

**KHUSHHALI BANK LIMITED**  
**MANAGEMENT ACCOUNTS - UNAUDITED**  
**FOR THE MONTH ENDED**  
**September 30, 2014**



Registered with Securities and Exchange Commission of Pakistan  
Registration number: 0064531  
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**Balance Sheet as at September 30, 2014**

	Note	Actual 30-Sep-2014	Actual 31-Dec-2013
		Un - audited	Audited
<b>ASSETS</b>			
Balances with State Bank of Pakistan	1	233,038,012	243,218,245
Cash in hand and balances with banks	2	1,061,619,553	686,221,888
Lending to financial institutions	3	-	942,371,214
Investments - net of provisions	4	736,260,378	1,038,900,528
Advances - net of provisions	5	11,233,418,065	8,756,895,434
Operating fixed assets	6	334,217,319	275,183,756
Other assets	7	2,102,397,591	1,247,439,984
Deferred tax assets		127,300,096	99,425,493
<b>Total Assets</b>		<b>15,828,251,014</b>	<b>13,289,656,542</b>
<b>LIABILITIES</b>			
Deposits and other accounts	8	7,161,632,922	7,132,919,239
Borrowings	9	4,531,672,322	2,746,106,352
Other liabilities	10	994,170,381	651,752,959
<b>Total Liabilities</b>		<b>12,687,475,625</b>	<b>10,530,778,550</b>
<b>NET ASSETS</b>		<b>3,140,775,389</b>	<b>2,758,877,992</b>
<b>REPRESENTED BY :</b>			
<b>CAPITAL</b>			
Paid up capital	16	1,705,000,000	1,705,000,000
Capital and general reserves	11	420,314,502	305,399,463
Unappropriated profit		1,014,649,314	738,853,220
		3,139,963,816	2,749,252,683
Surplus/(Deficit) on revaluation of assets	12	(21,991)	3,235,008
Deferred grants	13	833,564	6,390,301
<b>Total Capital</b>		<b>3,140,775,389</b>	<b>2,758,877,992</b>

**Khushhali Bank Limited** All Figures are Stated in Pak Rupees

**Profit & Loss Account for the period ended September 30, 2014**

Un - audited

	Note	YTD - Sep - 14	YTD - Sep - 13
Mark up / Interest on advances		2,173,876,390	1,531,122,473
Micro credit Processing Fees		291,324,410	204,232,312
Retail Banking Services Fees	15	10,132,685	6,072,493
		2,475,333,485	1,741,427,278
Return on investments/bank accounts		89,081,825	104,550,581
		2,564,415,310	1,845,977,859
Interest on borrowings		(179,065,241)	(148,336,409)
Interest on deposits		(395,958,489)	(295,492,878)
		(575,023,730)	(443,829,287)
		<b>1,989,391,580</b>	<b>1,402,148,572</b>
<b>OPERATING EXPENSES</b>			
Salaries , wages & other benefits		752,148,925	579,694,922
Incentive on Asset and Liability Sales		38,472,081	29,818,949
Recruitment & Development		2,570,829	2,498,174
Management consultancy		14,332,483	6,140,369
IT Operations		39,441,920	21,773,145
Training		17,546,549	9,484,980
Rent, rates & taxes		108,031,046	88,516,678
Meeting & Conferences		18,242,462	12,095,065
Utilities		54,797,325	45,761,604
Communication		25,743,342	21,218,747
Traveling & conveyance		13,262,566	9,849,572
Insurance		31,935,960	28,484,188
Repair & maintenance		18,543,034	11,763,603
Security services		4,940,194	5,069,612
Vehicle running & maintenance		77,135,435	67,415,430
Legal & Professional		2,143,149	2,228,643
Printing, stationery & office supplies		45,445,610	40,350,173
Subscription		1,934,229	1,257,576
Advertisement & business promotion		15,429,918	16,308,041
Financial charges		7,607,750	15,628,277
ATM Operations		-	-
Depreciation		87,702,462	78,859,891
Other Expenses		3,209,373	5,811,784
Workers Welfare Fund		12,520,367	-
		1,393,137,009	1,100,029,423
Reimbursement of USAID program costs		(8,502,583)	(22,967,728)
		1,384,634,426	1,077,061,695
Net Provision against advances/other assets	14	91,271,702	80,417,724
Total operating expenses		1,475,906,128	1,157,479,419
<b>OPERATING PROFIT/(LOSS)</b>		<b>513,485,452</b>	<b>244,669,153</b>
<b>OTHER INCOME</b>			
Amortization of deferred grant		5,556,737	7,215,942
Reimbursement of Social Mobilization Cost		115,958,700	97,030,700
Gain/(Loss) on Disposal of Fixed Assets		1,411,886	24,327,931
Misc Income		2,048,342	657,996
Gain/(Loss) on Foreign Currency Transactions		(149,018)	397,029
		124,826,647	129,629,598
<b>PROFIT BEFORE TAXATION</b>		<b>638,312,099</b>	<b>374,298,751</b>
Taxation - Current	16	206,526,545	105,572,496
- Deferred		(27,874,603)	-
		178,651,942	105,572,496
<b>PROFIT AFTER TAXATION</b>		<b>459,660,157</b>	<b>268,726,255</b>
Un-appropriated profit b/f		738,853,220	525,770,167
Profit available for appropriation		1,198,513,377	794,496,422
<b>APPROPRIATIONS:</b>			
Transfer to:			
Statutory Reserves		91,932,031	53,745,251
Microfinance Sector Development Fund		45,966,016	26,872,626
Risk Mitigation Fund		22,983,008	13,436,313
Depositors' Protection Fund		22,983,008	13,436,313
		183,864,063	107,490,503
<b>UNAPPROPRIATED PROFIT c/f</b>		<b>1,014,649,314</b>	<b>687,005,919</b>

## Notes to the Accounts for the period ended September 30, 2014

## Un-audited

1	BALANCES WITH SBP	Note	30-Sep-2014	31-Dec-2013
	Balances with SBP	1.1	233,038,012	243,218,245
			<b>233,038,012</b>	<b>243,218,245</b>

1.1 This represents balance held with SBP to meet the requirement of maintaining minimum balance equivalent to 5% (2013: 5%) of the Bank's time and demand liabilities in accordance with regulation 6A of the Prudential Regulations issued by SBP.

## 2 CASH IN HAND AND BALANCES WITH BANKS

	Cash in hand		275,331,392	372,773,152
	Current Account		219,234,049	278,612,546
	Saving Account	2.1	567,054,112	34,836,190
			<b>1,061,619,553</b>	<b>686,221,888</b>

2.1 This represent balances held in corporate accounts of which Rs. 565.9 million (2013: Rs. 33.8 million) is held for the purpose of cash management such as meeting Bank's operations and lending to borrowers. Also included is a balance of approximately Rs. 1.0 million (2013: Rs. 1.0 million) held with NIB Bank Ltd. as institutional savings. Corporate accounts carry interest rates ranging from 6.0% to 8.0% (2013: 6% to 8% ) per annum.

## 3. LENDING TO FINANCIAL INSTITUTIONS

	Reverse Repo Lending	3.1	-	942,371,214
	Clean Lending		100,000,000	100,000,000
	Provision for impairment		(100,000,000)	(100,000,000)
			-	-
			<b>-</b>	<b>942,371,214</b>

3.1 This represents reverse repo lending at the rate NIL% per annum ( 2013: 9.85 % to 10.20% per annum) maturing on NIL (2013: January 10, 2014). Securities amounting to Rs. 480 Million (2013: Rs. 951 Million) held as collateral against reverse repo lending to financial institutions.

## 4. INVESTMENTS - NET OF PROVISIONS

Market Treasury Bills				
	Market Treasury Bills	4.1	736,293,200	833,999,000
	Surplus/(Deficit) on revaluation	4.3	(32,822)	(1,210,650)
			736,260,378	832,788,350
Money Market Mutual Funds				
	Money Market Mutual Funds	4.2	-	200,000,000
	Surplus/(Deficit) on revaluation	4.3	-	6,112,178
			-	206,112,178
			<b>736,260,378</b>	<b>1,038,900,528</b>

4.1 This represents T-Bills purchased for the year ranging from 84 days to 182 days (2013: 84 days to 364 days) having yield interest ranging from 9.96% to 9.98% (2013: 9.34% to 9.82%) per annum. Treasury Bills amounting to Rs. 131.0 million given as collateral against repo borrowing of Rs. 129.9 million.

4.2 This represents NIL (2013: 996,143 and 9,984,424) Money Market Mutual Fund basic units of UBL Liquidity Plus Fund and NAFA Money Market Fund purchased at Rs.100.3872 and Rs.10.0156 respectively.

4.3 In compliance with the requirements of the Regulations, available for sale investments have been valued on mark-to-market basis and the resulting (deficit) / surplus is kept in a separate account and is shown below the shareholders' equity in the balance sheet.

## 5. ADVANCES - NET OF PROVISIONS

	Note	30-Sep-2014		31-Dec-2013	
		Number of loans outstanding	Amount outstanding	Number of loans outstanding	Amount outstanding
<b>Gross advances :</b>					
Secured		39,600	2,702,525,265	30,782	2,149,053,379
Unsecured	5.1	432,093	8,648,498,353	378,228	6,692,638,835
		471,693	11,351,023,618	409,010	8,841,692,214
<b>Less : provisions held</b>					
Specific provision		6,504	37,700,992	4,608	19,806,589
General provision		432,594	94,872,946	377,687	82,703,240
			132,573,938		102,509,829
			11,218,449,680		8,739,182,385
Staff Loans - Secured	5.2	279	14,968,385	220	17,713,049
		<b>471,972</b>	<b>11,233,418,065</b>	<b>409,230</b>	<b>8,756,895,434</b>

5.1 This includes 25 (2013: Nil) micro enterprise client having aggregate amount of Rs. 5.79 million (2013: Nil).

5.2 This represents short to medium term general purpose loans to employees of the Bank carrying interest at the rate of 10% (2013: 10%) per annum. These loans are secured against employees' accrued terminal benefits.

## 5.4 Particulars of non-performing advances

Non performing advances includes principal amount of Rs. 97.8 million and interest/markup amount of Rs.21.5 million (2013: principal amount of Rs. 69.7 million and interest/markup amount of Rs.12.2 million) which, as detailed below, have been placed under non performing status.

Category of classification	30-Sep-2014			31-Dec-2013		
	Amount out standing	Provision required	Provision held	Amount out standing	Provision required	Provision held
OAEM	25,253,529	-	-	37,263,490	-	-
Sub-standard	14,690,199	2,259,912	2,259,912	14,895,887	2,913,170	2,913,170
Doubtful	63,162,194	23,838,877	23,838,877	17,639,791	7,439,658	7,439,658
Loss	16,166,069	11,602,203	11,602,203	12,040,070	9,453,761	9,453,761
	<b>119,271,991</b>	<b>37,700,992</b>	<b>37,700,992</b>	<b>81,839,238</b>	<b>19,806,589</b>	<b>19,806,589</b>

## 5.5 Particulars of the provisions against non-performing advances

	30-Sep-2014			31-Dec-2013		
	Specific	General	Total	Specific	General	Total
Balance at the beginning of the year	19,806,589	82,703,240	102,509,829	17,223,387	71,320,524	88,543,911
Charge for the period	105,707,938	12,169,706	117,877,644	157,739,971	11,382,716	169,122,687
Amount written off	(87,813,535)	-	(87,813,535)	(155,156,769)	-	(155,156,769)
Balance at end of the period	<b>37,700,992</b>	<b>94,872,946</b>	<b>132,573,938</b>	<b>19,806,589</b>	<b>82,703,240</b>	<b>102,509,829</b>

## 5.6 Particulars of write offs

Against provision			
Related to rescheduled advances		298,500	11,694,184
Related to other classified advances		85,625,079	143,462,587
Directly charge to profit and loss account		1,889,956	-
		<b>87,813,535</b>	<b>155,156,771</b>

## Notes to the Accounts for the period ended September 30, 2014

Un-audited

## 5.7 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 class of loan, the outstanding principal balance of such loan class is divided by the outstanding principal balance of the gross loan portfolio before deducting allowance for non-performing advances. Loans are considered overdue if any payment has fallen due and remained unpaid. Loans payment are applied first to any interest due, then to any installment of principal that is due but unpaid, beginning with the earliest such installment. The number of days of delay is based on the due date of the due date of the earliest loan installment that has not been fully paid. Late payment surcharge/ penalty on overdue advances is not added to principal.

Normal Loans	30-Sep-14		31-Dec-13	
	Portfolio at Risk	Amount	Portfolio at Risk	Amount
Current	0.00%	11,210,850,043	0.00%	8,742,669,291
1 - 29 days late	0.37%	42,407,361	0.33%	29,371,592
30 - 59 days late	0.20%	22,743,332	0.36%	31,785,867
60 - 89 days late	0.11%	12,712,113	0.15%	12,982,261
90 - 179 days late	0.44%	50,240,573	0.17%	15,429,442
More than 179 days late	0.11%	12,070,195	0.11%	9,453,761
	<b>1.23%</b>	<b>11,351,023,618</b>	<b>1.12%</b>	<b>8,841,692,214</b>

## 6. OPERATING FIXED ASSETS

Note

		30-Sep-14	31-Dec-13
Capital work-in-progress	6.1	38,847,675	15,849,803
Property and equipment	6.2	271,160,504	217,139,064
Intangible assets	6.2	24,209,140	42,194,889
		<b>334,217,319</b>	<b>275,183,756</b>

## 6.1 Capital Work-in-progress

This includes payments made to the vendor for the development of various softwares Modules and purchase of fixed assets.

## 6.2 Property and Equipment &amp; Intangible Assets

	Vehicles	Furniture & Fixture	Electrical and Office Equipment	Computer Equipment	Total	Computer Software
<b>Cost</b>						
Balances as on January 1, 2014	150,756,148	160,743,397	195,067,673	181,976,839	688,544,057	108,104,410
Additions	12,884,760	10,113,438	55,812,036	44,168,652	122,978,886	3,312,332
Disposals	6,860,644	3,177,987	1,383,600	684,930	12,107,161	-
Balances as on September 30, 2014	<b>156,780,264</b>	<b>167,678,848</b>	<b>249,496,109</b>	<b>225,460,561</b>	<b>799,415,782</b>	<b>111,416,742</b>
<b>Depreciation</b>						
Balances as on January 1, 2014	133,747,976	72,205,111	118,274,554	147,177,352	471,404,993	65,909,521
Depreciation/Amortization Charge	5,314,161	11,320,971	24,588,222	25,181,027	66,404,381	21,298,081
Disposals	6,284,418	1,367,561	1,217,276	684,841	9,554,096	-
Balances as on September 30, 2014	<b>132,777,719</b>	<b>82,158,521</b>	<b>141,645,500</b>	<b>171,673,538</b>	<b>528,255,278</b>	<b>87,207,602</b>
<b>Carrying Value</b>						
As on September 30, 2014	<b>24,002,545</b>	<b>85,520,327</b>	<b>107,850,609</b>	<b>53,787,023</b>	<b>271,160,504</b>	<b>24,209,140</b>
As on December 31, 2013	<b>17,008,172</b>	<b>88,538,286</b>	<b>76,793,119</b>	<b>34,799,487</b>	<b>217,139,064</b>	<b>42,194,889</b>
<b>Rate of Depreciation per annum</b>	25%	10%	20%	33.33%		33.33%

## 7. OTHER ASSETS

Note

		30-Sep-14	31-Dec-13
Markup/interest accrued on advances		1,554,320,411	899,387,927
Suspended Markup/interest on non performing advances		(21,505,778)	(12,187,907)
		<b>1,532,814,633</b>	<b>887,200,020</b>
Interest receivable on investments		13,552,171	21,225,863
Loans & advances to staff		75,731,882	70,675,025
Advances to Suppliers and Service Providers		9,082,636	2,383,598
Security deposit		2,024,440	1,997,290
Prepayments		82,355,929	78,097,607
Receivable from MSDF	7.1	294,731,831	119,295,593
Receivable from USAID	7.2	1,141,894	3,995,604
Insurance Claim Receivable		7,315,780	6,369,491
Salex Tax/Federal Excise Duty		78,740,110	52,815,692
Other receivables		21,684,526	17,182,280
		<b>2,119,175,832</b>	<b>1,261,238,063</b>
Less: Provision held against classified assets			
Opening Provision		13,798,079	9,789,282
Provision Charge for the year		2,761,415	5,596,560
Receivable written off against provision		(218,747)	(1,587,763)
		<b>16,778,241</b>	<b>13,798,079</b>
		<b>2,102,397,591</b>	<b>1,247,439,984</b>

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

7.2 This represents cost reimbursement to the Bank under Cooperative Agreement TWEIP Phase II 391-A-00-11-01230-00 effective February 25, 2011 for disbursement of USAID funds to the TWEIP (Tubewell Efficiency Improvement Replacement Program) equipment vendors. Cumulative disbursements made to vendors up to June 30, 2014 amounted to USD 11.6 million; while the total project cost is USD 18.5 million. The Bank recovers 1.755% of the amount disbursed and personnel cost as indirect cost charge. The extended expiry date was June 30, 2014.

## Notes to the Accounts for the period ended September 30, 2014

8. DEPOSITS	Note	30-Sep-14		31-Dec-13	
		Number of accounts	Rupees	Number of accounts	Rupees
Time Liabilities:					
Term Deposits	8.2	2,996	2,945,593,096	2,924	2,640,674,258
Demand Liabilities:					
Saving Deposits	8.3	23,143	3,045,529,080	17,127	2,661,417,108
Current Deposits		806,717	1,170,510,746	654,010	1,830,827,873
		829,860	4,216,039,826	671,137	4,492,244,981
		<b>832,856</b>	<b>7,161,632,922</b>	<b>674,061</b>	<b>7,132,919,239</b>
8.1 Particulars of Deposits by ownership					
Individual Depositors		831,247	4,144,854,687	672,898	4,074,501,471
Institutions/ Depositors					
a) Corporations/Firms		1,597	2,097,443,060	1,154	2,259,919,085
a) Banks/Financial Institutions		12	919,335,175	9	798,498,683
		<b>832,856</b>	<b>7,161,632,922</b>	<b>674,061</b>	<b>7,132,919,239</b>
8.2 This represents term deposits having tenure of 1 to 36 months (2013: 1 to 36 months) carrying interest at rates ranging from 8.25% to 14.00% (2013: 8.25% to 14.00%) per annum. This include fixed deposits Rs 27.82 Million (2013: Rs 19.69 Million) lien marked against advances to borrowers.					
8.3 This represent savings deposits carrying interest rates ranging from 6% to 10.85% per annum (2013: 6% to 10.85%).					
9. BORROWINGS	Note	30-Sep-14	31-Dec-13		
Unsecured:					
Borrowings from financial Institutions outside Pakistan	9.1	2,364,241,612	2,546,106,352		
Secured:					
Borrowings from financial Institutions in Pakistan	9.2	2,167,430,710	200,000,000		
		<b>4,531,672,322</b>	<b>2,746,106,352</b>		
9.1 This represents loan received under the Subsidiary Loan and Grant Agreement entered between the Bank and the Government of Pakistan (GOP). The loan #1806 has been extended as part of Microfinance Sector Development Project between Asian Development Bank & Islamic Republic of Pakistan.					
The Bank is liable to repay the principal amount of the loan to GoP, over a period of 20 years including a grace period of 8 years. Repayment of loan commenced from May 1, 2009, through bi-annual equal installments. The principal repayable is the aggregate equivalent of the amounts drawn by the Bank from the loan account for sub-loan expressed in PKR, determined as of the respective dates of the withdrawal, while the GoP shall bear the foreign exchange risk.					
The interest is being paid on bi-annual basis charged at the rate equal to weighted average cost of deposits during the preceding six months in the banking industry as calculated by SBP. The interest rate used for bi-annual payments during the period was determined to be 6.64% (2013: 6.28% and 6.45%) per annum.					
9.2 Borrowings from Financial Institutions in Pakistan	Note	30-Sep-14	31-Dec-13		
Pakistan Poverty Alleviation Fund (PPAF TF-II)	9.2.1	600,000,000	200,000,000		
Pak Oman Investment Company Limited (TF-I)	9.2.2	487,500,000	-		
JS Bank Limited (RF)	9.2.3	299,999,670	-		
United Bank Limited	9.2.4	500,000,000	-		
Repo Borrowing from Financial Institutions	9.2.5	129,931,040	-		
Call/Clean Borrowing from Financial Institutions	9.2.6	150,000,000	-		
		<b>2,167,430,710</b>	<b>200,000,000</b>		
9.2.1 This represents interbank money market borrowings from Pakistan Poverty Alleviation Fund carrying interest rate ranging 9.11% to 11.68% (2013: 8.06% to 10.56%) per annum. The PPAF extended Rs.1.5 billion financing facility for a period of one year. The Bank is liable to repay the principal amount to PPAF in 5 equal quarterly instalments after the expiry of one year as grace period. The Bank had draw down Rs.600 million up to September 30, 2014					
9.2.2 This represents interbank money market borrowings from Pak Oman Investment Company Limited carrying interest rate 11.92% (2013: NIL) per annum and is repayable in two years in three equal semi annual instalments with grace period of six months from the date of first disbursement. This borrowing has a charge over present and future assets of Rs.650 million.					
9.2.3 This represents interbank money market borrowings from JS Bank Limited carrying interest rate 11.91% (2013: NIL) per annum for a period of one year from the date of Disbursement. This borrowing has a charge over present and future assets of Rs.400 million.					
9.2.4 This represents interbank money market borrowings from United Bank Limited carrying interest rate 11.69% (2013: NIL) per annum for a period of three year from the date of Disbursement. This borrowing has a charge over present and future micro loans of Rs.400 million.					
9.2.5 This represents interbank money market repo borrowing from Habib Metropolitan Bank Limited carrying interest rate of 10.60% (2013: NIL) per annum. These borrowings are secured against Treasury Bills given as collectral amounting to Rs.131 million.					
9.2.6 This represents call/clean borrowing from Saudi Pak Industrial & Agriculture Investment Company Limited carrying interest rate of 12.00% (2013: NIL) per annum.					
10. OTHER LIABILITIES		30-Sep-14	31-Dec-13		
Markup/ interest payable on borrowing		92,451,707	29,600,078		
Markup/return payable on deposits		169,772,506	166,780,827		
Bills Payable		109,213,859	24,296,276		
Accrued expenses		112,711,768	111,339,744		
Payable to defined benefit plan - Gratuity/EOBI		28,774,802	24,706,736		
Contribution payable to funds		68,949,024	72,639,601		
Payable to suppliers and service providers		39,985,261	57,552,471		
Provision for workers welfare fund		31,363,100	18,842,733		
Sundry deposits		18,664,834	19,330,171		
Corporate Tax Payable		316,809,576	121,911,340		
Other Payables		5,473,944	4,752,982		
		<b>994,170,381</b>	<b>651,752,959</b>		
11. CAPITAL AND GENERAL RESERVES					
Statutory Reserve		373,076,270	281,144,239		
Capital Reserve		24,255,224	24,255,224		
Depositors' Protection Fund		22,983,008	-		
		<b>420,314,502</b>	<b>305,399,463</b>		
12. SURPLUS/(DEFICIT) ON REVALUATION OF ASSETS					
Surplus/(Deficit) on revaluation of available for sale securities		(32,822)	4,901,528		
Deferred tax on surplus		10,831	(1,666,520)		
		<b>(21,991)</b>	<b>3,235,008</b>		

Notes to the Accounts for the period ended September 30, 2014

13. DEFERRED GRANTS	Note	30-Sep-14	31-Dec-13
Grant from GoP	13.1	251,589,232	251,589,232
Less: Grant amortized			
Up to December 31, 2013		(251,246,720)	(251,246,720)
Up to September 30, 2014		(152,074)	-
		190,438	342,512
Grant from USAID	13.2	98,374,901	98,374,901
Less: Grant amortized			
Up to December 31, 2013		(97,282,378)	(97,282,378)
Up to September 30, 2014		(449,397)	-
		643,126	1,092,523
Grant from SBI SA Micro Savings	13.3	25,484,337	25,484,337
Less: Grant amortized			
Up to December 31, 2013		(20,529,071)	(20,529,071)
Up to September 30, 2014		(4,955,266)	-
		-	4,955,266
		<b>833,564</b>	<b>6,390,301</b>

13.1 This represents grant from GoP for assets acquired for institutional Strengthening of the Bank, under subsidiary loan and grant agreement entered with GoP and ADB

13.2 This represents grant from USAID for assets acquired for Bank's operations to develop non bankable territories for financial services in Sindh, Balochistan and FATA areas from Sep-2003 to Sep-2009.

13.3 This represents grant for Interim retail banking application Bank Essential awarded by Shore Bank International Limited to improve the capacity of the Bank for delivering saving products more effectively, profitably and at the enhanced scale.

14. NET PROVISION AGAINST ADVANCES/OTHER ASSETS	Note	30-Sep-14	30-Sep-13
Provision against advances			
Specific Provision	5.4	105,707,938	122,815,072
General Provision	5.4	12,169,706	(6,159,801)
		117,877,644	116,655,271
Bad Debts Recovered		(26,984,317)	(37,847,492)
Net Provision against advances		90,893,327	78,807,779
Provision against Other Assets			
Provision against other assets	7	2,761,415	3,896,797
Recovery against other assets		(2,383,040)	(2,286,852)
		378,375	1,609,945
		<b>91,271,702</b>	<b>80,417,724</b>
15. RETAIL BANKING SERVICES FEES			
Banking Services Fee		7,414,136	1,841,393
Remittance Services Fee		1,538,793	406,014
Bancassurance Services Fee		1,179,756	-
ATM Services Fee		-	-
		<b>10,132,685</b>	<b>2,247,407</b>
16. TAXATION			

The five year tax holiday was available to Micro Finance Banks (MFB) in Pakistan. As per the conditions levied by Government of Pakistan (GOP) the bank was prohibited from distributing its profits. This tax holiday expired on June 30, 2012 and as a result the restriction placed on profit distribution has been lifted. Further, the profits of the bank will be taxed at the rate of 33% (2013: 34%) with minimum tax being limited to 0.5% of non-exempt turnover.

17. SHARE CAPITAL	Note	30-Sep-14	31-Dec-13
17.1 Authorized Capital	17.1.1	6,000,000,000	6,000,000,000
17.1.1 The Bank's authorized share capital is 600 million ordinary shares of Rs.10/- each.			
17.2 Issued, Subscribed and Paid up Capital	17.2.1	1,705,000,000	1,705,000,000
17.2.1 The Bank's issued, subscribed and fully paid up capital for consideration other than cash is 170.5 million ordinary shares of Rs.10/- each as follows:			
United Bank Limited		506,285,280	506,285,280
Habib Bank Limited		300,000,000	300,000,000
Rural Impulse Fund II S.A. SICAV-FIS		298,496,310	298,496,310
ShoreCap II Limited		243,568,080	243,568,080
ASN-NOVIB Microkredietfonds		168,795,020	168,795,020
Credit Suisse Microfinance Fund Management Company		132,855,310	132,855,310
Bank Al Habib Limited		30,000,000	30,000,000
Soneri Bank Limited		25,000,000	25,000,000
		<b>1,705,000,000</b>	<b>1,705,000,000</b>
18. GENERAL INFORMATION			
18.1 Number of Employees			
Credit Sales Staff			
Permanent		768	708
Banking/Support Staff			
Permanent		832	732
Contractual		871	853
		1,703	1,585
Total number of employees at the end of the period		<b>2,471</b>	<b>2,293</b>
18.2 Number of Branches			
Total branches at the beginning of the period		110	106
Opened during the period		10	6
Closed/merged during the period		(2)	(2)
Total branches at the end of the period		<b>118</b>	<b>110</b>