $0.1 million. 33% cost shared by asian development bank and remaining 67% bear by the bank.

7.18 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.

7.19 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.

7.20 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.

7.21 Financial instruments

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

7.21.1 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.

7.21.2 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.

7.22 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.

7.23 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.

7.24 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.

7.25 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.

7.26 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.

7.27 Related party transactions

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

7.28 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.

7.29 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.

7.30 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.

7.31 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.

7.32 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.

7.33 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.

7.34 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 it's 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	2022 Rs. '000	2021 Rs. '000
8 Cash and Balances with SBP and NBP			
Cash in hand - Local currency		2,387,201	1,406,362
Balance with State Bank of Pakistan in			
Local currency current accounts - SBP	8.1	2,676,751	2,409,300
Balance with National Bank of Pakistan in			
Local currency deposit accounts - NBP	8.2	89,779	68,049
		5,153,731	3,883,711

8.1 This represents balance held with SBP to meet the requirement of maintaining a minimum balance equivalent to 5.00% (2021: 5.00%) 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.

8.2 This represents balances held in saving account carrying interest at the rate of 14.50% (2021:7.25%) per annum.

	Note	2022 Rs. '000	2021 Rs. '000
9 Balances With Other Banks/ NBFIs/ MFBs			
In Pakistan			
Local currency current accounts		997,457	654,488
Local currency deposit accounts	9.1	2,905,523	9,522,829
		3,902,980	10,177,317

9.1 This represents balances held with various banks in saving accounts carrying interest at the rates ranging from 4.50% to 17.00% (2021: 4.50% to 12.25%) per annum.

10 Lending to Financial Institutions

	Note	2022 Rs. '000	2021 Rs. '000
Call/clean lending	9.1	-	100,000
Repurchase agreement lending (reverse repo)	9.2	4,893,064	-
		4,893,064	100,000

10.1 This represents called lending carrying interest Nil (2021:10.70%)

10.2 This represented reverse repo transaction carrying interest rate ranging from 16.00% to 16.50% (2021: Nil).

10.2.1 Securities held as collateral against lending to financial institutions - reverse repo are as follows:

	2022			2021		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	Rs. '000			Rs. '000		
Market Treasury Bills	4,950,000	-	-	4,950,000	-	-

11 Investments - Net of Provisions

	Note	2022 Rs. '000	2021 Rs. '000
Available for sale (AFS)			
Federal government securities			
Market treasury bills (T-bills)	11.1	-	3,451,863
Pakistan Investment Bonds (PIB's)	11.2	11,205,302	7,574,186
Held to maturity (HTM)			
Term finance certificates (TFCs)	11.3	150,000	150,000
Term deposit receipts (TDRs)	11.4	-	3,000,000
		11,355,302	14,176,049
Deficit on revaluation of federal government securities	11.5	(68,252)	(86,213)
		11,287,050	14,089,836

11.1 This represents T-bills having Nil maturity (2021: 26 to 68 days) carrying yield rate Nil (2021: ranging from 7.47% to 9.88%) 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".

11.2 This represents fixed / floating interest based Pakistan Investment Bonds (PIB's) at the interest rate ranging from 7.00% to 17.30% (2021: 7.00% to 9.00%) maturing in June 2023, August 2023, October 2023, October 2024, April 2025, September 2025 (2021: June, 2023, August, 2023, September, 2023, October, 2023) respectively.

11.3 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% (2021: 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% (2021: 6 month KIBOR + 2.00%) respectively. Interest on these TFC's is receivable on semi annual basis from the date of issue.

	Note	2022 Rs. '000	2021 Rs. '000
11.4 Term deposit receipts (TDRs)			
Microfinance banks	11.4.1	-	1,000,000
Other banks/DFIs/NBFIs	11.4.2	-	2,000,000
		-	3,000,000

11.4.1 This represents investment in short term deposits receipts having Nil maturity (2021:January 31, 2022) and carries mark-up at the rate of Nil (2021:13.45%) per annum.

11.4.2 This represents investment in short term deposits receipts having Nil maturity (2021: January 11, 2022 to January 13, 2022) and carries mark-up at the rate of Nil (2021:14.5%) per annum.

11.5 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.

12 ADVANCES - NET OF PROVISIONS

Loan type	Note	2022 Loans outstanding Number	2022 Loans outstanding Rs. '000	2021 Loans outstanding Number	2021 Loans outstanding Rs. '000
Micro credit					
Secured / semi secured	12.1	247,945	44,294,240	189,577	28,067,180
Unsecured	12.2	486,915	42,240,829	614,243	42,715,117
		734,860	86,535,069	803,820	70,782,297
Less: Provisions held					
Specific provision	12.4	33,867	(1,609,306)	22,319	(575,014)
General provision	12.4	590,905	(614,415)	701,310	(1,053,777)
			(2,223,721)		(1,628,791)
Microcredit advances - net of provisions			84,311,348		69,153,506
Staff loans	12.7	2,681	2,061,044	2,614	1,730,738
Advances - net of provision		737,541	86,372,392	806,434	70,884,244

12.1 This includes microcredit loans amounting to Rs. 25.1 billion (2021: Rs. 15.4 billion) which are secured against gold.

12.2 This includes outstanding deferred and restructured loan portfolio (DRP) amounting to Rs. 11.2 billion (2021: Rs. 19.6 billion) details of which are provided below:

	Note	2022 Loans outstanding Number	2022 Amount of loans outstanding Rs. '000	2021 Loans outstanding Number	2021 Amount of loans outstanding Rs. '000
Regulatory relief under COVID 19	12.2.1	8,920	669,906	98,540	6,664,124
Internal rescheduling scheme	12.2.2	167,981	10,558,589	211,512	12,914,627
		176,901	11,228,495	310,052	19,578,751

12.2.1 During 2020, SBP 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, 2022; 8,920 rescheduled/deferred loans amounting to Rs. 0.67 billion were outstanding.

12.2.2 This represents loans rescheduled as Bank's policy, which allows borrowers to defer their payments of loans for period of twelve months.

12.3 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.

SBP vide circular letter no 1 dated December 01, 2021 has extended 30 days relaxation for the provision charge and markup suspension on Deferred and Restructured Portfolio (DRP) upto 31 March 2022 against the criteria for classification of assets and provisioning requirements for MFBs under PR.

12.3.1 Classified advances outstanding as tabulated below includes principal amount of Rs. 3,502.80 million and suspended interest / markup amount of Rs. 1,432.78 million were presented inline with revised guideline under SBP AC & MFD circular no 2 of 2022 dated March 16, 2022. (2021: principal amount of Rs. 2,047.30 million and suspended interest/markup amount of Rs. 967.70 million).

Category of Classification	2022 Amount outstanding	2022 Provisions required	2022 Provisions held	2021 Amount outstanding	2021 Provisions required	2021 Provisions held
	Rupeess '000					
OAEM	1,204,963	12,236	12,236	1,139,649	-	-
Sub-standard	1,143,762	194,533	194,533	489,051	85,070	85,070
Doubtful	1,271,114	419,806	419,806	1,302,568	422,282	422,282
Loss	1,315,745	982,731	982,731	83,708	67,662	67,662
	4,935,584	1,609,306	1,609,306	3,014,976	575,014	575,014

12.4 Particulars of provisions against non-performing advances

	2022			2021		
	Specific Provision	General Provision	Total	Specific Provision	General Provision	Total
	Rupeess '000					
Balance at beginning of the year	575,014	1,053,777	1,628,791	649,341	815,513	1,464,854
Provision charge for the year - net	6,082,420	(439,362)	5,643,058	3,700,030	238,264	3,938,294
Advances written/charge off against provision	(5,048,128)	-	(5,048,128)	(3,774,357)	-	(3,774,357)
Balance at end of the year	1,609,306	614,415	2,223,721	575,014	1,053,777	1,628,791

12.4.1 General provision maintained against unsecured microcredit advances net of specific provision at the rate of 1.00 % (2021: 1.90%) against the requirement of 1% specified under the Prudential Regulations issued by the State Bank of Pakistan

12.5 Particulars of write offs

	Note	2022 Rs. '000	2021 Rs. '000
Against provisions		5,048,128	3,774,357
Bad debts written of directly	12.5.1	247,164	22,202
		5,295,292	3,796,559

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

12.6 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.

	2022		2021	
Normal loans	Amount Rs. '000	Portfolio at risk %	Amount Rs. '000	Portfolio at risk %
Current	72,347,088	-	49,368,477	-
Watchlist	1,057,970	1.22%	986,922	1.39%
OAEM	576,004	0.67%	376,118	0.53%
Sub-standard	488,537	0.56%	186,610	0.26%
Doubtful	429,023	0.50%	226,959	0.32%
Loss	407,952	0.47%	58,460	0.08%
Total	75,306,574	3.42%	51,203,546	2.58%
Deferred and Restructured Portfolio				
Current	9,216,328	-	16,643,430	-
Watchlist	423,001	0.49%	1,736,166	2.45%
OAEM	288,079	0.33%	407,448	0.58%
Sub-standard	313,789	0.36%	161,448	0.23%
Doubtful	409,698	0.47%	621,985	0.88%
Loss	577,600	0.67%	8,274	0.01%
	11,228,495	2.3%	19,578,751	4.15%
Total	86,535,069	5.72%	70,782,297	6.73%

12.7 This includes general purpose loans to employees of the Bank carrying interest at the rate of 5% (2021: 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% (2021: 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. 175.5 million (2021: Rs. 183.3 million).

13 OPERATING FIXED ASSETS

	Note	2022 Rs. '000	2021 Rs. '000
Capital work-in-progress	13.1	262,258	204,687
Right of use assets	13.2	2,007,377	1,418,622
Property and equipment	13.3	1,343,862	1,394,789
Intangible assets	13.4	540,630	560,700
		4,154,127	3,578,798

13.1 Capital work-in-progress

	Note	Opening balances	Additions	Transferred	Closing balances
		Rs.'000			
Advances to suppliers - software modules		122,103	221,195	(226,196)	117,102
Advances to suppliers - operating fixed assets		82,584	931,133	(868,561)	145,156
December 31, 2022	13.1.1	204,687	1,152,328	(1,094,757)	262,258
December 31, 2021		185,655	251,591	(232,559)	204,687

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

13.2 Right of Use Assets

	2022 Rs. '000	2021 Rs. '000
Right of use assets as at / January	2,493,121	2,257,249
Additions / renewal during the year	985,973	235,872
	3,479,094	2,493,121
Accumulated depreciation	(1,471,717)	(1,074,499)
Net book value at the end of year	2,007,377	1,418,622

Set out below are the carrying amounts of lease liabilities (included under 'Other liabilities' in Note 19) and the movements during the period:

	2022	2021
As at January 1	(1,842,788)	(1,830,695)
Additions / renewal during the year	(985,972)	(236,816)
Accretion of interest	(278,326)	(247,394)
Payments during the year	560,409	472,117
As at December 31	(2,546,677)	(1,842,788)

13.3 Property and equipment

	Leasehold improvement	Furniture and fixtures	Electrical and office equipment	Computer equipment	Vehicles	Total
	Rs. '000					
Cost						
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)
Balance as at December 31, 2021	457,424	568,722	763,849	1,155,154	483,288	3,428,437
Balance as at January 1, 2022	457,424	568,722	763,849	1,155,154	483,288	3,428,437
Additions	133,595	38,282	97,953	144,499	88,099	502,428
Disposals	-	(6,909)	(10,261)	(20,373)	(91,523)	(129,066)
Balance as at December 31, 2022	591,019	600,095	851,540	1,279,280	479,865	3,801,799
Accumulated Depreciation						
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)
Balance as at December 31, 2021	250,677	264,498	550,433	678,812	289,228	2,033,648
Balance as at January 1, 2022	250,677	264,498	550,433	678,812	289,228	2,033,648
Depreciation charge	80,767	52,870	84,182	201,352	96,755	515,926
Disposals	-	(5,147)	(9,792)	(16,928)	(59,770)	(91,637)
Balance as at December 31, 2022	331,444	312,221	624,823	863,236	326,213	2,457,937
Carrying value						
2021	206,747	304,224	213,416	476,342	194,060	1,394,789
2022	259,575	287,874	226,717	416,044	153,652	1,343,862
Rates of depreciation per annum						
2021	20%	10.0%	20%	20% -33.33%	25%	
2022	20%	10.0%	20%	20% -33.33%	25%	

13.3.1 Cost of the assets as at December 31, 2022 includes Rs. 3.07 million (2021: Rs. 3.07 million) in respect of assets acquired against grants received.

13.3.2 The cost of fully depreciated property and equipment that are still in use is Rs.1,198.15 million (2021: Rs. 953.04 million).

13.3.3 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
	Rs. '000					
2022						
Range Rover	57,239	28,786	11,448	(17,338)	As per Bank Policy	M. Ghalib Nishtar
Toyota Fortuner	7,335	458	2,113	1,655	Buy Back	Amina Hasan
FAW XPV VAN	1,130	283	730	447	Auction	M. Siddique
FAW XPV VAN	1,130	283	650	367	Auction	M. Zaeem Khan
FAW XPV VAN	1,130	283	655	372	Auction	Amer Ahmed
Suzuki Bolan	1,142	476	920	444	Auction	M. Aizaz Khan
Khonaysser 20KVA Diesel Generator	1,189		305	305	Auction	Tariq Mehmood
CAT Olympian Diesel Genset 18KVA	1,044	-	268	268	Auction	Tariq Mehmood
Hp proliant DL580 G7	2,953	-	165	165	Auction	M. Shahbaz
	74,292	30,569	17,254	(13,315)		
2021						
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		

13.4 Intangible assets

	2022 Rs. '000	2021 Rs. '000
Computer software		
Cost		
Balance as at January 1,	1,063,400	903,472
Additions	101,044	160,670
Write-off	-	(742)
Balance as at December 31,	1,164,444	1,063,400
Amortization		
Balance as at January 1,	(502,700)	(350,132)
Amortization charge	(121,114)	(153,309)
Write-off	-	741
Balance as at December 31,	(623,814)	(502,700)
Carrying amount	540,630	560,700

13.4.1 Amortization is charged on straight line basis at the rate ranging from 10% to 33.33 % per annum (2021: 10% to 33.33%), starting from the month the asset is available for use.

13.4.2 Cost of the intangible assets includes Rs.18.4 million (2021: Rs 25.48 million) in respect of assets acquired from grant received.

13.4.3 The cost of fully amortized intangible assets that are still in use is Rs.342.7 million (2021: Rs. 248.3 million).

14 OTHER ASSETS

	Note	2022 Rs. '000	2021 Rs. '000
Mark-up accrued		14,027,399	13,038,477
Suspended markup on non-performing advances		(1,432,782)	(967,790)
		12,594,617	12,070,687
Interest receivable on investments and deposit accounts		436,144	191,092
Advances - unsecured			
Employees		6,200	8,265
Suppliers		1,446	16,721
		7,646	24,986
Receivable from Microfinance Social Development Fund	14.1	1,520	21,078
Insurance premium receivable from SBP	14.2	231,899	206,009
Receivable from SBP under markup subsidy scheme		290,832	7,640
Receivable From SBP - CGMF		608	-
Advance tax - net	19.2	347,375	296,554
Prepayments		295,287	171,318
Insurance claims receivable		52,038	56,943
Security deposits		7,008	6,873
Other receivables	14.3	630,723	345,397
		14,895,697	13,398,577
Less: Provisions against doubtful receivables			
Balance at the beginning of the year		127,964	75,960
Provision charge for the year		70,150	62,145
Receivables written off against provision		(7,894)	(10,141)
Balance at the end of the year	14.4	462,619	127,964
		14,433,078	13,270,613

14.1 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.

14.2 This includes receivable from State Bank of Pakistan against claim lodged for crop and livestock insurance premium.

14.3 This includes an amount of Rs. 69.90 million (2021: 64.15 million) paid under protest to the taxation authorities.

14.4 This represents provisions made against receivables from resigned employees, cash embezzlement and insurance claims receivable.

14.5 This includes a provision of Rs 272.4 million relating to markup waiver to the borrowers of calamity-notified areas SBP, with a view to facilitate recovery of farmers from the impact of recent rains/floods, issued a circular AC&MFD Circular No. 03 of 20022 dated December 21, 2022, the Bank has estimated the impact of mark-up required to be waived off to the borrowers in calamity-notified areas and has been accounted for a provision in these financial statements.

15 DEFERRED TAX ASSET

	2022 Rs. '000	2021 Rs. '000
Deferred tax assets arising on account of temporary differences in:		
Provision against advances and other assets	779,039	509,460
Remeasurement of post employment benefit obligation	76,235	55,894
Deficit on revaluation of assets - AFS	19,793	25,002
Provision against Workers' Welfare Fund	25,939	22,866
Taxable losses	1,157,569	-
	2,058,575	613,222
Deferred tax liabilities arising on account of temporary differences in:		
Operating fixed assets	(48,637)	(73,815)
Deferred grants	-	-
Surplus on revaluation of assets - HFT	-	-
	2,009,938	539,407

15.1 Reconciliation of deferred tax

	2022 Rs. '000	2021 Rs. '000
Balance at the beginning of the year	539,407	454,439
(Reversal) / charge for the year in respect of:		
Operating fixed assets	25,178	(9,671)
Provision against advances and other assets	269,719	62,623
Taxable losses	1,157,569	-
Provision against Workers' Welfare Fund	3,073	4,784
Charge to profit and loss account	1,455,539	57,736
Charge to other comprehensive income		
Deferred tax on revaluation of available for sale investments	(5,349)	21,944
Deferred tax on remeasurement of post employment benefits obligation	20,341	5,288
Balance at the end of the year	2,009,938	539,407

15.2 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 unabsorbed tax losses are expiring in tax year 2029.

16 DEPOSITS AND OTHER ACCOUNTS

	Note	2022		2021	
		No of accounts	Amount Rs. '000	No of accounts	Amount Rs. '000
Fixed deposits	16.2	55,052	68,471,381	64,455	54,051,370
Saving deposits	16.3	83,082	33,761,594	77,276	28,840,400
Current deposits	16.4	2,980,545	9,558,763	2,848,391	10,270,599
		3,118,679	111,791,738	2,990,122	93,162,369

16.1 Particulars of deposits by ownership

Individual depositors	3,113,916	78,277,529	2,985,884	73,677,820
Institutional depositors				
Corporation/firms etc.	4,714	27,563,927	4,209	15,175,055
Banks & financial institutions	49	5,950,282	29	4,309,494
	3,118,679	111,791,738	2,990,122	93,162,369

16.2 This represents term deposits having tenure of 1 month to 60 months (2021: 3 to 36 months) carrying interest at the rates ranging from 7.00% to 17.50% (2021: 6.50 % to 15.00 %) per annum. This includes fixed deposits amounting to Rs 623.1 (2021: 594.4 million) on which lien is marked against advances to borrowers.

16.3 This represents savings accounts carrying interest at the rates ranging from 5.00% to 17.50% (2021: 5.00 % to 12.50 %) per annum. This include lien marked against advances to borrowers 26 million (2021: Rs. 56.6 million).

16.4 This represents current accounts. This includes current deposits amounting to Rs.43.2 million (2021: 81.21) on which lien is marked against advances to borrowers.

	Note	2022 Rs. '000	2021 Rs. '000
17 BORROWINGS			
Borrowings from financial institutions in Pakistan	17.1	2,175,000	4,608,379
		2,175,000	4,608,379

17.1 Borrowings from financial institutions in Pakistan:

	Note	2022 Rs. '000	2021 Rs. '000
Secured			
Pak Oman Investment Company Limited (TF-IV)	17.1.1	-	62,500
Allied Bank Limited (TF-1)	17.1.2	-	8,333
The Bank of Punjab (TF-2)	17.1.3	375,000	500,000
Pakistan Mortgage Refinance Company Limited (TF-1)	17.1.4	900,000	900,000
Pakistan Mortgage Refinance Company Limited (TF-2)	17.1.5	450,000	-
Pakistan Mortgage Refinance Company Limited (TF-3)	17.1.6	450,000	-
Allied Bank Limited (RF)	17.1.7	-	200,000
Repo Borrowings		-	2,937,546
		2,175,000	4,608,379

17.1.1 This represents term finance facility of Rs. 500 million carring interest at the rate 9.21% (2021:8.88% to 9.22%) 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.

17.1.2 This represents term finance facility of Rs. 50 million carrying interest rates ranging from 12.07% to 13.63% (2021: 8.95% to 12.07%) 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.

17.1.3 This represents interbank money market borrowing carrying interest rate ranging from 10.85% to 17.82% (2021: 8.27% to 10.85%) 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.

17.1.4 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 (2021: 6.5% for first 5 years and 8.5% per annum for next 5 years) 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 agaisnt charge over present and future current assets of the Bank worth Rs.1,200 million.

17.1.5 This represents mortgage refinance facility for creating Bank's housing mortgage portfolio carrying floating interest rate of 11.82% per annum 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 Housing 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. 600 million.

17.1.6 This represents mortgage refinance facility for creating Bank's housing mortgage portfolio carrying floating interest rate of 12.32% per annum 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 Housing 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. 600 million.

17.1.7 This represents running finance borrowing carrying interest rate ranging from 8.68% to 11.44% (2021: 8.68%) This borrowing is secured against charge over present and future assets of the Bank.Bank worth of Rs.267 million.

17.1.8 This represents repo borrowings carrying interest rate NIL (2021: 10.50% to 10.70%).

		Note	2022 Rs. '000	2021 Rs. '000
17.2	**Quarterly average borrowing**			
	1st Quarter		4,121,563	342,986
	2nd Quarter		8,607,868	733,750
	3rd Quarter		3,430,367	3,078,022
	4th Quarter		2,216,667	4,890,994
17.3	**Borrowing repayment schedule**			
	Balance at the beginning of the year		4,608,379	427,708
	Availed during the year		286,113,969	151,948,367
	Repayments during the year		(288,547,348)	(147,767,696)
	Balance at the end of the year		2,175,000	4,608,379
18	**Subordinated Debt**			
	Term finance certificate - TFC I	18.1	1,000,000	1,000,000
	Term finance certificate - TFC II	18.2	1,400,000	1,400,000
	Term finance certificate - TFC III	18.3	600,000	600,000
	Term finance certificate - TFC IV	18.4	1,500,000	-
			4,500,000	3,000,000

18.1 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.

18.2 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.

18.3 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.

18.4 This represents rated, unsecured, subordinated, privately placed/DSLR Listed, Perpetual and Non-Cumulative Debt Instrument in the nature of Additional Tier I Capital 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 requirments as per Basel III Guidelines set by SBP under BPRD Circular Number 6 dated 15th August 2013. The instrument is sub-ordinated to the payment of principal and profit to all other indebtness of the Bank Including the TFC's under Tier II 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 and Articles of Associaiton. 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 prior approval from SBP, on any profit payment date after 5 years from the issue date. The instrument has lockin and loss absorption caluses and no put option.

Subsequent to the reporting date, as on 28 February 2023 the Bank’s Loss Absorbency Ratio (LAR) was below prescribed benchmark. Accordingly, in accordance with Loss Absorbency clause in the related financing agreements of Term Finance Certificates (refer to note 18.4), the Board of Directors of the Bank has approved conversion of amounting to Rs. 1,500 million of these sub-ordinated loans (i.e, Additional Tier (ADT-1) into common equity Tier 1 (CET-1), under a mechanism established pursuant to provisions of Basel-III guidelines issued by SBP.

19 OTHER LIABILITIES

	Note	2022 Rs. '000	2021 Rs. '000
Mark-up / return /interest payable on deposits		1,564,008	1,142,874
Interest payable on borrowings/subordinated debt		191,944	45,756
Lease liability	13.2	2,546,677	1,842,788
Accrued expenses		640,119	695,932
Payable to defined benefit plan - KMBL employees gratuity fund	19.1	31,588	54,697
GST/FED payable		78,968	83,900
Payable to suppliers		47,614	51,276
Bills payable		173,534	184,993
Provision for Workers' Welfare Fund		89,446	78,946
Dividend payable		107,584	150,244
Payable to service providers		-	2,553
Withholding tax payable		16,658	2,773
Contribution payable to:		-	
Microfinance social development fund	7.14	-	57,168
Risk mitigation fund	7.14	-	28,584
Depositors' protection fund	7.14	-	28,584
Other payables	19.3	142,229	117,561
		5,630,369	4,568,629

19.1 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, 2022 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:

		2022 Rs. '000	2021 Rs. '000
a)	**Amounts recognized in the balance sheet**		
	Present value of defined benefit obligations	1,074,661	965,507
	Fair value of plan assets	(1,043,074)	(910,810)
	Balance sheet (assets)/liability	31,587	54,697
b)	**Movement in net liability**		
	Opening net liability	54,697	(9,343)
	Net expense recognized in profit or loss	152,673	142,258
	Remeasurement gain/(losses) recognized in OCI	70,140	18,234
	Contributions	(245,922)	(96,452)
	Closing net (assets)/liability	31,588	54,697
c)	**Changes in present value of defined benefit obligation**		
	Opening defined benefit obligation	965,507	834,406
	Current service cost	163,479	149,373
	Interest expense	107,146	79,919
	Benefits due but not paid (payables)	(39,905)	(23,679)
	Benefits paid	(141,782)	(85,728)
	Remeasurements:		
	Acturail (gains)/losses from change in demographic assumptions	-	-
	Acturail (gains)/ losses from change in financial assumptions	6,594	6,130
	Experience adjustments	13,622	5,086
	Closing defined benefit obligation	1,074,661	965,507
d)	**Changes in fair value of plan assets**		
	Opening fair value of plan assets	910,810	843,749
	Interest income	117,953	87,034
	Contributions	245,922	96,452
	Benefits paid	(141,782)	(85,728)
	Benefits due but not paid	(39,905)	(23,679)
	Return on plan assets, excluding interest income	(49,924)	(7,018)
	Closing fair value of plan assets	1,043,074	910,810
e)	**Amounts recognized in the profit and loss account**		
	Current service cost	163,479	149,373
	Interest cost on defined benefit obligation	107,146	79,919
	Interest income on plan asset	(117,953)	(87,034)
		152,672	142,258
f)	**Amounts recognized in other comprehensive income**		
	Remeasurement losses for the year		
	Experience adjustments in present value of defined benefit obligation	20,216	11,216
	Return on plan assets, excluding interest income	49,924	7,018
		70,140	18,234

		2022		2021	
		Rs. '000	Percentage	Rs. '000	Percentage
g)	**Major categories of plan assets**				
	Accrued interest	15,574	1.49%	9,500	1.04%
	Cash at bank - Saving Deposits	253,561	24.31%	361,126	39.65%
	Term Finance Certificates	459,900	44.09%	150,000	16.47%
	Pakistan investments bonds	356,780	34.20%	413,863	45.44%
	Payables to out-going employee	(42,742)	(4.10%)	(23,679)	(2.60%)
		1,043,073	100.00%	910,810	100.00%

h) The latest actuarial valuation was carried out on December 31, 2022. The significant assumptions used for actuarial valuation are as follows:

	2022	2021
Discount rate - per annum	14.25%	12.25%
Salary increase rate - per annum	13.25%	11.25%
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%	967,353	963,473
Salary rate increase	1%	1,204,241	1,201,868

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 (2021: 11 years).

j) Expected contribution of the Bank to the defined benefit gratuity fund for the year ending December 31, 2023 will be Rs. 166.960 million.

k) Comparison for five years

	2022	2021	2020	2019	2018
			Rs. '000		
Present value of defined benefits obligation and fair value of plan assets					
Present value of defined benefits obligation at year end	1,074,661	965,507	834,405	697,783	545,320
Fair value of plan assets at year end	(1,043,074)	(910,810)	(843,748)	(605,646)	(525,902)
	31,587	54,697	(9,343)	92,137	19,418

19.2 Taxes payable/ (Advance tax) - net

	Note	2022 Rs. '000	2021 Rs. '000
Opening balance		(296,554)	42,699
Payments		(14,958)	(464,369)
Advance tax paid		(358,255)	(230,530)
Provision of prior periods / (tax paid)		48,594	31,817
Provision for the year		273,798	323,829
Closing balance	29	(347,375)	(296,554)

19.3 This includes payable to insurance companies amounting to Rs. 52.02 million (2021: Rs. 22.41 million) against crop and livestock insurance premium.

20 SHARE CAPITAL

20.1 Authorized capital

2022 Number	2021 Number		Note	2022 Rs. '000	2021 Rs. '000
600,000,000	600,000,000	Ordinary shares of Rs. 10 each		6,000,000	6,000,000

20.2 Issued, subscribed and paid up capital

2022 Number	2021 Number		Note	2022 Rs. '000	2021 Rs. '000
170,500,000	170,500,000	Ordinary shares of Rs. 10 each fully paid for consideration other than cash	20.2.1	1,705,000	1,705,000

20.2.1 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 (formely responAbility Management Company S.A)	339,295	339,295
Bank Al Habib Limited	30,000	30,000
	1,705,000	1,705,000

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 Effectenbewaarbedrijf 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.

21 DEFICIT ON REVALUATION OF ASSETS

	Note	2022 Rs. '000	2021 Rs. '000
Deficit on revaluation of investment - AFS	11	(68,252)	(86,213)
Related deferred tax effect		19,794	25,002
Net deficit on revaluation of investment - AFS		(48,458)	(61,211)

21.1 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)".

22 MEMORANDUM/OFF BALANCE SHEET ITEMS

22.1 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, 2021 notice was issued to the respondant 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 Appellete 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) FFor 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	2022 Rs. '000	2021 Rs. '000
22.2 COMMITMENTS			
Capital expenditure	22.2.1	62,431	198,114

22.2.1 This represents capital commitments relating to IT related services and non-IT related services of Rs.41 million (2021: Rs. 138 million), and Rs. 21 million (2021: Rs. 60 million) respectively.

	Note	2022 Rs. '000	2021 Rs. '000
23 MARK-UP/RETURN/INTEREST EARNED			
Mark-up/interest/gain on :			
- Advances		17,538,857	16,765,009
- Investment in Federal Government securities		1,596,997	1,019,266
- Deposits/placements with other banks/Fis/MFBs/TFCs etc		963,851	868,520
		20,099,705	18,652,795
24 MARK-UP/RETURN/INTEREST EXPENSED			
Interest on borrowings from:			
Financial institutions - Outside Pakistan		-	4,012
Financial institutions - Inside Pakistan		630,598	178,178
		630,598	182,190
Interest on subordinated debt		466,373	275,932
Interest on deposits		11,219,616	8,255,483
Interest on lease liability		278,326	247,394
		12,594,913	8,960,999
25 FEE, COMMISSION AND BROKERAGE INCOME			
Micro-credit application processing fee		1,831,091	1,736,966
Other commission		149,161	120,439
		1,980,252	1,857,405
26 OTHER INCOME			
Recoveries against advances written off		210,352	85,113
Amortization of deferred grant		469	-
Gain on disposal of fixed assets		3,049	50,914
Others		645	1,127
		214,515	137,154

27 ADMINISTRATIVE EXPENSES

Salaries, wages and benefits		3,144,944	2,841,804
Charge for defined benefit plan	19.1	152,673	142,258
Contract/ seconded staff expenses		679,573	604,244
Training / capacity building		28,049	30,544
Rent and rates		39,313	31,939
Legal and professional charges		17,773	16,340
Communication		272,935	240,514
Vehicles up keep and maintenance		608,822	393,258
Repairs and maintenance		443,722	317,237
Advertisement		224,130	163,018
Printing, stationery and office supplies		222,912	166,536
Insurance		71,968	351,210
Cash management and financial charges		111,484	75,259
Utilities		418,368	260,292
Security charges		62,820	73,230
Meetings and conferences		41,096	34,868
Travelling and conveyance		32,955	24,587
Recruitment and development		6,989	11,886
Consultancies		4,121	4,233
Newspapers and subscriptions		8,331	4,824
Auditors' remuneration	27.1	7,980	6,643
Depreciation	13.3	515,926	471,148
Depreciation - right of use assets		397,218	372,643
Amortization	13.4	121,114	153,309
Miscellaneous		4,626	3,163
		7,639,842	6,794,987
Expenditure reimbursed during the year	27.2	(2,084)	(19,825)
		7,637,758	6,775,162

27.1 Auditors' remuneration

Audit fee	3,250	1,978
Tax consultancy fee	2,704	1,478
Other services	-	1,318
Certifications	174	-
Out of pocket expenses	1,364	1,104
Sales tax	488	765
	7,980	6,643

27.2 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.

28 OTHER CHARGES

	Note	2022 Rs. '000	2021 Rs. '000
Penalties	28.1	4,817	300
Workers' welfare fund		9,000	18,096
Professional tax		205	566
		14,022	18,962

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

29 TAXATION

	2022 Rs. '000	2021 Rs. '000
Current	273,798	323,829
Prior year	48,594	31,817
Deferred	(1,454,110)	(57,736)
	(1,131,718)	297,910

29.1 Tax charge reconciliation

	2022 Rs. '000	2021 Rs. '000
(LOSS) / Profit before tax	(4,184,992)	869,590

	%	%
Applicable tax rate	29.00	29.00
Income tax relating to prior period	(1.16)	3.66
Change in rate of tax	-	-
Permanent difference	0.24	0.24
Others	(1.05)	1.36
Average effective tax rate	27.03	34.26

30 CASH AND CASH EQUIVALENTS

	2022 Rs. '000	2021 Rs. '000
Cash and balances with SBP and NBP	5,153,731	3,883,711
Balances with other Banks/ NBFIs/ MFBs	3,902,980	10,177,317
Lending to financial institutions	4,893,064	100,000
	13,949,775	14,161,028

31 NUMBER OF EMPLOYEES

	2022 Numbers	2021 Numbers
Credit sales staff-Permanent	2,225	2,743
Banking/support staff		
Permanent	2,210	2,003
Contractual	921	898
	3,131	2,901
Total number of employees at the end of the year	5,356	5,644

32 AVERAGE NUMBER OF EMPLOYEES

	2022	2021
Credit sales staff - Permanent	2,549	2,645
Banking / support staff		
Permanent	2,892	1,936
Contractual	5,442	895
	8,334	2,831
Average number of employees during the year	10,883	5,476

33 NUMBER OF BRANCHES

	2022	2021
Total branches/service center/booths at beginning of the year	239	234
Opened during the year		
Branches	14	13
Service centers/booths		
Closed / merged during the year	(10)	(8)
Total branches/service centers/booths at the end of the year	243	239
Total branches at the end of the year	220	206
Total service centers/booths at the end of the year	23	33
Total branches/service centers/booths at the end of the year	243	239

34 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.

34 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.

	2022 Rs. '000	2021 Rs. '000
(Loss) / Profit after taxation	(3,051,845)	571,680
Microfinance Social Development Fund	-	(57,168)
Depositors' Protection Fund	-	(28,584)
Risk Mitigation Fund	-	(28,584)
	-	(114,336)
(Loss) / Profit attributable to equity holders	(3,051,845)	457,344
Weighted average number of ordinary shares (Numbers)	170,500	170,500
(Loss) / Earnings per share - basic (Rupees)	(17.90)	2.68

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.

35 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:

	2022				2021			
	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		5,200				4,400		
Managerial remuneration	34,235		54,684	356,386	15,493	-	47,405	304,504
Charge for defined benefit plan	-		7,520	50,264	-	-	6,851	42,392
House rent allowance	6,838		24,608	160,374	6,972	-	21,332	137,027
Utilities	3,039		10,937	71,277	3,099	-	9,481	60,902
Medical	2,662		5,468	35,639	1,549	-	4,740	30,450
Conveyance allowance	2,519		11,965	192,562	933	-	7,410	133,249
Bonus	5,313		14,075	36,263	10,000	-	18,056	54,118
Others	4,343		1,057	27,832	2,224	-	543	19,355
Total	58,949	5,200	130,314	930,597	40,270	4,400	115,818	781,997
Number of person(s)	1	2	12	366	1	2	9	315

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

35.2 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.

35.3 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.

36 SCHEDULE OF MATURITY DISTRIBUTION OF MARKET RATE ASSETS AND LIABILITIES AS AT DECEMBER 31, 2022

	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
Market rate assets					
Advances	86,372,392	5,759,832	21,138,496	31,295,739	27,906,115
Investments	11,287,050	-	1,529,779	-	9,757,271
Other earning assets					
Balances with SBP and NBP - deposit accounts	89,779	89,779	-	-	-
Balances with other banks - deposit accounts	2,905,523	2,905,523	-	-	-
Lending to financial institutions	4,893,064	4,893,064	-	-	-
Total market rate assets	105,547,808	13,648,198	22,668,275	31,295,739	37,663,386
Other non-earning assets					
Cash in hand	2,387,201	2,387,201	-	-	-
Balances with SBP and NBP - current accounts	2,676,751	2,676,751	-	-	-
Balances with other banks - current accounts	997,457	997,457	-	-	-
Operating fixed assets	4,154,127	24,015	380,565	142,253	3,607,294
Other assets	14,433,078	1,443,308	2,164,962	2,886,616	7,938,192
Deferred tax asset	2,009,938	-	-	-	2,009,938
Total non-earning assets	26,658,552	7,528,732	2,545,527	3,082,869	13,555,424
Total assets	132,206,360	21,176,930	25,213,802	34,324,608	51,218,810
Market rate liabilities					
Cost bearing deposits	102,232,975	15,649,913	33,290,669	33,881,180	19,411,213
Subordinated debt	4,500,000	-	-	-	4,500,000
Borrowings	2,175,000	-	125,000	295,232	1,754,768
Total market rate liabilities	108,907,975	15,649,913	33,415,669	34,176,412	25,665,981
Other non-cost bearing liabilities					
Deposits	9,558,763	1,433,814	2,389,691	2,867,629	2,867,629
Other liabilities	5,630,369	2,268,894	1,708,515	1,613,019	53,334
Total non-cost bearing liabilities	15,189,132	3,702,708	4,098,206	4,480,648	2,920,963
Total liabilities	124,097,107	19,352,621	37,513,875	38,657,060	28,586,944
Net assets	8,105,253	1,824,309	(12,300,073)	(4,332,452)	22,631,866

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:

37 FINANCIAL INSTRUMENTS

37.1 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, 2022 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	Rs. '000	Rs. '000
Financial assets:										
Cash and balances in current and other accounts	-	-	-	-	-	-	-	-	6,061,409	6,061,409
Balance in deposit accounts	4.50 to 17.00	2,995,302	-	-	-	-	-	2,995,302	-	2,995,302
Lending to financial institutions	16.00 to 16.50	4,893,064	-	-	-	-	-	4,893,064	-	4,893,064
Investments	7.00 to 17.30	1,549,310	5,950,952	-	-	-	150,000	7,650,262	-	7,650,262
Advances	5.00 to 37.00	58,194,067	11,007,096	3,539,718	1,752,086	3,925,047	7,506,711	85,924,725	175,457	86,100,182
Other assets	-	-	-	-	-	-	-	-	20,865,443	20,865,443
		67,631,743	16,958,048	3,539,718	1,752,086	3,925,047	7,656,711	101,463,353	27,102,309	128,565,662
Financial liabilities:										
Deposits and other accounts	5.00 to 17.50	82,821,762	11,362,614	7,940,076	36,460	3,800	499	102,165,211	9,558,763	111,723,974
Borrowings	6.50 to 17.82	420,232	251,482	134,392	4,576	-	884,550	1,695,232	-	1,695,232
Subordinated debt	9.81 to 18,68	-	-	-	966,667	966,667	1,066,666	3,000,000	-	3,000,000
Other liabilities	-	-	-	-	-	-	-	-	5,630,369	5,630,369
		83,241,994	11,614,096	8,074,468	1,007,703	970,467	1,951,715	106,860,443	15,189,132	122,049,575
On balance sheet gap		(15,610,251)	5,343,952	(4,534,750)	744,383	2,954,580	5,704,996	(5,397,090)	11,913,177	6,516,087
Unrecognized:										
Commitments		-	-	-	-	-	-	-	(62,431)	(62,431)
Off balance sheet gap		(15,610,251)	5,343,952	(4,534,750)	744,383	2,954,580	5,704,996	(5,397,090)	11,582,446	6,185,356

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 %	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	NON INTEREST BEARING	Total
Financial assets:										
Cash and balances in current and other accounts	-	-	-	-	-	-	-	-	4,470,150	4,470,150
Balance in deposit accounts	4.50 to 12.25	9,590,878	-	-	-	-	-	9,590,878	-	9,590,878
Lending to financial institutions	10.7	100,000	-	-	-	-	-	100,000	-	100,000
Investments	7.12 to 14.50	7,988,884	5,950,952	-	-	-	150,000	14,089,836	-	14,089,836
Advances	5.00 to 33.00	54,308,653	7,877,720	3,662,197	494,081	1,751,231	2,607,070	70,700,952	183,292	70,884,244
Other assets	-	-	-	-	-	-	-	-	17,388,818	17,388,818
		71,988,415	13,828,672	3,662,197	494,081	1,751,231	2,757,070	94,481,666	22,042,260	116,523,926
Financial liabilities:										
Deposits and other accounts	5.00 to 15.00	63,548,321	11,362,614	7,940,076	36,460	3,800	499	82,891,770	10,270,599	93,162,369
Borrowings	6.50 to 12.07	3,333,379	251,482	134,392	4,576	-	884,550	4,608,379	-	4,608,379
Subordinated debt	9.81 to 14.07	-	-	-	966,667	966,667	1,066,666	3,000,000	-	3,000,000
Other liabilities	-	-	-	-	-	-	-	-	4,568,629	4,568,629
		66,881,700	11,614,096	8,074,468	1,007,703	970,467	1,951,715	90,500,149	14,839,228	105,339,377
On balance sheet gap		5,106,715	2,214,576	(4,412,271)	(513,622)	780,764	805,355	3,981,517	7,203,032	11,184,549
Unrecognized:										
Commitments		-	-	-	-	-	-	-	(198,114)	(198,114)
Off balance sheet gap		5,106,715	2,214,576	(4,412,271)	(513,622)	780,764	805,355	3,981,517	7,004,918	10,986,435

38 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.

38.1 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.

38.2 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.

38.3 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.

38.4 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.

38.5 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.

38.6 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.

38.7 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 with different functions of the Bank, creates processes for said functions to achieve these goals, and, following implementation, assesses the performance of the Bank in relation to its social and environmental goals.

39 CUSTOMER GRIEVANCE

39.1 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.

39.2 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.

39.3 Initiative taken during 2021

During the year 2022, 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 & Mobile Banking and the project to update Internet/Mobile Banking platform is in full swing.

During 2022, bank has added 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	2022	2021
Total number of complaints received during the year	4,912	2,989
Average time taken to resolve (days)	2	3

Complaints' Data for the year 2022

Complaint Nature	Complaint received	Open as on 31-12-2022 (Within Regulator's TAT)
Minor	2,912	21
Major	2,000	24
Total Count	4,912	45

40 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, 2022.

	Note	Rs. '000	Level of hierarchy	Significant unobservable inputs	Inter-relationship between unobservable inputs and fair value
2022					
Available for sale investment					
Market treasury bills		(10,154)	Level 2	-	-
Pakistan investments bonds		11,129,243	Level 2	-	-
2021					
Available for sale investment					
Market treasury bills		3,441,709	Level 2	-	-
Pakistan investments bonds		7,498,127	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.

41 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:

Transactions during the year	2022 Rs. '000	2021 Rs. '000
- with shareholders		
Lending to financial institutions	495,275	207,794
Repayment of lending to financial institutions	2,796,113	
Investments made during the year	225,000	-
Borrowings	41,769	45,556
Subordinated debt	6,333	4,367
Repayment of borrowings/Subordinated Debt	23,215	17,479
Repayment against TFC's Investment	-	6,086
Branchless banking services recovery of loan portfolio		
ATM services payments		
Income		
Interest income on deposit account bank balances	15,081	6,577
Interest income on Investment (TFC)	7,520	4,577
Expenses		
Interest expense on TFC	41,769	45,908
Fee, Commission & Bank charges	20,104	16,233
Transactions during the year		
- with defined benefit plan		
Contribution paid to KB employees gratuity fund	245,922	96,452
- with others		
Cost reimbursement received from MSDF	25,486	83,830
Cost reimbursement claim from MSDF	8,533	51,218
Balances outstanding at the year end		
- with shareholders		
Balances with banks	383,055	274,770
Investments/ TFCs	50,000	50,000
Interest receivable on investments/TFCs	304	210
Borrowings and subordinated debt	685,000	460,000
Interest payable on borrowings/subordinated debt	18,106	7,289
- with defined benefit plan		
Balance (receivable) / payable to gratuity fund	31,587	54,697
- with key management personnel including President		
Advances - staff loans	192,908	141,560
Other assets - staff advances	90	-
Deposits	141,550	148,131
- with others		
Receivable from MSDF	1,520	21,078

42 CAPITAL RISK MANAGEMENT

The Bank's objectives when managing its capital are:

a) To comply with the capital requirements set by the SBP;

b) 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

c) 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 not been able to maintain the 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.

Refer to note 2 of the financial statements regarding the management plan approved by the Board to comply with the requirement of Regulation No. 1 of the prudential regulations in financial year 2023 and beyond.

43 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.

	2022 Number	2021 Number
Offices		
Total branches of the Bank	220	206
Total service centers / booth of the Bank	17	33
	2022 Rs. '000	**2021 Rs. '000**
Micro credit cases		
Number of active cases at year end	734,860	803,820
Number of loans disbursed during the year	440,764	369,209
Number of loan rescheduled and deferment during the year	232,622	411,967
Average number of active borrowers for the year	769,340	841,729
Microcredit portfolio		
Microcredit advances receivable - Gross	86,535,069	70,782,297
Total disbursements for the year	70,360,725	48,552,005
Total rescheduled and deferment during the year	16,829,857	27,553,995
Portfolio Quality		
Portfolio at risk (Normal / deferred loan)	3,490,682	2,047,302
Portfolio written off	5,295,292	3,796,559
Loan loss reserve	2,223,721	1,628,791
Average loan sizes		
Average outstanding loan size	117,757	88,057
Average gross loan portfolio	78,658,683	65,715,267
Information about the Bank's assets/ liabilities		
Total assets	132,206,360	116,491,643
Current assets	88,378,909	89,677,364
Fixed assets	4,154,127	3,578,798
Average total assets	124,349,002	111,797,259
Current liabilities	95,510,163	78,021,353
Bank's equity	8,095,659	11,263,522

44 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	2022 Percentage	2021 Percentage
Sustainability/Profitability			
Return on equity	44.1	-46.70%	4.90%
Adjusted return on equity	44.2	-46.53%	5.04%
Return on assets	44.3	-3.63%	0.48%
Adjusted return on assets	44.4	-3.62%	0.50%
Operational self sufficiency	44.5	84.18%	104.73%
Financial self sufficiency	44.6	84.23%	104.81%
Profit margin	44.7	-18.80%	4.51%

Asset/Liability Management			
Current ratio (times)	44.8	0.84	1.06
Yield on gross loan portfolio	44.9	23.40%	23.45%
Yield gap	44.10	2.20%	12.63%
Funding-expense ratio	44.11	15.64%	13.31%
Cost-of-funds ratio	44.12	11.49%	9.32%
Portfolio Quality			
Portfolio at risk	44.13		
Watchlist		1.71%	3.84%
OAEM		1.00%	1.11%
Sub-standard		0.92%	0.49%
Doubtful		0.97%	1.20%
Loss		1.14%	0.09%
Write-off ratio	44.14	6.57%	5.64%
Risk coverage ratio	44.15	63.70%	79.56%
Efficiency/Productivity			
Operating expense ratio	44.16	9.50%	9.93%
Cost to revenue ratio	44.17	80.55%	57.70%
Cost per borrower (Rupees)	44.18	9,914	7,916
Personnel productivity (Numbers)	44.19	137	142
Loan officer productivity (Numbers)	44.20	330	293
Average disbursed loan size (Rupees)	44.21	159,634	131,503
Average outstanding loan size (Rupees)	44.22	117,757	88,057

44.1 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.

44.2 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.

44.3 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.

44.4 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.

44.5 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.

44.6 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.

44.7 Profit margin measures the percentage of operating revenue that remains after all financial, loan loss provision and operating expenses are paid.

44.8 Current ratio measures how well the Bank matches the maturities of its assess and liabilities.

44.9 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.

44.10 Yield gap compares revenue actually received in cash with revenue expected from microcredit advances.

44.11 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.

44.12 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.

44.13 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.

44.14 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.

44.15 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.

44.16 Operating expense ratio is the most commonly used efficiency indicator for Microfinance Banks. It includes all administrative and personnel expenses.

44.17 Cost to revenue ratio measures how well the Bank covers its operating costs through net revenue.

44.18 Cost per borrower provides a meaningful measure of efficiency for the Bank, by determining the average cost of maintaining an active borrower.

44.19 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.

44.20 Loan officer productivity measures the average case load of each loan officer.

44.21 Average disbursed loan size measures the average loan size that is disbursed to clients.

44.22 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. 357 million
2	Data technologies (Pvt) Ltd	Data archive, scanning and record management	Rs. 35.8 million
3	Human Development Foundation	Client mobilization for group loans	Rs. 1.3 million
4	Family Planning Association of Pakistan	Client mobilization for group loans	Rs. 1.6 million
5	Sindh Graduates Association	Client mobilization for group loans	Rs. 0.5 million
6	Society of Human Development	Client mobilization for group loans	Rs. 0.3 million
7	Idemia Pakistan (Pvt) Ltd	Debit card production & stuffing	Rs. 15.4 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 19 April, 2023.

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	**Abbottabad**	Ground Floor, Ali Plaza, Mansehra Road, Supply Bazar Abbotabad.
2	**Ahmedpur East**	Khewat No.54/54, Khatooni No. 55, Katechary Road N/By Sheikh Petrol Pump Tehsil Ahmed Pur East.
3	**Ali Abad**	Khasra No.3891, Ramzan Plaza, Near Agha Khan health center, Karakurum Highway, Aliabad Hunza, Gilgit Baltistan.
4	**Ali pur**	Khata No221, College Chowk, Opposite Sibtain Town, Ali Pur Road, Mohallah Ghalwain, Tehsil Ali Pur, Distt MuzaffarGarh.
5	**Alipur Chattha**	Khewat # 900, Khatoni # 1332, Qadir Abad Road Opposite PSO Petrol Pump, Ali Pur Chatha.
6	**Arifwala**	21- A/ Block, Main Muhammadi Road, Karkhana Bazar, Arifwala, Distt PakPatan.
7	**Attock**	BV 11-56 & 57, Indus Plaza, Barq Road, Near Geedar Chowk, Attock City.
8	**Badeh**	Shop No 1-3, Mohallah Pyaro Khan Sariyo, Main Badeh Naseerabad Road, Badeh, Tehsil Dokri, Dictrict Larkana.
9	**Badin**	Survey # 33, Adjacent Abbasi Hospital Main DCO Chowk, karachi Road, Badin.
10	**Bagh**	Al Noor Plaza, Ground Floor, College Road Bagh AJK.
11	**Bahawalnagar**	Plot no 7, City Chowk, Jail Road Bahawalnagar.
12	**Bahawalpur**	Shop # 43, New Ghalla Mandi, Model Town 'B', Bahawalpur.
13	**Basirpur**	Khewat No. 416, Khasra No. 75/15/1, Main basirpur Road, Tehsil Depalpur, District Okara.
14	**Bhakkar**	Plot No- 155/2, Club Road, Bhakkar.
15	**Bhalwal**	Plot No 451, Block 4, Liaqat Shaheed Road Bhalwal.
16	**Buner**	Khatooni No 464, Shops located at Opposite New Bus Stand Mardan Road Sawarai District Buner.
17	**Burewala**	Khewat No. 165/154, Khatooni No.331, Salim Khatta, Mohal 439/E.B, Multan Road Industrial Area Tehsil Burewala, Distric Vehari.
18	**Chakwal**	Shop No. 4/1785, Tehsil Chowk, Near Warid Franchise, Rawalphindi Road, Chakwal.
19	**Charsada**	M. G Plaza, Tangi Road, Charsadda.
20	**Chichawatni**	Plot No. 18-19, Main G T , Road, Near Lakkar Mandi Pull, Chichawatani.
21	**Chiniot**	Plot No 2/13-z Block Z Development Scheme, opposite Hascol Pump.
22	**Chishtian**	Ghalla Mandi Chowk, Jhumra Road Chiniot.
23	**Chona Wala**	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.
24	**Chowk Azam**	Khata # 19 Moza lohanch thal Kalan, Multan Mianwala Road, Near greenway Petrol Pump, Chowk Azam, tehsil & District Layyah.
25	**Chowk Sarwar Shaheed**	Property No. 964SH, Khatta No.18, Salim Khatta, Mohal 571/TM,MM Road, Chowk Sarwar Shaheed, Tehsil Kot Addu, District Muzaffargarh.
26	**Dadu**	Plot # 629, Mian Road, Adjacent to Govt Girls High School, Dadu.
27	**Daherki**	Deh Tapo, Taluka Daherki, District Ghotki.
28	**Dahranwala**	Warraich Market, Haroonabad Road, Dahranwala, District Bahawalnagar.
29	**Darya Khan**	Plot No 89, ward No. 8, Bhakkar Road Darya Khan, Tehsil Darya Khan, District Bhakkar.
30	**Daska**	Property No.889/11-B/Banglow, Circular Road, oppoiste Civil Hospital, Daska, District Sialkot.
31	**Dera Ghazi Khan**	Khasra No. 12288 / 9829, Block- J Railway Road , Dera Ghazi Khan.
32	**Dera Ismail Khan**	Khatooni No.1969, Ground Floor, West Circular Road Syndicate Mor, Dera Ismail Khan.
33	**Dunyapur**	Khewat No. 17, Khatooni No. 110, Railway Road , Near Al- Mulk Hospital, Dunyapur, District Lodhran.
34	**Dinga**	Khewat # 245 Khatoni # 733 & Khallas 192,193,194, Situated at Attock Petroleum Kharian Road Dinga, Tehsil Kharian, District Gujrat.
35	**Ellahabad**	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.
36	**Faisalabad**	Ayubi Plaza P- 834/A , Liaqat Road, Near Police Line Petrol Pump Faisalabad.
37	**FatehJang**	Shop No. 1 , Ground Floor, Mudassir Awan Arcade, Pindi Road Fatehjhang, District Attock.
38	**Fazilpur**	M Ismaeel Plaza Traffic Chowk Main Indus Highway Fazilpur.
39	**Feroza**	Khewat No. 167, Khatooni No.248, Situated at Shahi Road Feroaza, Mouza Hayat Lar, Feroaza, Tehsil Liaqatpur & District Rahim Yar Khan.

S. No.	Branch Name	Address
40	**Fort Abbas**	Khata No 259/260, Khatooni No, 259, School Bazar, Fort Abbas, Distric Bahawalnagar
41	**Gahkuch**	Khasra No.1087, Rais Market, Opposite City Park, Near LG & RD Office, Main Bazar, Gahkuch, Tehsil Punial, District Ghizar, Gilgit.
42	**Ghotki**	Plot No 115 , Devri Sahib road Near National bank of Pakistan Ghotki.
43	**Gilgit**	S M Abdul Hakim Market , Near radio Pakistan, Zulfiqarabad, Jutial, Tehsil & District Gilgit.
44	**Gojra**	P - 499, Siddique Commercial Center, Tehsil Office Road, Gojra Distric Toba Tek Singh.
45	**Gujar Khan**	Haji Raja Karam Ellahi Plaza, G. T. Road, Gujar Khan District Rawalphindi.
46	**Gujranwala**	Khasra No 182, Khewat No. 42, Khatooni Number 43, Mouza Main Sansi, Tehsil & District Gujranwala.
47	**Gujrat**	Khewat No.228, Khatooni No.342 & 343, Khasra No. 1144,1145, Abid Colony G.T Road, Mouza Nanwa, Tehsil & District Gujrat.
48	**Hafizabad**	Khewat No.508, Khatooni No.1469, Street No. 06 Near Fiza Carpet, Gujranwala Road, Tehsil and District Hafizabad.
49	**Hala**	Plot No. 284, Old Main National Highway, Adjacent Babi-Nooh, Hala.
50	**Haripur**	Pandak Area, Shahrah-e-e Hazara, Haripur.
51	**Haripur-SME**	Khasra No 1987-3046/1853, Mouzadarwesh, Swat Mills Chowk Near Almeezan CNG, Hattar Road Haripur.
52	**Haroonabad**	Plot # 734, Front Main Bazar Bangla Road Tehsil Haroonabad, District Bahawalnagar.
53	**Hasilpur**	Khata No. 34/29, Plot Adjacent Honda Motorcycle Showroom, Near Bus Stand, Main Bahawalpur Road Hasilpur.
54	**Hassanabdal**	Manan Ali Khan Plaza, Near General Bus Stand, G T Road Hassanabdal, District Attock.
55	**Havelian**	Malik Cottage, main Bazar Havelian, District Abbottabad.
56	**Hyderabad**	Plot No. HCB-73, Qazi Abdul Qayyom Road, gari Khata hyderabad.
57	**Islamabad**	Amir Plaza, Ground Floor, 94-West, Jinnah Avenue, Blue Area, Islamabad.
58	**Jahnia**	Khewat No. 19, Chak No. 111/10 - R, Opposite Govt. Middle School No. 03 for Boys, Madina Chowk, Jahanian, District Khanewal.
59	**Jail Road-Lahore**	House No 15, Shadman Colony, Jail Road, Lahore.
60	**Jalalpur Pirwala**	Almadina Market, Near General Bus stand Multan Road Jalalpur Pirwala.
61	**Jampur**	Ward No. 13, Registry No. 692/1 Pesticide Market Dajal Road Jampur,Tehsil Jampur, District Rajanpur.
62	**Jaranwala**	Ismail Plaza, Muhallah Usmania Park, Faisalabad Road, Near Fesco Office, Jaranwala.
63	**Jhang**	Khatta No. 129, Near Govt. Women College Main Gojra Road Tehsil and District Jhang Saddar.
64	**Jhelum**	Ground Floor, Shan-e-Muhammadi Plaza, Opposite Tableegh-ul-Islam High School, Near NADRA Office, Civil Lines Jhelum.

S. No.	Branch Name	Address
65	**Juddo**	Plot City Survey No 7, Ward No 3 B, Near Rajput Chowk, Shahi Bazar, jhuddo, Tehsil jhuddo, District Mirpurkhas.
66	**Kahror Pacca**	Near Railway, Track Mailsi Chowk, Main City Road, Mohal Pacca Hadbast 390, Tehsil Kahroar Pacca District Lodhran.
67	**Kallur Kot**	Khata No.244/243, Khatooni No.366, Ward No.2, Lodhi Market Kallur Kot, District Bhakkar.
68	**Kambar/Wagan**	Opposite Govt Primary Boys School, Miro Khan Road, Kambar.
69	**Kamoki**	197/162, Near Shifa Eye Hospital, Main G T Road, Kamoki.
70	**Kandkot**	Jaryan No 264, Main Haibat Road Near National Bank of Pakistan Branch Kandh Kot.
71	**Karachi**	Plot No 13, Commercial Area main Rashid Minhas Road, Gulshan e Iqbal, Block-10 Opp. Lal Flats Karachi.
72	**Karachi - Korangi**	Plot No L-04, Sector 35- C, korangi Township, Karachi.
73	**Karor Lal Essan**	Khasra No. 289, Sewag Plaza, Opposite PTCL Exchange, Fatehpur Road, Karor Lal Essan, District Layyah.
74	**Kashmore**	Jaryan No.1/684, Deh kashmore, Taluka & District Kashmore.
75	**Kasur**	Khewat No. 1068, Khatooni No. 1388, Minhas Colony, Chowk Khan Mahal Cinema, Main Lahore Road Kasur.
76	**Khairpur**	Kacherri Road Khairpur.
77	**Khairpur Tamewali**	Khata No. 127/119, Khatooni No. 274-279 Main Hasilpur Road, Near Firdoas Petroleum Service, Mouza Khairpur,Tamewali,Tehsil Khairpur Tamewali District Bahawalpur.
78	**Khanewal**	Plot No.1, Street No. 1, Block-2, RCA Chowk, Khanewal.
79	**Khanpur**	Qaid Millat Road, Opposite Saving Center, Khanpur, District Rahim Yar Khan.

S. No.	Branch Name	Address
80	**Khudian Khas**	Khewat No.1005, Khatooni No. 3230, Khasra No.6664, Mahal khudian, Near New Bus Stand, Main Depalpur Road, Tehsil & District Kasur.
81	**Khushab**	Block # 02, Plot # 01, Bank Square, Jauharabad Distt. Khushab.
82	**Kohat**	Najam Complex, Near Police Lines, Hangu Road, Kohat.
83	**Kot Addu**	Opp. Faisal Motors, Near PSO Pump, Main G T Road, Kot Addu, Tehsil Kotaddu, District Muzaffargarh.
84	**Kot Chuhtta**	Khata No. 109, Oppsoite Tehsil Office, Main Indus Highway, Kot Chutta, District Dera Ghazi Khan.
85	**Kot Momin**	Bhagtan Wala Road , Near Askar 1 Petrol Pump, Kot Momin, Teh Kot Momin & Dist. Sargodha.
86	**Kot Mithan**	Ward No.7, Registry No.1018 & 108, Darbar Road, Kot Mithan, Tehsil & District Rajanpur.
87	**Kot Sultan**	Khata No. 77, Mohalla Husnain Abbad Near Civil Hospital, Multan Road, Kot Sultan, District Leyyah.
88	**Lahore Shahdara**	71, Near Allah Ho Darbar & Masjid Tuheed, Adjacent ZTBL Bank, Main Sheikhpura Road, Jia Musa, Shahdara, Lahore.
89	**Lahore-DHA**	Plot No. 79, Block CCA, Phase-IV, Defense Housing Authority, Lahore Cantt.
90	**Lahore-SME**	Old AM Studio near Gulshan e Ravi Bund Road Lahore.
91	**Larkana**	C.S/ R.s No 1827/1876, Near Bank Square, Larkana.
92	**Leyyah**	Plot # 405 / B- 2nd, Main Choubara Road, Near MCB Leyyah.
93	**LiaqatPur**	87- A, Scheme No. 2, Bank Road, Opposite Qayyum Petrolium, Liaqatpur.
94	**Lodhran**	Plot / Khewat No. 509/479 & 528/486, Jalal Pur More Near masjid e Ahl-e-Hadees, Bahawalpur Road Lodhran.
95	**Lallian**	Main Sargodha Road, Opposite MCB Bank, near new Bus Stand, Lallian.
96	**Malakand Agency**	Shop # 1-5 and 29-34 Tahir Plaza, Main Bazar, Batkhela, Malakand Agency.
97	**Mandi Bahauddin**	Khewat No. 282, Khatooni No. 486 to 487, Tehreem Plaza Punjab Center, Phalia Road, Mandi Bahauddin.
98	**Mandi Yazman**	Khata/Khawat No. 404 Khatoni No. 609, Situated at Chak No. 56/DB Alif, Bahawalpur Road, Opposite NBP Bank Mandi Yazman.
99	**Mankera**	Khata # 224-225/218-219, Khatooni # 356-35, Mankera Town, Main Jhang-Bhakhar Road, Tehsil Mankera District Bhakhar.
100	**Mansehra**	Ammar's Arcade, Near Noor College, Old Balakot Bypass Road, Mansehra.
101	**Mardan**	CB 445 / A- 2, Saddar Bazar, The Mall, Mardan Cantt. Mardan.
102	**Mehar**	Survey No 151, Khairpur Nathan Shah Road, Mehar, District Dadu.
103	**Mian Channu**	M A Ghani Colony, Street # 04, Corner Plot, GT Road, Near Opposite Tehsil Complex Mosque, Mian Channu.
104	**Mianwali**	Plot No. 706, Soney Khel Market , Govt. High School Road, Mianwali.
105	**Minchan Abad**	Khata/ Khatooni No. 152, Mouza (Mohal Michinabad) Distt. Bahawalnagar.
106	**Mirpur**	Plot No 1., Sector No. II, Allama Iqbal Road, Mirpur, Azad Kashmir.
107	**Mirpurkhas**	Ward -A , MP Colony, Main Umer Kot Road, Mirpurkhas.
108	**Mithi**	Shop # 01 to 6, Sameer & Kunal Market Near Kashmir Chowk Main Naukot Road Mithi, District Tharparkar.
109	**Mubarik Pur**	Khewat No. 205, Khatooni No.526, Situated at Mohala Mubarik Pur, Tehsil Ahmad Pur East, Disst. Bahawalpur.
110	**Multan**	Shop No.1, Royal Shopping Centre, Azmat Warsi Road, Dera Ada Chowk, Multan.
111	**Muridke**	Salim Qitta 17, Khewat No. 419, Khatooni No. 1019 to 1023, Mouza Mureedke Near Bilal Masjid Main GT Road Tehsil Mureedke, District Sheikhpura.
112	**Muzaffar Garh**	Khewat No. 664, Jhang Road Near Zewa Hotel Mohalla Khurshidabad Tehsil & District Muzaffar Garh.
113	**Muzaffarabad**	Raza Building, Poultry Farm Road, Opposite AJK University, Muzaffarabad, A.K.
114	**Nankana Sahib**	Khewat No.551, Khatooni No.700, Adjacent Khalid Rice Mills, Morni Wala Karkhana, District Nankana Sahib
115	**Narowal**	VI-284, Near Siddique Pura Morre, Circular Road, Narowal.
116	**Naseerabad**	Khasra No.6775/76, Near City Police Station, Main Quetta Road, Dera Murad Jamali, Naseerabad.
117	**Nawab Shah**	House # A-306, Paro hospital Road, Otaq Quarter, Nawab Shah.
118	**Noshero Feroze**	Plot Near Jilbani Petrolium Services, Mian National Highway, Nashero Feroze.
119	**Nowshera**	Al Jameel City Centre, Near PSO Police Petrol Pump, Main GT Road, Nowshera.
120	**Okara**	Habib Cotton Factory, M. A Jinnah Road, Chack No. 1-A/4-L, Okara.
212	**Oghi**	Shahab Plaza, Main Sher Ghar Road, Near Girls College, Tariq Pul Oghi, District Mansehra, KPK.
122	**Okara-SME**	Khawat #1265, Khatooni # 1478, 7 Number Chungi, Main G.T Road Near Edhi Centre Okara.
123	**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.
124	**Pakpattan**	Khata No. 3182 / 3152, 4347 / 3993, Khatooni No. 3384, 4754, College Road, Pakpattan.
125	**Pannu Aqil**	Plot No. 435, Baiji Road, Pannu Aqil.
126	**Pasrur**	Faisal Colony, Main Sialkot Pasrur Road, Near Gujar PSO Petrol Pump, Pasrur.
127	**Pattoki**	Khasra # 1920/1573 Khewat # 926 Khatoni # 2857 Main Multan Road opposite Naseem Anwar Hospital Pattoki.
128	**Peshawar**	Amin Hotel Main GT Road Hashtnagri Peshawar.
129	**Peshawar-SME**	Shahid Ullah Tower, Opposite Abasyn University Chowk, Patang, Chowk, Ring Road Peshawar.
130	**Phalia**	Khewat 11/2, Khatooni # 22 to 332, Opposite Admore Petroleum, Gujrat Road, Phalia, Tehsil Phalia & District Mandi Bahauddin.

S. No.	Branch Name	Address
131	**Pir Mahal**	Khewat No. 3, Khatooni No.12 to 13, Situated at Chak No.319 GB Urban, Tehsil Pir Mahal, District Toba Taik Singh.
132	**Qadirpur Rawan**	Plot No. 26, Opposite Town Committee Office, G.T. Road Qadirpur Rawan.
133	**Qasba Gujrat**	Khewat No. 382, Khatooni No. 1, Salim Khatta, Ghazi Ghat Road, Near Chowk Ghazi Ghat, Qasba Gujrat, Tehsil Kot Addu, Distt. Muzaffargarh
134	**Rahim Yar Khan**	Khewat No. 302/278, Situated at 16-A, Businessman Colony, Opposite Desert Palm Hotel, Rahim Yar Khan
135	**Rajanpur**	Kamran Market, Opposite Jamia Sheiks Darkhasti, Rajanpur.
136	**Ranipur**	Shop No. 1-3, Plot No. 232/4-7, Near Mazhar Model School, Main National Highway, Ranipur.
137	**Ratodero**	Shop No 1,2 & 3, Ward- B, Near Main Bus Stand, Ratodero, District Larkana.
138	**Rawalpindi**	Ropyal Brothers Plaza, Property No. B- 130, Main Muree Road, Chandni Chowk, Satellite Town, Rawalpindi.
139	**Rawalpindi -SME**	Prorerty No. P1059, P-1059/A, Khasra Number 42641/1358/1/1, Saidpur Road, Rawalpindi.
140	**Rawlakot**	Al- Makkah Shopping Plaza , CMH Road , Near Ali Firdous Clinic, Supply Bazaar, Rawalakot.
141	**Rohillanwala**	Khata No. 57 Situated at Mohal Sandaila, Main Ali Pur Road Near Canal House Rohillanwali, Tehsil & District Muzafargarah.
142	**Sadiqabad**	Chak No. 10/NP, Nishtar Chowk, KLP Road, Sadiqabad, District Rahim Yar Khan.
143	**Sahiwal**	Khewat No.15848 / 4764, Liaqat Ali Road, Sahiwal.
144	**Sahiwal-SGD**	Khewat No. 2695, Nawan Lok, Main Sargodha Road, Tehsil Sahiwal, District Sargodha.
145	**Sanghar**	Choudhary Corner, Main Nawabshah Road Sanghar.
146	**Sargodha**	Khasra No. 35, Khewat No. 16, Chak No. 45, Shumali Main Khushab Road, Sargodha, Tehsil & District Sargodha.
147	**Shah Kot**	Khewat No. 33, Khatooni No. 34, Khasra No. 519, Haq Bahoo Chowk, Shah Kot, District Nankana
148	**Shahdad Kot**	City Survey No. 883, Ward- A, Lakhpati Road Near Keenjhar Public School, Shahdad Kot, Tehsil & District Shahdad Kot.
149	**Shakargarh**	Khasra No. 1449/178, Maqsood Plaza, Near Railway Phatak, Railway Road, Shakargarh, Tehsil Shakargarh, District Narowal.
150	**Sheikhupura**	Al Rehman Center, Near Millan Marriage Hall, Main Lahore Road Sheikhupura.
151	**Shikarpur**	Plot No. 3/1 Near Jahaz Chowk, Station Road, Shikarpur.
152	**Shorekot**	Khata No. 1191, Ammad Ashraf Plaza Jhang Road, Shorekot City, Tehsil Shorekot District Jhang.
153	**Shujahabad**	Plot No. E-456, Opposite Khan Brothers Bus Stand, Jalalpur Road, Shujahabad.
154	**Sialkot**	Small Industrial State, Near Alam Chowk, Shahabpura Road Sialkot.
155	**Sukkur**	Survey No. 717, Deh Old Sukkur, Adam Shah Colony, Military Road, Sukkur.
156	**Swabi**	Rehman Market, Swabi Mardan Road, Swabi.
157	**Swat (Mingora)**	Ground Floor, Shahzad Plaza, Saidu Sharif, Makan Bagh Road, Mingora, Swat.
158	**Safdarabad**	Khewat No.162/147, Khatooni No. 333, Chak No. 78 / RB, Tehsil Safdarabad, District Sheikhupura.
159	**Sahiwal-SME**	04-Malr-0/S bearing Khawat No. 0691, Khatooni No. 692, Khasra No.6119/ High Street Near Meezan Bank/United Bank Sahiwal.
160	**Shiekhupura -SME**	Care-4 Plaza, Near Sultan Hospital, Faisalabad By Pas, Lahore Road, Sheikhupura.
161	**Tando Allahyar**	Plot # 2, Block A, Survey # 273/1, Opposite to Civil Hospital, Main Hyderabad Road, Tando Allahyar.
162	**Tando M. Khan**	Plot No. C S 832, Opposite SSP Office, Tando Muhammad Khan.
163	**Taunsa Sharif**	Khata No. 1739, Mangrotha Road, Taunsa Sharif.
164	**Thatta**	Shop No. 6, Al-Shahbaz Shop, National Highway, Thatta.
165	**Tibbi**	Khata No.81, Main Indus Highway, Tibbi Qaisrani, Tehsil Taunsa & District D. G. Khan.
166	**Toba Tek Singh**	Al- Aziz Center Shore Kot Road, Toba Tek Singh.
167	**UCH Sharif**	Abbaisa Road Opposite Mariam Hospital Near Lallu Wali Pull Uch Sharif Tehsil Ahmedpur East Dist. Bahawalpur.
168	**UmarKot**	Saleem Shopping Center, Shop No. 1 & 2 Gulshan-e- Saleem Housing Society, Main Chore Cantt Road, Opposite M. A Jinnah Park, Umerkot.
169	**Vehari**	Plot # E/8 Main Karkhana Bazar Near Goal Chowk, Vehari.
170	**Wazirabad**	Khewat No.1223, Khatoni No.1954, Khasra No.1767, Main Sialkot Road, Opposite Bandhan Marriage Hall, Wazirabad.
171	**Zafarwal**	Khewat No. 575, Khasra No. 2637, Situated at Town Committee, Zafarwal, Mohalla & Tehsil Zafarwal, Disst. Narowal.

S. No.	Branch Name	Address
172	**Zahirpir**	Old GT Road, Canal Rest House Chowk, Zahir Pir, District Rahim Yar Khan.
173	**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.
174	**Malir Karachi**	S-1/296, Saudabad, Malir, Karachi.
175	**North Nazim Abad**	Sub-Plot No.6, Block No.1, Sooq Ul Aman, Plot No. Flat-1, Block-G, North Nazimabad, KDA's Scheme No.2, Karachi.
176	**Head Rajkaan**	Chak No. 35, DNB Noor Pur Road, Head Rajkaan, Tehsil Mandi Yazman, Distt. Bahawalpur.
177	**Kot Radha Kishan**	Khewat No. 302, Khatooni No.422 to 437, Main Raiwind Road, Azam Abad, Opposite NADRA Office, Kot Radha Kishan, Distt. Kasur.
178	**Talagang**	Khewat No. 664, Khatooni No. 1192, Khasra No. 3625/1274, Sadiq Abad Chowk Main Sargodha Road, Talagang, Distt Chakwal.
179	**Farooqabad**	Khewat No. 266, Khatooni No. 291,320, Near Bus Stand Main Approach Road, Farooqabad, Distt. Sheikhupra.
180	**Tando Adam**	Shop No. CCS/945/1, Near Muhammadi Chowk, Tando Adam, Distt. Sanghar.
181	**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.
182	**Jatoi**	Khata No. 7/6, Khatooni No.13 to 16, Mohalla Qasir Ghazlani, Tehsil Jatoi & District Muzaffargarh.
183	**Gagoo Mandi**	Khewat No. 182, Khatooni No. 525 to 529, Salim Khatta, Chak No.187 EB, P/O Gagoo, Tehsil Burewala District Vehari.
184	**Sarai Mohajir**	Khewat No. 130, Jhang Bhakkar Road, Sarai Mohajir.
185	**Mandi Ahmadabad**	Khewat No. 44, Khatooni No.95 Kangan Pur Road Mandi Ahmadabad Tehsil Deepalpur, District Okara.
186	**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.
187	**Adda Zakhira**	Khewat No.75/71, Khatooni No.195, Salim Khatta Qitta 1, Mohal 231-WB, Adda Zakhira, Tehsil Dunyapur, District Lodhran.
188	**Shah Jamal**	Khata No. 309 Khatooni No. 357 Khan Garh Road Near Mullan Walla Chowk Shah Jamal, District Muzfargarh.
189	**Muhammad Pur Dewan**	Khata # 268 Main Indus Highway, Opposite Rural Health Center, Muhammad Pur Dewan, Tehsil Jampur Dist. Rajanpur.
190	**Sillanwali**	Khewat No.522, Khatooni No. 642, Khasra No546/55, Zia Shaheed Road, Mohalla Mandi Sillanwali, Distt. Sargodha.

S. No.	Branch Name	Address
191	**Jacobabad**	Survey No. 202/33/5, Kamora Line, Main Quetta Road, Taluka & District Jacobabad.
192	**Pindi Bhattian**	Khewat No.183, Khatooni No.476 to 494, Qitta 397, Hafizabad Road, Mohal & Tehsil Pindi Bhattian, District Hafizabad.
193	**Shahdadpur**	City Survey No.1009, Situated at Ward A, Station Road, Shahdadpur, District Sanghar.
194	**Timergara**	Ground Floor, Shah Shopping Centre, Bypass Road, Near Shaheed Chowk Timergara, District Lower Dir.
195	**Kunri**	Plot No.148-149, Survey No. 209/1 & 209/2 Deh Chajhro, Tapo Chajhro, Taluka Kunri, District Umerkot.
196	**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.
197	**Qaidabad**	Khewat No.1188, Khatooni No.1569, Plot No.62, Mianwali Sargodha Road, Quaidabad Tehsil, Quaidabad, District Khushab.
198	**Mailsi**	Khewat No 73/71, Khatooni No. 97, Khasra No. 92/19/2, Mohal & Tehsil Mailsi, District Vehari.
199	**Sangla Hill**	Khewat No. 335, Khatooni No. 783, Murabba No. 28, Qila No. 5, Main Safdarabad Road, Opposite Allah Bux Town, Chak No 46/R.B, Tehsil Sangla Hill, District Nankana Sahib.
200	**Karachi-DHA**	Shop # 01, Plot # 30-E, Badar Commercial, Street # 1, Phase V, DHA Karachi.
201	**Kot Ghulam Muhammad**	Ward No. B, Plot No. 977, Main Road Kot Ghulam Muhammad, Tehsil Kot Ghulam Muhammad, District Mirpurkhas.
202	**Chowk Shahbazpur**	Khata No.101, Khatooni No. 273 to 276, Mohal Muhammad Nazazwasa, JDW Road, Chowk Shahbazpur, Tehsil Sadiqababad, District Rahim Yar Khan.
203	**Sui Wala**	Khatooni No. 731, Sui Wala, Mohala Hafiz Muhammad Wala, Tehsil & District Lodhran.
204	**Basti Malook**	Khewat No.22, Khatooni No.180-198, Mouza 12 F, Basti Malook, Tehsil Multan Saddar, District Multan.

S. No.	Branch Name	Address
205	**Mor Khunda**	Khewat No 24, Khatooni No.166, Khasra No. 846/2/2, Main Lahore Road, Oppsoite UC-49 office, Mor Khunda, Tehsil & District Nankana Sahib.
206	**Hattian Bala**	Khewat No. 5, Khatooni No.170, Chandkot, Tehsil Hattian Bala, District Jehlum Valley, AJK
207	**Samundari**	Khewat No. 373/348, Khatooni No. 651-652, Chak No. 467, Ghaf Bay, Tehsil Samundari, District Faisalabad
208	**Mehrabpur**	DSC No. III A-285, Town Mehrabpur, District Naushehro Feroze, Sindh
209	**Kahuta**	Khasra No.144, Arshad Plaza, Main Rawalphindi Road, Near NBP Kahuta, Tehsil Kahuta, District Rawalphindi.
210	**Kallar Syedan**	Khewat No. 249, Khatooni No. 453, Mouza Kallar Badhal, Tehsil Kallar Syedan, District Rawalphindi.
211	**Shaheed Fazal Rahu**	Plot No. A 1, Deh Barodari, Tapo Golarchi Taluka / Tehsil Shaheed Fazal Rahu, District Badin.
212	**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.
213	**Gujranwala-SME**	Main G. T Road Opposite General Bus Stand, Gujranwala, Tehsil & District Gujranwala.
214	**Bhera**	Khewat No.1304, Khatooni No. 1877, Cha Jhangi Wala Dahkeli, Tehsil Bhera, District Sargodha.
215	**Harappa**	Khewat No.128/126, Khatooni No. 309/310, Jinnah Town, G.T. Road Harappa Station, District & Tehsil, Sahiwal.
216	**Sialkot-SME**	Mohalla Haji Pura, Main Road Near Executive Passport Office, Sialkot, Tehsil, District Sialkot.
217	**Sharaqpur**	Khewat No. 578, Khatooni No.1748, Khasra No. 670/1, Bhatti Town, Lahore Jaranwala Road, Near Main Bus Stop, Sharaqpur, Tehsil Sharaqpur and District Sheikhpura.
218	**Gujrat-SME**	Khasra No. 872, Khatooni No. 1442, Nanwa Rangpura, Sargodha Road Gujrat.
219	**Faisalabad-SME**	Plot No. 30, GCU Road, Jinnah Coloney, Near Saeed Mart, Faisalabad.
220	**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	**GPO-Mall Road Lahore**	General Post Office, Bank Square, Mall Road, Lahore.
2	**GPO-University Road Peshawar**	General Post Office, Beside Pashtu Academy, University of Peshawar, Peshawar.
3	**GPO-G 6 Islamabad**	General Post Office, Near Melody Food Park, Sector G-6, Islamabad.
4	**GPO-Saddar Road Rawalpindi**	General Post Office, Main Saddar, Adjacent Mall Plaza, Mall Road, Rawalpindi.
5	**Nowshera Virkan**	Khewat No. 257, Khatooni No. 305, Qitta 2, Salim Khatta, Mohal Ghathri, Tehsil Virkan, Distt. Gujranwala.
6	**GPO-Jafferabad**	Pakistan Post Office, T Chowk, Dera Allah Yar, Distt. Jafferabad.
7	**GPO-Abdullah Harron Road Karachi**	Pakistan Post Saddar GPO, Abdullah Harron Road Karachi.
8	**Nowshera**	Khewat No. 821, Khatooni No. 1482, Khasra No. 2155, Opposite Nissal Plaza, Sakesar Road Nowshera, District Khushab
9	**Kamalia**	Khasra No. 4209, Plot No. 1062 D, Niaz Chowk, Mohalla Niazabad, Kamalia, District Toba Tek Singh
10	**Mandi Faizabad**	Khewat No. 05, Khatooni No.143 in Salam Khata, Qitat 104 Main Jaranwala Road, Mohala Kot Yaqoob, Mandi Faizabad
11	**Jhabran Mandi**	Khewat 1096/1084, Khatooni No. 2257, Main Grain Market Jhabran Mandi, Sheikhupura.
12	**Chungi Amar Sadhu**	Khewat No. 194, Khatooni No. 542 to 549, Ferozepur Road, Mouza Dhollu Khurd, Model Town, Lahore.
13	**Paroa**	Khewat No. 859, Khatooni No. 1135, Khasra No. 2452/3121, Main Paroa Adda, Near HBL, Tehsil Paroa, District D.I.Khan
14	**Qila Didar Singh**	Khewat No.1246, Khatooni No.1543, Khasra No. 324, Main Bazar Adjacent to Govt. Techinical Training Center Mouza Qila Didar Singah Tehsil & District Gujranwala.
15	**Dulley Wala**	Khewat No. 2126/2039, Khatooni No. 3649, MM Road, Mohal Dulley Wala, Tehsil & District Bhakkar.
16	**GPO-Gilgit**	General Post Office, Near Govt. Boys High School No.1, Gilgit, Tehsil & District Gilgit.
17	**Gharo**	Main National Highway, Near Town Committee Gharo, Taluka Mirpur Sakro and District Thatta.

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

PRESIDENT **CHAIRMAN** **DIRECTOR** **DIRECTOR**

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