



BEST
MICROFINANCE
BANK AWARD

2018
2019
2020



khushhali
MICROFINANCE BANK

**ANNUAL
REPORT 2020**

Prosperity on all Accounts



TABLE OF CONTENTS

Vision, Mission & Values	03
KMBL – An Introduction	05
Our Work	07
Business Highlights	09
Leading with The Safest banking Practices During Pandemic	11
Advancing on the Road Towards Digital Transformation	12
Striving for A Clean and Green Pakistan	14
Summing Up 2020	16
Investing in The Youth of Pakistan	17
Supporting Healthcare During Pandemic	18
Board of Directors	19
Senior Management	23
President & CEO Review: 2020	29
Financial Highlights	31
Director's Report	35
Financial Statements	43

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 is the largest microfinance bank in Pakistan with a network of over 230 offices across the entire country and is a three-times winner of Institute of Bankers Pakistan’s “Best Microfinance Bank Award” for 2018, 2019 and, 2020. The bank is a trusted market leader and an industry pioneer for the past two decades within Pakistan.

At the 17th Annual Excellence Awards, held by CFA Society Pakistan, microfinance industry was provided prominence for the first time and KMBL was selected to be the “Best Microfinance Bank of the Year”. The award was bestowed to the organization due to the highest market share, consistent growth, profitability and other high performing factors for the past 3 years.

KMBL is one of the few institutions who have been working on the broader concepts of poverty eradication and financial inclusion since two decades now. The agriculture sector of Pakistan, known to be the backbone of the country’s economy, largely consists of lower-income groups who require the most financial backing but lack the institutional framework required to accommodate the specific business requirements. KMBL, therefore stands strong in its people-centric approach to cater to these lower income groups, playing a huge part in the economy of Pakistan.



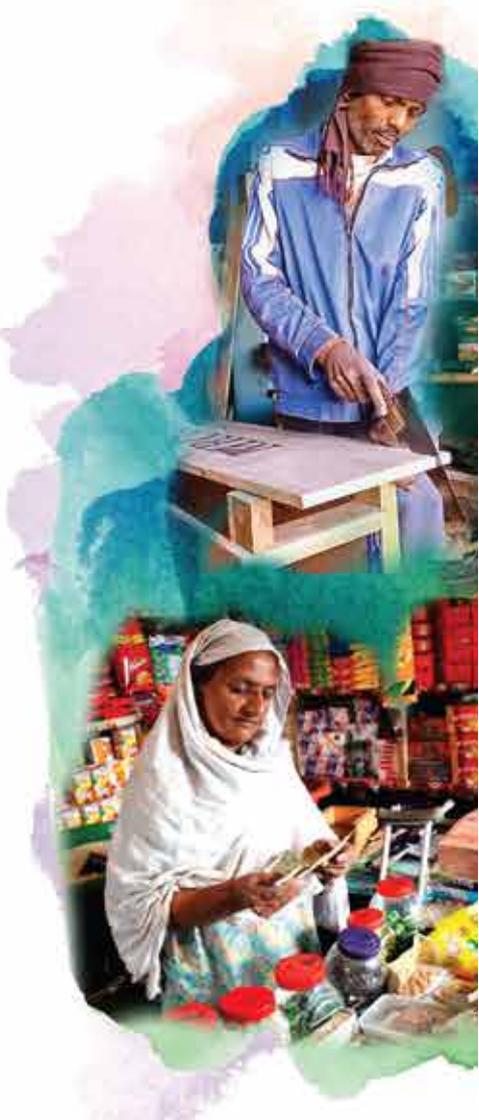


KMBL is the biggest and the best microfinance bank of Pakistan. It is one of the few banks that strategizes on an innovative approach of banking the unbanked areas in order to empower the grassroots level of Pakistani economy. Founded in 2000, KMBL has extended its services for those at the bottom of 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 2020, KMBL was able to expand its outreach with 193 provincial branches, 26 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 equipping its customer-base towards the latest technological developments.

OUR WORK

Being the pioneer of microfinance industry, KMBL has devised various innovative financial products and services designed especially for lower-income groups to provide them with reliable resources for a sustainable livelihood. These cover broad categories like loans, savings, insurances and other digital financial services.



Loan products offered by KMBL are strategically developed to cater to the needs of micro-entrepreneurs as well as small and medium enterprises in both urban and rural areas. In order to support the biggest source of economic activities, purpose-specific products such as livestock and agriculture loan products are also offered by KMBL to facilitate their short-term and long-term needs. This year, KMBL also launched two-wheeled and three-wheeled vehicles for customers to support their transportation related business needs.



Along with financing opportunities, KMBL customers can also enjoy competitive rates to increase their hard earned earnings using savings products designed to cater to their needs. This year, KMBL closed a tremendous number of deposit base of 88,649,714,527, hence securing customers' finances during the COVID-19 pandemic.

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. New health products were also developed in the year 2020, an effort to curb the effects of Coronavirus in the local community. The effects of which could be observed with 900+ insurance products sold in less than 10 months.

BUSINESS HIGHLIGHTS



Total Assets:
Rs. 107.10 Billion



Gross Loan Portfolio:
Rs. 60.65 Billion



Deposit Base:
Rs. 88.65 Billion



Active Borrowers:
879,637



No. of Accounts:
2.41 Million



Micro Insurance Policies:
62,722



Percentage of Active Rural Clients:
87%



Percentage of Active Female Borrowers:
32%



Number of Loans Given to MSMEs:
38,280



Number of Loans Given to Agri/Livestock Farmers:
647,473

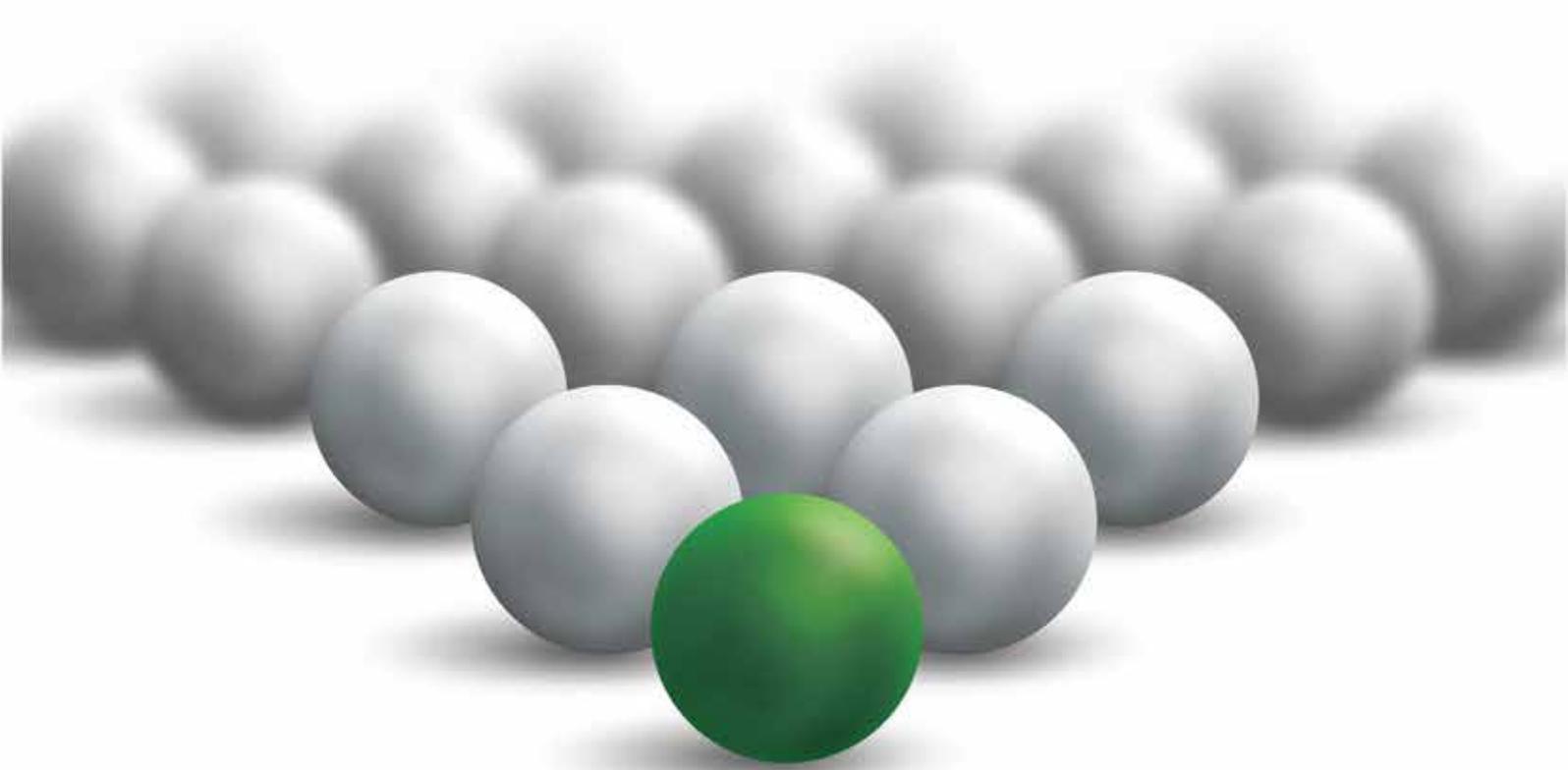


LEADING WITH THE SAFEST BANKING PRACTICES DURING PANDEMIC

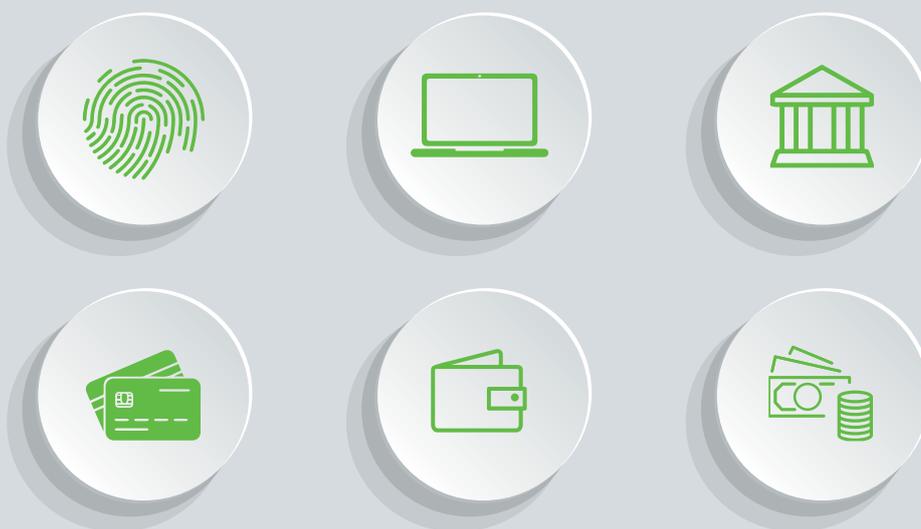
The most unprecedented year in the human history was the year 2020. Nothing could have prepared us for what was headed our way, yet we managed and managed well. We learned, evolved and stood fast. With the COVID-19 outbreak, Khushhali Microfinance Bank Limited formulated strategies to ensure safety of our employees and customers alike. The business continuity was imperative while keeping everyone's safety on highest priority. In order to curtail the spread of Coronavirus, all branches were regularly being disinfected and self-protection kits were distributed among all staff members. Customers were provided with a disinfected supply of cash and other paper based financial instruments; hence ensuring safe banking through all KMBL branches. Employees and customers visiting the branches were made to follow safety protocols including having their hands sanitized before and after touching any surfaces.

Along with internal awareness programs, efforts were also made to educate external stakeholders on how to protect themselves while carrying out their daily financial tasks. Basic training was imparted to customers on how to perform transactional as well as non-transactional financial tasks while staying at home using KMBL Internet and Mobile banking.

As Pakistan's leading microfinance bank, KMBL showed utmost responsibility to its clients during crisis by providing round the clock services through its contact center. KMBL also took a step forward to support the Government of Pakistan to fight against the prevailing pandemic. KMBL, being a responsible organization, contributed PKR One Million to Prime Minister's COVID-19 relief fund as well.



ADVANCING ON THE ROAD TOWARDS DIGITAL TRANSFORMATION



Khushhali Microfinance Bank Limited entered the year 2020 with the launch of Khushhali Internet Banking, a new drive towards digital transformation. Customers were provided with an easy and convenient channel of digital financial services with which they are now able to conduct financial and non-financial transactions on the go, as per standard banking industry practices.

With the pandemic outbreak, new consumer behavior paradigm reshaped the entire microfinance industry operations. New channels and strategies had to be devised to provide safer means of financial services for all customers. Considering all contingencies, KMBL launched another digital financial platform of mobile banking with few months apart from the launch of Internet banking. Customers were encouraged to use these platforms for their daily financial needs to limit their movement towards the KMBL branches on ground.

While facing uncertain challenges and recovering from the crisis, KMBL also launched ATMs nationwide, covering both urban cities and far-flung areas of Pakistan. This was another step towards expanding KMBL's reach for financial inclusion to the farthest regions and going beyond rural population towards the semi-urban people.



STRIVING FOR A CLEAN AND GREEN PAKISTAN

Climatic changes are occurring on a global level with Pakistan not being an exception. Air and Water pollution, poor natural resource management, and vulnerability to climate change are intertwined. Pakistan is ranked seventh on the Global Climate Risk Index and climate change is expected to increase the occurrence and severity of extreme weather events, with high human and economic costs. Although Pakistan overall makes a small contribution to global greenhouse gas (GHG) emissions, they are growing rapidly. Pakistan's total forest cover range between 2-5% of land area and has one of the lowest levels of forest cover in the region and well below the 12% forest cover recommended by the United Nations.

Being the leading Microfinance Bank in the country, Khushhali Microfinance Bank (KMBL) has taken a number of noteworthy initiatives over the years for the conservation of environment and sustainable development. KMBL acknowledges that the importance of environmental conservation cannot be understated in the overall development of a country.

Therefore, in pursuit of its commitment towards a cleaner and greener Pakistan, KMBL collaborated with 'We Care' society of the Institute of Management Sciences Peshawar for the plantation of fruit plants in a number of schools and colleges of Khyber Pakhtunkhwa (KPK). KMBL and We Care will also collaboratively work in the development of fruit orchards and nurseries at selected schools.

In another effort towards Environmental conservation, KMBL collaborated with Islamabad Wildlife Management Board (IWMB) for the establishment of a Botanical Garden at Margalla Hills National Park Islamabad. The botanical garden will help in maintaining documented collections of living plants for the purposes of scientific research, conservation, display, and education.

KMBL also dedicated its 20th anniversary to fight against climate change and launched a nationwide "Plant Khushhali Campaign". KMBL employees across the country enthusiastically participated in the campaign and planted over 5,000 trees. The campaign aligns with the national plantation campaign to fight deforestation in the country.





SUMMING UP 2020 DECLARED THE BEST MICROFINANCE BANK OF PAKISTAN

Khushhali Microfinance Bank Limited takes pride in being the pioneer of the entire microfinance industry in Pakistan by laying down foundations of a strong channel of financial services to lower income groups. These groups are generally excluded from traditional banking in the economy. Being the market leader for two decades, KMBL has yet again been recognized as “The Best Microfinance Bank of Pakistan” of 2020 by the Institute of Bankers Pakistan. Receiving the award for the third consecutive year is a testament to KMBL’s vision and dedication to enabling financial inclusion for micro, small and medium enterprises, and lower-income households of Pakistani economy.

As a forerunner in the microfinance sector, KMBL has financially empowered individuals from both urban and rural communities while also devising products and services for both males and females alike to promote gender equality in the financial inclusion plans. The bank was recognized for its consistent growth in profitability and bits customer-centric business expansion strategies.

INVESTING IN THE YOUTH OF PAKISTAN

The youth of a country determines the future of the nation. Currently, 64% of Pakistanis are younger than 30 and 29% of the nation is between 15 and 29. With a vision to promote opportunities to strengthen the youth of today for a strong future, Khushhali Microfinance Bank Limited (KMBL) partnered with The Citizens Foundation (TCF) and sponsored a classroom at one of the schools for the last year.

KMBL believes that the right education helps develop a solid foundation that enables young people to make better choices for the future. Although Pakistan's constitution promises free education to all school age children, a staggering 9.45 million children are out of primary school according to a UN report. To cover this huge gap, a number of organizations are working in the country and TCF is one among them striving to provide high quality education to the lower income groups who cannot afford to provide education to their children.

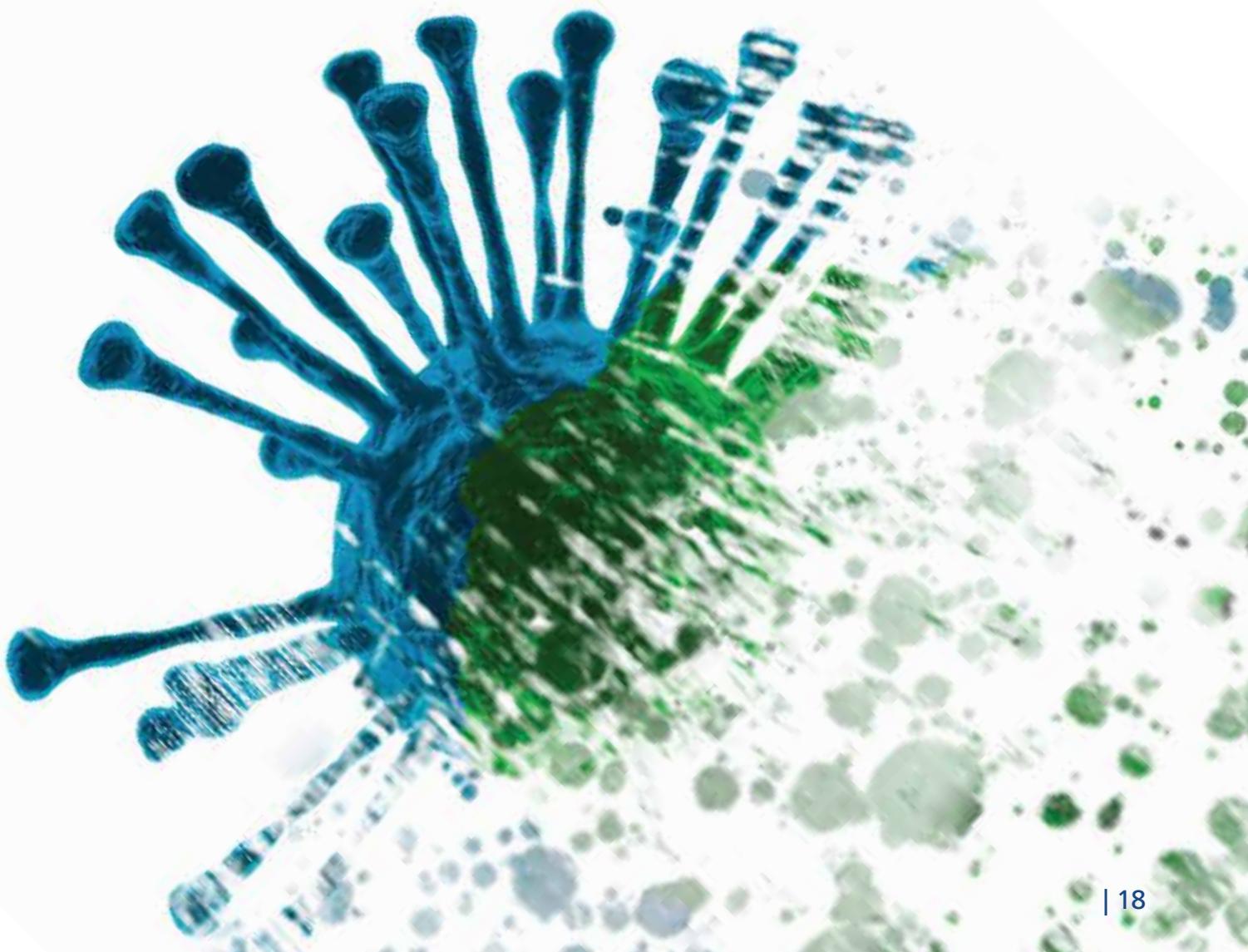
KMBL is proud to be a partner of The Citizens Foundation (TCF) in its efforts to provide education to the underserved youth of Pakistan and vows to take further initiatives for youth development in the years to come.



SUPPORTING HEALTHCARE DURING PANDEMIC

Accessibility and affordability of health services especially for rural population of the country has always been a huge challenge due to the population burden, shortage of healthcare professionals, illiteracy, lack of awareness and inadequate allocation of funds for primary healthcare sector. Recognizing the responsibility as a corporate citizen, KMBL partnered with Jubilee insurance to provide free of cost access to primary healthcare facilities for the rural communities of Pakistan. A series of medical camps were arranged across the nation where a team of professionals with both male and female doctors provided free consultation, checkup and medicines to the local people. Over 200 patients from each camp were provided with necessary healthcare facilities.

In efforts to contain the spread of Coronavirus, Khushhali Microfinance Bank Limited offered a unique service in collaboration with MicroEnsure Pakistan to all KMBL customers for free. The service, SMSDoc, is a free of cost mobile health service through which customers can seek consultations regarding COVID-19 from doctors via SMS. The service was particularly useful for customers in rural areas with less developed health care infrastructure, as it allowed quick and affordable access to professional doctors.



BOARD OF DIRECTORS



Aameer Karachiwalla
Chairman

With over 30 years of experience, Mr. Aameer Karachiwalla is a Chartered Accountant from the Institute of Chartered Accountants of Pakistan. Mr. Karachiwalla 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, Mr. Karachiwalla held senior positions at a number of financial institutions and multinationals including American Express Bank, Citicorp Investment Bank and Artal Group of Companies.



Robert Binyon
Director

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

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



Geert Peetermans
Director

Belgium national, Geert Peetermans is an Economic Sciences Masters, specializing in General Management. His diversified career spans over 20 years and in various continents & cultures, in Market Research & Analysis, Technical Advisor for Ecuador and Microfinance Consultant. He is currently working as Chief Investment Officer for Incofin Investment Management since 2001. Geert’s strength is in strategy development, industry relations & international investment. He has been chairman of the Board of COAC Accion Rural SARL (Ecuador) & Board member of Financiera Confianza (Peru). Currently he is Board Member of Kenya Women Microfinance Bank (Kenya), Microfinance Investment Vehicle Rural Impulse Fund SICAV-FIS (Luxembourg), Incoteam (Belgium) & Khushhali Microfinance Bank Ltd. He is also a multi-linguist person knowing Dutch, English, Spanish, French & German languages at different levels.



Henning Haugerudbraaten
Director

A Norwegian national, Henning Haugerudbraaten is a CFA (Chartered Financial Analyst) Charterholder with a career spanning over 20 years in financial inclusion, private equity, management consulting, and risk management. 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 a Principal in the private equity department of responsAbility Investments AG and leads responsAbility’s office in Bangkok. He has also served at Triple Jump, Nordic Microfinance Initiative, McKinsey & Company, Norges Bank (central bank of Norway) and the World Bank Group. He is based in Bangkok, Thailand.



Sharjeel Shahid
Director

Sharjeel Shahid has more than 23 years of diversified experience of managing banking operations in large retail banks and business management for various institutions.

A tech savvy qualified Chartered Accountant, Shahid worked in London prior to working for Barclays, Standard Chartered and now United Bank in Pakistan. He has been instrumental in transformation of business models, corporate restructuring, cost optimisation and development of alternate delivery channels. He is currently spearheading the Digital Transformation Strategy for the second largest bank in the country, UBL. He is also serving on the Board of several companies in different sectors.



**Eelco
Willem
Gerard
Mol**
Director

Netherlands National, Eelco Willem Gerard Mol completed BSc in Tropical and Subtropical Agricultural from Larenstein International Agricultural College (1991) and then completed MSc in Rural Development Economics from Wageningen Agricultural University (1995). Between 1996 and 2000 Mr. Mol Worked with the United Nations FAO in Economic Development Programs in Honduras and West Africa. Afterwards Worked with Oxfam Novib in Hague as Senior Investment Officer (Financial Service Department, FDE) from August 2000 to May 2006. Mr. Mol then co-founded Triple Jump BV in Amsterdam and worked as Director Financial Institutions and was part of the management board. Since January 2020 Mr. Mol works as independent advisor to various fund administrators and financial institutions.

Currently, he is member of the BOD of Khushhali Microfinance Bank Limited, Chairman of The Board at Banco D-MIRO in Ecuador, board member of DMDI Microfinance Bank in Liberia and advisor to The executive board of Alliance Microfinance in Norway and Triple Jump in the Netherlands.



**Humayun
Bashir**
Independent
Director

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

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



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, track two engagements where governments find it hard to talk, research geared to actions and academic endeavors. She has chosen to reside in Pakistan, and continues engagement at the grassroots, following her avowed approach on putting people first.

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

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



M. Ghalib Nishtar
President & Chief Executive Officer

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

He was part of the process initiated by the Government of Pakistan to reform the financial sector under the Microfinance Sector Development Program in 2000 and has been a critical force in demonstrating the success of microfinance in Pakistan with Khushhali bank as a leading benchmark.

Under his leadership Khushhali has emerged as Pakistan’s premier microfinance Institution and the Institute of Bankers of Pakistan recognized Khushhali as the “Best Microfinance Bank in Pakistan” consecutively for year 2018, 2019 & 2020.

His accomplishments include successful steering of the divestment process of Khushhali Microfinance Bank in the year 2012 as a consequence of which the bank was able to attract investment from leading domestic and International investors. With the new set of investors on board the bank is undergoing an ambitious transformation program to be able to serve the expanded microenterprise segment of the market in the country.

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

He serves on many Boards and Steering Committees; has represented the Bank at Summits, Conferences and meetings at national and International forums and contributes towards print media on issues of Financial Inclusion for the poor.

He is the Chairman Pakistan Microfinance Network representing 42 Bank & Non-Bank Financial Institutions in Pakistan. He holds a Master’s degree in Computer Science and is the recipient Sitara-i-Imtiaz, one of Pakistan’s highest Presidential civil awards.

SENIOR MANAGEMENT



M. Ghalib Nishtar

President & Chief Executive Officer

As the founder President of Khushhali Microfinance Bank since 2000, M. Ghalib Nishtar was part of the process initiated by the Government of Pakistan to reform the financial sector under the Microfinance Sector Development Program with the objective of providing sustainable financial services access to the low income segments of the market.

Under his leadership Khushhali Microfinance Bank has emerged as Pakistan’s largest Microfinance institution with a nationwide presence across the country.

Prior to Khushhali Bank he has over 20 years of management experience commencing with Bank of America in 1982 and concluding with the National Bank of Pakistan, country’s largest commercial bank, as its Senior Executive Vice President.



Saleem Akhtar Bhatti

Group Head Finance & CFO

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



Amina Hassan
Group Head
Business

Amina Hassan has over 20 years' service-sector experience with particular focus on managing grassroots initiatives for socio-economically vulnerable groups such as illiterate adults, child workers and people with disabilities. With an MBA in Management and a Masters in Applied Psychology, she is adept at problem-solving and dealing with clients. In her association with KMBL of 19 years, she is recognized for her contribution towards establishing effective retail distribution & client service platform across branch, area, region & national level. Joining KMBL at inception as a branch manager, Ms. Hassan has progressed with the bank to become the first woman on the senior management team. She received specialized training in micro-enterprise management from the Kennedy School at Harvard University, Boulder USA, several management & retail related trainings domestically. Her portfolio also boasts exposure visits to International best practices such as BRI, Indonesia, Imon, Tajikistan and M-Paisa, Kenya.



F. S. Hammad Haider
Head
Operations

F. S. Hammad Haider has a varied experience of about 20 years serving in various International and local Commercial Banks within Pakistan, where he progressed and achieved a learning curve ranging to different areas of Banking. He is a diversified professional with core competencies in the field of Operations, Business Technology Products, Operational Risk and Branch Banking Operations. His banking Career started from Emirates Bank International and prior to joining KMBL, he was Head-Alternate Delivery Channels in Allied Bank. Having a Masters in Public Administration, Commerce & Business background, by working on such dynamic assignments and roles, developed a skill set for technology based products, that enhanced IT practicality fervor, which enabled him to work for organizations in enhancing their technology driven products in line with their business needs. Hammad is exceedingly motivated and pragmatic person with extensive experience in leading on the analysis, development, and strategic improvement of processes. His areas of expertise other than commercial banking areas are BPR and System Migrations.



**Atif
Aziz
Ahmed**
Chief
Information
Officer

Atif Aziz Ahmed brings 25+ years of diverse, local as well as International technology experience with him.

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

Atif considers the importance of software programming as well as technology in general in our lives and therefore is an ardent proponent of including computer programming in the curriculum from a very early stage in schools. Atif also likes to teach and has taught at different institutions in Pakistan. These institutions include FAST - NU, ICAP and Karachi Institute of Technology and Entrepreneurship (KITE).

He is very fond of giving career advice to the youth of Pakistan and has conducted several career-counseling sessions for BBA and MBA students of various institutions as well.

Atif holds Masters and Bachelors in Computer Science degrees from National University of Computer and Emerging Sciences FAST-NU, Karachi.



**Syed Ali
Imran
Bokhari**
Chief
Risk
Officer

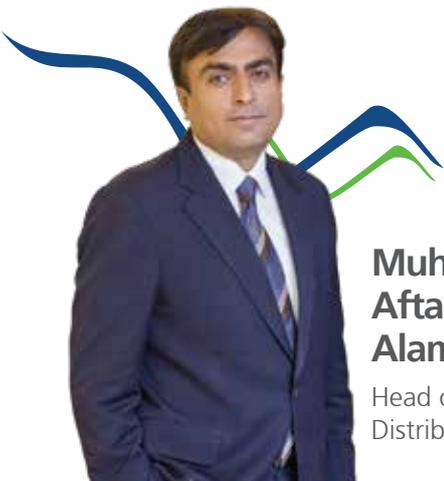
Syed Ali Imran Bokhari is a management executive with diversified experience, of over 19 years, in development and implementation of Compliance and Risk Management Frameworks, development and implementation of Standard Operating Procedures (SOPs), Financial & Management Consulting Services, Institutional Assessments and Appraisals, Supervision and Administration of Audit & Assurance Services, Financial Reporting, Regulatory Compliance, Corporate Governance, and Restructuring & Business Valuation, including feasibility analysis & share valuation. He is a Certified Expert in Risk Management from Frankfurt School of Finance and Management, Germany, a Certified Financial Consultant from Canada and Chartered Accountancy Finalist from Pakistan. He holds membership of Institute of Internal Auditors, USA and Institute of Financial Consultants, USA. He is also an associate member of Association of Certified Fraud Examiners (ACFE).



**Daniyal
Haq
Awan**

Chief
Internal
Auditor

Daniyal is a Chartered Accountant from The Institute of Chartered Accountants of Pakistan with twelve years of professional experience. His expertise are in External/Internal auditing, Risk Management, Project Management and IFRS Compliance. Daniyal has been associated with Khushhali Microfinance Bank for more than seven years. Prior to joining KMBL, Daniyal has worked with Askari Bank Limited and A.F. Ferguson & Co. (a member firm of PwC network).



**Muhammad
Aftab
Alam**

Head of
Distribution

Mr. Aftab is a retail banking professional. He has over 18 years' progressive experience with Pakistan's leading microfinance and non-bank MF institutions. He possesses extensive hands-on experience at different management positions. In these positions, he has demonstrated his expertise to lead and manage Microfinance, SME lending, deposits 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 the 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 execution of bank's sales & distribution strategy to drive profitable growth and that these are successfully communicated, inculcated and implemented across the organization.

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

Mr. Aftab has a degree in Business Administration – Finance.



Nabeel Saeed

Head of Communication & Branding

A story teller by heart, solutions expert, Nabeel Saeed brings with him 20+ years of diversified marketing & communication experience working for a variety of prestigious companies in Cambodia, Qatar, Pakistan and USA. Serving FMCG, Real Estate, Telecom, Oil & Gas, I.T. industry and Banking, prior to joining Khushhali Microfinance Bank, he was heading the Marketing function at Cynosure Solutions based in the United States. From working on a prestigious Colors of Venice project in Qatar to participating in the Annual Billionaire’s conference in Moscow, Nabeel has had the pleasure of working with multi-cultural societies and working with people from across the globe and partnered relationships for life.

He holds a Bachelor (Hons.) & Master degree in Business Administration from Hamdard Institute of Management Sciences, Hamdard University, Karachi.



Ibrahim Sajid

Head Products

Mr. Sajid brings in a wealth of experience and knowledge of Business and Consumer Market Segments, Product Planning and Design, Pricing, Strategy for Marketing and Sales Channels, Business Analysis, Customer Centricity, Business Process Improvement & Optimization. Prior to joining us, he has held various key roles in E-commerce and Telecom sectors across Pakistan and companies such as Daraz.pk where he worked as the Head of Production (visuals and content), Telenor Pakistan as Head of Mobile Agriculture, Jazz and Zong CMPak to name a few.

In addition, he was also associated with National College of Arts (NCA) Lahore, in capacity of Assistant Professor of Photography and Visual Aesthetics. Mr. Sajid holds a Masters Degree in Photography and Design from Elisava School of Design & Engineering, Barcelona, Spain and an executive MBA from IBM, UET Lahore, Pakistan.



PRESIDENT & CEO REVIEW: 2020

The outbreak of the pandemic, affected the economic activity in the country resulting in a record drop in GDP to a negative 0.4% for the fiscal year 2020. However, the domestic economy subsequently responded well to the fiscal and monetary stimulus in the first half of fiscal year 2021 and we expect Pakistan's economy attaining a modest growth trajectory by fiscal year 2021.

The microfinance industry in Pakistan faced the fallout of COVID19 crisis.

The Industry was already struggling with a depressed performance from slowdown in growth. This was a result of unfavorable weather conditions for crops including, untimely rains, pest attacks and delayed offtake of some crops due to marketing challenges that led to over indebtedness in the sector and contributed to the deterioration in portfolio quality.

While these issues were expected to subside over the course of time but the outbreak of COVID-19 complicated the situation further negatively impacting the country on health and economic fronts. The Impact of COVID-19 and consequential lockdown adversely affected the micro businesses and consequently led to loss of operations of microfinance Institutions, deteriorating portfolio quality and restricting the mobility of the staff due to health hazards.

The industry felt the major impact from March 2020 to June 2020 when the economy was completely or partially shutdown as a preventive measure but thereafter the industry gradually recovered from the crises and started to scale by disbursing new credit to clients.

Despite the unprecedented challenges of last year, we as an institution were resilient and realigned our strategy with the respect to the situation and maintaining high level of liquidity, protecting capital & significantly curtailing costs while consistently engaging with our clients.

I am pleased to report that the institution was able to function well in these times and was able to achieve business targets and complete all planned initiatives for the year 2020.

Key highlights of the year include:

- Leader in market share with the highest number of loans, deposits, revenue, profits and clients
- Received the coveted Institute of Banker's Pakistan Award for the "The Best Microfinance Bank in Pakistan" for the third consecutive year & recognized as the Best Microfinance Bank in Pakistan by CFA society
- Exceeded Rs 100 billion in Assets, a first by any microfinance institution
- Effective handling of the pandemic situation through a crisis management group thus ensuring business continuity and safeguarding staff and customers
- Implemented internet & mobile banking, ATM acquiring setup and audit management system

The client indebtedness crises of 2019 followed by the pandemic impacted Institutional profitability which remained at almost last year's level.

Future Outlook

Based on an assessment of the prevailing situation in the industry moderate growth is expected. Therefore, the bank plans to consolidate its existing portfolio as challenges remain until full normalization of economic & health condition.

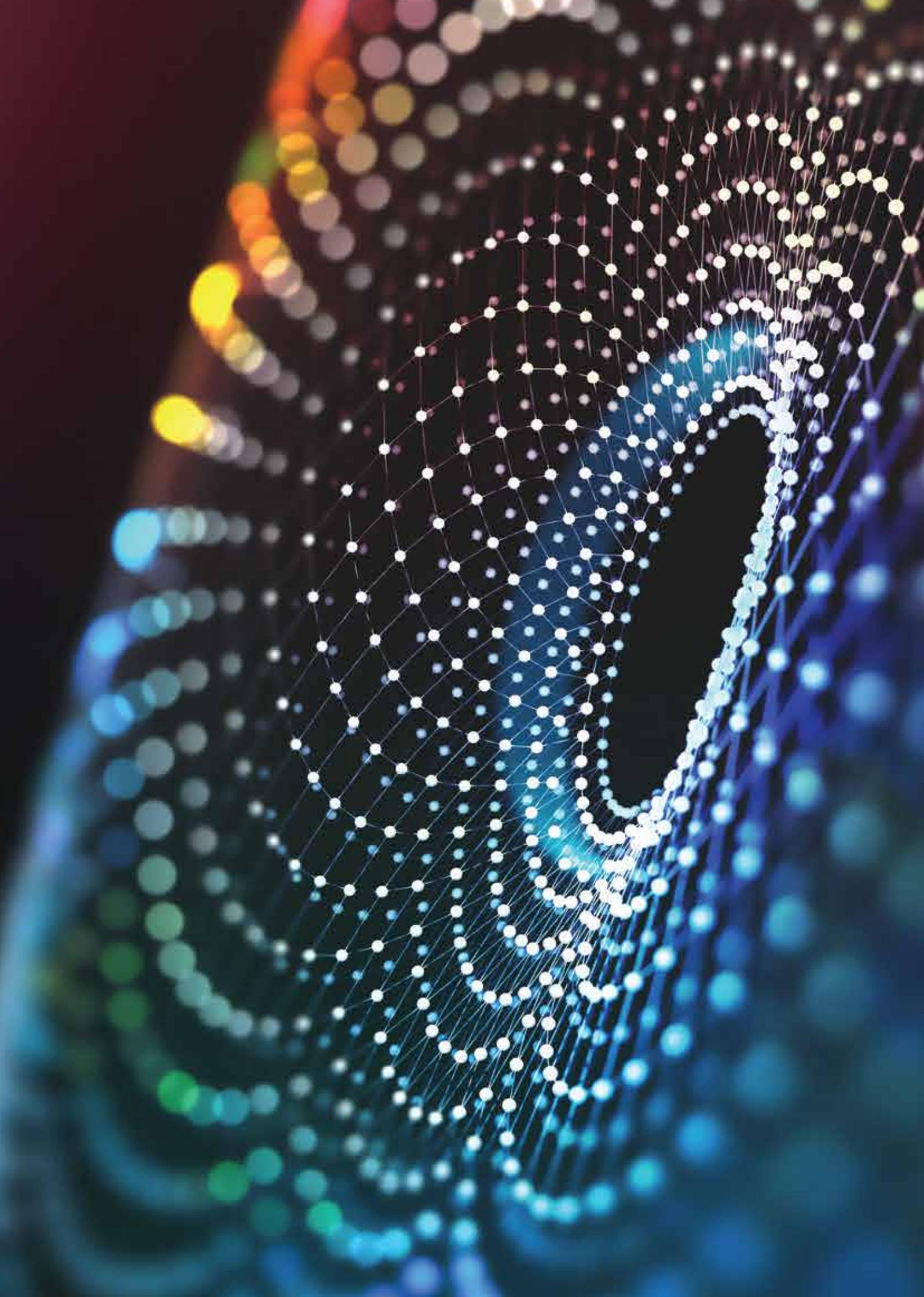
However, we are exploring new segments within the small enterprise space given the confidence of the regulator which is gradually allowing selected Microfinance banks, including us to upscale to the missing middle market which is unserved by either the microfinance sector or the commercial bank's but carries the promise for job creation and greater impact on economy.

The bank will continue to invest in building our digital stack for operational optimization and customer experience and pursue a cautious credit expansion strategy. The focus will be on recovery of the deferred & rescheduled portfolio while ensuring in the short-term adequate cash inflows, availability of funding sources & strong capital adequacy to achieve planned profitability levels until some of the fundamental drivers of the economy stabilize.

I am confident that the exceptional team at Khushhali Bank will overcome challenges like in the past and chart a prosperous future for our institutions and clients.

I would like to express my special thanks to the Board of Directors for their wise counsel and wish to acknowledge the support of our shareholders, regulators and all my colleagues at Khushhali.

M. Ghalib Nishtar
President



FINANCIAL HIGHLIGHTS: 2020

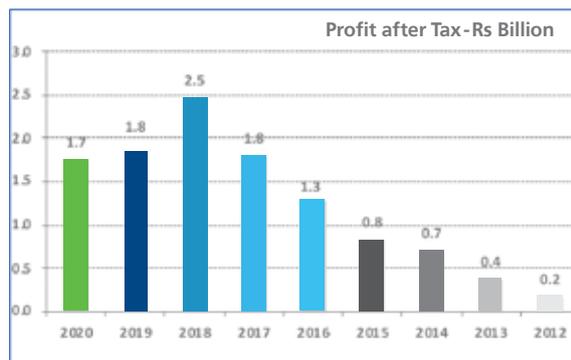
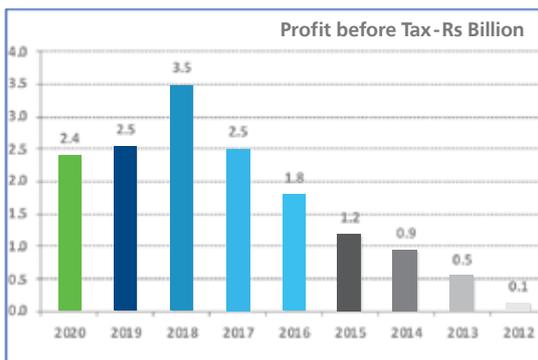
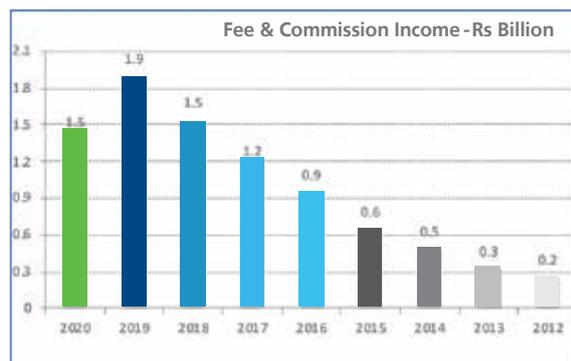
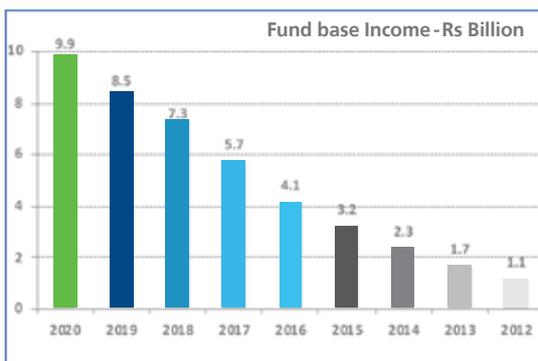
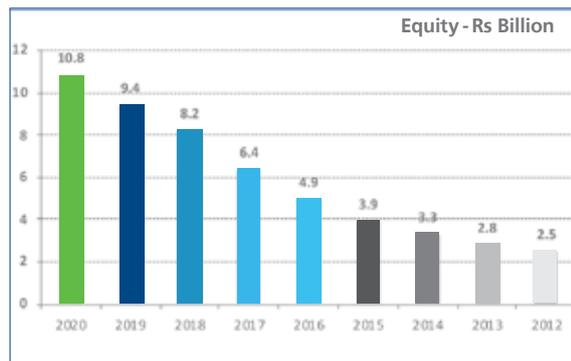
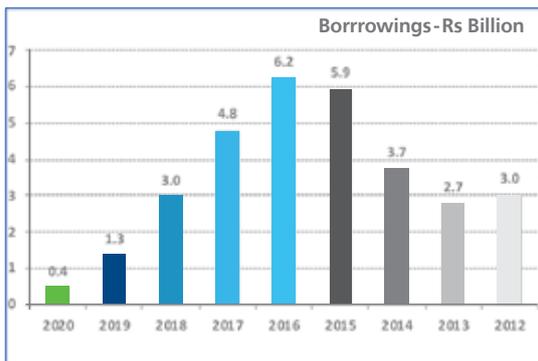
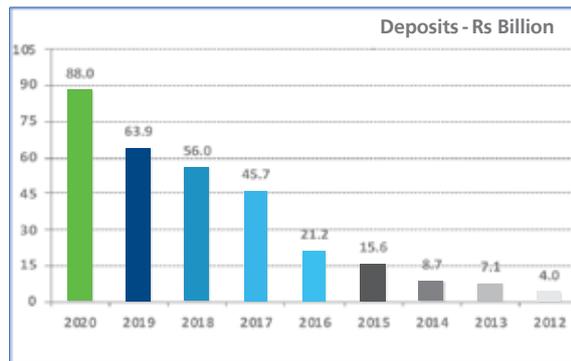
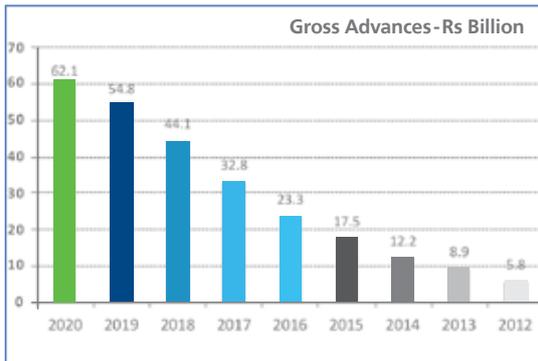
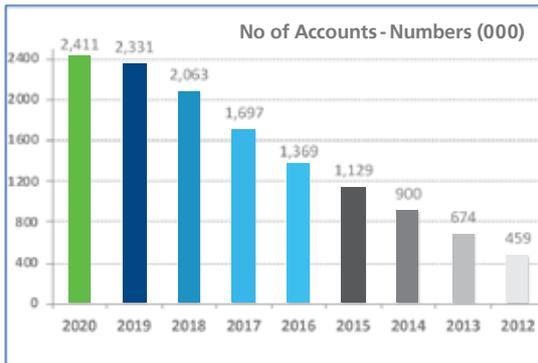
Financial Position		2020	2019	Change
Assets				
Cash & bank balances	PKR M	13,602	7,107	91%
Lending to financial institutions	PKR M	796	450	77%
Investments	PKR M	17,680	10,112	75%
Advances - net of provisions	PKR M	60,641	53,541	13%
Operating fixed assets	PKR M	3,688	3,612	2%
Others	PKR M	10,696	6,671	60%
Total Assets	PKR M	107,103	81,493	31%
Liabilities				
Deposits	PKR M	(88,650)	(63,882)	39%
Borrowings	PKR M	(428)	(1,326)	-68%
Subordinated debt	PKR M	(2,400)	(2,400)	0%
Other liabilities	PKR M	(4,831)	(4,486)	8%
Total liabilities	PKR M	(96,309)	(72,094)	34%
Net Assets	PKR M	10,794	9,399	15%
Shareholders Funds				
Share capital	PKR M	1,705	1,705	0%
Statutory reserve	PKR M	1,896	1,809	5%
Unappropriated profit	PKR M	7,200	5,885	22%
Revaluation of assets	PKR M	(7)	(1)	1220%
Total Shareholders Funds	PKR M	10,794	9,399	15%
Profit & Loss				
Mark-up/Return/Interest earned	PKR M	18,670	15,259	22%
Mark-up/Return/Interest expensed	PKR M	(8,732)	(6,799)	28%
Net Mark-up/Interest income	PKR M	9,938	8,460	17%
Fee, commission and brokerage income	PKR M	1,470	1,887	-22%
Other income	PKR M	73	87	-15%
Total Non Mark-up/Non Interest Income	PKR M	1,543	1,973	-22%
Operating expenses	PKR M	(6,037)	(5,636)	7%
Provisions & charges	PKR M	(3,052)	(2,279)	34%
Profit before tax	PKR M	2,392	2,519	-5%
Taxation	PKR M	(652)	(682)	-4%
Profit after tax	PKR M	1,740	1,836	-5%
Ratios				
Return on equity	%	15.9%	17.5%	-9%
Return on assets	%	1.7%	2.0%	-16%

NINE YEARS STATISTICS

		2020	2019	2018	2017	2016	2015	2014	2013	2012
OUTREACH										
No. of accounts	No	2,411,234	2,331,006	2,062,989	1,697,247	1,369,007	1,128,901	900,081	674,061	458,612
Active borrowers	No	879,637	871,228	784,480	671,015	556,787	520,517	468,369	409,010	364,138
No of branches	No	234	226	197	173	141	129	118	110	106
ASSETS										
Advances - Net	Rs M	60,641	53,541	43,374	32,216	22,940	17,247	12,106	8,757	5,717
Investments	Rs M	18,476	10,562	10,754	16,773	2,968	1,848	837	1,039	1,044
Cash/bank deposits/bal with SBP	Rs M	13,602	7,107	9,290	4,538	4,232	4,329	1,472	1,872	1,865
Operating fixed assets	Rs M	3,688	3,612	1,354	1,142	720	549	323	275	313
Other assets	Rs M	10,696	6,671	5,700	4,768	2,914	2,724	1,955	1,347	1,015
Total assets	Rs M	107,103	81,493	70,472	58,961	33,774	26,696	16,692	13,290	9,954
Non-performing loans	Rs M	1,667	1,983	512	324	347	338	113	70	64
Provision for non-performing loans	Rs M	1,465	1,257	721	598	369	220	132	103	89
LIABILITIES										
Deposits	Rs M	88,650	63,882	56,018	45,747	21,179	15,584	8,682	7,133	4,041
Borrowings	Rs M	428	1,326	2,965	4,783	6,200	5,890	3,730	2,746	3,010
Subordinated Debt	Rs M	2,400	2,400	1,000	2,076	1,457	1,288	995	658	430
Other liabilities	Rs M	4,831	4,486	2,291	52,605	28,836	22,762	13,407	10,537	7,481
Total liabilities	Rs M	96,309	72,094	62,274						
SHAREHOLDERS FUNDS										
Share capital	Rs M	1,705	1,705	1,705	1,705	1,705	1,705	1,705	1,705	1,705
Reserves	Rs M	1,896	1,809	1,717	1,226	865	611	446	305	241
Unappropriated profit	Rs M	7,193	5,885	4,776	3,424	2,367	1,618	1,134	739	526
Total Shareholders funds	Rs M	10,794	9,399	8,198	6,354	4,937	3,934	3,285	2,752	2,473
PROFITABILITY										
Interest income	Rs M	18,670	15,259	11,926	8,741	5,926	4,407	3,129	2,278	1,499
Interest expense	Rs M	8,732	6,799	4,590	2,996	1,807	1,219	810	615	353
Net interest income	Rs M	9,938	8,460	7,336	5,745	4,119	3,187	2,320	1,663	1,146
Provisions/Written offs	Rs M	2,983	2,197	676	615	601	341	163	175	287
Fee & commission income	Rs M	1,470	1,887	1,524	1,226	940	640	478	325	246
Other income	Rs M	17	22	7	5	87	35	217	259	340
Operating expenses	Rs M	6,050	5,653	4,720	3,872	2,766	2,340	1,910	1,534	1,324
Profit before tax	Rs M	2,392	2,519	3,471	2,489	1,779	1,182	942	538	120
Taxation	Rs M	652	683	1,012	688	506	358	239	175	(48)
Profit after tax	Rs M	1,740	1,836	2,459	1,801	1,273	824	703	363	168
PROFITABILITY RATIOS										
Return on Assets (ROA)	%	1.7%	2.0%	3.6%	3.4%	3.4%	3.4%	3.7%	1.8%	-0.5%
Return on Equity (ROE)	%	15.9%	17.5%	31.8%	28.2%	23.4%	20.2%	18.5%	8.0%	-2.0%
Operating Self Sufficiency (OSS)	%	112.9%	115.8%	132.7%	130.6%	129.2%	127.8%	126.7%	114.8%	97.9%
Financial Self Sufficiency (FSS)	%	113.0%	116.0%	133.0%	130.0%	128.0%	126.0%	123.0%	107.8%	79.7%
EFFICIENCY/PRODUCTIVITY RATIOS										
Operating expense ratio	%	10.5%	11.7%	12.6%	14.3%	14.2%	16.6%	18.1%	21.0%	26.3%
Personnel productivity	Rs	160	162	170	171	170	170	179	178	154
Loan officer productivity	Rs	330	356	378	377	399	426	518	578	517
Average outstanding loan size	Rs	68,947	61,531	55,401	48,322	41,548	33,408	26,102	21,617	15,943
PORTFOLIO QUALITY RATIOS										
Portfolio at Risk > 30	%	2.8%	3.7%	1.18%	1.0%	1.5%	1.9%	0.9%	0.8%	1.1%
Portfolio at Risk > 90	%	2.3%	2.5%	0.84%	0.7%	0.8%	0.5%	0.3%	0.3%	0.4%
Write off ratio	%	4.8%	3.5%	1.7%	1.7%	2.6%	1.3%	1.2%	2.1%	6.0%
Risk coverage ratio	%	87.9%	63.4%	140.8%	184.4%	106.4%	65.2%	77.9%	103.5%	84.7%

* 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.





DIRECTOR'S REPORT

On behalf of the Board of Directors, I am pleased to present audited financial statements for the financial year ended 31st December, 2020.

Economic Developments

In 2020, global economy was largely affected by the novel Coronavirus (COVID-19). The pandemic causing colossal damage to human lives and triggered lockdowns and a wave of precautionary measures which ultimately severely affected socio-economic activity. Across the world, regulators made rigorous efforts to counter the impact through monetary measures, moratorium, and stimulus relief packages. These measures elicited a positive response around and saw improvement in key indicators and success of vaccine trials during the latter part of the year, and inspired hope for fighting the virus.

A tough year for Pakistan's economy, like almost every country around the globe, Pakistan's economy suffered. The GDP growth rate for fiscal year 2019-20 was negative 0.4 percent, the first time it fell negative in seven decades. As the economy contracted, one supposedly positive consequence was the decrease in Pakistan's balance of payments and trade deficit. Not only did economic activity slow down, but the marked fall in oil prices meant that less was being imported at even lower prices. And the current account was in surplus for the first six months — July to December of the current fiscal year, an unusual occurrence given Pakistan's import dependence and export stagnation. The incumbent government heralds the improvement in the current account as one of its major achievements. Added to this was the rather unexpected trend of Pakistan receiving over US\$2 billion worth of foreign remittances for the eighth-consecutive month. From regulator side, State Bank of Pakistan (SBP) adopting an accommodative economic policy, slashing interest rates by a cumulative 625bps within a period of 3 months (March – May) and announcing comprehensive relief packages for both individual and corporate borrowers. Heading into 2021, the success of the COVID vaccine will determine outlook on both the health and economic front, various sets of projections for the current and next fiscal year have been made available with projected growth rate ranging from 1.0 to 2.5 per cent for the fiscal year.

Microfinance Industry Performance

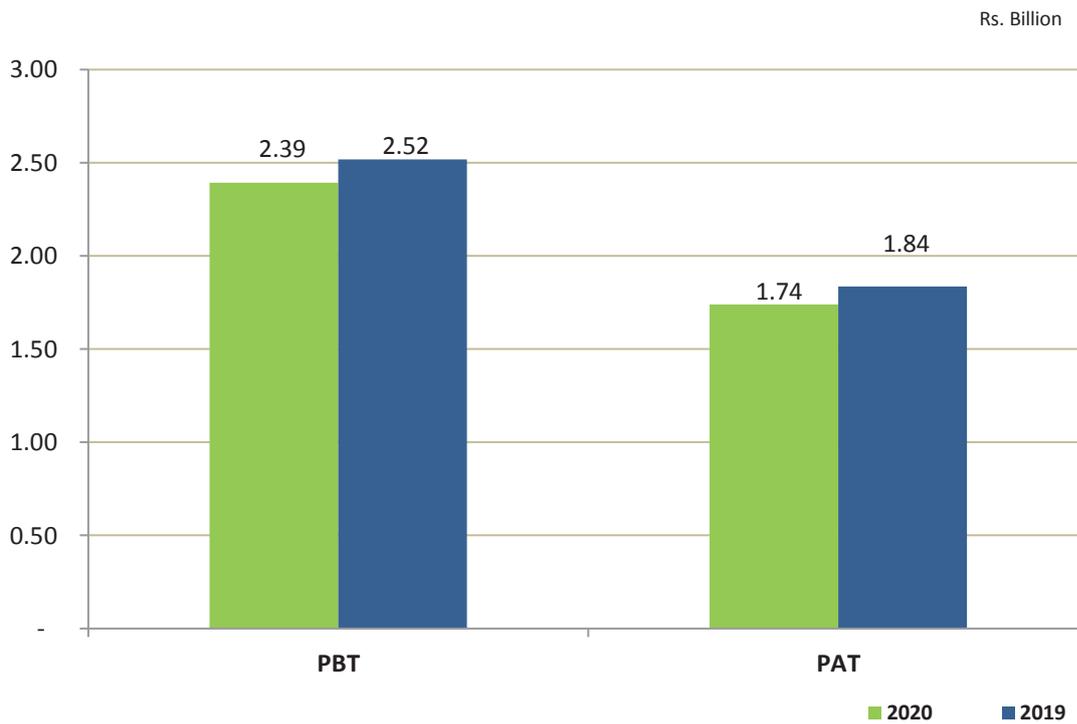
During 2020, Pakistan's microfinance industry shrank by 3.4 percent in terms of its active loans and average disbursement size dropped by 23 percent as compared to 2019 because of the impact of the Coronavirus pandemic on the businesses across the country. However, key indicators of microfinance sector reclaimed its previous growth trajectory in the last quarter of 2020, by virtue of this, gross loan portfolio increased by 6 percent YoY basis broadly due to deferment & rescheduling of loans which were due during the year. The lockdown enforced to contain the spread of Covid-19, affected loan recoveries which temporarily led to increase in non-performing loans (NPLs) but with the regulatory relief measures of SBP of extending the NPL classification by 2 months for the eligible borrowers, the non-performing loan (PAR 30+) of the industry dropped to 3.7 percent from 4.8 percent of last year. The outcome of the rescheduling on the microfinance banking sector with a client base of 3 million plus borrowers and market share of over 40 percent is expected to appear when the payments of their deferred/rescheduled loans become due in the first half of 2021.

Post lock down with gradual improvement in operating conditions and decrease in COVID spread in the country, banking operations returned to scale and started disbursing new credit and focus on stable growth trajectory.

Financial Highlights

Consistent with the sector trend, the Bank's earnings were affected by the COVID. The Bank reported Profit Before Tax (PBT) of Rs 2.39 billion (2020: Rs 2.52 billion) and Profit After Tax (PAT) of Rs 1.74 billion (2020: Rs 1.84 billion) for the year ended 31 December 2020, a reduction of 5% in PBT & PAT of last year. Earnings per share closed at Rs 8.16 for the year in comparison to Rs 8.62 per share last year. However, break-up value per share increased to Rs 63.35 (2020: Rs 55.13 per share), an increase of 15%. The return on equity was reduced from 17.5% to 15.9% and return on average assets from 2.0% to 1.7% YOY.

The drop-in profit was broadly due to: a) follow through effect of industry crises of 2019 which impacted portfolio quality resulting into higher provision charge: b) outbreak of pandemic which badly affected our scale of operations resulting into reduced sales and loan recoveries, the combined effect of which reduced our earning and increased loan provisions.



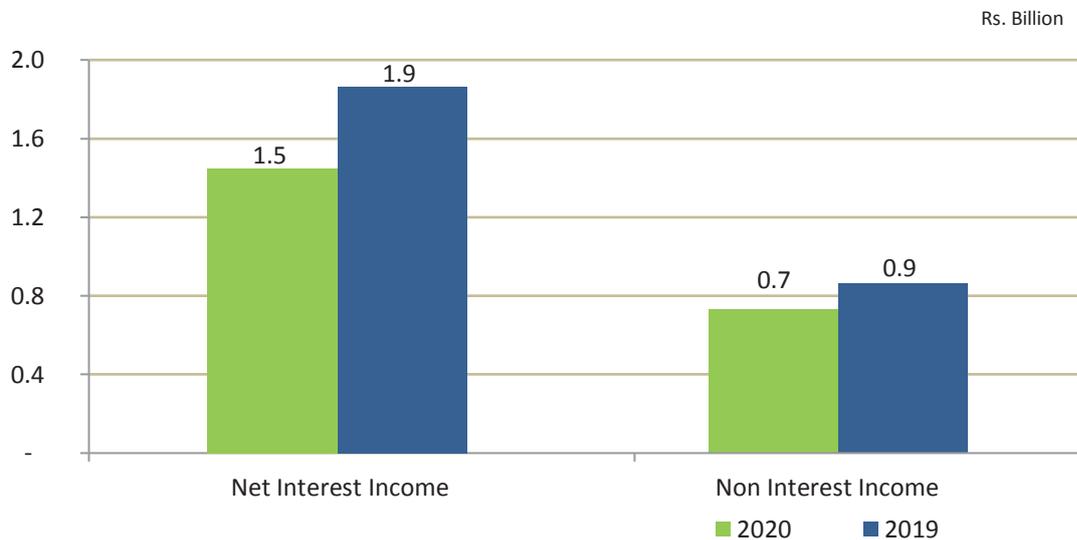
Financial Performance

Net Markup Income:

Net Markup Income increased by 17%, closing at Rs 9.94 billion (2019: Rs 8.46 billion). Markup revenue on loans increased to 16.83 billion from 13.50 billion of last year, an increase of 25%, which is well supported by loan portfolio growth of around 13%. Return on investment closed at Rs 1.84 billion against Rs 1.76 billion of last year, an increase of only 5% against the investment portfolio growth of 75%. The growth in return on investment was affected due to drop in discount rate of 625 bps during the year. On the other side, markup expense close at Rs 8.73 billion against Rs 6.80 billion of last year, an increase of 28% due to growth of 26% in overall funding base. Consequently, interest margin close at 13.1% from 14.4% of last year.

Non-Markup Income:

Due to suspension of operations during the COVID, Non-markup income comprising of fees, commission and other income decrease by 22%, closing at Rs 1.54 billion in 2020 (2019: Rs 1.97 billion). Fee and commission income decrease from Rs 1.89 billion to Rs 1.47 billion, decrease of 22% and other income mainly comprising of recoveries from written off loans decreased to Rs 73.36 million from Rs 86.59 million of last year.



Provision and Loan Losses:

A key portfolio quality indicator, PAR 30+%, has been recorded at 2.75% (2019: 3.70%) and annual loss rate stood at 4.76% (2019: 3.48%).

Portfolio quality remained a challenge during the year predominantly due to follow up effect of industry crises of 2019 that impacted bank portfolio quality and outbreak of pandemic causing business disruption and scale of operation. Given an uncertain economic environment, borrowers earnings were largely affected and they have availed the SBP enabled deferment/restructuring relief. The full potential effect of economic stress is difficult to predict at this point in time, accordingly general reserve has been strengthened for perceived credit risk. The combined effect of the foregoing factors led to increase in provision charge on the classified loan portfolio to Rs 2,992 million (2019: Rs 2,259 million), an increase of 32% YOY.

Cost Management:

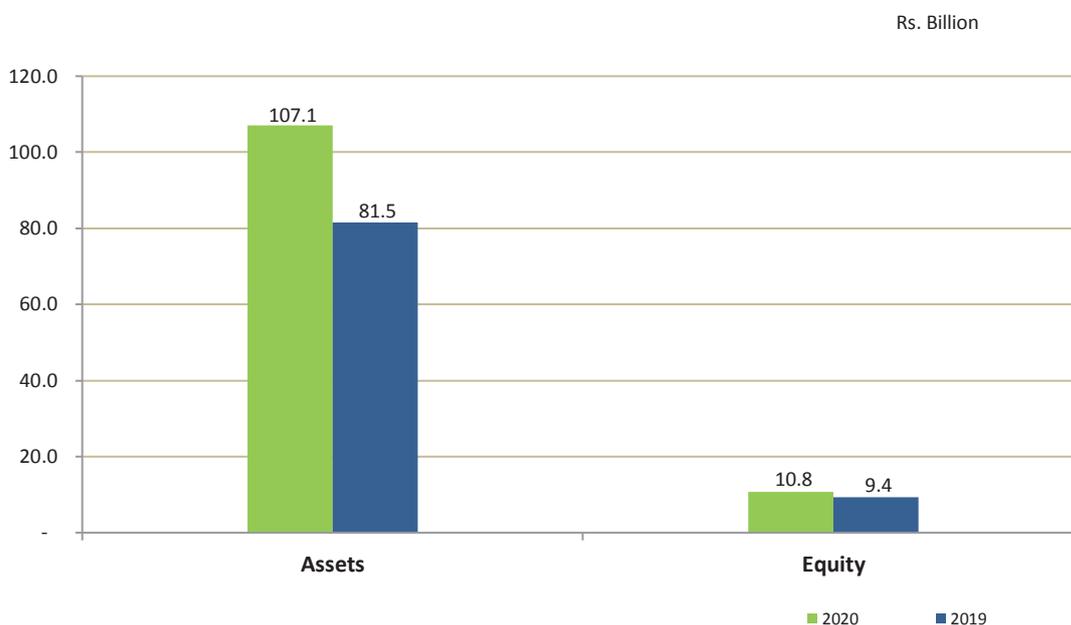
The administrative expenses close at 6.04 billion (2019 Rs 5.64 billion), increase curtailed to 7%.

The main contributor to the increase in operating expenses was employee related costs which increased by Rs 284 million due to the net increase in headcount of 115 staff members for new and existing branches for business growth. Other administrative overheads increased by Rs 116 million on the addition of eight new branches. The key efficiency indicator of cost to income ratio improve to 53.5% from 55.9%.

Assets & Equity:

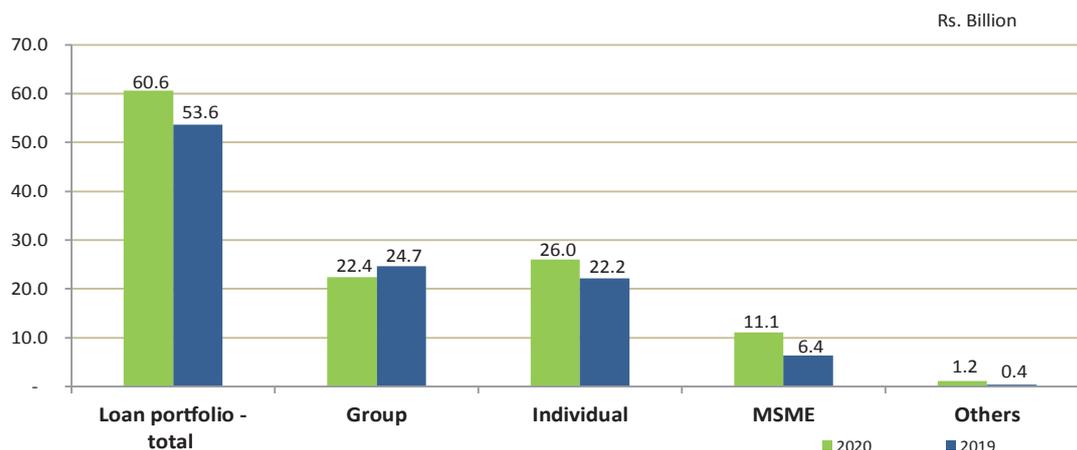
During the year, banks achieved an Institutional milestone as its total asset crossed Rs 100 billion mark and increased by Rs 25.61 billion and reached at Rs 107.11 billion from Rs 81.49 billion last year, reflecting growth of 31% YOY. The asset base makes us the largest Microfinance Bank and first one to achieve this milestone in Pakistan.

The equity of the Bank increased by Rs 1.40 billion and closed at Rs 10.79 billion from Rs 9.40 billion of last year, growth of 15% YOY.



Loan Portfolio:

The Bank’s gross advances portfolio increased to Rs 60.65 billion (2019: Rs 53.61 billion), i.e, growth of 13% year on year. We continued to support our credit clients throughout this challenging period on the backing of regulatory support. In order to protect borrower’s business from adverse effect of pandemic and considering difficulties in repayment of loan, the bank rescheduled/deferred loan portfolio having principal over Rs 25.4 billion under the SBP loan restructuring schemes and banks own rescheduling policy which facilitated over 500k borrowers by the end of 2020. The bank consolidated its growth in group portfolio during the year and increase contribution in MSME, Individual and housing loans in the agricultural, livestock and entrepreneur sectors.



The group loan portfolio decreased to 22.4 billion from Rs 24.7 billion of last year, decrease of 9%, and its share in total portfolio dropped by 9% as compared to last year. The Individual loan portfolio increased to Rs 26.0 billion from Rs 22.2 billion of last year, an increase of 17%, and its share in the total portfolio improved by 2%. The Micro Small and Medium Enterprise (MSME) portfolio closed at Rs 11.1 billion from Rs 6.4 billion of last year, registering an increase of 73% YOY with the improved share of 6%. Housing loan portfolio closed at Rs 1.2 billion from Rs 0.4 billion of last year, registering an increase of 200% YOY with the improved share of 1%.

Products	2020		2019		YOY Growth	
	Rs Billion	Mix - %	Rs Billion	Mix - %	Rs Billion	%
Group Loan	22.4	37%	24.7	46%	(2.3)	-9%
Individual loans	26.0	43%	22.2	41%	3.8	17%
MSME	11.1	18%	6.4	12%	4.7	73%
Others	1.2	2%	0.4	1%	0.8	200%
Total	60.6	100%	53.6	100%	7.0	13%

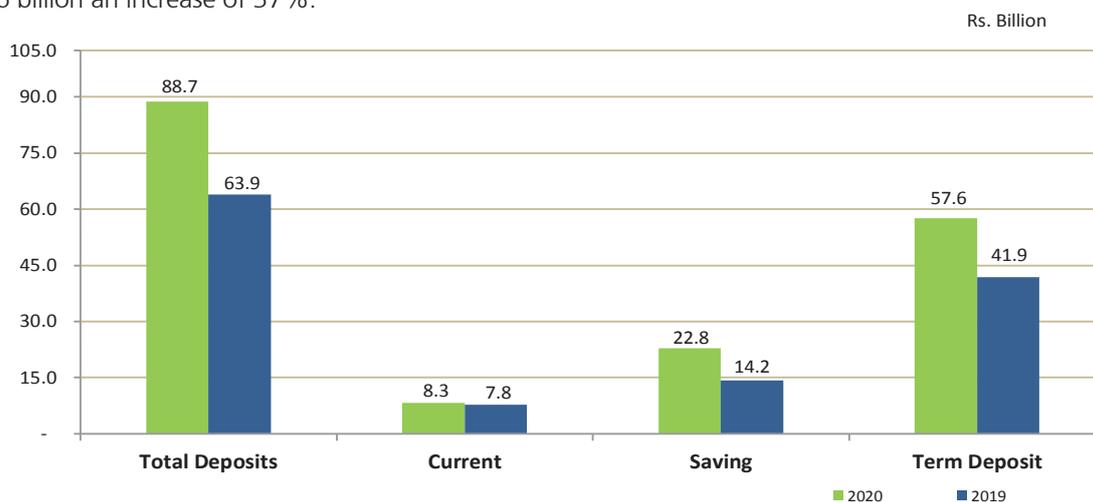
Liquidity:

The bank closely watches liquidity position through monitoring of early warning indicators and stress testing, to ensure efficient and timely decision-making. These monitoring mechanisms were enhanced during the challenging period of COVID. The bank proactively improved liquidity profile by raising liquidity levels and improved liquid asset ratio from 22% to 30% and curtailed ADR from 84% to 68% at the end of year. The bank liquidity reserve was mainly invested in Govt bills/bonds during the year and share of Govt bills/bonds was raised by 34% of total investment portfolio.

Deposits:

The Bank's deposits increased to Rs.88.6 billion from Rs.63.9 billion of last year, net addition of Rs.24.7 billion posting growth of 39%.

The bank improved its CASA deposit from Rs.22.0 billion to Rs.31.1 billion an increase of 41%. Saving deposits increased from Rs.14.2 billion to Rs.22.8 billion, an increase of 61% and current accounts amounts to Rs.8.3 billion against Rs.7.8 billion of last year. Term deposits remain the main contributor towards deposit base and increased from Rs.41.9 billion to Rs.57.6 billion an increase of 37%.



The results of operations under review are presented below:

	2020 Rs. '000	2019 Rs. '000
Profit After Tax	1,739,756	1,836,169
Re-measurement loss employment benefit obligation	10,341	(12,471)
Un-appropriated profit brought forward	5,885,119	4,776,212
Profit available for appropriation	7,635,216	6,599,910
Appropriations		
Transfer to:		
Statutory reserve	86,988	91,808
Microfinance Social Development Fund	173,976	183,617
Depositors' Protection Fund	86,988	91,808
Risk Mitigation Fund	86,988	91,808
Final dividend 2019 : Rs. Nil per share (2018: Rs. 1.50 per share)	-	255,750
	434,940	714,791
Un-appropriated Profit Carried Forward	7,200,276	5,885,119

Capital Adequacy Ratio

As of December 31, 2020, the Bank's capital adequacy ratio (CAR) is measured at 19.1% against 18.9% of last year. The Bank's CAR compares well against the mandatory requirement of 15% as per the Prudential Regulations (PR) for Microfinance Banks.

Credit Rating

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

Awards and Recognition

Khushhali Microfinance Bank is one of the top and leading microfinance banks of Pakistan and was awarded 'Best Microfinance Bank' for the third time in a row at the fifth Pakistan Banking Awards 2021 organized by the Institute of Bankers of Pakistan on account of all-round performance in expanding outreach, efficiency and innovations, social impact, and a strong bottom line. In addition, the CFA society also awarded best microfinance bank of Pakistan during the year.

Statement of Corporate Governance

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

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

- Board Audit Committee - BAC
- Board Human Resources & Compensation Committee - BHRCC
- Board Risk Management Committee - BRMC
- Social & Environmental Committee - SEC
- Board Digital Finance Committee – BDFC

The board reconstituted the board committees in its 70th Board meeting held on 11 June 2020 with the following board members' composition:

Committee Name	Chair	Member	Member
BAC	Mr. Humayun Bashir	Mr. Henning Haugerudbraten	Mr. Sharjeel Shahid
BHRCC	Mr. Robert Binyon	Mr. Humayun Bashir	-
BRMC	Mr. Eelco Mol	Mr. Geert Peetermans	Mr. Robert Binyon
SEC	Mr. Geert Peetermans	Mr. Eelco Mol	Mr. Henning Haugerudbraten
BDFC	Mr. Humayun Bashir	Mr. Henning Haugerudbraten	Mr. Sharjeel Shahid

The Board once again reconstituted the board committees in its 72nd Board meeting held on 26th November 2020 with the following board members' composition:

Committee Name	Chair	Member	Member
BAC	Ms. Simi Sadaf Kamal	Mr. Henning Haugerudbraten	Mr. Sharjeel Shahid
BHRCC	Mr. Robert Binyon	Mr. Humayun Bashir	Ms. Simi Sadaf Kamal
BRMC	Mr. Eelco Mol	Mr. Geert Peetermans	Mr. Robert Binyon
SEC	Mr. Geert Peetermans	Mr. Eelco Mol	Mr. Henning Haugerudbraten
BDFC	Mr. Humayun Bashir	Mr. Henning Haugerudbraten	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. Robert Binyon	Chair BHRCC, Member BRMC	-	4	4	-	-
2	Mr. Geert Peetermans*	Chair SEC, Member BRMC, Acting Chair BRMC	-	-	4	2	-
3	Ms. Simi Sadaf **	Chair BAC, Member BHRCC	-	-	-	-	-
4	Mr. Eelco Mol***	Chair BRMC, Member SEC	-	-	2	1	-
5	Mr. Sharjeel Shahid	Member BAC & BDFC	4	-	-	-	4
6	Mr. Henning Haugerudbraaten ^	Member SEC, Member BAC, Member BDFC, Acting Chair BAC	4	-	-	2	4
7	Mr. Humayun Bashir ^^	Chair BDFC & Member BRMC & BHRCC, Chair BAC	2	4	1	-	4

*Mr. Geert Peetermans was elected as the acting chair for 30th and 31st BRMC meetings consequent to the resignation of Mr. Pieter Kooij, ex-Chair BRMC.

**Ms. Simi Sadaf Kamal was appointed as Chairperson for the BAC replacing Mr. Humayun Bashir and Ms. Simi Sadaf Kamal was also appointed as member of the BHRCC in 72nd BOD held on 26 November 2020.

***Mr. Eelco Mol was appointed as Chair for the BRMC Committee and a member of the SEC in 70th BOD held on 11 June 2020.

^Mr. Henning Haugerudbraaten was elected as the acting chair in the 46th and 47th BAC meetings consequent to the resignation of Ms. Aatiqa Lateef, ex-Chair BAC.

^^ Mr. Humayun Bashir was appointed as Chair BAC in 70th BOD held on 11 June 2020 and he then chaired 48th and 49th BAC meetings. After appointment as Chair of BAC he ceased to hold position as a member of BRMC and took leave of absence for the 30th BRMC which was held on 27th February 2020.

Meetings of the Board

The Board meets on a quarterly basis, and the meeting dates are scheduled well in advance to enable the Directors to plan ahead. When required, the Board also meet other than the quarterly basis to consider and approve urgent matters.

Details of attendance of each Director at Board meetings held during the year 2020 are set out in the table below:

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

[^] Mr. Eelco Mol took charge as board member in the 70th BOD meeting held on 11th June 2020.

^{*} Ms. Simi Sadaf Kamal took charge as board member in the 72nd BOD meeting held on 26th November 2020.

Change in Directors

Ms. Simi Sadaf Kamal and Mr. Eelco Mol took charge as board member in 72nd BOD meeting held on 26th November 2020 and 70th BOD meeting held on 11th June 2020 respectively.

CGAP Compliant Reporting

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

The Bank in its financial statements as at December 31, 2020, has complied with the above stated guidelines. The CGAP disclosures and ratios are presented in addition to the requirements of SBP BSD circular 11 dated December 30, 2003.

Pattern of Shareholding

The Pattern of shareholding of the Bank as at December 31, 2020 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

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%

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

*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).

Auditors

The present auditors, M/s Ernst & Young Ford Rhodes, Chartered Accountants have completed their assignment for the year ended December 31, 2020. Being eligible, they have offered themselves for reappointment. As advised by the Board's Audit Committee, the Board recommends appointment of M/s Ernst & Young Ford Rhodes, Chartered Accountants, as auditors for the year ending December 31, 2021.

Appreciation and Acknowledgement

On behalf of the Board, I am grateful to the regulatory authorities for their guidance and wisdom during this challenging period and thanks to all shareholders for their patronage. I also express my appreciation to our customers who continue to build strong relationship with the bank and most importantly I would like to acknowledge all members of Khushhali family for their valuable contributions during the year.

For and on behalf of the board,

Chairman

Place: Islamabad

Dated: March 02, 2021.

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 the balance sheet as at 31 December 2020 and the profit and loss account, the statement of other 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, given 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 2020 and of the profit, the other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the Directors' Report but does not include the financial statements and our auditors' report thereon.

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, 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. 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 other 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.



EY Ford Rhodes
Chartered Accountants
Islamabad, Pakistan

Date: 10 March 2021

Balance Sheet as at December 31, 2020

ASSETS	Note	2020 Rs. '000	2019 Rs. '000
Cash and balances with SBP and NBP	7	2,850,265	2,926,228
Balances with other Banks/ NBFIs/MFBs	8	10,752,177	4,181,130
Lending to financial institutions	9	795,981	450,000
Investments - net of provisions	10	17,679,889	10,111,744
Advances - net of provisions	11	60,640,787	53,541,152
Operating fixed assets	12	3,688,195	3,612,304
Other assets	13	10,241,141	6,275,454
Deferred tax asset	14	454,439	395,116
Total Assets		107,102,874	81,493,128
LIABILITIES			
Deposits and other accounts	15	88,649,814	63,882,349
Borrowings	16	427,708	1,326,021
Subordinated debt	17	2,400,000	2,400,000
Other liabilities	18	4,831,474	4,486,108
Total Liabilities		96,308,996	72,094,478
Net Assets		10,793,878	9,398,650
REPRESENTED BY:			
Share capital	19	1,705,000	1,705,000
Statutory reserve	6.12	1,871,831	1,784,843
Capital reserve	6.13	24,255	24,255
Unappropriated profit		7,200,276	5,885,119
		10,801,362	9,399,217
Deficit on revaluation of assets	20	(7,484)	(567)
Deferred grants		-	-
Total Capital		10,793,878	9,398,650
MEMORANDUM/OFF BALANCE SHEET ITEMS	21	-	-

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, 2020

	Note	2020 Rs. '000	2019 Rs. '000
Mark-up/return/interest earned	22	18,670,291	15,258,718
Mark-up/return/interest expensed	23	8,732,042	6,799,214
Net mark-up/interest income		9,938,249	8,459,504
Provision against non-performing loans and advances	11.6	2,963,177	2,255,045
Provision for diminution in the value of investments		-	-
Bad debts written off directly	11.7	29,178	4,338
Net mark-up/interest income after provisions		6,945,894	6,200,121
NON MARK-UP/NON INTEREST INCOME			
Fee, commission and brokerage income	24	1,469,614	1,886,864
Dividend Income		-	-
Other income	25	73,357	86,593
Total non mark-up/non interest income		<u>1,542,971</u>	<u>1,973,457</u>
		8,488,865	8,173,578
NON MARK-UP/NON INTEREST EXPENSES			
Administrative expenses	26	6,037,253	5,635,527
Other provisions	13	47,519	1,692
Other charges	27	12,295	17,852
Total non-mark-up/non interest expense		<u>6,097,067</u>	<u>5,655,071</u>
PROFIT BEFORE TAXATION		<u>2,391,798</u>	<u>2,518,507</u>
Taxation - Current	28	712,763	807,813
- Prior year	28	-	-
- Deferred	28	(60,721)	(125,475)
		<u>652,042</u>	<u>682,338</u>
PROFIT AFTER TAXATION		<u>1,739,756</u>	<u>1,836,169</u>
Unappropriated profit brought forward		5,885,119	4,776,212
Other comprehensive gain/(loss) transferred to equity		10,341	(12,471)
Profit available for appropriation		<u>7,635,216</u>	<u>6,599,910</u>
APPROPRIATIONS:			
Transfer to:			
Statutory reserve	6.12	86,988	91,808
Microfinance social development fund	6.14	173,976	183,617
Depositors' protection fund	6.14	86,988	91,808
Risk mitigation fund	6.14	86,988	91,808
Final dividend 2019: Rs. Nil per share (2018: Rs. 1.50 per share)	44	-	255,750
		<u>434,940</u>	<u>714,791</u>
UNAPPROPRIATED PROFIT CARRIED FORWARD		<u>7,200,276</u>	<u>5,885,119</u>
EARNINGS PER SHARE - BASIC AND DILUTED	33	<u>8.16</u>	<u>8.62</u>

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, 2020

	Note	2020 Rs. '000	2019 Rs. '000
Profit after taxation		1,739,756	1,836,169
Other comprehensive income			
Items that will not be reclassified subsequently to profit and loss:			
Remeasurement gain/(loss) on post employment benefit obligation		14,566	(19,948)
Deferred tax relating to remeasurement gain/(loss) on post employment benefit obligation	14.1	(4,225)	7,477
Other comprehensive gain/(loss) transferred to equity		10,341	(12,471)
Items that may be subsequently reclassified to profit and loss:			
Deficit on revaluation of investments - AFS	10.5	(10,542)	(798)
Transfer to profit and loss on disposal of available for sale investments		798	327
Deferred tax asset on deficit on revaluation of investments - AFS	14.1	2,827	139
		(6,917)	(332)
Total comprehensive income		1,743,180	1,823,366

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



PRESIDENT



CHAIRMAN



DIRECTOR



DIRECTOR

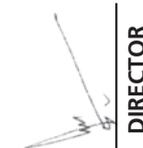
Statement of Changes in Equity for the year ended December 31, 2020

	Share capital	Capital reserve (Note - 6.13)	Statutory reserve (Note - 6.12)	Unappropriated profit	Total
	Rs. '000				
Balance as at January 01, 2019	1,705,000	24,255	1,693,035	4,776,212	8,198,502
Total comprehensive income for the year	-	-	-	1,836,169	1,836,169
Profit for the year	-	-	-	(12,471)	(12,471)
Other comprehensive loss	-	-	-	1,823,698	1,823,698
Transfer to:					
Statutory reserve	-	-	91,808	(91,808)	-
Microfinance Social Development Fund	-	-	-	(183,617)	(183,617)
Risk Mitigation Fund	-	-	-	(91,808)	(91,808)
Depositors' Protection Fund	-	-	-	(91,808)	(91,808)
Final dividend 2018: Rs 1.5 per share	-	-	-	(255,750)	(255,750)
Balance as at December 31, 2019	1,705,000	24,255	1,784,843	5,885,119	9,399,217
Total comprehensive income for the year	-	-	-	1,739,756	1,739,756
Profit for the year	-	-	-	10,341	10,341
Other comprehensive gain	-	-	-	1,750,097	1,750,097
Transfer to:					
Statutory reserve	-	-	86,988	(86,988)	-
Microfinance Social Development Fund	-	-	-	(173,976)	(173,976)
Risk Mitigation Fund	-	-	-	(86,988)	(86,988)
Depositors' Protection Fund	-	-	-	(86,988)	(86,988)
Final dividend 2019: Nil	-	-	-	-	-
Balance as at December 31, 2020	1,705,000	24,255	1,871,831	7,200,276	10,801,362

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, 2020

	Note	2020 Rs. '000	2019 Rs. '000
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		2,391,798	2,518,507
Adjustments for:			
Depreciation of property and equipment		400,537	324,764
Depreciation of right of use asset		360,906	340,950
Amortization of intangible assets		100,144	68,201
Amortization of deferred grant		-	(1,183)
Provision against non-performing advances		2,963,177	2,255,045
Gain on sale of fixed assets		(16,376)	(18,351)
Mark-up on advances		(16,827,186)	(13,497,141)
Interest income on investments and deposit accounts		(1,843,105)	(1,761,577)
Interest expense on borrowings and deposits		8,167,239	6,434,397
Interest expense on subordinated debt		307,936	135,781
Interest expense on lease liability		256,867	229,036
Provision against other assets		47,519	1,692
Charge for defined benefit plan		144,268	127,076
		(5,938,074)	(5,361,310)
		(3,546,276)	(2,842,803)
(Increase)/decrease in operating assets			
Advances		(10,062,812)	(12,295,665)
Other assets		93,612	171,445
		(9,969,200)	(12,124,220)
Increase/(decrease) in operating liabilities			
Deposits		24,767,465	7,864,361
Other liabilities		(200,566)	(409,577)
		24,566,899	7,454,784
Net cash generating from/(used in) operations			
		11,051,423	(7,512,239)
Mark-up received on advances		12,474,055	12,351,308
Interest received on investments and deposit accounts		1,932,904	1,608,630
Interest paid on borrowings, deposits and subordinated debt		(8,122,175)	(6,194,481)
Contributions to defined benefit plan		(231,182)	(74,305)
Income taxes paid		(570,154)	(976,052)
		5,483,448	6,715,100
Net cash generating from/(used in) operating activities			
		16,534,871	(797,139)
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in AFS/HFT/HTM securities		(7,577,889)	(1,196,505)
Purchase of operating fixed assets		(842,334)	(838,855)
Sale proceeds against disposal of operating fixed assets		19,889	23,108
Net cash (used in)/generated from investing activities			
		(8,400,334)	(2,012,252)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		-	(167,448)
Payment of lease liability		(395,159)	(355,796)
Subordinated debt		-	1,400,000
Borrowings during the year - net		(898,313)	(1,638,851)
Net cash used in financing activities			
		(1,293,472)	(762,095)
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		6,841,065	(3,571,486)
Cash and cash equivalents at end of the year		7,557,358	11,128,844
	29	14,398,423	7,557,358

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, 2020

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 193 branches and 41 permanent booths in operation as at December 31, 2020 (December 31, 2019: 186 branches, 13 service centers and 27 permanent booths) and is licensed to operate nationwide.

2 BASIS OF PRESENTATION

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

3 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan for financial reporting 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) and the Securities and Exchange Commission of Pakistan (SECP).

Wherever the requirements of the Microfinance Institution Ordinance, 2001, the Companies Act, 2017 or the directives issued by the SBP and SECP differ with the requirements of IFRS, the requirements of the Microfinance Ordinance, 2001, the Companies Act, 2017 and the said directives shall prevail.

The SBP, vide BPRD Circular letter No. 04, dated October 23, 2019 has deferred the applicability of International Financial Reporting Standard (IFRS - 9), "Financial Instruments" for financial Institutions till December 31, 2020. According to the notification of the SECP issued vide SRO 411(1)/2008 dated April 28, 2008, IFRS 7, Financial Instruments: Disclosures has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

4 BASIS OF MEASUREMENT

Accounting convention

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

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the use of certain accounting estimates and judgments in application of accounting policies. The area involving a high degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 6.35.

5 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

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

The Annual Improvements to IFRSs that are effective from the dates mentioned below against respective standards:

IFRS 3	Business Combinations - Definition of a Business (amendments)
IAS 1 & IAS 8	Presentation of Financial Statements & Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material, to clarify the definition of material and its alignment with the definition used in the Conceptual Framework (amendments)
IFRS 16	Covid-19-Related Rent Concessions (Amendment to IFRS 16)
IFRS 14	Regulatory Deferral Accounts - Original issue

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after January 01, 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The adoption these standards / amendments did not have any material impact on the Bank's financial statements.

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

a) Amendments not yet effective

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 7 & IFRS 9	Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	January 01, 2021
IFRS 3	Business Combinations – The amendment updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.	January 01, 2022
IAS 16	Property, plant and equipment – Amendment to clarify the prohibition on an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.	January 01, 2022

IAS 37	'Provisions, Contingent Liabilities and Contingent Assets to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.	January 01, 2022
IAS 1	'Presentation of Financial Statements to clarify how to classify debt and other liabilities as current or non-current.	January 01, 2022

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

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

b) Standards or interpretations not yet effective

The following new standards have been issued by the International Accounting Standards Board (IASB), which have been adopted locally by the Securities and Exchange Commission of Pakistan effective from the dates mentioned below against the respective standard:

		Effective date (annual periods beginning on or after)
IFRS 9	Financial Instruments	January 01, 2021

The bank is in process of assessing the impact of application of IFRS 9 on the Bank's financial statements.

The following new 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, 2009
IFRS 17	Insurance Contracts	January 01, 2021

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

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

6.1 Cash and cash equivalents

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

6.2 Sale and repurchase agreements

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

6.3 Investments

All purchases and sale of investments are recognized using settlement date accounting. Settlement date is the date on which investments are delivered to or by the Bank. All investments are 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

6.4 Advances

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

a) Other Assets Especially Mentioned (OAEM)

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

b) Substandard

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

c) Doubtful

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

d) Loss

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

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

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

OAEM	Nil
Substandard	25%
Doubtful	50%
Loss	100%

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

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

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

6.5 Operating fixed assets

Capital work in progress

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

Property and Equipment

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

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

Subsequent costs are included in the assets carrying amount when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. Carrying amount of the replaced part is 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 12.4 to the financial statements. Subsequent expenditure is capitalized only when it increases the future economic benefit embodied in the specific asset to which it relates. All other expenditure is recognized in profit and loss account as incurred.

6.6 Impairment of non-financial assets

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

6.7 Deposits

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

6.8 Subordinated debt

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

6.9 Taxation

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

Current

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

Deferred

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

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

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

Prior years

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

6.10 Employee benefits

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

The Bank operates an approved funded gratuity scheme for all eligible employees completing the minimum qualifying period of one year of service. In accordance with the gratuity scheme eligible salary constitutes the basic salary for the service up till July 26, 2004 and gross salary for service thereafter which is paid to the employee on the basis of period in service. The defined benefit obligation is calculated annually using the projected unit credit method. The present value of defined obligation is determined by discounting the estimated market yield on government bonds and have terms to maturity approximating to the terms of the related liability. The Bank has a policy of carrying out actuarial valuations annually with the assistance of independent actuarial appraisers. The latest actuarial valuation was carried out on December 31, 2020.

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

6.11 Mark-up bearing borrowings

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

6.12 Statutory reserve

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

6.13 Capital reserve

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

6.14 Contributions

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

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

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

6.15 Cash reserve requirement

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

6.16 Statutory liquidity requirement

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

6.17 Grants

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

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

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

6.18 Revenue recognition

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

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

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

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

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

6.19 Borrowing costs

Borrowings are recorded at the amount of proceeds received.

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

6.20 Leases

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

Bank as a lessee

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

Right-of-use assets

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

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

Lease liabilities

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

6.21 Financial instruments

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

6.21.1 Financial assets

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

6.21.2 Financial liabilities

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

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

6.22 Impairment - financial assets

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

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in profit and loss account.

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

6.23 Off-setting

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

6.24 Foreign currency translation

a) Functional and presentation currency

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

b) Transactions and balances

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

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

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

6.25 Provisions

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

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

6.26 Exceptional items

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

6.27 Related party transactions

Transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation modes as admissible.

6.28 Earnings per share

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

6.29 Segment reporting

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

6.30 Other payables

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

6.31 Dividend and apportioning to reserves

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

6.32 Other receivables

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

6.33 Contingencies

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

6.34 Fair value measurement

A number of assets and liabilities included in the financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Bank's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

Level 1: Quoted prices in active markets for identical items (unadjusted)

Level 2: Observable direct or indirect inputs other than Level 1 inputs

Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item and transfers of items between levels are recognised in the period they

The financial assets and liabilities of the Bank that either require fair value measurements or only fair value disclosures as at December 31, 2020 are disclosed in Note 39.

6.35 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain accounting estimates and assumptions. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where assumptions and estimates are significant to the Bank's financial statements or where judgment is exercised in application of accounting policies are as follows

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) 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.

e) 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.

f) 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.

g) 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.

h) 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.

6.36 FINANCIAL RISK MANAGEMENT AND CORONAVIRUS (COVID-19) IMPLICATIONS

The financial risk management policies adopted by KMBL are consistent with those disclosed in the financial statements of KMBL for the year ended 31 December, 2019 except for the following additional consideration due to the COVID-19. The coronavirus pandemic and the measures to reduce its spread have significantly impacted Pakistan's economy. Accordingly, SBP responded to the crises by taking various measures on both the fiscal and economic fronts. Regulatory measures impetus to economic activity includes the followings:

- Policy rate reduced by 625 basis points from 13.25% to 7.00% during the year.
- Allowing banks to defer/reschedule/restructure the loans of impacted borrowers through a COVID-19 relief package.
- Each NPL category was extended by 2-months for the eligible borrowers.
- Regulatory credit limit of MSME and housing loan was Increased to Rs. 3 million.
- Introduction of refinancing schemes for payment of wages and salaries.

COVID-19 is likely to impact financial sector in Pakistan on a number of fronts including increase in overall credit risk pertaining to the assets portfolio, reduced fee income due to overall slowdown in economic activity, slowdown of disbursements due to substantial decrease in demand for credit, disruption of business operations and managing cyber security threat as a significant number of the Bank's staff is working from home and an ever increasing number of customers are being encouraged to use digital channels.

6.36.1 Asset Quality & Credit Risk Management

The Risk Management function of the Bank is regularly conducting assessments of the credit portfolio in order to analyze the impacts of the COVID19 on bank's portfolio. Reports in this regard are shared with management and board on a regular basis. In addition, bank has further strengthened its credit procedures in the light of COVID-19. The Bank is continuously reviewing the portfolio, to identify accounts susceptible to higher risk, resulting from the COVID-19 outbreak.

The Bank expects that several borrowers will be severely impacted by this pandemic. Since many of such borrowers have availed the SBP enabled deferment / restructuring & rescheduling relief package, the full potential effect of the economic stress is difficult to predict given the uncertain economic environment. Accordingly, management is of view that it is appropriate to provide for an additional general provision of Rs. 300 million, as of 31 December 2020 based on management's assessment of asset quality and credit risk.

6.36.2 Liquidity Risk Management

In view of the relaxation granted by SBP for deferment of principal and markup and rescheduling of loans there may be an impact on the maturity profile of the Bank. The Asset and Liability Committee (ALCO) of the Bank is continuously monitoring the liquidity position and the Bank is confident that the liquidity buffer currently maintained is sufficient to cater to any adverse movement in the cash flow maturity profile.

6.36.3 Equity Risk Management

The Bank does not have any investment in shares, accordingly, the Bank is not exposed to equity risk.

6.36.4 Operational Risk Management

The Bank is closely monitoring the situation and has invoked required actions to ensure the safety and security of Bank staff and uninterrupted service to customers. Business Continuity Plans (BCP) for respective areas are in place and tested. The Bank has significantly enhanced monitoring of cyber security risk during these times. Remote work capabilities were enabled for staff, where required, and related risk and control measures were assessed to ensure that the Bank's information assets are protected from emerging cyber threats and comply with the regulatory protocols required under the circumstances. The Bank is communicating with its customers on how they can connect with the Bank through its full suite of channels including digital and online channels as well as enhancing customer awareness pertaining to online fraud risks. The Bank has taken all measures to ensure that service levels are maintained, customer complaints are resolved and turnaround times are monitored and the Bank continues to meet the expectations of its employees and customers.

	Note	2020 Rs. '000	2019 Rs. '000
7 CASH AND BALANCES WITH SBP AND NBP			
Cash in hand - Local currency		925,172	1,104,101
Balance with State Bank of Pakistan in Local currency current accounts - SBP	7.1	1,923,772	1,822,011
Balance with National Bank of Pakistan in Local currency deposit accounts - NBP	7.2	1,321	116
		<u>2,850,265</u>	<u>2,926,228</u>

7.1 This represents balance held with SBP to meet the requirement of maintaining a minimum balance equivalent to 5% (2019: 5%) of the Bank's time and demand deposits with a tenure of less than one year, in accordance with R-3A of the Prudential Regulations.

7.2 This represents balances held in saving accounts carrying interest at the rate of 4.50 % (2019: 11.25%) per annum.

	Note	2020 Rs. '000	2019 Rs. '000
8 BALANCES WITH OTHER BANKS/NBFIs/MFBs			
In Pakistan			
Local currency current accounts		1,324,015	726,330
Local currency deposit accounts	8.1	9,428,162	3,454,800
		<u>10,752,177</u>	<u>4,181,130</u>

8.1 This represents balances held with various banks in saving accounts carrying interest at the rates ranging from 4.50% to 9.00% (2019: 4.50% to 14.80%) per annum.

	Note	2020 Rs. '000	2019 Rs. '000
9 LENDING TO FINANCIAL INSTITUTIONS			
Call/clean lending	9.1	-	450,000
Repurchase agreement lending (reverse repo)	9.2	795,981	-
		<u>795,981</u>	<u>450,000</u>

9.1 This represented call lending carrying interest at the rate 13.00% per annum matured on January 2, 2020.

9.2 This represents reverse repo transaction carrying interest rate ranging from 6.05% to 7.18% per annum maturing on January 13, 2021.

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

	2020			2019		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	Rs. '000			Rs. '000		
Market Treasury Bills/PIB's	800,000	-	800,000	-	-	-

	Note	2020 Rs. '000	2019 Rs. '000
10 INVESTMENTS - NET OF PROVISIONS			
Available for sale (AFS)			
Federal government securities			
Market treasury bills (T-bills)	10.1	8,401,224	5,412,542
Pakistan Investment Bonds (PIB's)	10.2	7,139,207	-
Held to maturity (HTM)			
Term finance certificates (TFCs)	10.3	150,000	150,000
Term deposit receipts (TDRs)	10.4	2,000,000	4,550,000
		<u>17,690,431</u>	<u>10,112,542</u>
Deficit on revaluation of federal government securities - (AFS)	10.5	(10,542)	(798)
		<u>17,679,889</u>	<u>10,111,744</u>

10.1 This represents T-bills of 84 days (2019: 84 days) carrying interest rate ranging from 7.13% to 7.15% (2019: 13.40%) per annum. These are held by the Bank to comply with the statutory liquidity requirements as set out under the Prudential Regulations "R-3 Maintenance of cash reserve and liquidity".

10.2 This represents fixed/floating interest based Pakistan Investment Bonds (PIB's) at the interest rate ranging from 7.40% to 9.00% maturing on June,2023, September,2022 and October 22, 2023.

10.3 This represents 10,000 term finance certificates (TFC's) having face value of Rs. 5,000/- each duly issued by Bank Al Habib Limited for perpetual tenure, carrying profit at the rate of 6 month KIBOR + 1.50% (2019: 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% (2019: 6 month KIBOR + 2.00%) respectively. Interest on these TFC's is receivable on semi annual basis from the date of issue.

	Note	2020 Rs. '000	2019 Rs. '000
10.4 Term deposit receipts (TDRs)			
Microfinance banks	10.4.1	2,000,000	4,550,000
		<u>2,000,000</u>	<u>4,550,000</u>

10.4.1 This represents investment in short term deposits receipts maturing on April 13, 2021 (2019: January 1, 2020 to October 4, 2020) and carries mark-up at the rate of 8.50% (2019: 14.60% to 16.50 %) per annum.

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

11 ADVANCES - NET OF PROVISIONS

Loan type	Note	2020		2019	
		Loans outstanding		Loans outstanding	
		Number	Rs. '000	Number	Rs. '000
Micro credit					
Secured	11.1	147,994	19,122,631	104,890	12,052,545
Unsecured	11.2	731,643	41,525,606	766,338	41,554,899
		<u>879,637</u>	<u>60,648,237</u>	<u>871,228</u>	<u>53,607,444</u>
Less: Provisions held					
Specific provision		36,356	(649,341)	30,205	(760,829)
General provision	11.3	807,021	(815,513)	827,634	(495,841)
			<u>(1,464,854)</u>		<u>(1,256,670)</u>
Microcredit advances - net of provisions			<u>59,183,383</u>		<u>52,350,774</u>
Staff loans	11.1	2,313	1,457,404	2,106	1,190,378
Advances - net of provision		<u>881,950</u>	<u>60,640,787</u>	<u>873,334</u>	<u>53,541,152</u>

- 11.1 This includes microcredit loans amounting to Rs. 68.8 million (2019: Rs. 127.6 million) which are partially (50%) secured against lien marked on deposits held with the Bank.
- 11.2 This includes 36 micro enterprise clients (2019: 435) having aggregate amount of Rs. 3.48 million (2019: Rs. 28.09 million) backed by USAID loan loss guarantee of 50% of outstanding principal for delinquent borrowers.
- 11.3 General provision is maintained at the rate of 1.33% (2019: 1.00%) of micro credit advances other than those secured against gold and other cash collaterals, net of specific provision.
- 11.4 This includes 9327 micro credit clients (2019: Nil) having aggregate amount of Rs. 485.8 million (2019: Nil) backed by SBP's Credit Guarantee for Small and Marginalized Farmers (CGSMF) which provides 50% risk coverage against the principal outstanding on loans of up-to Rs. 100,000.

11.5 Particulars of non-performing advances

- 11.5.1 Advances include principal amount of Rs. 1,666.5 million and mark-up of Rs. 226.5 million (2019: principal amount of Rs. 1,983.6 million and mark-up of Rs. 559.9 million) which, as detailed below, have been placed under non-performing status.

Category of Classification	2020			2019		
	Amount outstanding	Provisions required	Provisions held	Amount outstanding	Provisions required	Provisions held
	Rs. '000			Rs. '000		
OAEM	314,089	-	-	845,324	-	-
Sub-standard	273,902	67,160	67,160	446,549	87,661	87,661
Doubtful	1,234,544	529,155	529,155	726,216	287,307	287,307
Loss	70,464	53,026	53,026	525,413	385,861	385,861
	<u>1,892,999</u>	<u>649,341</u>	<u>649,341</u>	<u>2,543,502</u>	<u>760,829</u>	<u>760,829</u>

- 11.5.2 The SBP has advised vide circular letter No. 1 of 2020 to provide regulatory relief to Dampen the effect of COVID-19 to microfinance borrowers and subsequently SBP vide its circular no AC&MFD Circular Letter No. 7 dated August 10, 2020 has also extended NPL classification by 2-months for borrowers who could not avail relief under the scheme. Accordingly, the bank has reversed NPL classification of 7,778 eligible borrowers having outstanding principal amount of Rs 519.24 million and mark-up of Rs. 90.15 million as per SBP directives.

11.6 Particulars of provisions against non-performing advances

	2020			2019		
	Specific	General	Total	Specific	General	Total
	Rs. '000			Rs. '000		
Balance at beginning of the year	760,829	495,841	1,256,670	214,024	507,275	721,299
Provision charge for the year	2,643,505	319,672	2,963,177	2,266,479	(11,434)	2,255,045
Advances written/charge off against provision	(2,754,993)	-	(2,754,993)	(1,719,674)	-	(1,719,674)
Balance at end of the year	<u>649,341</u>	<u>815,513</u>	<u>1,464,854</u>	<u>760,829</u>	<u>495,841</u>	<u>1,256,670</u>

	Note	2020 Rs. '000	2019 Rs. '000
11.7 Particulars of write offs			
Against provisions		2,754,993	1,719,674
Bad debts written off directly	11.7.1	29,178	4,338
		<u>2,784,171</u>	<u>1,724,012</u>

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

11.8 Rescheduled deferred loan portfolio

The SBP has advised vide circular letter No. 1 of 2020 dated March 26, 2020 to provide regulatory relief to borrowers to dampen the effect of COVID-19 for microfinance borrowers who were regular as on February 15, 2020 and subsequently vide circular no AC&MFD Circular Letter No. 7 dated August 10, 2020 has extended the eligibility of regular borrowers with effect from December 31, 2019. Following loans were deferred / rescheduled as on December 31, 2020

Note	2020		2019	
	Loans outstanding	Amount of loans outstanding	Loans outstanding	Amount of loans outstanding
	Number	Rs. '000	Number	Rs. '000
Deferred / rollover loans	124,730	7,079,032	-	-
Rescheduled loans	382,427	18,359,884	-	-
	<u>507,157</u>	<u>25,438,916</u>	<u>-</u>	<u>-</u>

11.8.1 This also includes reschedule loans of 159,077 borrowers having outstanding loan balances of Rs. 4.54 billion under bank's own reschedule policy.

11.9 Portfolio quality report

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

Normal & deferred loans	2020		2019	
	Amount Rs. '000	Portfolio at risk %	Amount Rs. '000	Portfolio at risk %
Current	39,325,374	-	49,557,942	-
1 - 29 days late	2,734,138	4.51%	2,065,908	3.85%
30 - 59 days late	54,481	0.09%	666,664	1.24%
60 - 89 days late	39,054	0.06%	353,617	0.66%
90 - 179 days late	107,213	0.18%	576,772	1.08%
More than 179 days late	28,093	0.05%	386,541	0.72%
Total	<u>42,288,353</u>	<u>4.89%</u>	<u>53,607,444</u>	<u>7.55%</u>
Rescheduled loans				
Current	16,388,587	-	-	-
1 - 29 days late	533,611	0.88%	-	-
30 - 59 days late	239,060	0.39%	-	-
60 - 89 days late	216,997	0.36%	-	-
90 - 179 days late	956,264	1.58%	-	-
More than 179 days late	25,365	0.04%	-	-
Total	<u>18,359,884</u>	<u>0.0325%</u>	<u>-</u>	<u>-</u>
Total	<u>60,648,237</u>	<u>8.14%</u>	<u>53,607,444</u>	<u>7.55%</u>

11.10 Current recovery ratio

The Bank measures loan delinquency using a current recovery ratio. The numerator of this ratio is total cash receipts of principal and mark-up during the reporting period (including advance and late receipts). The denominator is total payments of principal and interest that fell due for the first time during the reporting period, as per the terms of the original loan contract (regardless of any subsequent negotiations). Penalty interest is not included in the numerator or denominator of the ratio.

	Current recovery ratio	
	2020	2019
1st quarter	109.3%	109.5%
2nd quarter	25.0%	120.6%
3rd quarter	84.2%	144.7%
4th quarter	50.6%	128.6%
January - December	<u>57.9%</u>	<u>125.5%</u>

11.10.1 Annual loss rate for the year is 0% (2019: 0%) computed using the following formula. The actual loss rate is below 0% due to early repayments of principal outstanding.

$$ALR = (1 - CR) / T \times 2$$

where:

'ALR' is the annual loss rate, 'CR' is the collection rate in decimal form and 'T' is the loan term expressed in years

11.11 Loan loss allowance

	2020				2019			
	Outstanding loan portfolio		Allowance for loan loss		Outstanding loan portfolio		Allowance for loan loss	
	Share of total	Rs. '000	Share of total	Rs. '000	Share of total	Rs. '000	Share of total	Rs. '000
Normal & deferred loans								
Current	64.8%	39,325,374	-	-	92.4%	49,557,942	-	-
1 - 29 days late	4.5%	2,734,138	-	-	3.9%	2,065,908	-	-
30 - 59 days late	0.1%	54,481	-	-	1.2%	666,664	-	-
60 - 89 days late	0.1%	39,054	1.7%	10,853	0.7%	353,617	11.5%	87,661
90 - 179 days late	0.2%	107,213	8.1%	52,891	1.1%	576,772	37.8%	287,307
More than 179 days late	0.1%	28,093	4.3%	27,816	0.7%	386,541	50.7%	385,861
Rescheduled loans								
Current	27.0%	16,388,587	-	-	-	-	-	-
1 - 29 days late	0.9%	533,611	-	-	-	-	-	-
30 - 59 days late	0.4%	239,060	-	-	-	-	-	-
60 - 89 days late	0.4%	216,997	8.7%	56,307	-	-	-	-
90 - 179 days late	1.6%	956,264	73.3%	476,264	-	-	-	-
More than 179 days late	0.0%	25,365	3.9%	25,210	-	-	-	-
	<u>100%</u>	<u>60,648,237</u>	<u>100%</u>	<u>649,341</u>	<u>100%</u>	<u>53,607,444</u>	<u>100%</u>	<u>760,829</u>

11.12 This includes general purpose loans to employees of the Bank carrying interest at the rate of 5% (2019: 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% (2019: 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. 234.52 million (2019: Rs. 266.95 million).

12	OPERATING FIXED ASSETS	Note	2020 Rs. '000	2019 Rs. '000
	Capital work-in-progress	12.1	185,655	48,165
	Right of use assets	12.2	1,555,393	1,817,643
	Property and equipment	12.3	1,393,807	1,246,018
	Intangible assets	12.4	553,340	500,478
			<u>3,688,195</u>	<u>3,612,304</u>

12.1 Capital work-in-progress

	Opening balances	Additions	Transferred	Closing balances
	Rs. '000			
Advances to suppliers - software modules	34,110	96,382	(41,890)	88,602
Advances to suppliers - operating fixed assets	14,055	259,795	(176,797)	97,053
December 31, 2020	<u>48,165</u>	<u>356,177</u>	<u>(218,687)</u>	<u>185,655</u>
December 31, 2019	<u>350,703</u>	<u>508,174</u>	<u>(810,712)</u>	<u>48,165</u>

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

12.2 Right of Use Assets

	2020 Rs. '000	2019 Rs. '000
Right of use assets as at January	2,158,593	1,908,109
Additions/renewal during the year	<u>98,656</u>	<u>250,484</u>
	2,257,249	2,158,593
Accumulated depreciation	<u>(701,856)</u>	<u>(340,950)</u>
Net book value at the end of year	<u>1,555,393</u>	<u>1,817,643</u>

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

As at 1 January	(1,870,331)	(1,746,607)
Additions during the year	(98,656)	(250,484)
Accretion of interest	(256,867)	(229,036)
Payments during the year	<u>395,159</u>	<u>355,796</u>
As at 31 December	<u>(1,830,695)</u>	<u>(1,870,331)</u>

12.3 Property and equipment

	Leasehold improvement	Furniture and fixtures	Electrical and office equipment	Computer equipment	Vehicles	Total
	Rs. '000					
Cost						
Balance as at January 1, 2019	190,586	428,115	526,946	576,485	305,089	2,027,221
Additions	91,457	104,249	144,056	222,838	92,208	654,808
Disposals	-	(20,841)	(19,127)	(46,297)	(27,982)	(114,247)
Balance as at December 31, 2019	<u>282,043</u>	<u>511,523</u>	<u>651,875</u>	<u>753,026</u>	<u>369,315</u>	<u>2,567,782</u>
Balance as at January 1, 2020	282,043	511,523	651,875	753,026	369,315	2,567,782
Additions	65,550	49,058	54,394	235,572	147,265	551,839
Disposals	(520)	(10,947)	(6,623)	(12,666)	(25,902)	(56,658)
Balance as at December 31, 2020	<u>347,073</u>	<u>549,634</u>	<u>699,646</u>	<u>975,932</u>	<u>490,678</u>	<u>3,062,963</u>
Accumulated Depreciation						
Balance as at January 1, 2019	67,398	149,896	350,757	348,571	189,868	1,106,490
Depreciation charge	46,997	44,257	81,263	101,322	50,925	324,764
Disposals	-	(17,260)	(18,233)	(46,014)	(27,983)	(109,490)
Balance as at December 31, 2019	<u>114,395</u>	<u>176,893</u>	<u>413,787</u>	<u>403,879</u>	<u>212,810</u>	<u>1,321,764</u>
Balance as at January 1, 2020	114,395	176,893	413,787	403,879	212,810	1,321,764
Depreciation charge	62,379	50,592	83,521	136,440	67,605	400,537
Disposals	(24)	(10,208)	(5,364)	(11,968)	(25,581)	(53,145)
Balance as at December 31, 2020	<u>176,750</u>	<u>217,277</u>	<u>491,944</u>	<u>528,351</u>	<u>254,834</u>	<u>1,669,156</u>
Carrying value						
2019	167,648	334,630	238,088	349,147	156,505	1,246,018
2020	170,323	332,357	207,702	447,581	235,844	1,393,807

Rates of depreciation per annum

2019	20%	10.0%	20%	20% -33.33%	25%
2020	20%	10.0%	20%	20% -33.33%	25%

- 12.3.1 Cost of the assets as at December 31, 2020 includes Rs. 10.72 million (2019: Rs. 25.7 million) in respect of assets acquired against grants received.
- 12.3.2 The cost of fully depreciated property and equipment that are still in use is Rs. 731.7 million (2019: Rs. 611.6 million).
- 12.3.3 Details of property and equipment disposed with the original cost or book value in excess of Rs. 1 million or Rs. 250,000 respectively, whichever is less, are as under:

Particulars	Cost	Book value	Sale Proceed	Gain/(loss) on disposal	Mode of disposal	Particulars of purchaser/Remarks
Rs. '000						
2020						
	-	-	-	-	-	-
	-	-	-	-	-	-
2019						
Vehicles						
- Toyota Corolla XLI	1,291	1	1,320	1,319	Auction	M. Hammad Akbar
	1,291	1	1,320	1,319		

12.4 Intangible assets

Computer software

Cost

Balance as at January 1,	750,467	263,905
Additions	153,005	486,585
Write-off	-	(23)
Balance as at December 31,	903,472	750,467

Amortization

Balance as at January 1,	(249,989)	(181,811)
Amortization charge	(100,144)	(68,201)
Write-off	1	23
Balance as at December 31,	(350,132)	(249,989)
Carrying amount	553,340	500,478

- 12.4.1 Amortization is charged on straight line basis at the rate ranging from 10% to 33.33 % per annum (2019: 10% to 33.33%), starting from the month the asset is available for use.
- 12.4.2 Cost of the intangible assets includes Rs. 25.48 million (2019: Rs 25.48 million) in respect of assets acquired from grant received.
- 12.4.3 The cost of fully amortized intangible assets that are still in use is Rs. 191.1 million (2019: Rs. 179.8 million).

13 OTHER ASSETS

	Note	2020 Rs. '000	2019 Rs. '000
Mark-up accrued		9,580,967	5,561,130
Suspended markup on non-performing advances	11.5	(226,511)	(559,805)
		<u>9,354,456</u>	<u>5,001,325</u>
Interest receivable on investments and deposit accounts		166,810	256,609
Advances-unsecured			
Employees		2,842	8,395
Suppliers		3,021	12,335
		<u>5,863</u>	<u>20,730</u>
Receivable from Microfinance Social Development Fund	13.1	52,625	250,358
Insurance premium receivable from SBP	13.2	383,231	375,480
Prepayments		101,306	85,030
Insurance claims receivable		6,286	7,150
Receivable from defined benefit plan - KMBL employees gratuity fund	18.1	9,343	-
Security Deposits		6,676	6,612
Other receivables	13.3	230,505	312,929
		<u>10,317,101</u>	<u>6,316,223</u>
Less: Provisions against doubtful receivables			
Balance at the beginning of the year		40,769	39,219
Provision charge for the year		47,519	1,692
Receivables written off against provision		(12,328)	(142)
Balance at the end of the year	13.4	75,960	40,769
		<u>10,241,141</u>	<u>6,275,454</u>

- 13.1 This represents amount receivable from Micro Finance Social Development Fund (MSDF) against cost reimbursed to service providers and the Bank's own cost reimbursement against community mobilization lending and management cost of hosting the fund.
- 13.2 This includes receivable from State Bank of Pakistan against claim lodged for crop and livestock insurance premium.
- 13.3 As explained in note 21.1, this includes an amount of Rs. 71.95 million (2019: Rs.237.807 million) paid under protest to the taxation authorities.
- 13.4 This represents provisions made against receivables from resigned employees, cash embezzlement and insurance claims receivable.

14 DEFERRED TAX ASSET

	2020 Rs. '000	2019 Rs. '000
Deferred tax assets/(liabilities) arising on account of temporary differences in:		
Provision against advances and other assets	446,837	376,260
Remeasurement of post employment benefit obligation	50,606	54,831
Deficit on revaluation of assets - AFS	3,058	231
Provision against Workers' Welfare Fund	18,082	14,587
	<u>518,583</u>	<u>445,909</u>
Deferred tax liability arising on account of temporary differences in:		
Operating fixed assets	(64,144)	(50,793)
	<u>454,439</u>	<u>395,116</u>

14.1 Reconciliation of deferred tax

Balance at the beginning of the year	395,116	262,025
(Reversal)/charge for the year in respect of:		
Operating fixed assets	(13,351)	(41,323)
Provision against advances and other assets	70,577	163,314
Deferred grants	-	(331)
Provision against Workers' Welfare Fund	3,495	3,815
Charge to profit and loss account	60,721	125,475
Charge to other comprehensive income		
Deferred tax on revaluation of available for sale investments	2,827	139
Deferred tax on remeasurement of post employment benefits obligation	(4,225)	7,477
Balance at the end of the year	<u>454,439</u>	<u>395,116</u>

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

Management has prepared strategic development plan of the Bank for five years using assumptions which are linked to various variable factors such as the economic outlook of the country, investment growth, interest rate movements, expansion in depositors / advances portfolio etc.

15 DEPOSITS AND OTHER ACCOUNTS

	Note	2020		2019	
		No. of accounts	Amount Rs. '000	No. of accounts	Amount Rs. '000
Fixed deposits	15.2	71,370	57,561,426	60,976	41,892,758
Saving deposits	15.3	64,126	22,754,423	58,483	14,161,700
Current deposits	15.4	2,275,738	8,333,965	2,211,547	7,827,891
		<u>2,411,234</u>	<u>88,649,814</u>	<u>2,331,006</u>	<u>63,882,349</u>

15.1 Particulars of deposits by ownership

Individual depositors		2,407,617	64,096,415	2,327,344	46,669,991
Institutional depositors					
Corporation/firms etc.		3,539	17,050,192	3,590	10,027,594
Banks/financial institutions		78	7,503,207	72	7,184,764
		<u>2,411,234</u>	<u>88,649,814</u>	<u>2,331,006</u>	<u>63,882,349</u>

- 15.2 This represents term deposits having tenure of 1 to 36 months (2019: 1 to 36 months) carrying interest at the rates ranging from 7.00 % to 14.50 % (2019: 7.00% to 15.00%) per annum. This includes fixed deposits amounting to Rs. 273.28 million (2019: Rs. 498.55 million) on which lien is marked against advances to borrowers.

- 15.3 This represents savings accounts carrying interest at the rates ranging from 7.00 % to 9.50 % (2019: 5.00% to 14.60%) per annum. This includes saving deposits amounting to Rs. 0.125 million (2019: Rs.113.66) on which lien is marked against advances to borrowers.

- 15.4 This includes current deposits amounting to Rs. 60.125 million (2019: Nil) on which lien is marked against advances to borrowers.

	Note	2020 Rs. '000	2019 Rs. '000
16 BORROWINGS			
Borrowing from financial institutions outside Pakistan	16.1	90,208	634,354
Borrowings from financial institutions in Pakistan	16.2	337,500	691,667
		<u>427,708</u>	<u>1,326,021</u>

16.1 Borrowings from financial institutions outside Pakistan

Unsecured			
Asian Development Bank	16.1.1	-	363,730
ECO Trade & Development Bank (TF-III)	16.1.2	90,208	270,624
		<u>90,208</u>	<u>634,354</u>

- 16.1.1 This represented receipts/ reimbursements up to eighty percent (80%) of outreach loan disbursements against credit facility under the Subsidiary Loan and Grant Agreement entered between the Bank and the Government of Pakistan (GoP) in pursuance of Loan Agreement (Special Operations) - Microfinance Sector Development Project, Loan #1806 between Asian Development Bank (ADB) and Islamic Republic of Pakistan.

The Bank was liable to repay the principal amount of the loan to GoP, over a period of 20 years including a grace period of 8 years, commencing from May 1, 2009, through bi-annual equal installments. The principal repayable was the aggregate equivalent of the amounts drawn by the Bank from the loan account for sub-loan expressed in Rupees, determined as of the respective dates of the withdrawal, while the GoP shall bear the foreign exchange risk.

The interest was 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 rates used for the bi-annual payment during the year were determined to be 6.08% to 10.18% (2019: 6.95 % and 8.79 %) per annum.

16.1.2 This represents borrowing from ECO Trade and Development Bank originally amounting to USD 5 million which carries interest at the rate of 6 month USD LIBOR plus 2.5% per 360 days. The repayment of borrowing will be in six (6) equal semi annual installments starting on 18th month after the disbursement and interest is payable semi annually and are due to mature latest by June 28, 2021.

The Bank has entered into Cross Currency SWAP agreement with JS Bank Limited for the borrowing. Under such arrangement USD 5 million were translated at the exchange rate of Rs. 108.25 and the repayment of principal will be in six (6) equal semi annual installments starting on 18th month after the disbursement. The interest is payable at the six months KIBOR plus 1.77% actual/365 on unadjusted basis commencing from date of disbursement.

	Note	2020 Rs. '000	2019 Rs. '000
16.2 Borrowings from financial institutions in Pakistan:			
Secured			
Pak Oman Investment Company Limited (TF-II)	16.2.1	-	62,500
Pak Oman Investment Company Limited (TF-III)	16.2.2	125,000	250,000
Pak Oman Investment Company Limited (TF-IV)	16.2.3	187,500	312,500
Bank Alfalah Limited (TF-1)	16.2.4	-	25,000
Allied Bank Limited (TF-1)	16.2.5	25,000	41,667
		<u>337,500</u>	<u>691,667</u>

16.2.1 This represented term finance facility of Rs. 500 million carrying interest at the rate of 15.55% (2019: 7.82% to 12.90%) 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. These borrowings was secured against charge over current and future assets of Rs. 667 million.

16.2.2 This represents term finance facility of Rs. 500 million carrying interest at the rates ranging from 8.74% to 15.67% (2019: 9.67% to 15.67%) per annum for a period of five years with a grace period of twelve months from draw down date and repayable in 8 semi annual equal installments and are due to mature latest by August 01, 2021. These borrowings are secured against charge over current and future assets of Rs. 667 million.

16.2.3 This represents term finance facility of Rs. 500 million carrying interest at the rates ranging from 8.88% to 15.73% (2019: 7.80% to 15.73%) per annum for a period of five years with a grace period of twelve months from draw down date and repayable in 8 semi annual equal installments and are due to mature latest by February 16, 2022. These borrowings are secured against charge over current and future assets of Rs. 667 million.

16.2.4 This represented term finance facility of Rs. 100 million carrying interest at the rate of 14.79% (2019: 12.10% to 14.43%) per annum for a period of 3 years with a grace period of twelve months from draw down date. These borrowings are secured against charge over current and future assets of Rs. 667 million.

16.2.5 This represents term finance facility of Rs. 50 million carrying interest rates ranging from 8.90% to 15.20% (2019: 10.24% to 15.49%) 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. 334 million.

	Note	2020 Rs. '000	2019 Rs. '000
16.3 Quarterly average borrowing			
1st Quarter		1,241,299	2,787,272
2nd Quarter		956,653	2,425,731
3rd Quarter		748,393	1,983,125
4th Quarter		551,246	1,617,417
16.4 Borrowing repayment schedule			
Balance at the beginning of the year		1326,021	2,964,872
Availed during the year		-	-
Repayments during the year		(898,313)	(1,638,851)
Balance at the end of the year		<u>427,708</u>	<u>1,326,021</u>

17 Subordinated Debt	Note	2020 Rs. '000	2019 Rs. '000
Term finance certificate - TFC I	17.1	1,000,000	1,000,000
Term finance certificate - TFC II	17.2	1,400,000	1,400,000
		<u>2,400,000</u>	<u>2,400,000</u>

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

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

18 OTHER LIABILITIES	Note	2020 Rs. '000	2019 Rs. '000
Mark-up/return/interest payable on deposits		1,462,270	1,057,857
Interest payable on borrowings/subordinated debt		39,838	91,251
Lease liability	12.2	1,830,695	1,870,331
Accrued expenses		539,646	390,259
Payable to defined benefit plan - KMBL employees gratuity fund	18.1	-	92,137
Corporate taxes payable - net	18.2	42,699	65,946
GST/FED payable		64,782	49,063
Payable to suppliers		65,525	98,525
Bills payable		114,582	130,554
Provision for Workers' Welfare Fund		62,350	50,300
Dividend payable		150,244	150,244
Payable to service providers		4,524	44,936
Withholding tax payable		9,565	279
Contribution payable to:			
Microfinance social development fund	6.14	173,976	183,617
Risk mitigation fund	6.14	86,988	91,808
Depositors' protection fund	6.14	86,988	91,808
Other payables	18.3	96,802	27,193
		<u>4,831,474</u>	<u>4,486,108</u>

18.1 Payable to defined benefit plan - gratuity

General description

The scheme provides for terminal benefits for all its permanent employees who attain the minimum qualifying period of one year where eligible salary constitutes the basic salary for the service upto July 26, 2004 and last drawn gross salary thereafter. The percentage depends on the number of service years with the Bank. Annual charge is based on actuarial valuation carried out as at December 31, 2020 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.

Asset volatility - most assets are invested in risk free investments i.e. Government Bonds / Treasury bills. However, investments in equity instruments is subject to adverse fluctuations as a result of change in the market price.

Discount rate fluctuation - The plan liabilities are calculated using a discount rate set with reference to Government bond yields. A decrease in Government bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the current plans' bond holdings.

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.

Risk of insufficiency of assets - This is managed by making regular contribution to the fund as advised by the actuary.

Disclosures related to employees gratuity fund are given below:

	2020 Rs. '000	2019 Rs. '000		
a) Amounts recognized in the balance sheet				
Present value of defined benefit obligations	834,405	697,783		
Fair value of plan assets	<u>(843,748)</u>	<u>(605,646)</u>		
Balance sheet (assets)/liability	<u>(9,343)</u>	<u>92,137</u>		
b) Movement in net liability				
Opening net liability	92,137	19,418		
Net expense recognized in profit or loss	144,268	127,076		
Remeasurement gain/(losses) recognized in OCI	(14,566)	19,948		
Contributions	<u>(231,182)</u>	<u>(74,305)</u>		
Closing net (assets)/liability	<u>(9,343)</u>	<u>92,137</u>		
c) Changes in present value of defined benefit obligation				
Opening defined benefit obligation	697,783	545,320		
Current service cost	147,840	130,479		
Interest expense	77,757	70,765		
Benefits due but not paid (payables)	(13,895)	(14,021)		
Benefits paid	(58,143)	(47,306)		
Remeasurements - experience (gain)/losses	<u>(16,936)</u>	<u>12,546</u>		
Closing defined benefit obligation	<u>834,406</u>	<u>697,783</u>		
d) Changes in fair value of plan assets				
Opening fair value of plan assets	605,646	525,902		
Interest income	81,329	74,168		
Contributions	231,182	74,305		
Benefits paid	(58,143)	(47,306)		
Benefits due but not paid	(13,895)	(14,021)		
Return on plan assets, excluding interest income	<u>(2,370)</u>	<u>(7,402)</u>		
Closing fair value of plan assets	<u>843,749</u>	<u>605,646</u>		
e) Amounts recognized in the profit and loss account				
Current service cost	147,840	130,479		
Interest cost on defined benefit obligation	77,757	70,765		
Interest income on plan assets	<u>(81,329)</u>	<u>(74,168)</u>		
	<u>144,268</u>	<u>127,076</u>		
f) Amounts recognized in other comprehensive income				
Remeasurement losses for the year				
Experience adjustments in present value of defined benefit obligation	(16,936)	12,546		
Return on plan assets, excluding interest income	<u>2,370</u>	<u>7,402</u>		
	<u>(14,566)</u>	<u>19,948</u>		
g) Major categories of plan assets				
	2020		2019	
	Rs. '000	Percentage	Rs. '000	Percentage
Accrued interest	4,269	0.51%	5,808	0.96%
Cash at bank - Saving Deposits	289,513	34.31%	263,859	43.57%
Term Finance Certificates	150,000	17.78%	150,000	24.77%
Pakistan investments bonds	413,863	49.05%	-	0.00%
Term deposit receipts	-	0.00%	200,000	33.02%
Payables to out-going employee	<u>(13,895)</u>	<u>(1.65%)</u>	<u>(14,021)</u>	<u>(2.32%)</u>
	<u>843,750</u>	<u>100.00%</u>	<u>605,646</u>	<u>100.00%</u>

- h) The latest actuarial valuation was carried out on December 31, 2020. The significant assumptions used for actuarial valuation are as follows:

	2020	2019
Discount rate - per annum	10.25%	11.75%
Salary increase rate - per annum	9.25%	10.75%
Mortality rate	SLIC 2001-05	SLIC 2001-05

i) **Sensitivity analysis**

	Change in assumption	Impact on defined benefit obligation	
		Increase in assumption	Decrease in assumption
		Rs. '000	Rs. '000
Discount rate	1%	748,748	936,990
Salary rate increase	1%	939,014	745,497

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 (2019: 11 years)

- j) Expected contribution of the Bank to the defined benefit gratuity fund for the year ending December 31, 2021 will be Rs. 148.2 million.

k) **Comparison for five years**

	2020	2019	2018	2017	2016
	Rs. '000				
Present value of defined benefits obligation and fair value of plan assets					
Present value of defined benefits obligation at year end	834,405	697,783	545,320	457,011	386,561
Fair value of plan assets at year end	(843,748)	(605,646)	(525,902)	(385,699)	(370,269)
	<u>(9,343)</u>	<u>92,137</u>	<u>19,418</u>	<u>71,312</u>	<u>16,292</u>

18.2 Taxes payable - net	Note	2020 Rs. '000	2019 Rs. '000
Opening balance		65,946	234,185
Payments		(327,528)	(782,408)
Advance tax paid		(242,625)	(193,644)
Adjustments:			
Tax paid in prior periods		(165,857)	-
Provision for the year	28	<u>712,763</u>	<u>807,813</u>
Closing balance		<u>42,699</u>	<u>65,946</u>

- 18.3 This includes payable to insurance companies amounting to Rs. 16.30 million (2019: Rs. 28.90 million) against crop and livestock insurance premium.

	Note	2020 Rs. '000	2019 Rs. '000
--	------	------------------	------------------

19 **SHARE CAPITAL**

19.1 **Authorized capital**

2020 Number	2019 Number		2020 Rs. '000	2019 Rs. '000
<u>600,000,000</u>	<u>600,000,000</u>	Ordinary shares of Rs. 10 each	<u>6,000,000</u>	<u>6,000,000</u>

19.2 **Issued, subscribed and paid up capital**

2020 Number	2019 Number		2020 Rs. '000	2019 Rs. '000
<u>170,500,000</u>	<u>170,500,000</u>	Ordinary shares of Rs. 10 each fully paid for consideration other than cash	<u>1,705,000</u>	<u>1,705,000</u>
			19.2.1	

19.2.1 The Shareholders of the Bank are as follows:

	2020 Rs. '000	2019 Rs. '000
United Bank Limited	506,285	506,285
Rural Impulse Fund II S.A. SICAS-FIS	417,057	417,057
ShoreCap II Limited	243,568	243,568
ASN-NOVIB Microkredietfonds	168,795	168,795
MultiConcept Fund Management S.A (formerly responAbility Management Company S.A)	339,295	339,295
Bank Al Habib Limited	30,000	30,000
	<u>1,705,000</u>	<u>1,705,000</u>

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

- Rural Impulse Fund II S.A. SICAV-FIS, a Luxembourg specialized investment fund with its registered address at 5, Rue Jean Monnet, L-2013 Luxembourg, Grand Duchy of Luxembourg (hereinafter referred to as "RIF II"), and duly represented by its alternative investment fund manager, Incofin Investment Management Comm. VA, a company incorporated under the laws of Belgium, having its registered office at Sneeuwbeslaan 20, 2610 Antwerp, Belgium.
- ShoreCap II Limited, a private limited life company limited by shares, organized and existing under the laws of the Republic of Mauritius, having its registered office at CIM Global Business 33, Edith Cavell Street, Port Louis, Republic of Mauritius (hereinafter referred to as "ShoreCap") and duly represented by its attorney/investment manager, Equator Capital Partners LLC of 100 North LaSalle Street, Suite 1710, Chicago IL 60602 USA.
- ASN Microkredietpool (formerly ASN Novib Microkredietfonds), acting through its legal owner Pettelaar 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.
- responAbility 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 responAbility Global Microfinance Fund, an unincorporated investment fund (fonds commun de placement) organized under the laws of Luxembourg.

On November 01, 2019, responAbility 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.

		2020 Rs. '000	2019 Rs. '000
20 DEFICIT ON REVALUATION OF ASSETS			
Deficit on revaluation of investment - AFS	10	(10,542)	(798)
Related deferred tax effect		3,058	231
Net deficit on revaluation of investment - AFS		<u>(7,484)</u>	<u>(567)</u>

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

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

- a) For the period from January 2008 to December 2010, the taxation authorities issued an order dated October 23, 2012 to charge FED amounting to Rs. 65.231 million on grants received by the Bank and non-withholding of sales tax on taxable purchases from suppliers not registered in Large Taxpayer unit (LTU). In this respect, an appeal filed by the Bank was dismissed in limine by the Honorable Islamabad High Court. Subsequently, the Bank filed an appeal with the honorable Supreme Court which suspended the impugned judgment of learned High Court and Appellate Tribunal Inland Revenue (ATIR) and remanded back the matter in toto on all issues to the adjudicating officer to examine the same afresh which is pending for re-assessment. Related to this matter, payment of Rs. 34.57 million under protest is carried as receivable from taxable authorities as reflected in note 13.3 to the financial statements.

- b) For the period from January 2011 to December 2012, the Bank has received two orders dated December 06, 2013 and February 06, 2014 amounting to Rs 172.86 million from Deputy Commissioner of Inland Revenue (DCIR) for under declaration of FED of Rs. 71.53 million, FED not paid on banking services of Rs. 40.64 million, and Rs. 60.69 million on non-withholding of Sales Tax/FED on disposal of fixed assets and non-apportionment of input tax. The Bank preferred an appeal before CIR (Appeals) who remanded the case back to the DCIR for reassessment. During re-assessment proceedings, the stance of the bank on most of the issues amounting to Rs. 141.04 million was accepted by the FBR. For remaining alleged amount of Rs 31.82 million the Bank preferred an appeal before the Appellate Tribunal Inland Revenue (ATIR) which is pending on the reporting date. Related to this matter, payment of Rs. 7.82 million under protest is carried as receivable from taxable authorities as reflected in note 13.3 to the financial statements.
- c) For the period from January 2013 to December 2013, the Bank has received two orders from DCIR, one order dated April 29, 2016 for non-payment of FED of Rs. 25.16 million on grants received by the Bank, Rs. 48.53 million on processing fee paid by the Bank in provinces and second order dated June 21, 2016 for Rs. 19.43 million on non-withholding of Sales Tax/FED on payments made for advertisement services, disposal of fixed assets and non-apportionment of input tax. The Bank preferred appeal against the alleged demand of the DCIR and in case of grant received by the Bank Rs. 25.16 million, the ATIR has set aside the case and for remaining alleged demand, the Bank filed civil petitions against the order of ATIR, which is pending for adjudication before the Honorable High Court of Islamabad.
- d) For the period from January 2014 to December 2014, the Bank has received two orders from DCIR, one order dated April 29, 2016 for non-payment of FED of Rs. 26.62 million on grants received by the Bank, Rs. 75.37 million on processing fee paid by the Bank in provinces and second order dated June 21, 2016 for Rs. 29.07 million on non-withholding of Sales Tax/FED on payments made for advertisement services, disposal of fixed assets and non-apportionment of input tax. The Bank preferred appeal to the ATIR who remanded back the case to the adjudicating officer. On the re-assessment, the stance of the Bank in case of processing fee paid in the provinces of Rs 75.37 million was accepted by the FBR. For remaining alleged demand aggregating to Rs 55.69 million, Bank filed civil petitions against the order of ATIR which is pending for adjudication before the Honorable High Court of Islamabad.
- e) For the period from January 2015 to December 2016, the Bank received two orders from ACIR (Additional Commissioner Inland Revenue) dated November 22, 2017 and December 06, 2017 for chargeability of super tax on total income instead of business income of the Bank as defined under section 18 (2) of the Income Tax Ordinance, 2001. The Bank preferred an appeal against the alleged demand of Rs. 200.58 million which is pending adjudication before the Appellate Tribunal Inland Revenue (ATIR).
- f) For the period from January 2016 to December 2017, Punjab Revenue Authority (PRA) issued demand during the year dated April 16, 2019 alleging short deposit of Sales Tax as input tax was fully claimed by the Bank instead of apportionment of input tax. The Bank views that apportionment does not apply to the Bank and being aggrieved of the order, the Bank filed a reference with Honorable Lahore High Court. On January 20, 2020 notice was issued to the respondent department. The Bank has paid, under protest, an amount of Rs. 28 million, which is recognized as Other receivables as the Bank remains confident of full recovery, in due course and without significant time value of money loss (refer to note 13.3 to the financial statements).
- g) For the period from January 2015 to December 2015, the Bank has received an order dated April 10 2019 from DCIR for non- deduction of withholding tax on rental payments made during the mentioned period. In this regard, the Bank's appeal is pending for adjudication before the Commissioner Inland Revenue (Appeals). Relating to this matter, payment of Rs. 1.56 million under protest is carried as receivable from tax authorities as reflected in Note 13.3.

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	2020 Rs. '000	2019 Rs. '000
21.2 COMMITMENTS			
Capital expenditure	21.2.1	240,660	133,011
21.2.1 This represents capital commitments relating to ATMs, Firewall protection system and Other capital expenditure of Rs. 61.00 million, Rs. 56.00 million and Rs. 123.00 million respectively.			

	Note	2020 Rs. '000	2019 Rs. '000
22 MARK-UP/RETURN/INTEREST EARNED			
Mark-up/interest/gain on:			
- Advances		16,827,186	13,497,141
- Investment in Federal Government securities		760,577	536,490
- Deposits/placements with banks/Fis/MFBs/TFCs etc		1,082,528	1,225,087
		<u>18,670,291</u>	<u>15,258,718</u>
23 MARK-UP/RETURN/INTEREST EXPENSED			
Interest on borrowings from:			
Financial institutions - Outside Pakistan		47,636	112,401
Financial institutions - Inside Pakistan		71,231	206,080
		<u>118,867</u>	<u>318,481</u>
Interest on subordinated debt		307,936	135,781
Interest on deposits		8,048,372	6,115,916
Interest on lease liability		256,867	229,036
		<u>8,732,042</u>	<u>6,799,214</u>
24 FEE, COMMISSION AND BROKERAGE INCOME			
Micro-credit application processing fee		1,349,704	1,705,351
Other commission		119,910	181,513
		<u>1,469,614</u>	<u>1,886,864</u>
25 OTHER INCOME			
Recoveries against advances written off		56,652	65,440
Amortization of deferred grant		-	1,183
Gain on disposal of fixed assets		16,376	18,351
Others		329	1,619
		<u>73,357</u>	<u>86,593</u>
26 ADMINISTRATIVE EXPENSES			
Salaries, wages and benefits		2,733,605	2,449,515
Charge for defined benefit plan	18.1	144,268	127,076
Contract/seconded staff expenses		528,606	443,941
Training/capacity building		37,122	81,130
Rent and rates		25,268	21,826
Legal and professional charges		15,184	11,565
Communication		218,149	232,244
Vehicles up keep and maintenance		315,512	336,272
Repairs and maintenance		267,876	286,916
Advertisement		115,585	150,019
Printing, stationery and office supplies		145,052	188,492
Insurance		282,419	235,026
Cash management and financial charges		57,817	81,966
Utilities		193,974	203,729
Security charges		86,148	94,724
Meetings and conferences		25,164	39,898
Travelling and conveyance		17,210	28,861
Recruitment and development		8,098	10,182
Consultancies		-	3,016
Newspapers and subscriptions		7,631	6,241
Auditors' remuneration	26.1	5,864	4,098
Depreciation	12.3	400,537	324,764
Depreciation - right of use assets		360,906	340,950
Amortization	12.4	100,144	68,201
Miscellaneous		6,096	14,809
		<u>6,098,235</u>	<u>5,785,461</u>
Expenditure reimbursed during the year	26.2	(60,982)	(149,934)
		<u>6,037,253</u>	<u>5,635,527</u>

26.1 Auditors' remuneration	2020 Rs. '000	2019 Rs. '000
Audit fee	2,154	1,728
Tax consultancy fee	1,203	298
Other services	1,073	506
Certifications	208	752
Out of pocket expenses	1,226	814
	<u>5,864</u>	<u>4,098</u>

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

27 OTHER CHARGES	Note	2020 Rs. '000	2019 Rs. '000
Penalties	27.1	45	5,218
Workers' welfare fund		12,050	11,827
Professional tax		200	807
		<u>12,295</u>	<u>17,852</u>

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

28 TAXATION	2020 Rs. '000	2019 Rs. '000
Current	712,763	807,813
Deferred	(60,721)	(125,475)
	<u>652,042</u>	<u>682,338</u>

28.1 Comparison of tax provision against tax assessment

	Tax year		
	2020 Rs. '000	2019 Rs. '000	2018 Rs. '000
Income tax provision as per financial statements			
- Current year	807,813	961,759	723,552
- Super tax	-	72,022	47,570
Income tax assessed as per tax return			
- Current year	800,649	890,268	716,681
- Super tax	-	61,668	72,022

28.2 Tax charge reconciliation

	2020 Rs. '000	2019 Rs. '000
Profit before tax	<u>2,391,798</u>	<u>2,518,507</u>
	%	%
Applicable tax rate	29.00	29.00
Income tax relating to prior period	-	-
Change in rate of tax	-	(0.37)
Permanent difference	(1.63)	(1.94)
Others	(0.11)	0.40
Average effective tax rate charged to income	<u>27.26</u>	<u>27.09</u>

29 CASH AND CASH EQUIVALENTS

Cash and balances with SBP and NBP	2,850,265	2,926,228
Balances with other Banks/ NBFIs/ MFBs	10,752,177	4,181,130
Lending to financial institutions	795,981	450,000
	<u>14,398,423</u>	<u>7,557,358</u>

	2020 Numbers	2019 Numbers
30 NUMBER OF EMPLOYEES		
Credit sales staff-Permanent	2,668	2,446
Banking/support staff		
Permanent	1,918	2,025
Contractual	925	905
	2,843	2,930
Total number of employees at the end of the year	5,511	5,376
31 AVERAGE NUMBER OF EMPLOYEES		
Credit sales staff - Permanent	2,522	2,293
Banking/support staff		
Permanent	1,935	1,948
Contractual	907	856
	2,842	2,804
Average number of employees during the year	5,364	5,097
32 NUMBER OF BRANCHES		
Total branches/service center/booths at beginning of the year	226	197
Opened during the year		
Branches	7	25
Service centers/booths	14	19
Closed/merged during the year	(13)	(15)
Total branches/service centers/booths at the end of the year	234	226
Total branches at the end of the year	193	186
Total service centers/booths at the end of the year	41	40
Total branches/service centers/booths at the end of the year	234	226

33 EARNINGS PER SHARE**Basic**

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

	2020 Rs. '000	2019 Rs. '000
Profit after taxation	1,739,756	1,836,169
Microfinance Social Development Fund	(173,976)	(183,617)
Depositors' Protection Fund	(86,988)	(91,808)
Risk Mitigation Fund	(86,988)	(91,808)
	(347,952)	(367,233)
Profit attributable to equity holders	1,391,804	1,468,936
Weighted average number of ordinary shares (Numbers)	170,500	170,500
Earnings per share - basic (Rupees)	8.16	8.62

Diluted

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

34 REMUNERATION PAID TO PRESIDENT, DIRECTORS AND EXECUTIVES

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

	2020				2019			
	President	Directors	Executives		President	Directors	Executives	
			KMPs	Other			KMPs	Other
	Rs. '000				Rs. '000			
Fee	-	3,500	-	-	-	325	-	-
Managerial remuneration	14,616	-	49,997	274,245	13,920	-	45,307	224,127
Charge for defined benefit plan	-	-	6,875	38,002	-	-	6,330	30,183
House rent allowance	6,577	-	22,499	123,410	6,264	-	20,388	100,857
Utilities	2,923	-	9,999	54,849	2,784	-	9,061	44,825
Medical	1,462	-	5,000	27,424	1,392	-	4,531	22,413
Conveyance allowance	789	-	8,878	117,788	833	-	7,979	100,725
Bonus	5,000	-	15,991	36,147	8,000	-	16,668	46,463
Others	2,074	-	551	15,619	1,971	-	687	11,588
Total	33,441	3,500	119,790	687,484	35,164	325	110,951	581,181
Number of person(s)	1	3	10	295	1	2	10	253

- 34.1 The President is also provided with a bank maintained car. Further, he is entitled to certain additional benefits in accordance with the Bank policy.
- 34.2 Key Management Personnel (KMP) means persons having authority and responsibility for planning, directing and controlling the activities of the entity, either directly or indirectly, including any member (or non-executive) of the board.
- 34.3 Executives mean employees, other than the Chief Executive and Directors, whose basic salary exceeds five hundred thousand Rupees in a financial year. Further, executives are entitled to certain additional benefits in accordance with the Bank Policy.

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

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

35.1 SCHEDULE OF MATURITY DISTRIBUTION OF MARKET RATE ASSETS AND LIABILITIES AS AT DECEMBER 31, 2019

	Total	Up to one month	Over one month up to six months	Over six months up to one year	Over one year
	Rs. '000				
Market rate assets					
Advances	53,541,152	5,172,810	17,691,147	26,058,169	4,619,026
Investments	10,111,744	1,050,000	7,411,744	1,500,000	150,000
Other earning assets					
Balances with SBP and NBP - deposit accounts	116	116	-	-	-
Balances with other banks - deposit accounts	3,454,800	3,454,800	-	-	-
Lending to financial institutions	450,000	450,000	-	-	-
Total market rate assets	67,557,812	10,127,726	25,102,891	27,558,169	4,769,026
Other non-earning assets					
Cash in hand	1,104,101	1,104,101	-	-	-
Balances with SBP and NBP - current accounts	1,822,011	1,822,011	-	-	-
Balances with other banks - current accounts	726,330	726,330	-	-	-
Operating fixed assets	3,612,304	67,407	385,180	404,443	2,755,274
Other assets	6,275,454	699,080	1,971,783	3,082,959	521,632
Deferred tax asset	395,116	-	-	-	395,116
Total non-earning assets	13,935,316	4,418,929	2,356,963	3,487,402	3,672,022
Total assets	81,493,128	14,546,655	27,459,854	31,045,571	8,441,048
Market rate liabilities					
Cost bearing deposits	56,054,458	18,256,346	10,572,096	9,522,029	17,703,987
Subordinated debt	2,400,000	-	-	-	2,400,000
Borrowings	1,326,021	-	492,906	405,406	427,709
Total market rate liabilities	59,780,479	18,256,346	11,065,002	9,927,435	20,531,696
Other non-cost bearing liabilities					
Deposits	7,827,891	782,789	1,174,184	1,174,184	4,696,734
Other liabilities	4,486,108	196,679	1,099,127	523,863	2,666,439
Total non-cost bearing liabilities	12,313,999	979,468	2,273,311	1,698,047	7,363,173
Total liabilities	72,094,478	19,235,814	13,338,313	11,625,482	27,894,869
Net assets	9,398,650	(4,689,159)	14,121,541	19,420,089	(19,453,821)

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, 2020 are summarized as follows:

Description	Interest rate %	INTEREST/MARK-UP BEARING						Sub Total	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			
Financial assets:										
Cash and balances in current and other accounts										
Balance in deposit accounts	4.50 to 9.00	9,429,483	-	-	-	-	-	-	4,172,959	4,172,959
Lending to financial institutions	6.05 to 7.18	795,981	-	-	-	-	-	-	-	9,429,483
Investments	7.40 to 9.00	10,390,682	505,043	6,634,164	-	150,000	17,679,889	-	-	795,981
Advances	5.00 to 34.00	52,184,917	5,157,539	1,539,740	239,468	243,004	60,406,263	234,524	14,383,775	17,679,889
Other assets	-	72,801,063	5,662,582	8,173,904	239,468	243,004	88,311,616	18,791,258	14,383,775	60,640,877
Financial liabilities:										
Deposits and other accounts	7.00 to 14.50	58,367,534	17,092,388	4,840,138	11,989	3,800	80,315,849	8,333,965	88,649,814	427,708
Borrowings	8.74 to 15.73	356,875	70,833	-	-	966,667	2,400,000	-	-	2,400,000
Subordinated debt	9.35 to 16.25	-	-	-	-	-	-	1,433,333	4,831,474	4,831,474
Other liabilities	-	-	-	-	-	-	-	-	-	-
On balance sheet gap		58,724,409	17,163,221	4,840,138	11,989	970,467	83,143,557	13,165,439	96,308,996	10,793,878
Unrecognized:		14,076,654	(11,500,639)	3,333,766	227,479	(727,463)	5,168,059	5,625,819	(240,660)	10,553,218
Commitments	-	-	-	-	-	-	-	-	-	-
Off balance sheet gap		14,076,654	(11,500,639)	3,333,766	227,479	(727,463)	5,168,059	5,385,159	(240,660)	10,553,218
The Bank's exposure to interest rate risk and the effective rates on its financial assets and liabilities as at December 31, 2019 are summarized as follows:										
Financial assets:										
Cash and balances in current and other accounts										
Balance in deposit accounts	4.50 to 14.80	3,454,916	-	-	-	-	-	-	3,652,442	3,652,442
Lending to financial institutions	13	450,000	-	-	-	-	-	-	-	3,454,916
Investments	13.40 to 16.50	9,961,744	-	-	-	-	150,000	10,111,744	-	450,000
Advances	5.00 to 33.00	48,922,126	2,799,194	761,973	179,113	173,547	53,274,200	266,952	10,282,874	10,111,744
Other assets	-	62,788,786	2,799,194	761,973	179,113	173,547	67,290,860	14,202,268	10,282,874	53,541,152
Financial liabilities:										
Deposits and other accounts	5.00 to 15.00	38,350,471	6,166,447	11,537,540	-	-	56,054,458	7,827,891	63,882,349	1,326,021
Borrowings	8.79 to 15.73	898,312	356,875	70,834	-	-	1,326,021	-	-	2,400,000
Subordinated debt	15.98 to 16.25	-	-	-	-	-	2,400,000	-	-	4,486,108
Other liabilities	-	39,248,783	6,523,322	11,608,374	-	-	59,780,479	12,313,999	72,094,478	4,486,108
On balance sheet gap		23,540,003	(3,724,128)	(10,846,401)	179,113	173,547	7,510,381	1,888,269	9,398,650	(133,011)
Unrecognized:		-	-	-	-	-	-	(133,011)	1,755,258	9,265,639
Commitments	-	-	-	-	-	-	-	-	-	-
Off balance sheet gap		23,540,003	(3,724,128)	(10,846,401)	179,113	173,547	7,510,381	1,755,258	9,265,639	(133,011)

37 RISK MANAGEMENT

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

37.1 Credit risk

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

37.2 Operational risk

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

37.3 Market risk

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

37.4 Liquidity risk

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

37.5 Capital adequacy risk

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

37.6 Currency risk

Currency risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rate. Currency risk arises in financial instruments that are denominated in foreign currencies. The Bank has obtained foreign currency borrowings from banks and hedged its foreign currency exposure by entering into cross currency swap agreements to mitigate this risk. The Bank has obtained foreign currency borrowings from ECO Trade and Development Bank and hedged its foreign currency exposure by entering into cross currency SWAP agreements with JS Bank Limited.

37.7 Social and environmental risk

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

38 CUSTOMER GRIEVANCE

38.1 Overview

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

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

The Complaint Cell is effectively engaged in resolving & responding customers' complaints, queries, requests and feedbacks received through multiple channels like contact center, e-mail, letter, fax, walk-In, SBP, branches, complaint e-form and complaint cell toll free number on daily basis.

38.2 General process for complaint resolution

Customer complaints received from any of the specified channels are being lodged, acknowledged, investigated and responded as per the timelines defined by State Bank of Pakistan. After doing an early 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 dis-satisfied with the resolution.

38.3 Initiative taken during 2020

Focused efforts have been made through following initiatives by the Bank to gauge overall performance of complaint handling mechanism:

- The Bank conducts Customers' Satisfaction Complaint Handling Surveys via Calls to gauge complainant's satisfaction with end to end complaint handling process starting from complaint channels visibility & accessibility, effectiveness in responding to and resolving complaints, overall satisfaction with complaint handling mechanism and to identify any area(s) for service improvement.
- Based on multiple surveys conducted in the year 2020, 92% of customers rated KMBL amongst top 5 points on a scale of a 10 point for visibility of complaint handling.
- The Bank has a robust Video Mystery Shopping-VMS (independent of its business lines) to better gauge complaint acknowledgement/handling at branch end. This helps the Bank for taking corrective measures for improvement of service quality deliverables & customer experience.

Complaint status

Total number of complaints received during the year	2020	2019
Average time taken to resolve (days)	2,542	3,363
	4	5

Complaints' Data for the year 2020

Complaint Nature	Complaint received	Disposed-Off Complaints		Complaint Closed Beyond Regulator's TAT	Open as on 31-12-2020 (Within Regulator's TAT)
		Internals TAT Minor-3-BDs Major-7-BDs	Regulator's TAT Minor-7-BDs Major-30-Days		
Minor	1,988	1,478	420	84	6
Major	554	505	35	9	5
Total Count	2,542	1,983	455	93	11

39 FAIR VALUE MEASUREMENT

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

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

Fair value of fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances have 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, 2020.

	Note	Rs. '000	Level of hierarchy	Significant unobservable inputs	Inter-relationship between unobservable inputs and fair value
2020					
Available for sale investment					
Market treasury bills		8,400,586	Level 2	-	-
Pakistan investments bonds	10	7,260,950	Level 2	-	-
2019					
Available for sale investment					
Market treasury bills	10	5,411,744	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.

Cross currency swap agreements with JS Bank have not been revalued at fair value as at the balance sheet date as the SBP, vide BPRD Circular letter No. 04, dated October 23, 2019 has deferred the applicability of International Financial Reporting Standard (IFRS-9), "Financial Instruments" for financial Institutions till December 31, 2020.

- 39.1 The reconciliation of the opening and closing fair value balance of level 1 and 2 financial instruments is provided below:

	2020 Rs. '000	2019 Rs. '000
Opening balance	5,411,744	3,915,710
Additions during the year	46,016,278	26,096,451
Unrealised fair value loss included in other comprehensive income	(10,542)	(798)
Disposals during the year	(35,887,591)	(24,599,619)
Closing balance	<u>15,529,889</u>	<u>5,411,744</u>

40 RELATED PARTY TRANSACTIONS

The Bank's related parties comprise of 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 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	2020 Rs. '000	2019 Rs. '000
- with shareholders		
Lending to financial institutions	12,589,750	5,044,753
Repayment of lending to financial institutions	12,598,122	5,044,753
Investments made during the year	-	990,294
Borrowings	478,005	1,981,344
Subordinated debt	-	210,000
Repayment of borrowings/Subordinated Debt	527,341	1,981,344
Branchless banking services recovery of loan portfolio	54,344	305,752
ATM services payments	981	16,912
Income		
Interest income on deposit account bank balances	13,092	9,177
Interest income on lending to financial institutions	8,372	3,987
Interest income on Investment (TFC)	6,043	6,737
Expenses		
Interest expense on borrowings	121	2,432
Interest expense on TFC	49,216	20,351
Fee, Commission & Bank charges	11,618	5,290
Branchless banking service commission/ATM charges	-	-
Transactions during the year		
- with defined benefit plan		
Contribution paid to KB employees gratuity fund	231,182	74,305
- with others		
Cost reimbursement received from MSDF	338,103	321,745
Cost reimbursement claim from MSDF	183,201	60,892
Receivable from MSDF - written off	-	-
Balances outstanding at the year end		
- with shareholders		
Balances with banks	977,787	530,606
Investments/TFCs	50,000	50,000
Interest receivable on investments/TFCs	145	246
Borrowings and subordinated debt	360,000	360,000
Interest payable on borrowings/subordinated debt	4,272	7,297

	2020 Rs. '000	2019 Rs. '000
- with defined benefit plan		
Balance (receivable)/payable to gratuity fund	(9,343)	92,137
- with key management personnel including President		
Advances - Staff loans	94,882	86,371
Other assets - Staff Advances	885	720
Deposits	121,311	104,109
- with others		
Receivable from MSDF	52,625	250,358

41 CAPITAL RISK MANAGEMENT

The Bank's objectives when managing its capital are:

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

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

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

42 GENERAL INFORMATION

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

	2020 Number	2019 Number
Offices		
Total branches of the Bank	193	186
Total service centers/booth of the Bank	41	40
Micro credit cases		
Number of active cases at year end	879,637	871,228
Number of loans disbursed during the year	417,755	866,813
Number of loan rescheduled and deferment during the year	589,046	-
Average number of active borrowers for the year	875,433	827,854
	2020 Rs. '000	2019 Rs. '000
Microcredit portfolio		
Microcredit advances receivable - Gross	60,648,237	53,607,444
Total disbursements for the year	38,198,363	57,995,961
Total rescheduled and Deferment during the year	35,069,000	-
Portfolio Quality		
Portfolio at risk (Normal/deferred loan)	1,666,527	1,983,594
Portfolio written off	2,784,171	1,724,012
Loan loss reserve	1,464,854	1,256,670
Average loan sizes		
Average outstanding loan size	68,947	61,531
Average gross loan portfolio	57,127,841	47,534,340

	2020 Rs. '000	2019 Rs. '000
Information about the Bank's assets/liabilities		
Total assets	107,102,874	81,493,128
Current assets	87,449,687	72,716,682
Fixed assets	3,688,195	3,612,304
Average total assets	94,298,001	75,982,540
Current liabilities	69,341,814	44,199,609
Bank's equity	10,793,878	9,398,650

43 FINANCIAL RATIOS

The definition of ratios, presented below and described in notes 43.1 to 43.22, are in accordance with provisions of Microfinance Consensus Guidelines issued by The Consultative Group to Assist the Poor (CGAP) and does not necessarily reflect the Bank's internal practices, which are based on more granular data. The current year ratios include the impact of implementation of IFRS - 16.

	Note	2020 Percentage	2019 Percentage
Sustainability / Profitability			
Return on equity	43.1	15.86%	17.52%
Adjusted return on equity	43.2	15.82%	17.76%
Return on assets	43.3	1.70%	2.03%
Adjusted return on assets	43.4	1.69%	2.06%
Operational self sufficiency	43.5	112.94%	115.80%
Financial self sufficiency	43.6	113.00%	116.00%
Profit margin	43.7	11.46%	13.65%
Asset / Liability Management			
Current ratio (times)	43.8	1.18	1.63
Yield on gross loan portfolio	43.9	23.65%	28.39%
Yield gap	43.10	22.65%	5.63%
Funding-expense ratio	43.11	14.94%	13.73%
Cost-of-funds ratio	43.12	10.98%	10.66%
Portfolio Quality			
Portfolio at risk	43.13		
from 1 - 29 days		4.51%	3.85%
from 30 - 59 days		0.48%	1.24%
from 60 - 89 days		0.42%	0.66%
from 90 - 179 days		1.76%	1.08%
over 179 days		0.09%	0.72%
Write-off ratio	43.14	4.76%	3.48%
Risk coverage ratio	43.15	87.90%	63.35%
Efficiency / Productivity			
Operating expense ratio	43.16	10.45%	11.72%
Cost to revenue ratio	43.17	53.46%	55.92%
Cost per borrower (Rupees)	43.18	6,962	6,997
Personnel productivity (Numbers)	43.19	160	162
Loan officer productivity (Numbers)	43.20	330	356
Average disbursed loan size (Rupees)	43.21	91,437	66,907
Average outstanding loan size (Rupees)	43.22	68,947	61,531

43.1 Return on equity (RoE) calculates the rate of return on the average equity for the year. RoE calculations are net operating income less taxes divided by average equity for the year.

43.2 Adjusted return on equity is calculated on an adjusted basis to address the effects of subsidies, provision against non-performing advances and other items that are not in the Bank's net operating income.

43.3 Return on assets (RoA) measures how well the Bank uses its total assets to generate returns. RoA calculations are net operating income less taxes divided by average assets during the year.

43.4 Adjusted return on assets is calculated on an adjusted basis to address the effects of subsidies, provision against non-performing advances and other items that are not included in the Bank's net operating income.

43.5 Operational self sufficiency measures how well the Bank covers its costs through operating revenues. In

addition to operating expenses, financial expenses and loan loss provision expense are also included in the calculation.

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

44 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in their meeting held on March 02, 2021 proposed a cash dividend in respect of financial year 2020 of Rs. Nil per share (2019: Rs 1.50 per share which was not approved by the shareholders due to Covid). This appropriation will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended December 31, 2020 do not include the effect of these appropriations which will be accounted for in the financial statements for the year ending December 31, 2021.

45 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 2020 (per annum)
1	Prime Human Resource	Employees various outsourcing services	Rs 291 million
2	Data technologies (Pvt) Ltd	Data archive, scanning and record management	Rs 23.5 million
3	Human Development Foundation	Client mobilization for group loans	Rs 30 million
4	Family Planning Association of Pakistan	Client mobilization for group loans	Rs 25 million
5	Sindh Graduates Association	Client mobilization for group loans	Rs 9.8 million
6	Health & Nutrition Development Society	Client mobilization for group loans	Rs 4.8 million
7	Society of Human Development	Client mobilization for group loans	Rs 8.4 million
8	Idemia Pakistan (Pvt) Ltd	Debit card production & stuffing	Rs. 4 million
9	Diligent APAC Board Services PTE Ltd	Cloud based data sharing	Rs. 2.1 million

46 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 are no major reclassifications have been made during the year.

47 DATE OF APPROVAL

These financial statements were approved by the Board of Directors of the Bank in their meeting held on March 02, 2021.

48 GENERAL

- 48.1 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.
- 48.2 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, Abbottabad.
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, Karakoram Highway, Aliabad Hunza, Gilgit Baltistan.
4	Ali pur	Khata No221, College Chowk, Opposite Sibtain Town, Ali Pur Road, Mohallah Ghalwain, Tehsil Ali Pur, District Muzaffargarh.
5	Arifwala	21- A/ Block, Main Muhammadi Road, Karkhana Bazar, Arifwala, District PakPattan.
6	Attock	BV 11-56 & 57, Indus Plaza, Barq Road, Near Geedar Chowk, Attock City.
7	Badeh	Shop No 1-3, Mohallah Pyaro Khan Sariyo, Main Badeh Naseerabad Road, Badeh, Tehsil Dokri, District Larkana.
8	Badin	Survey # 33, Adjacent Abbasi Hospital Main DCO Chowk, Karachi Road, Badin.
9	Bagh	Al Noor Plaza, Ground Floor, college Road Bagh, AK.
10	Bahawalnagar	Plot no 7, City Chowk, Jail Road, Bahawalnagar.
11	Bahawalpur	Shop # 43, New Ghalla Mandi, Model Town 'B', Bahawalpur.
12	Basirpur	Khewat No. 416, Khasra No. 75/15/1, Main basirpur Road, Tehsil Depalpur, District Okara.
13	Bhakkar	Plot No- 155/2, Club Road , Bhakkar.
14	Bhalwal	Plot No 451, Block 4, Liaqat Shaheed Road, Bhalwal.
15	Buner	Khatooni No 464, Shops located at Opposite New Bus Stand Mardan Road Sawarai, District Buner.
16	Burewala	Khewat No. 165/154, Khatooni No.331, Salim Khatta, Mohal 439/E.B, Multan Road Industrial Area Tehsil Burewala, Distric Vehari.
17	Chakwal	Shop No. 4/1785, Tehsil Chowk, Near Warid Franchise, Rawalphindi Road, Chakwal.
18	Charsada	M. G Plaza, Tangi Road, Charsadda.
19	Chichawatni	Plot No. 18-19, Main G T , Road, Near Lakkar Mandi Pull, Chichawatani.
20	Chiniot	Plot No 2/13-z Block Z Development Scheme, opposite Hascol Pump, Ghalla Mandi Chowk, Jhumra Road Chiniot.
21	Chishtian	Gillani Market Opposite Sadar Eid Gah Highway Road Chishtian, District Bahawalnagar.
22	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.
23	Chowk Azam	Khata # 19 Moza lohanch thal Kalan, Multan Mianwala Road, Near greenway petrol pump, Chowk Azam, Tehsil & District Layyah.
24	Chowk Sarwar Shaheed	Property No. 964SH, Khatta No.18, Salim Khatta, Mohal 571/TM,MM Road, Chowk Sarwar Shaheed, Tehsil Kot Addu, District Muzaffargarh.
25	Dadu	Plot # 629, Mian Road, Adjacent to Govt Girls High School, Dadu.
26	Daherki	Deh Tapo, Taluka Daherki, District Ghotki.
27	Dahranwala	Warraich Market, Haroonabad Road, Dahranwala, District Bahawalnagar .
28	Darya Khan	Plot No 89, ward No. 8, Bhakkar Road Darya Khan, Tehsil Darya Khan, District Bhakkar.
29	Daska	Property No.889/11-B/Banglow, Circular Road, oppoiste Civil Hospital, Daska, District Sialkot.
30	Dera Ghazi Khan	Khasra No 12289/9829, 12288/9829, Block- J Railway Road, Dera Ghazi Khan.
31	Dera Ismail Khan	Al Zaman Building near Siraj Medicle Complex, Circular Road, Dera Ismail Khan.
32	Dunyapur	Khewat No. 17, Khatooni No. 110, Railway Road , Near Al- Mulk Hospital, Dunyapur, District Lodhran.
33	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.
34	Faisalabad	Ayubi Plaza P- 834/A, Liaqat Road, Near Police Line Petrol Pump, Faisalabad.
35	FatehJang	Shop No 1 , Ground Floor, Mudassir Awan Arcade, Pindi Road Fatehjang, District Attock.
36	Fazilpur	M Ismaeel Plaza Traffic Chowk Main Indus Highway, Fazilpur.
37	Feroza	Khewat No. 167, Khatooni No.248, Situated at Shahi Road Feroza, Mouza Hayat Lar, Feroza ,Tehsil Liaqatpur & District Rahim Yar Khan.
38	Fort Abbas	Khata No 259/260, Khatooni No, 259, School Bazar, Fort Abbas, District Bahawalnagar.
39	Gahkuch	Khasra No.1087, Rais Market, Opposite City Park, Near LG & RD Office, Main Bazar, Gahkuch, Tehsil Punial, District Ghizar, Gilgit.
40	Ghotki	Plot No 115 , Devri Sahib road Near National bank of Pakistan, Ghotki.
41	Gilgit	S M Abdul Hakim Market , Near radio Pakistan, Zulficarabad, Jutial, Tehsil & District Gilgit.

S. No.	Branch Name	Address
42	Gojra	P -499, Siddique Commercial Center, Tehsil Office Road, Gojra, District Toba Tek Singh.
43	Gujar Khan	Haji Raja Karam Ellahi Plaza, G T Road, Gujar Khan, District Rawalpindi.
44	Gujranwala	Khasra No 182, Khewat No. 42, Khatooni Number 43, Mouza Main Sansi, Tehsil & District Gujranwala.
45	Gujrat	Ground Floor Shehroz Plaza, Near S.A Fans Area Estate Main G T Road, Gujrat.
46	Hafizabad	Khewat No.508, Khatooni No.1469, Street No. 06 Near Fiza Carpet, Gujranwala Road, Tehsil and District Hafizabad.
47	Hala	Plot No. 284, Old Main National Highway, Adjacent babi- Nooh, Hala.
48	Haripur	Pandak Area, Shahrah-e-Hazara, Haripur.
49	Haroonabad	Plot # 734, Front Main Bazar Bangla Road Tehsil Haroonabad, District Bahawalnagar.
50	Hasilpur	Khata No. 34/29, Plot Adjacent Honda Motorcycle Showroom, Near Bus Stand, Main Bahawalpur Road Hasilpur.
51	Hassanabdal	Manan Ali Khan Plaza, Near General Bus Stand, G T Road Hassanabdal, District Attock.
52	Havelian	Malik Cottage, main Bazar Havelian, District Abbottabad.
53	Hyderabad	Plot No. HCB-73, Qazi Abdul Qayyom Road, Gari Khata Hyderabad.
54	Islamabad	Amir Plaza, Ground Floor, 94-West, Jinnah Avenue, Blue Area, Islamabad.
55	Jahnia	Khewat No. 19, Chak No. 111/10 - R, Opposite Govt. Middle School No. 03 for Boys, Madina Chowk, Jahanian, District Khanewal.
56	Jail Road-Lahore	House No 15, Shadman Colony, Jail Road, Lahore.
57	Jalalpur Pirwala	Almadina Market, Near General Bus stand Multan Road Jalalpur, Pirwala.
58	Jampur	Ward No. 13, Registry No. 692/1 Pesticide Market Dajal Road Jampur, Tehsil Jampur, District Rajanpur.
59	Jaranwala	Ismail plaza, Muhallah Usmania Park, Faisalabad Road, Near Fesco Office, Jaranwala.
60	Jhang	Khatta No. 129, Near Govt. Women College, Main Gojra Road Tehsil and District Jhang Saddar.
61	Jhelum	Ground Floor, Shan-e-e Muhammadi Plaza, Opposite Tableegh-ul-Islam High School, Near NADRA Office, Civil Lines Jhelum.
62	Juddo	Plot City Survey No 7, Ward No 3 B, Near Rajput Chowk, Shahi Bazar, jhuddo, Tehsil jhuddo, District Mirpurkhas.
63	Kahrora Pacca	Near Railway, Track Mailsi Chowk, Main City Road, Mohal Pacca Hadbast 390, Tehsil Kahrora Pacca District Lodhran.
64	Kallur Kot	Khata No.244/243, Khatooni No.366, Ward No.2, Lodhi Market Kallur Kot, District Bhakkar.
65	Kambar/Wagan	Opposite Govt primary boys School, Miro Khan Road, Kambar.
66	Kamoki	197/162, Near Shifa Eye Hospital, Main G T Road, Kamoki.
67	Kandkot	Jaryan No 264, Main Haibat Road Near National Bank of Pakistan, Branch Kandh Kot.
68	Karachi	Plot No 13, Commercial Area main Rashid Minhas Road, Gulshan e Iqbal, Block- 10 Opp. Lal flats Karachi.
69	Karachi - Korangi	Plot No L-04, Sector 35- C, korangi township, Karachi.
70	Karor Lal Essan	Khasra No. 289, Sewag Plaza, Opposite PTCL Exchange, Fatehpur Road, karor lal Essan, District Layyah.
71	Kashmore	Jaryan No.1/684, Deh kashmore, Taluka & District Kashmore.
72	Kasur	Khewat No. 1068, Khatooni No. 1388, Minhas Colony, Chowk Khan Mahal Cinema, Main Lahore Road Kasur
73	Khairpur	Kacherri Road Khairpur.
74	Khairpur Tamewali	Khata No 119/111, Khatooni No 271-276 Opposite Chand Restrurant, Tehsil Khairpur Tamewali, District Bahawalpur.
75	khanewal	Plot No.1, Street No 1, Block-2, RCA Chowk, khanewal.
76	Khanpur	Qaid Millat Road, opposite Saving Center, khanpur, District Rahim Yar Khan.
77	Khudian Khas	Khewat No.1005, Khatooni No. 3230, Khasra No.6664, Mahal khudian, Near New Bus Stand, Main Depalpur Road, Tehsil & District Kasur.
78	Khushab	Block # 02,Plot # 01,Bank Square, Jauharabad Distt. Khushab.
79	Kohat	Najam Complex, Near Police Lines, Hangu Road, Kohat.
80	Kot addu	Opp. Faisal Motors, Near PSO Pump, Main G T Road, Kot Addu, Tehsil Kotaddu, District Muzaffargarh.
81	Kot Chuhatta	Khata No. 109, Opposite Tehsil Office, Main Indus Highway, Kot Chutta, District Dera Ghazi Khan.
82	Kot Mithan	Ward No.7, Registry No.1018 & 1081, Darbar Road, Kot Mithan, Tehsil & District Rajanpur.
83	Kot Sultan	Khata No. 77, Mohalla Husnain Abbad Near Civil Hospital, Multan Road, Kot Sultan, District Layyah

S. No.	Branch Name	Address
84	Lahore Shahdara	71, Near Allah Ho Darbar & Masjid Tuheed, Adjacent ZTBL Bank, Main Sheikhpura Road, Jia Musa, Shahdara, Lahore.
85	Lahore-DHA	Plot No. 79, Block CCA, Phase-IV, Defense Housing Authority, Lahore Cantt.
86	Larkana	C.S/ R.s No 1827/1876, Near Bank Square, Larkana.
87	Leyyah	Plot # 405 / B- 2nd , Main Choubara Road, Near MCB Leyyah.
88	LiaqatPur	87- A, Scheme No.2 , Bank Road, Opposite Qayyum petrolium, Liaqatpur.
89	Lodhran	Plot / khawat No. 509/479 & 528/486, Jalal Pur More Near masjid e Ahl - e - hadees, Bahawalpur Road Lodhran.
90	Malakand Agency	Shop # 1-5 and 29-34, Tahir Plaza, Main Bazar, Batkhela, Malakand Agency.
91	Mandi Bahauddin	Khawat No. 282, Khatooni No. 486 to 487, tehreem plaza Punjab Center, Phalia Road, Mandi Bahauddin.
92	Mandi Yazman	Khata/Khawat No 404 Khatoni No. 609, Situated at Chak No. 56/DB Alif, Bahawalpur Road, Opposite NBP Bank Mandi Yazman.
93	Mankera	Khata # 224-225/218-219, Khatooni # 356-357, Mankera Town, Main Jhang-bhakhar Road, tehsil Mankera District Bhakhar.
94	Mansehra	Ammar's Arcade, Near noor College, Old Balakot Bypass Road, Mansehra.
95	Mardan	CB 445/ A- 2, Saddar Bazar, The Mall, Mardan Cantt. Mardan.
96	Mehar	Survey No 151, Khairpur Nathan Shah Road, Mehar, District Dadu.
97	Mian Channu	M A Ghani colony, street # 04, Corner Plot, GT Road, Near Opposite Tehsil Complex Mosque, Mian Channu.
98	Mianwali	Plot No. 706, Soney Khel Market, Govt. High School Road, Mianwali.
99	Minchan Abad	Khata/ khatooni No. 152, Mouza (Mohal Michinabad) Distt. Bahawalnagar.
100	Mirpur	Plot No 1., Sector No. II, Allama Iqbal Road, Mirpur, Azad Kashmir.
101	Mirpurkhas	Ward -A , MP Colony , Main Umer Kot Road, Mirpurkhas.
102	Mithi	Shop # 01 to 6, Sameer & Kunal Market Near Kashmir Chowk Main Naukot Road Mithi, District Tharparkar.
103	Mubarik Pur	Khawat no. 205, Khatooni No.526, Situated at Mohala Mubarik Pur, Tehsil Ahmad Pur east, District Bahawalpur.
104	Multan	Shop No.1, Royal Shopping Centre, Azmat Warsi Road ,Dera Ada Chowk, Multan.
105	Muridke	Salim Qitta 17, Khawat No. 419, Khatooni No. 1019 to 1023, Mouza Mureedke Near Bilal Masjid Main GT Road Tehsil Mureedke, District Sheikhpura.
106	Muzaffar Garh	Khawat No. 664, Jhang Road near Zewa Hotel Mohalla Khurshidabad Tehsil & District Muzaffar Garh.
107	Muzaffarabad	Raza Building, Poultry Farm Road, Opposite AJK University, Muzaffarabad, A.K.
108	Nankana Sahib	Khawat No.551, Khatooni No. 700, Adjacent Khalid Rice Mills, Morni Wala Karkhana, District Nankana Sahib.
109	Narowal	VI-284, Near Siddique Pura Morre,Circular Road, Narowal.
110	Naseerabad	Khasra No.6775/76, Near City Police Station, Main Quetta Road, Dera Murad Jamali, Naseerabad.
111	NawabShah	House # A-306, Paro hospital Road, Otaq Quarter, Nawabshah.
112	Nosheroferoze	Plot Near Jilbani Petroleum Services, Mian National Highway, Nashero Feroze.
113	Nowshera	Al Jameel City Centre, Near PSO Police Petrol Pump, Main GT Road, Nowshera.
114	Okara	Habib Cotton Factory, M. A Jinnah Road, Chack No. 1-A/4-L, Okara.
115	Paharpur	Khawat No.870 Khatooni No.843, Khasra No.4809/1&4814,Qitta 4, Khawat No.886, Khatooni No.839, Khasra No.4810, Rangpur Road, Mouza Paharpur Kalain, Tehsil Paharpur, Dera Ismail Khan.
116	Pakpattan	Khata No. 3182/3152, 4347/3993, Khatooni No. 3384, 4754, College Road, Pakpattan.
117	Pannu Aqil	Plot No. 435, Baiji Road, Pannu Aqil.
118	Pasrur	Faisal Colony, Main Sialkot Pasrur Road, Near Gujar PSO Petrol Pump, Pasrur.
119	Pattoki	Khasra # 1920/1573 Khawat # 926 Khatoni # 2857, Main Multan Road, Opposite Naseem Anwar Hospital, Pattoki.
120	Peshawar	Amin Hotel, Main G.T Road, Hashtnagri, Peshawar.
121	Pir Mahal	Khawat No. 3, Khatooni No.12 to 13, Situated at Chak No.319 GB Urban, Tehsil Pir Mahal, District Toba Taik Singh.
122	Qadirpur Rawan	Plot No. 26, Opposite Town committee Office, G.T Road, QadirPur, Rawan.
123	Qasba Gujrat	Khawat No. 382, khatooni No. 1, Salim Khatta, ghazi Ghat Road, Near Chowk ghazi Ghat, Qasba Gujrat, Tehsil Kot Addu, Disst. Muzaffargarh.
124	Rahim Yar Khan	Khawat No. 302/278, Situated at 16-A, Businessman Colony, Opposite Desert Palm Hotel, Rahim Yar Khan.
125	RajanPur	Kamran Market, opposite Jamia Sheiks Darkhasti, Rajanpur.
126	Ranipur	Shop No. 1-3, Plot No. 232/4-7, Near Mazhar Model School, Main National Highway, Ranipur.
127	Ratodero	Shop No 1,2 & 3, Ward- B, Near Main Bus Stand , Ratodero, District Larkana.
128	Rawalpindi	Ropyal Brothers Plaza, Property No. B- 130, Main Muree Road, Chandni Chowk, Satellite Town, Rawalphindi.
129	Rawlakot	Al- Makkah Shopping Plaza, CMH Road , Near Ali Firdous Clinic, Supply Bazaar, Rawalakot.
130	Rohillanwala	Khata No. 57 Situated at Mohal Sandaila, Main Ali Pur Road Near Canal House Rohillanwali, Tehsil & District Muzafargarah.

S. No.	Branch Name	Address
131	Sadiq Abad	Chak No. 10/NP, Nishtar Chowk, KLP Road, Sadiqabad, District Rahim Yar Khan.
132	Sahiwal	Khewat No.15848/4764, Liaqat Ali Road, Sahiwal.
133	Sahiwal-SGD	Khewat No. 2695, Nawan Lok, Main Sargodha Road, Tehsil Sahiwal, District Sargodha.
134	Sanghar	Choudhary Corner, Main Nawabshah Road Sanghar.
135	Sargodha	Property No 3354, block No. 16, Near NADRA Office, Sargodha.
136	Shah Kot	Khawat No 33, Khatooni No 34, Khasra No, 519, Haq Bahoo Chowk, Shah Kot, District Nankana.
137	Shahdad Kot	City Survey No. 883, Ward- A, Lakhpati Road Near Keenjhar Public School, Shahdad Kot, Tehsil & District Shahdad Kot.
138	Shakargarh	Khasra No. 1449/178, Maqsood Plaza, Near Railway Phatak, Railway Road, Shakargarh, Tehsil Shakargarh, District Narowal.
139	Sheikhupura	Al Rehman Center, Near Millan Marriage Hall, Main Lahore Road Sheikhupur.
140	shikarpur	Hizb Plaza, Plot No. 3/1, Near Jahaz Chowk, Station Road Shikarpur.
141	Shorekot	Khata No. 1191, Ammad Ashraf Plaza Jhang Road, Shorekot City, Tehsil Shorekot District Jhang.
142	Shujahabad	Plot No E-456, opposite Khan Brothers Bus Stand, Jalalpur Road, Shujahabad.
143	Sialkot	Small Industrial State, Near Alam Chowk, Shahabpura Road Sialkot.
144	Sukkur	Plot- Serial # 274, Opposite Total Petrol Pump, Military Road, Sukkur.
145	Swabi	Rehman Market, Swabi Mardan Road, Swabi.
146	Swat (Mingora)	Ground Floor , Shahzad Plaza, Saidu Sharif, Makan Bagh Road, Mingora, Swat.
147	Tando Allahyar	Plot # 2 Block A, Survey # 273/1, Opposite to Civil Hospital, Main Hyderabad Road, Tando Allahyar.
148	Tando Muhammad Khan	Plot No. C S 832, Opposite SSP office, Tando Muhammad Khan.
149	Taunsa Sharif	Khata No. 1739, Mangrotha Road, Taunsa Sharif.
150	Thatta	Shop No. 6, Al-Shahbaz Shops, National Highway, Thatta.
151	Tibbi	Khata No.81, Main Indus Highway, Tibbi Qaisrani, Tehsil Taunsa & District D.G Khan.
152	Toba Tek Singh	Al- Aziz Center Shore Kot Road, Toba Tek Singh.
153	UCH Sharif	Abbaisa Road, Opposite Mariam Hospital, Near Lallu Wali Pull Uch Sharif, Tehsil Ahmedpur East District Bahawalpur.
154	UmarKot	Saleem Shopping Center, Shop No. 1 & 2 Gulshan-e- Saleem Housing Society, Main Chore Cantt Road, Opposite M. A Jinnah Park, Umerkot.
155	Vehari	Plot # E/8 Main Karkhana Bazar Near Goal Chowk, Vehari.
156	Wazirabad	Khewat No.1223, Khatoni No.1954, Khasra No.1767, Main Sialkot Road, Opposite Bandhan Marriage Hall, Wazirabad.
157	Zafarwal	Khewat No. 575, Khasra No. 2637, Situated at Town Committee, Zafarwal, Mohalla & Tehsil Zafarwal, District Narowal.
158	Zahirpir	Old GT Road, Canal Rest House Chowk, Zahir Pir, District Rahim Yar Khan.
159	Zareef Shaheed	Khewat no. 350/342, Khatooni no. 1120 to 1124, Situated at Main Lodhran Road, Near Liaqat Chowk, Raja Ram Zareef Shaheed, Tehsil Shujabad District Multan.
160	Malir Karachi	S-1/296, Saudabad, Malir, Karachi.
161	North Nazim Abad	Sub-Plot No.6, Block No.1, Soq Ul Aman, Plot No. FLT-1, Block-G, North Nazimabad, KDA's Scheme No.2, Karachi.
162	Head Rajkaan	Chak No.35, DNB Noor Pur Road, Head Rajkaan, Tehsil Mandi Yazman, Distt. Bahawalpur.
163	Kot Radha Kishan	Khewat No.302, Khatooni No.422 to 437, Main Raiwind Road, Azam Abad, Opposite NADRA Office, Kot Radha Kishan, Distt. Kasur.
164	Talagang	Khewat No. 664, Khatooni No. 1192, Khasra No. 3625/1274, Sadiq Abad Chowk Main Sargodha Road, Talagang, Distt Chakwal.
165	Farooqabad	Khewat No. 266, Khatooni No. 291,320, Near Bus Stand Main Approach Road, Farooqabad, Distt. Sheikhupura.
166	Tando Adam	Shop No. CCS/945/1, Near Muhammadi Chowk, Tando Adam, Distt. Sanghar.
167	Marot	Khewat No. 122/116, Khatooni No.311 & 580, Salim Khatta Qitta 6, Mohal 319/HR, Main Fort Abbas Road, Marot, Tehsil Fort Abbas Distt. Bahawalnagar.
168	Jatoi	Khata No. 7/6, Khatooni No.13 to 16, Mohalla Qasir Ghazlani, Tehsil Jatoi & District Muzaffargarh.
169	Gagoo Mandi	Khewat No. 182, Khatooni No. 525 to 529, Salim Khatta, Chak No. 187 EB, P/O Gagoo, Tehsil Burewala District Vehari.
170	Sarai Mohajir	Khewat No 130, Jhang Bhakkar Road, Sarai Mohajir.
171	Mandi Ahmad Abad	Khewat No.44, Khatooni No.95 Kangan Pur Road Mandi Ahmad Abad Tehsil Deepalpur, District Okara.
172	Sanjar Pur	Khewat No. 3, Khatooni No.29 to 33, KLP Road Opposite Agriculture Office Sanjarpur, Chak No.44/NP, Hadbast 102, Tehsil Sadiqabad & District Rahim Yar Khan.

S. No.	Branch Name	Address
173	Adda Zakhira	Khewat No.75/71, Khatooni No.195, Salim khatta Qitta 1, Mohal 231-WB, Adda Zakhira, Tehsil Dunyapur, District Lodhran.
174	Shah Jamal	Khata No. 309 Khatoni No. 357, Khan Garh Road, Near Mullan Walla Chowk Shah Jamal, District Muzfargarh.
175	Muhammad Pur Dewan	Khata # 268 main Indus highway, Opposite Rural Health Center, Muhammad Pur Dewan, Tehsil Jampur District Rajanpur.
176	Sillanwali	Khawat No.522, Khatooni No.642, Khasra No. 546/55, Zia Shaheed Road, Mohalla Mandi Sillanwali, District Sargodha.
177	Jacobabad	Survey No. 202/33/5, Kamora Line, Main Quetta Road, Taluka & District Jacobabad.
178	Pindi Bhattian	Khawat No.183, Khatooni No.476 to 494, Qitta 397, Hafizabad Road, Mohal & Tehsil Pindi Bhattian, District Hafizabad.
179	Shahdad Pur	City Survey No.1009, Situated at Ward A, Station Road, Shahdadpur, District Sanghar.
180	Timergara	Ground Floor, Shah Shopping Centre, Bypass Road, Near Shaheed Chowk, Timergara, District Lower Dir.
181	Kunri	Plot No.148-149, Survey No. 209/1 & 209/2 Deh Chajhro, Tapo Chajhro, Taluka Kunri District Umerkot.
182	Lala Musa	Khata No.1, Khatooni No. 1 to 263, Khasra No. 288, G.T Road, Near Nisar Hospital, Mohal Kaira, Lala Musa, Tehsil Kharian & District Gujrat.
183	Quaidabad	Khawat No.1188, Khatooni No.1569, Plot No.62, Mianwali Sargodha Road, Quaidabad, Tehsil Quaidabad District Khushab.
184	Mailsi	Khewat No 73/71, Khatooni No. 97, Khasra No. 92/19/2, Mohal & Tehsil Mailsi, District Vehari.
185	Sangla Hill	Khewat No. 335, Khatooni No. 783, Murabba No. 28, Qila No.05, Main Safdarabad Road, Opposite Allah Bux Town, Chak No 46/R.B, Tehsil Sangla Hill, District Nankana Sahib.
186	Karachi-DHA	Shop # 01, Plot # 30-E, Badar Commercial, Street # 1, Phase V, DHA Karachi.
187	Kot Ghulam Muhammad	Ward No B, Plot No.977, Main Road Kot Ghulam Muhammad, Tehsil Kot Ghulam Muhammad, District Mirpurkhas.
188	Chowk Shahbazpur	Khata No.101, Khatooni No. 273 to 276, Mohal Muhammad Nazazwasa, JDW Road, Chowk Shahbazpur, Tehsil Sadiqabad, District Rahim Yar Khan.
189	Sui Wala	Khatooni No. 731, Sui Wala, Mohala Hafiz Muhammad Wala, Tehsil & District Lodhran.
190	Basti Malook	Khewat No.22, Khatooni No.180.-198, Mouza 12 F, BastiMalook, Tehsil Multan Saddar, District Multan.
191	Mor Khunda	Khewat no 24, Khatooni No.166, Khasra No. 846/2/2, Main Lahore Road, Opposite UC-49 office, More Khunda, Tehsil & District Nankana Sahib.
192	Hattian Bala	Khewat No. 5, Khatooni No.170, Chandkot, Tehsil Hattian Bala, District Jehlum Valley, AJK.
193	Samundari	Khewat No.373/348, Khatooni No. 651 to 652, Chak No. 467, Ghaf bay, Tehsil Samundari, District Faisalabad.

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

S. No.	Permanent Booth Name	Address
1	GPO-New Town Karachi	General Post Office, New Town Guru Mandir, Karachi.
2	GPO-Chandigarh Road Karachi	General Post Office, I.I Chundrigar Road, Karachi.
3	GPO-Model Town Lahore	General Post Office, Model Town, Lahore.
4	GPO-Mall Road Lahore	General Post Office, Bank Square, Mall Road, Lahore.
5	GPO-University Road Peshawar	General Post Office, Beside Pashtu Academy, University of Peshawar, Peshawar.
6	GPO-Saddar Cannt	General Post Office, main Saddar, GPO Road Peshawar.
7	GPO -G 6 Islamabad	General Post Office, Near Melody Food Park, Sector G-6, Islamabad.
8	GPO-Saddar Road Rawalpindi	General Post Office, Main Saddar, Adjacent Mall Plaza, Mall Road, Rawalpindi.
9	Nowshera Virkan	Khewat No. 257, Khatooni No. 305, Qitta 2, Salim Khatta, Mohal Ghathri, Tehsil Virkan, Distt. Gujranwala.
10	Safdarabad	Khewat No. 682, Khatooni No. 1356, Murrabba, 193, Qila 10, Mohal Chak 13 RB, Tehsil Safdarabad, District. Sheikhpura.
11	Phalia	Khewat No. 14, Khatooni No. 69, Abdullah Plaza, Main gujrat Road, Phalia Keema, District Mandibahauddin.
12	GPO-Jafferabad	Pakistan Post Office, T chowk, Dera Allah Yar, District Jafferabad.
13	GPO-Abdullah Harron Road Karachi	Pakistan Post Saddar GPO, Abdullah Harron Road Karachi.
14	Chaksawari	Wahid Plaza, Main Road, Chaksawi, Mirpur, Azad Kashmir.
15	GPO Oghi- Abbotabad	Pakistan Post Office, Batgram Road, Near Police Station, Oghi, District Mansehra.
16	Alipur Chatta	Khewat No. 1100, Khatooni No 1547,, Khasra No. 1599, Near Railway Phatak, Gujranwala Road, Tehsil Wazirabad, Alipur Chatta, District Gujranwala.

S. No.	Permanent Booth Name	Address
17	Lalian	Khewat No. 291, Khasra No.720, Bangle Road, Near Nawab Chowk, Opposite Dera Ghulam Muhammad Lali, Mouza Lalian, Tehsil Lalian , District Chiniot.
18	Nowshera	Khewat No. 821, Khatooni no. 1482, Khasra No. 2155, Opposite Nissal Plaza, Sakesar Road Nowshera, District Khushab.
19	Kamalia	Khasra No. 4209, Plot No. 1062 D, Niaz Chowk, Mohalla Niazabad, Kamalia, District Toba Tek Singh.
20	Thoker Niaz Baig	Khasra No 10713, Khatooni No. 1099, Lalazar Market Raiwind Road Lahore.
21	Mandi Faizabad	Khewat No. 05, Khatooni No. 143- in Salam Khata, Qitat 104 Main Jaranwala Road, Mohala Kot Yaqoob, Mandi Faizabad.
22	Kot Momin	Khewat No.226 Bhagtan Wala Road, Near Askar Petrol Pump, Mohal & Tehsil Kot Momin District, Sargodha.
23	Jhabran Mandi	Khewat 1096/1084, Khatooni no. 2257, Main Grain Market Jhabran Mandi , Sheikhpura.
24	Chungi Amar Sadhu	Khewat No. 194, Khatooni No. 542 to 549, Ferozepur Road, Mouza Dhollu khurd, Model Town, Lahore.
25	Paroa	Khewat No. 859, Khatooni No. 1135, Khasra No. 2452/3121, Main Paroa Adda, Near HBL, Tehsil Paroa, District D.I.Khan.
26	Shaheed Fazal Rahu	Book Entry No.579, Survey No.131/300, Deh Baro Dari, Tapu Golarchi, Taluka Shaheed Fazil Rahoo, District Badin Shahi Bazar, Tehsil Golarchi.
27	Fateh Pur	Khata No. 29,Chak No 249/TDA Ward No 1, Karor Fateh Pur road Fateh Pur Tehsil Karor District layyah.
28	Qila Didar Singh	Khewat No.1246, Khatooni No.1543, Khasra No. 324, Main Bazar Adjacent to Govt. Technical Training Center Mouza Qila Didar Singah Tehsil & District Gujranwala.
29	Dulley Wala	Khewat No. 2126/2039, Khatooni No. 3649, MM Road, Mohal Dulley Wala, Tehsil & District Bhakkar.
30	Harappa	Khata No. 23, Khatooni No 53, bypass Chowk, Harappa, Tehsil & District Sahiwal.
31	Bhera	Khewat No. 1304, Khatooni No 1877, Cha Jhangi Wala Dahkeli, Tehsil Bhera, District Sargodha.
32	Dinga	Khasra No. 3028/2, & 3028/1, Khewat No 140 & 142, Khatooni No. 747, 749, Mouza Dinga, tehsil Kharian, District Gujrat.
33	Kallar Syedan	Khewat No. 249, Khatooni No. 453, Mouza Kallar Badhal, Tehsil Kalalr Syedan, District Rawalpindi.
34	Sharqpur	Khewat No. 578, Khatooni No. 1748, Khasra No. 670/1, Bhatti town, Lahore Jarnawala road, Near Main Bus Stop, Sharaqpur, Tehsil Sharaqpur, District Sheikhpura.
35	MEHRABPUR	Halani Road Mehrabur, opposite total Parco Pump, Mehrabpur District Naushero Feroz, Sindh.
36	GPO-Gujranwala	General Post office, Main GT Road, Near Dal Bazar, gujranwala, Teshil & District Gujranwala.
37	GPO-SAILKOT	General Post office, Main Paris Road, Sailkot.
38	GPO-Gilgit	General Post office, Near Govt. Boys High School No.1, Gilgit, Tehsil & District Gilgit.
39	GPO- Faisalabad	General Post office, Main Railway Road, Near Ghumti, Faisalabad.
40	Gharo	Main National Highway, Near Town Committee gharo, Taluka Mirpur Sakro, District Thatta.
41	Kahuta	Khasra No. 144, Arshad Plaza, Main Rawalpindi Road, Near NBP, Kahuta, Tehsil Kahuta, District Rawalpindi.

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



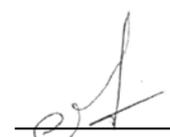
PRESIDENT



CHAIRMAN



DIRECTOR



DIRECTOR







khushhali

MICROFINANCE BANK

Prosperity on all Accounts

55-C, 5th Floor, Ufone Tower,
Jinnah Avenue, Blue Area, Islamabad.

☎ 051 111 047 047 🌐 www.khushhalibank.com.pk