



## Annual Report 2009

خوشحال بینک لمیٹڈ  
khushhalibank limited





# 10<sup>th</sup> Annual Report





## Khushhalibank Limited

Founded in the year 2000, Khushhalibank is the first regulated microfinance institution in Pakistan established as part of the Government of Islamic Republic of Pakistan's Poverty Reduction Strategy and Microfinance Sector Development Program.

Headquartered in Islamabad Khushhalibank has been licensed by the central bank to retail microfinance services nationwide. Shareholders comprise fifteen of the leading commercial banks in Pakistan.

## Empowering Women

### Jafakash Aurat

Khushhalibank undertakes special initiatives through community outreach programs such as the 'Jafakash Aurat' which aimed at supporting skills & development of micro enterprise amongst the women of Gawadar. Under the 'Jafakash Aurat', approximately 4,500 women were trained in skills ranging from tailoring, embroidery, cosmetics, commercial cooking and computer training courses.





## Mission Statement

To strengthen the economic base of low income populace in Pakistan by providing them access to financial services by offering a diverse suite of product and services.



## Banking on our Next Generation

### Scholarship Program

Khushhalibank commenced its 'Scholarship Program' in 2003 in order to provide higher education opportunities to the deserving students from marginalized territories of Sindh, Baluchistan and Federally Administered Tribal Area, where people are deprived of education due to lack of financial resources.

Under the program Khushhalibank extended a total of 332 scholarships worth \$ 1 million at the leading universities of our country like Lahore University of Management Sciences, Institute of Business Administration, Karachi, Institute of Business Administration, Sukkur, Baluchistan University of Information Technology, Engineering and Management Sciences, Quetta, Shaheed Zulfiqar Ali Bhutto Institute of Science & Technology, Karachi, Institute of Management Sciences, Peshawar, City University of Science & Information Technology, Peshawar, and University of Peshawar.





## Values

- Service
- Performance
- Ethics
- Teamwork



## Building Lives Restoring Livelihoods

### Earthquake Livelihood Restoration Program

In October 2005, when devastation struck Pakistan in the form of an earthquake measuring 7.6 on the Richter scale, Khushhalibank immediately responded by initiating livelihood restoration efforts in the region. Khushhalibank launched a comprehensive campaign under its Earthquake Livelihood Restoration Program, which aimed at assisting the earthquake affected people and encouraging them to re-establish their business ventures by granting them a package of Rs 15,000 comprising of Rs 12,000 cash grant and Rs 3,000 as interest free loan, thereby disbursing Rs. 844 million in grants and Rs. 221 million in loans to over 70,000 households for restoring their livelihoods.





## Microfinance Banking

Microfinance Banking, an amazingly simple approach, has proven to be successful in empowering people from low income households around the world in pulling themselves out of poverty. Relying on their traditional skills and entrepreneurial instincts, the marginalized segments of the society use small loans and other financial services from microfinance institutions to start, establish, sustain or to expand very small businesses. Key to microfinance is the recycling of loan as each loan is repaid usually within six months to a year; the money is recycled as another loan, thus multiplying the value of each rupee in defeating poverty and changing lives of communities.

## Nurturing the Spirit of Entrepreneurship

The concept of entrepreneurship was coined in the 1700s, however its meaning has significantly evolved over the years and importance multiplied.

Khushhalibank encourages the entrepreneurial spirit of Individuals enabling them to realize their potential by extending them loans without collateral and on the basis of community cross guarantee to establish their own micro enterprises.

This is evident from more than 2.5 million relationships our team has nurtured through our extensive network operating across Pakistan's rural and urban divides.







## Together We Achieve

We have combined expertise from the financial, consumer services and commercial sectors to create a customer-focused culture backed by strong financial, operations and product management teams. We continuously train our staff in order to enhance their functional as well as soft skill capacities so that we make a difference in the lives of customers we come across every day, and together we achieve more.

## Our Team

Khushhalibank's team works tirelessly to provide financial services access at the doorsteps of its clients and help them make productive use of their skills by providing financial assistance in the form of loans, savings and insurance services.

During the past decade Khushhalibank has expanded its operations and customer outreach across the country owing to its team's tireless devotion to work which has been illustrated by significant achievements and successes.







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## Corporate Governance

An autonomous, public-private-sector board comprising Chief Executive Officers of Commercial Banks provide strategic direction and over-sight. The Board sub-committee on audit and management committees that include Business Steering Committee, Risk Management Committee, ALCO and Operations Committee provide stewardship in establishing a robust, customer centric operating environment.

## Corporate Information

### Board of Directors

#### Chairman

Syed Ali Raza

#### President

Muhammad Ghalib Nishtar

#### Directors

Zakir Mehmood	Director
Atif Aslam Bajwa	Director
M. R. Mehkari	Director
M. Ghalib Nishtar	Director

### Audit Committee

M. R. Mehkari	Chairman
Atif Aslam Bajwa	Member

### Company Secretary

Saleem Akhtar Bhatti

### Share Registrar

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

### Head Office

94 West, Fourth Floor, Jinnah Avenue, Blue Area, PO Box. 3111, Islamabad - Pakistan.  
 Tel: +92-51-111 092 092, Fax: +92-51-924 5120, web: www.khushhalibank.com.pk

### Auditors

A. F. Ferguson & Co.  
 Chartered Accountants  
 3rd Floor, PIA Building  
 49 Blue Area, Fazal-ul-Haq Road  
 Islamabad  
 Tel: +92-51-227 3457-60  
 Fax: +92-51-227 7924  
 E-mail: ferguson@nayatel.pk

### Legal Advisors

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

### Tax Consultants

Ernst & Young Ford Rhodes Sidat Hyder  
 Chartered Accountants  
 Eagle Plaza, 75-West  
 Fazlul Haq Road, Blue Area, Islamabad  
 Tel: +92-51-287 0290-92  
 Fax: +92-51-287 0293  
 Web: www.ey.com/pk

## President's Message

Financial Inclusion is an overarching agenda of the global community and is pursued through development of appropriate Policy and Regulatory frameworks given the environment and country setting. These policies and regulations continue to evolve over time and respond to changes in environment and dynamics of the marketplace.

Pakistan too pursues a financial inclusion agenda that foresees an expansion in scope and reach of service to a larger portion of the population.

Given the low levels of market penetration in the developing world and in case of our own country it is imperative that a push towards financial inclusion is pursued rigorously and a large part of our population is integrated within the scheme of mainstream financial system. This requires a focus on innovation and change that facilitates access of financial service across population irrespective of their economic thresholds.

Pakistan has been a late starter in terms of recognizing the power of microfinance but having arrived late at the scene had the advantage of reviewing experience across the globe and decided to embark upon a path of commercial microfinance back in the year 2000 that promotes good governance, sustainability and is driven through private sector Investment with an overarching policy and regulatory support by the Government of Pakistan. However, this endeavor by no means was a simple one but required a large Investment and an evolutionary time frame and space to venture so that the market dynamics and Institutional challenges could be identified and responded to appropriately. While expediency requires a rush and quick turnarounds market development particularly in an undocumented low literacy environment is a time taking process.

The outcome of these endeavors has been positive and Pakistan's microfinance sector has been able to make its mark on the global microfinance landscape in terms of policy, regulations and an increasing number of retail institutions. This is complimented by an evolving meso sector such as microfinance network, rating firms and leading audit firms and technology consultants getting involved in the microfinance sector. The recent change in regulation by the central bank is inviting interest of a number of leading Offshore funds in our market. The entire approach has been transparent and consultative amongst the stakeholders and

well targeted as evident from the market response and growth rates witnessed are the highest in the region. Recent publications rank Pakistan amongst the leading countries in terms of environment for Microfinance.

Khushhalibank has been at the forefront of these developments as the first licensed Microfinance Bank in the country.

### Institutional Restructuring

Over the past three years the bank has been able to review its strategic framework to align with the requirements of the evolving regulatory framework and market as envisaged within the State Bank of Pakistan Road Map 2007-2010 for the sector that focuses on sustainable growth.

A number of Initiatives were undertaken over the past three years that included the legal restructuring from a statutory corporation to a public limited company in 2008, Organizational restructuring in 2009 and the process of Financial restructuring is underway that will position the bank on sound footings to enter the next phase of a Medium Term Development Framework 2010-2015 envisaged by the State Bank of Pakistan. The outcome of these efforts is visible in terms of improving performance Indicators that reflect a sustained level of growth with strengthening internal control and improving indicators of efficiency, productivity and portfolio quality.

### Performance Indicators 2009

We have recorded a profit before tax of PKR 252 million for the year 2009. This is the highest recorded so far and is reflective of the actions undertaken to support the process of restructuring. An important milestone was the improved level of sustainability achieved during the year that was a result of a strategic shift towards core business, market based product pricing and declining reliance or phasing out of grant/subsidy driven programs as part of our consolidation drive to curtail expenditure. Strengthening control environment assisted the bank in improving its portfolio quality and based on portfolio performance benchmarks was able to offer higher loan values to its clients. The comparative Indicators for the past three years are as follows:



Indicator		2009	*2008	2007
<b>Outreach</b>				
Active Borrowers	Number	329,421	312,851	283,965
Number of savers	Number	74,995	3,477	-
GLP	PKR	3,630,204,658	3,093,335,635	2,652,915,785
Amount of savings	PKR	190,032,590	18,168,500	-
<b>Financial Performance</b>				
Total Revenue	PKR	1,338,992,321	1,013,831,079	826,030,424
Operating Profit/(Loss)	PKR	1,545,725	(328,994,768)	(184,371,828)
Profit Before Tax	PKR	252,004,780	60,911,974	156,306,062
Average ROA	%	3.7%	0.9%	1.3%
Average ROE	%	12.5%	3.3%	5.0%
Operational self sufficiency (OSS)	%	100.1%	**75.5%	81.8%
Financial self sufficiency (FSS)	%	72.7%	58.0%	59.9%
<b>Efficiency</b>				
Operating Expense over GLP	%	29.3%	31.6%	31.9%
Personnel Expense over GLP	%	14.0%	13.3%	14.1%
<b>Productivity</b>				
Borrowers per Staff	Number	165	156	152
Savers per Staff	Number	37	2	-
Personnel Allocation Ratio	%	32.3%	33.1%	33.0%
<b>Risk</b>				
Portfolio at Risk > 30	%	1.4%	2.2%	1.5%
Portfolio at Risk > 90	%	0.7%	1.1%	0.7%

\*This represents sum of two audited financial statements in 2008; i.e. for three months ended on March 31, 2008 and nine months ended on December 31, 2008.

\*\*This includes impact of one time write-off of Investment (PKR 77.5m) with Innovative Housing Finance Limited (Formerly CSBL)

## 2010 & Beyond

While the bank is well positioned to pursue a sustained growth path from 2010 onwards the challenge would be in terms of maintaining the requisite level of funding to support growth. The following measures would be necessary to provide the required level of assurance:

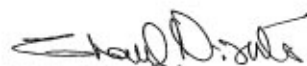
- Access to commercial sources of funding.
- Deposit mobilization through conversion to full service branches and strengthening our distribution. Structure to support liability acquisition.
- Maintaining distribution costs at sustainable level by developing efficient alternate delivery channels.

While the terms of commercial financing are being negotiated with the option of leveraging upon the Central Bank Credit Enhancement Facility the branch conversion is being pursued diligently to convert the entire network by end of the year 2011. Additionally the bank has been successful in forging a partnership with the Global Savings Initiative of Bill & Melinda Gates Foundation that would provide the requisite technical support for developing efficient delivery channels.

## Conclusion

While the environment for microfinance remains challenging in ways it offers opportunities as well given the large size of the market being underserved by financial Institutions, particularly in the rural markets of the country. However, I believe Khushhalibank enjoys a competitive edge in terms of its presence and franchise which is now well recognized after almost 10 years in the marketplace and experience with having serviced over 2 million relationships. Innovations in terms of our products and delivery channels will be important for success but above all the paramount consideration must remain the commitment to serve low income households across the country.

I wish to acknowledge the support of all our stakeholders that include our shareholders, regulator, management & clients.



M. Ghalib Nishtar  
President

## Directors' Report to the Shareholders: 2009

On behalf of the Board of Directors, I am pleased to submit the Annual Financial Statements along with the Auditors Report for the year ended December 31, 2009.

### Corporate Reporting Framework

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

1. The financial statements prepared by the management of the Bank presents a true and fair view of the state of its affairs, operational results, cash flows and changes in equity.
2. Proper books of accounts of the company have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements.
4. The Company has followed international accounting standards (as applicable in Pakistan) in the preparation of accounts and there is no departure from the said standards.
5. As a continuous process, efforts are made to effectively implement the internal control system. The issues identified during the review process are rectified through appropriate corrective actions thereby further strengthening the internal control environment.
6. There are no doubts about the Banks ability to continue as a going concern.
7. The Board has constituted Audit Committee comprising of non-executive members which has defined term of reference. Risk Management policy framework has also been approved by the Board. The Board has met four times during the year.

The Auditors' Report is annexed to the financial statements.

### Conversion of KB

Khushhali Bank (KB) was converted into Khushhalibank Limited (KBL) on March 31, 2008 and the first financial statement of new entity; i.e KBL was prepared for nine months ended on December 31, 2008. Accordingly; the comparative financial statement included in current year's financial statement is for nine months instead of twelve months.

### Performance Review:

The Bank has maintained its position as a largest microfinance bank in Pakistan with respect to its outreach; loan portfolio and branch net work. The Bank was strongly capitalized as evident from its CAR of 41% (2008:45%) and net worth has increased by nearly 9% to PKR2.08 b (2008: PKR1.91).

The advances portfolio reflect a growth of 18% to PKR 3.56b (2008: PKR3.01b) despite the conservative stance as a result of weakening credit profile of almost entire microfinance market.

The Bank was following a strategy of piecemeal conversion of its credit only branches into full service banking operations capable of handling assets as well as liability products. Consequently as of December 31, 2009; 40 branches were converted into FSB which has helped initial build up of deposit base of PKR 190 m (2008: PKR 18 m).

Profit before tax for the year at PKR 252 m increased by nearly 2.5 times from last year of 102 m. Major factors contributing toward the profit growth were; rationalization of product pricing; growth and consolidation of loan portfolio; contained loan losses despite of law and order disruption in the country amounts to PKR 96.2 m which approximates 2.7% (2008: 2.68%) of the outstanding loan portfolio.

The highlight of the performance was the improved level of operational sustainability by the Bank which is regarded as a milestone in the microfinance sector.

The results of operations under review are presented below:

	2009 Rupees	For nine months ended December 31, 2008 Rupees
<b>PROFIT AFTER TAXATION</b>	245,640,267	102,762,558
Unappropriated profit brought forward	61,657,534	-
Profit available for appropriation	307,297,801	102,762,558
<b>APPROPRIATIONS:</b>		
Transfer to :		
Statutory reserve	49,128,053	20,552,512
Microfinance Social Development Fund	24,564,027	10,276,256
Depositors' Protection Fund	12,282,013	5,138,128
Risk Mitigation Fund	12,282,013	5,138,128
	98,256,106	41,105,024
<b>UNAPPROPRIATED PROFIT CARRIED FORWARD</b>	<b>209,041,695</b>	<b>61,657,534</b>



## Pattern of Shareholding

The Pattern of shareholding of the Bank as at December 31, 2009 as required under section 236 of the Companies Ordinance 1984 is as follows:

### Shareholding

No. of shareholders	From	To	Total shares held
3	1	1,000,000	3,000,000
4	1,000,001	3,000,000	9,500,000
2	3,000,001	5,000,000	10,000,000
3	5,000,001	20,000,000	48,000,000
3	20,000,001	40,000,000	100,000,000
15			<b>170,500,000</b>

### Categories of Shareholders

Particular	Number	Shares held	Percentage
Individual	-	-	-
Joint Stock Companies	-	-	-
Financial Institutions	15	170,500,000	100%

### Shareholders holding above 10% of voting shares

Shareholder	Shares
National Bank of Pakistan	40,000,000
Habib Bank Limited	30,000,000
MCB Bank Limited	30,000,000
United Bank Limited	20,000,000
Allied Bank Limited	20,000,000
Total Shares	<b>140,000,000</b>

## Credit Rating

During the year, credit rating agency JCR-VIS maintained Banks medium to long term rating at "A-" with stable outlook.

However; the short term rating was revised from A-1 to A-2 as the Bank was viewed at its initial stage of developing alternate delivery channel and the absence of established alternate funding resource.

According to the JCR-VIS these rating reflect good credit quality and adequate protection factors.

## Earning Per Share

Basic earning per share has been disclosed under note 30 of the financial statements.

## Capital Adequacy

As of December 31, 2009 the Bank's capital adequacy ratio (CAR) measure at 41% (2008:45%) as against the mandatory requirement of 15% under the Prudential Regulation (PR).

## Auditors

The present auditors of the company A.F. Ferguson and Co, Chartered Accountants retire and being eligible, offered themselves for re-appointment in the forthcoming Annual General Meeting. The Board of Directors on the suggestion of the Audit Committee recommends A.F. Ferguson and Co, Chartered Accountants for the appointment of next term.

## Appreciation and Acknowledgement

On behalf of the Board of the Bank, I would like to express my sincere appreciation to the State Bank of Pakistan for their guidance and support; to the shareholders and customers for their patronage; and to the employees for their commitment.



S. Ali Raza  
Chairman  
March 18, 2010

## Auditors' Report to the Members

We have audited the annexed balance sheet of Khushhalibank Limited (the Bank) as at December 31, 2009 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended 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 our audit. The financial statements of the Bank for the year ended December 31, 2008 were audited by KPMG Taseer Hadi & Co, Chartered Accountants who had expressed an unqualified opinion thereon vide their report dated March 30, 2009.

It is the responsibility of the Bank's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Microfinance Institutions Ordinance, 2001 and the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conduct our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of accounts have been kept by the Bank as required by the Companies Ordinance, 1984;
- b) in our opinion:
  - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Microfinance Institutions Ordinance, 2001 and Companies Ordinance, 1984 and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;
  - ii) the expenditure incurred during the year was for the propose of the Bank's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, given the information required by the Microfinance Institutions Ordinance, 2001 and Companies Ordinance 1984, in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at December 31, 2009 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance 1980 (XVII of 1980).

Islamabad:  
March 18, 2010



A.F. Ferguson & Co.  
Chartered Accountants  
Audit engagement partner: Kalim-uddin Ghauri

## Balance Sheet as at December 31, 2009

ASSETS	Note	2009 Rupees	2008 Rupees
Cash and balances with SBP and NBP	6	79,179,713	87,610,488
Balances with other Banks/ NBFIs/ MFBs	7	485,843,594	923,176,367
Lending to financial institutions	8	399,459,544	600,000,000
Investments	9	976,273,697	1,211,854,626
Advances	10	3,555,947,451	3,012,936,737
Operating fixed assets	11	185,678,434	157,587,129
Other assets	12	905,396,669	692,577,065
<b>Total Assets</b>		<b>6,587,779,102</b>	6,685,742,412
<b>LIABILITIES</b>			
Deposits and other accounts	13	190,032,590	18,168,500
Borrowings	14	4,158,660,916	4,628,462,756
Other liabilities	15	162,165,256	134,016,874
<b>Total Liabilities</b>		<b>4,510,858,762</b>	4,780,648,130
<b>NET ASSETS</b>		<b>2,076,920,340</b>	1,905,094,282
<b>REPRESENTED BY:</b>			
Share capital	16	1,705,000,000	1,705,000,000
Statutory reserve	5.11	109,771,393	60,643,340
Capital reserve	5.12	24,255,224	24,255,224
Reserve for contingencies	5.13	28,385,353	28,385,353
Unappropriated profit		209,041,695	61,657,534
		2,076,453,665	1,879,941,451
(Deficit) on revaluation of assets	17	(15,452,370)	(8,718,899)
Deferred grants	18	15,919,045	33,871,730
<b>Total Capital</b>		<b>2,076,920,340</b>	1,905,094,282
<b>MEMORANDUM/ OFF BALANCE SHEET ITEMS</b>	19		

The annexed notes from 1 to 37 form an integral part of these financial statements.

  
PRESIDENT

  
CHAIRMAN

  
DIRECTOR

  
DIRECTOR

## Profit and Loss Account for the year ended December 31, 2009

	Note	2009 Rupees	For nine months ended December 31, 2008 Rupees
Mark-up/ return/ interest earned	20	1,082,724,962	668,794,539
Mark-up/ return/ interest expensed	21	256,875,073	210,212,759
Net mark-up/ interest income		825,849,889	458,581,780
Provision against non-performing loans, advances and other assets	10.3,12	96,240,514	76,649,589
Bad debts written off directly	10.4	-	4,313,190
		96,240,514	80,962,779
Net mark-up/ interest income after provisions		729,609,375	377,619,001
<b>NON MARK-UP/ NON INTEREST INCOME</b>			
Fee, commission and brokerage income	22	190,177,731	97,247,000
Other income	23	316,548,683	330,653,788
Total non mark-up/ non interest income		506,726,414	427,900,788
		1,236,335,789	805,519,789
<b>NON MARK-UP/ NON INTEREST EXPENSES</b>			
Administrative expenses	24	984,194,009	697,493,136
Other write offs / provisions		-	5,264,095
Other charges	25	137,000	-
Total non-mark-up/ non interest expense		984,331,009	702,757,231
<b>PROFIT BEFORE TAXATION</b>		252,004,780	102,762,558
Taxation - Current	26.2	6,364,513	-
<b>PROFIT AFTER TAXATION</b>		245,640,267	102,762,558
Unappropriated profit brought forward		61,657,534	-
Profit available for appropriation		307,297,801	102,762,558
<b>APPROPRIATIONS:</b>			
<b>Transfer to:</b>			
Statutory Reserve	5.11	49,128,053	20,552,512
Microfinance Social Development Fund	5.14	24,564,027	10,276,256
Depositors' Protection Fund	5.14	12,282,013	5,138,128
Risk Mitigation Fund	5.14	12,282,013	5,138,128
		98,256,106	41,105,024
<b>UNAPPROPRIATED PROFIT CARRIED FORWARD</b>		209,041,695	61,657,534
<b>EARNINGS PER SHARE</b>	30	1.44	0.60

The annexed notes from 1 to 37 form an integral part of these financial statements.

  
PRESIDENT

  
CHAIRMAN

  
DIRECTOR

  
DIRECTOR



## Cash Flow Statement for the year ended December 31, 2009

	Note	2009 Rupees	For nine months ended December 31, 2008 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before taxation		252,004,780	102,762,558
Adjustments for:			
Depreciation and amortization		66,533,313	54,755,394
Amortization of deferred grant		(17,952,685)	(29,067,615)
Amortization of premium on investments held to maturity		516,999	14,229,517
Provision against non-performing advances		95,280,967	73,907,497
Gain on sale of investments		(312,667)	(10,037,249)
(Gain) / loss on sale of operating fixed assets		(20,661,163)	5,264,095
Interest on investments and deposit accounts		(258,233,601)	(224,981,347)
Grant income		(35,651,257)	(89,877,168)
Financial charges		263,108,534	216,122,973
Provision against other assets		959,547	2,742,092
Provision for gratuity		26,215,725	18,056,552
		<b>119,803,712</b>	<b>31,114,741</b>
		<b>371,808,492</b>	<b>133,877,299</b>
(Increase)/decrease in operating assets			
Lending to financial institutions		(399,459,544)	-
Advances		(638,291,681)	(495,373,099)
Other assets (excluding advance taxation)		(209,988,887)	550,365,772
		<b>(1,247,740,112)</b>	<b>54,992,673</b>
Increase/(decrease) in operating liabilities			
Deposits and other accounts		171,864,090	18,168,500
Other liabilities		(15,029,265)	2,112,100
		<b>(1,090,905,287)</b>	<b>75,273,273</b>
<b>Cash flow from operations</b>		<b>(719,096,795)</b>	<b>209,150,572</b>
Interest received		264,686,431	205,007,951
Income taxes paid		(2,485,819)	(1,461,801)
Financial charges paid		(268,556,077)	(244,399,484)
Gratuity paid		(24,122,909)	(23,967,112)
Compensating absences paid		-	(197,289)
Net cash flow from operating activities		<b>(749,575,169)</b>	<b>144,132,837</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Investments made during the year/ period		(1,636,593,100)	(162,457,800)
Investments encashed during the year/ period		1,856,099,600	260,037,249
Purchase of operating fixed assets		(97,903,636)	(71,785,771)
Sale proceeds against fixed assets		23,940,181	-
Net cash flow from investing activities		<b>145,543,045</b>	<b>25,793,678</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Borrowings from financial institutions		(106,072,360)	(245,692,445)
Repayment of Government of Pakistan Loan		(363,729,480)	-
Grant from Government of Pakistan		-	11,225,252
Grant from United State Agency for International Development (USAID)		28,070,416	74,184,857
Net cash used in financing activities		<b>(441,731,424)</b>	<b>(160,282,336)</b>
Net (decrease) / increase in cash and cash equivalents		<b>(1,045,763,548)</b>	<b>9,644,179</b>
Cash and cash equivalents at beginning of the year/ period		<b>1,610,786,855</b>	<b>1,601,142,676</b>
<b>Cash and cash equivalents at end of the year/ period</b>	27	<b>565,023,307</b>	<b>1,610,786,855</b>

The annexed notes from 1 to 37 form an integral part of these financial statements.

  
PRESIDENT

  
CHAIRMAN

  
DIRECTOR

  
DIRECTOR

## Statement of Changes in Equity for the year ended December 31, 2009

	Rupees				Total Rupees	
	Share Capital	Statutory Reserve	Capital Reserve	Reserve for Contingencies		Unappropriated Profit
Balance transferred from Khushhali Bank	-	40,090,828	24,255,224	28,385,353	-	92,731,405
Profit for the period after taxation	-	-	-	-	102,762,558	102,762,558
<b>Transfer to:</b>						
Statutory Reserve	-	20,552,512	-	-	(20,552,512)	-
Microfinance Social Development Fund	-	-	-	-	(10,276,256)	(10,276,256)
Risk Mitigation Fund	-	-	-	-	(5,138,128)	(5,138,128)
Depositors' Protection Fund	-	-	-	-	(5,138,128)	(5,138,128)
Issue of share capital	1,705,000,000	-	-	-	-	1,705,000,000
<b>Balance as at December 31, 2008</b>	<b>1,705,000,000</b>	<b>60,643,340</b>	<b>24,255,224</b>	<b>28,385,353</b>	<b>61,657,534</b>	<b>1,879,941,451</b>
Profit for the year after taxation	-	-	-	-	245,640,267	245,640,267
<b>Transfer to:</b>						
Statutory Reserve	-	49,128,053	-	-	(49,128,053)	-
Microfinance Social Development Fund	-	-	-	-	(24,564,027)	(24,564,027)
Risk Mitigation Fund	-	-	-	-	(12,282,013)	(12,282,013)
Depositors' Protection Fund	-	-	-	-	(12,282,013)	(12,282,013)
<b>Balance as at December 31, 2009</b>	<b>1,705,000,000</b>	<b>109,771,393</b>	<b>24,255,224</b>	<b>28,385,353</b>	<b>209,041,695</b>	<b>2,076,453,665</b>

The annexed notes 1 to 37 form an integral part of these financial statements.

  
PRESIDENT

  
CHAIRMAN

  
DIRECTOR

  
DIRECTOR



## Notes to the Financial Statements for the year ended December 31, 2009

### 1. STATUS AND NATURE OF BUSINESS

Khushhali Bank (KB) 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. KB 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 year 2008, the Government of Pakistan (GoP) signed Improving Access to Financial Service Program (IAFSP) with Asian Development Bank. In pursuance of the requirements of IAFSP, all microfinance institutions in Pakistan including KB need to operate under Microfinance Institutions Ordinance, 2001.

Consequently, SBP prepared a conversion structure for KB which was agreed by the Ministry of Finance GoP. SBP vide its letter dated November 15, 2007 advised KB to proceed with conversion process which primarily required KB's registration with the Securities and Exchange Commission of Pakistan (SECP). Accordingly, an application for incorporation of Khushhalibank Limited (the Bank) was submitted to SECP on February 15, 2008. Subsequently SECP on February 28, 2008 issued Certificate of Incorporation of the Bank under the Companies Ordinance, 1984.

SBP vide its letter dated March 18, 2008, under section 47 of the Khushhali Bank Ordinance, 2000 sanctioned a scheme for transfer of assets, liabilities and undertakings of KB into the Bank with effect from April 1, 2008, a microfinance institution licensed under Microfinance Institutions Ordinance, 2001.

In accordance with the scheme of conversion all assets and liabilities of KB were transferred to the Bank at their respective book values based on the audited accounts of KB as of March 31, 2008. Accordingly, the first financial statements of the Bank were prepared for nine months period ended on December 31, 2008.

The Bank's registered office and principal place of business is situated at 94-West Jinnah Avenue, Blue Area, Islamabad. The Bank has 107 branches in operation as at December 31, 2009 (December 31, 2008: 114 branches) 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.

### 3. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan, requirements of the Companies Ordinance, 1984 and Microfinance Institutions Ordinance, 2001. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standard Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, and Microfinance Institutions Ordinance, 2001 or directives issued by SECP and the SBP.

SBP has clarified that International Accounting Standard 39, "Financial Instruments: Recognition and Measurement" and International Accounting Standard 40, "Investment Property" are not applicable to the Bank. Accordingly, the requirements of these Standards have not been considered in the preparation of these financial statements.

#### 3.1 Standards, amendments and interpretations effective in 2009 but not relevant

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after January 1, 2009 but they are not relevant to the Bank's operations.

IAS 23	Borrowing costs
IAS 28	Investment in associates
IAS 29	Financial reporting in hyperinflationary economies
IAS 31	Interest in joint ventures
IAS 32	Financial instruments: Presentation
IAS 41	Agriculture
IFRS 5	Non-current assets held-for-sale and discontinued operations
IFRS 7	Financial Instruments: Disclosures
IFRS 15	Agreements for the construction of real estates

#### 3.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the bank

Certain minor amendments in following International Accounting Standards (IASs) have been introduced through IASB's annual improvements published in April 2009.

		<b>Effective for periods beginning on or after</b>
IAS 1	Presentation of financial statements	January 1, 2010
IAS 7	Statement of cash flows	January 1, 2010
IAS 17	Leases	January 1, 2010
IAS 36	Impairment of assets	January 1, 2010
IAS 38	Intangible assets	July 1, 2009
IFRIC 14	IAS 19 - The limit on a Defined Benefit Assets, minimum funding requirements and their interaction	January 1, 2010

### **3.3 Amendments and interpretations to existing standards which are not yet effective and not relevant to the bank's operations**

		<b>Effective for periods beginning on or after</b>
IFRS 1	First-time adoption of International Financial Reporting Standards	January 1, 2010
IFRS 2	Share-based payments	January 1, 2010
IFRS 3	Business combinations	July 1, 2009
IFRS 5	Non-current assets held-for-sale and discontinued operations	January 1, 2010
IFRS 8	Operating segments	January 1, 2010
IFRS 9	Financial Instruments	January 1, 2010
IAS 27	Consolidated and separate financial statements	July 1, 2009
IAS 32	Financial instruments: Presentation	February 1, 2010
IFRIC 9	Reassessment of embedded derivatives	July 1, 2009
IFRIC 16	Hedges of a net investment in foreign operations	July 1, 2009
IFRIC 17	Distribution of non-cash assets to owners	July 1, 2009
IFRIC 18	Transfer of assets from customers	July 1, 2009
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	July 1, 2009

## **4. BASIS OF MEASUREMENT**

These financial statements have been prepared under the historical cost convention as modified for obligations under employee retirement benefits, 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 5.24.

## **5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **5.1 Cash and cash equivalents**

Cash and cash equivalents comprise of cash in hand, balances with treasury banks, balances with other banks and call money lending.

### **5.2 Sale and repurchase agreements**

Securities sold under repurchase agreement (repo) are retained in the financial statements as investments and a liability for consideration received is included in borrowings. Conversely, consideration for securities purchased under resale agreement (reverse repo) are included in lending to financial institutions. The difference between, sale and repurchase, purchase and resale price is treated as mark-up / return expensed and earned, as the case may be. Repo and reverse repo balances are reflected under borrowings from and lending to financial institutions respectively.

### **5.3 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:

#### **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.

#### 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 kept in "Surplus/ (deficit) on revaluation of assets" and is 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 amortised 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 or loss over the remaining life of the investment using the effective interest 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.

#### 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.

### 5.4 Advances

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

- a) **Other Assets Especially Mentioned**  
These are advances in arrears for 30 days or more but less than 60 days.
- b) **Substandard**  
These are advances in arrears for 60 days or more but less than 90 days.
- c) **Doubtful**  
These are advances in arrears for 90 days or more but less than 180 days.
- d) **Loss**  
These are advances in arrears for 180 days or more.

In accordance with the Prudential Regulations (the Regulations) for Microfinance Banks issued by SBP, the Bank maintains specific provision for potential loan losses for all non-performing advances as follows:

<b>OAEM:</b>	<b>Nil</b>
<b>Substandard:</b>	<b>25% of outstanding principal net of cash collaterals</b>
<b>Doubtful:</b>	<b>50% of outstanding principal net of cash collaterals</b>
<b>Loss:</b>	<b>100% of outstanding principal net of cash collaterals</b>

In addition, minimum 1.5% general provision required under the Regulations is calculated on outstanding advances net of specific provision.

General and specific provisions are charged to the profit and loss account.

In accordance with the 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.

### 5.5 Operating fixed assets

#### 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 11.1 to the financial statements, so as to write off the cost of assets over their estimated useful lives. Depreciation is charged on additions and deletions based on number of months the assets are available for use.

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 are charged to income during the period.

Gain and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amounts of fixed asset and are recognized within "other income" in 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 enterprise 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 11.2.1 to the financial statements. Subsequent expenditure is capitalized only when it increases the future economic benefit embodied in the specific asset to which it relates. All other expenditure is recognized in profit and loss account as incurred.

### **5.6 Impairment**

The carrying amounts of the Banks' non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in profit or loss account. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

### **5.7 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.

### **5.8 Taxation**

#### **Current**

Current tax is the tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, taking into account tax credits, rebates and tax losses, if any, and any adjustment to tax payable in respect of previous years.

#### **Deferred**

Deferred tax is accounted for on all major taxable temporary differences between the carrying amounts of assets for financial reporting purposes and their taxation base. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. At each balance sheet date, the Bank reassesses the carrying and the unrecognized amount of deferred tax assets.

Deferred tax assets and liabilities are calculated at the rate that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Deferred tax, on revaluation of investments, if any, is recognized as an adjustment to surplus/ (deficit) arising on such revaluation.

### **5.9 Employee benefits**

Salaries, wages and benefits are accrued in the period in which the associated services are rendered by employees of the Bank. The accounting policy for post retirement benefit- gratuity is described below:

#### **Post retirement benefit**

The Bank operates an approved gratuity scheme for all eligible employees completing the minimum qualifying period of service as specified by the employee rules. Provision is made annually to cover obligations under the scheme in accordance with the actuarial recommendations. Relevant details are given in note 15.1 to the financial statements.

Actuarial gain and losses in excess of ten percent (10%) of the present value of the defined benefit obligation are recognized over the expected average future working lives of the employees participating in the scheme.



The amount recognized in the balance sheet date represents the present value of the defined benefit obligation adjusted for unrecognized actuarial gains and losses.

#### 5.10 Mark-up bearing borrowings

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

#### 5.11 Statutory reserve

In compliance with the 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.

#### 5.12 Capital reserve

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

#### 5.13 Reserve for contingencies

Reserve for contingencies was created for risk assets comprising advances, as a matter of prudence and to comply with the additional requirements of Asian Development Bank (ADB) for the first five years of KB operations which were completed on February 6, 2006.

#### 5.14 Contributions

In compliance with the Regulations, the Bank contributes towards the following funds held by SBP;

Microfinance Social Development Fund:	10% of profit after tax
Depositor's Protection Fund:	5% of profit after tax

In addition to above the Bank also contributes 5 % of its profit after tax to Risk Mitigation Fund being maintained with SBP in pursuance of the requirements of the Sub-Loan agreement with SBP.

#### 5.15 Grants

Grants that compensate the Bank for expenses incurred are recognised in the profit and loss account as other operating income on a systematic basis in the same periods in which the expenses are incurred.

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 income when there is reasonable assurance that it will be received and that the Bank will comply with the conditions attached to it.

#### 5.16 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 Regulations. Mark-up recoverable on non-performing advances is recognized on a receipt basis in accordance with the requirements of the Regulations. Application processing fee is recognized as income when service is performed.

Mark-up / return on investments is recognised on time proportion basis using effective interest method. Where debt securities are purchased at premium or discount, those premiums/ discounts are amortised 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 are included in profit and loss account currently.

Gains and losses on sale of operating fixed assets are recognised in the profit and loss account.

#### 5.17 Borrowing costs

Mark up, interest and other charges on borrowings are charged to income in the period in which they are incurred.

#### 5.18 Operating leases

Operating lease rentals are recorded in profit and loss account on a time proportion basis over the term of the lease arrangements.

### 5.19 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, amortised cost or cost, as the case may be.

#### Financial assets

Financial assets are cash and balances with SBP and NBP, balances with other banks, 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. 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.

#### Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangement entered into. Financial liabilities include borrowings 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 the net profit and loss for the period in which it arises.

### 5.20 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 effective 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 or loss.

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 and the reversal is recognized in profit and loss account.

### 5.21 Off-setting

Financial assets and financial liabilities and tax assets and tax liabilities are only off-set and the net amount is reported in the financial statements when there is a legally enforceable right to set off the recognized amount and the Bank intends either to settle on net basis or to realize the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also off-set and the net amount is reported in the financial statements.

### 5.22 Foreign currencies

Transactions in foreign currencies are recorded at the approximate rates of exchange ruling on the date of the transaction. All monetary assets and liabilities denominated in foreign currencies are translated into PKR at the rate of exchange ruling on the balance sheet date and exchange differences, if any, are charged to profit and loss account for the year.

### 5.23 Provisions

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

### 5.24 Use of Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires the use of certain accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The Bank uses estimates and assumptions concerning the future. The resulting accounting estimate will, by definition, seldom equal the related actual results. 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 was exercised in application of accounting policies are as follows:

- a) classification of investments.
- b) provision against advances.
- c) useful life of operating fixed assets.
- d) Income taxes.
- e) Staff retirement benefits.



	Note	2009 Rupees	2008 Rupees
<b>6. CASH AND BALANCES WITH SBP AND NBP</b>			
Cash in hand			
Local currency		40,731,544	31,044,756
Balances with State Bank of Pakistan (SBP) in:			
Local currency current accounts	6.1	23,518,667	25,409,013
Balances with National Bank of Pakistan (NBP) in:			
Local currency current accounts		8,195,956	17,662,375
Local currency deposit accounts	6.2	6,733,546	13,494,344
		14,929,502	31,156,719
		<u>79,179,713</u>	<u>87,610,488</u>

6.1 This represents balance maintained with SBP to meet the requirement of maintaining minimum balance equivalent to 5% (2008: 5%) of the Bank's time and demand liabilities in accordance with regulation 6A of the Regulations.

6.2 This represent balances held across the network for the purpose of lending to borrowers and recoveries from customers, which carry an interest rate of 5% (2008: 5%) per annum.

	Note	2009 Rupees	2008 Rupees
<b>7. BALANCES WITH OTHER BANKS/ NBFIs/ MFBs</b>			
In Pakistan			
Local currency current accounts		131,775,147	68,149,369
Local currency deposit accounts	7.1	340,617,687	855,026,998
In Pakistan			
Foreign currency current account		13,450,760	-
		<u>485,843,594</u>	<u>923,176,367</u>

7.1 This represent balances held across the network for the purpose of lending to borrowers and recoveries from customers, which carry interest rates ranging from 5% to 11% (2008: 5% to 12%) per annum. This also includes Term Deposit Receipts amounting to Rs. 300 million (2008: Rs. 650 million) with local commercial banks carrying interest rates ranging from 12.25% to 13.25% (2008: 16.50% to 18.0%) per annum with maturity upto one month (2008: upto one month).

	Note	2009 Rupees	2008 Rupees
<b>8. LENDING TO FINANCIAL INSTITUTIONS</b>			
Call money lending		-	600,000,000
Repurchase agreement lending (reverse repo)	8.1	399,459,544	-
Clean lending	8.2	100,000,000	100,000,000
Less: Provision for impairment		100,000,000	100,000,000
		-	-
		<u>399,459,544</u>	<u>600,000,000</u>

8.1 This represents repurchase agreement lending (reverse repo) at the rate of 12.10% per annum (2008: nil) maturing on January 4, 2010.

#### 8.1.1 Securities held as collateral against lending to financial institutions

	2009 Rupees			2008 Rupees		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
Market Treasury Bills (T-Bills)	412,000,000	-	<u>412,000,000</u>	-	-	-

**8.2** This represents amount placed with Innovative Housing Finance Limited (IHFL) formerly, Crescent Standard Investment Bank Limited. The amount was initially given as a clean lending and was being rolled over on maturity dates due to liquidity problems of IHFL. On June 30, 2007, the Bank entered into an agreement with IHFL under which the principal amount was restructured for a period of seven years, with two years grace period, from the date of the agreement. Pursuant to the agreement, the principal is repayable by IHFL in 10 equal biannual installments, starting from December 31, 2009. IHFL is also required to pay markup on quarterly basis at the rate of 5% per annum calculated on the outstanding principal after the expiry of the grace period. On the due date of the first installment, IHFL defaulted its first payment due to liquidity problems. The Bank is pursuing the settlement with IHFL. Moreover, the Bank has fully provided the investment as advised by SBP.

	Note	2009 Rupees	2008 Rupees
<b>9. INVESTMENTS</b>			
<b>Available for sale securities</b>			
Market Treasury Bills (T-Bills)	9.1	609,152,300	828,658,800
Add: Surplus on revaluation of available for sale securities	9.2	1,506,460	17,161,740
		<u>610,658,760</u>	<u>845,820,540</u>
<b>Held to maturity investments</b>			
Pakistan Investment Bonds (PIBs)	9.3	365,614,937	366,034,086
		<u>976,273,697</u>	<u>1,211,854,626</u>

**9.1** This represent T-Bills purchased for the year/ period ranging from 182 days to 364 days (2008: 84 days to 364 days) having yield interest ranging from 12.15% to 13.25% (2008:10.14% to 13.85%) per annum. T-Bills amounting to Rs. 167 million (2008: Rs. 272 million) are given as collateral against borrowings (note - 14.2).

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

**9.3** This represents 10 year PIBs with maturity in 2011 having yield interest ranging from 12% to 13% (2008: 12% to 13%) per annum, receivable on semi-annual basis. Market value of held to maturity PIBs at year end was Rs. 334 million (2008: Rs. 326 million).

## 10. ADVANCES

Loan type	Note	2009		2008	
		No. of loans outstanding	Amount outstanding (Rupees)	No. of loans outstanding	Amount outstanding (Rupees)
Micro credit		329,421	3,630,204,658	312,851	3,093,335,635
Less: Provisions held					
Specific provision		9,661	(18,646,565)	20,647	(29,440,470)
General provision	10.1	329,421	(55,610,642)	312,851	(50,958,428)
			(74,257,207)		(80,398,898)
Advances (net of provisions)			<u>3,555,947,451</u>		<u>3,012,936,737</u>

**10.1** This includes Rs. 1.44 million (2008: Nil) related to provision against Malakand and Khyber Agency branches as advised by SBP.

### 10.2 Particulars of non-performing advances

Advances include Rs. 50.33 million (2008: Rs. 68.66 million) which, as detailed below, have been placed under non-performing status.

Category of classification	2009			2008		
	Amount outstanding	Rupees Provisions required	Provisions held	Amount outstanding	Rupees Provisions required	Provisions held
OAEM	13,885,048	-	-	-	-	-
Sub-Standard	10,831,936	2,707,984	2,707,984	33,934,940	8,483,735	8,483,735
Doubtful	19,355,982	9,677,991	9,677,991	27,542,070	13,771,035	13,771,035
Loss	6,260,590	6,260,590	6,260,590	7,185,700	7,185,700	7,185,700
<b>Total</b>	<b>50,333,556</b>	<b>18,646,565</b>	<b>18,646,565</b>	<b>68,662,710</b>	<b>29,440,470</b>	<b>29,440,470</b>

**10.3 Particulars of provisions against non-performing advances**

	2009			For nine months ended December 31, 2008		
	Specific	Rupees General	Total	Specific	Rupees General	Total
Balance at beginning of the year/ period	29,440,470	50,958,428	80,398,898	20,208,757	39,464,028	59,672,785
Charge for the year/ period	90,628,753	4,652,214	95,280,967	62,413,097	11,494,400	73,907,497
Amounts written off	(101,422,658)	-	(101,422,658)	(53,181,384)	-	(53,181,384)
<b>Balance at end of the year</b>	<b>18,646,565</b>	<b>55,610,642</b>	<b>74,257,207</b>	<b>29,440,470</b>	<b>50,958,428</b>	<b>80,398,898</b>

**10.4 Particulars of write offs**

	2009	For nine months ended
	Rupees	December 31, 2008
	Rupees	Rupees
Against provisions	101,422,658	53,181,384
Directly charged to profit and loss account	-	4,313,190
	<u>101,422,658</u>	<u>57,494,574</u>

**11. OPERATING FIXED ASSETS**

	Note	2009	2008
		Rupees	Rupees
Property and equipment	11.1	175,718,576	149,787,867
Intangible assets	11.2	9,959,858	7,799,262
		<u>185,678,434</u>	<u>157,587,129</u>

**11.1 Property and equipment**

	Furniture and fixtures	Electrical and office equipment	Computer equipment	Vehicles	Total
	<b>Rupees</b>				
<b>Cost</b>					
Cost of assets transferred from KB	61,498,002	71,334,499	65,877,896	298,377,451	497,087,848
Additions during the period	19,377,685	16,165,840	15,634,825	11,509,659	62,688,009
Disposals during the period	(3,501,803)	(4,785,705)	(11,075,154)	(2,520,153)	(21,882,815)
Balance as at December 31, 2008	<u>77,373,884</u>	<u>82,714,634</u>	<u>70,437,567</u>	<u>307,366,957</u>	<u>537,893,042</u>
Balance as at January 1, 2009	77,373,884	82,714,634	70,437,567	307,366,957	537,893,042
Additions during the year	20,425,398	27,200,567	43,492,406	2,494	91,120,865
Disposals during the year	(4,080,720)	(5,957,596)	(2,629,495)	(37,478,664)	(50,146,475)
Balance as at December 31, 2009	<u>93,718,562</u>	<u>103,957,605</u>	<u>111,300,478</u>	<u>269,890,787</u>	<u>578,867,432</u>
<b>Depreciation</b>					
Accumulated depreciation of assets transferred from KB	19,224,784	40,889,569	51,519,205	239,387,153	351,020,711
Depreciation charge for the period	4,984,800	9,044,371	7,364,105	31,373,356	52,766,632
Disposals during the period	(962,764)	(2,832,403)	(10,266,400)	(1,620,601)	(15,682,168)
Balance as at December 31, 2008	<u>23,246,820</u>	<u>47,101,537</u>	<u>48,616,910</u>	<u>269,139,908</u>	<u>388,105,175</u>
Balance as at January 1, 2009	23,246,820	47,101,537	48,616,910	269,139,908	388,105,175
Depreciation charge for the year	8,434,104	15,223,770	15,926,772	22,328,984	61,913,630
Disposals during the year	(2,063,941)	(5,443,201)	(2,576,579)	(36,786,228)	(46,869,949)
Balance as at December 31, 2009	<u>29,616,983</u>	<u>56,882,106</u>	<u>61,967,103</u>	<u>254,682,664</u>	<u>403,148,856</u>
<b>Carrying value</b>					
2008	54,127,064	35,613,097	21,820,657	38,227,049	149,787,867
2009	64,101,579	47,075,499	49,333,375	15,208,123	175,718,576

<b>Rates of depreciation per annum</b>	10%	20%	33.33%	25%
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11.1.1 Depreciation for the year/ period includes Rs. 17.95 million (2008: Rs. 29.07 million) being the depreciation charged on assets acquired as grant, as explained in detail in note 18.1 and 23.1 to the financial statements.

<b>11.2 Intangible assets</b>	<b>2009 Rupees</b>	<b>2008 Rupees</b>
<b>Cost</b>		
Balance as at the beginning of the year/ period	14,717,092	5,619,330
Additions during the year/ period	6,782,771	9,097,762
Disposals during the year	(1,207,841)	-
Balance as at the end of the year	20,292,022	14,717,092
<b>Amortization</b>		
Balance as at the beginning of the year/ period	(6,917,830)	(4,929,068)
Charge for the year/period	(4,619,683)	(1,988,762)
Disposals during the year	1,205,349	-
Balance as at the end of the year	(10,332,164)	(6,917,830)
<b>Carrying amount</b>	<b>9,959,858</b>	<b>7,799,262</b>

11.2.1 Amortization is charged on straight line basis @ 33.33 % per annum, starting from the month the asset is available for use.

<b>12. OTHER ASSETS</b>	<b>Note</b>	<b>2009 Rupees</b>	<b>2008 Rupees</b>
Mark-up accrued		312,774,716	203,828,516
Less: suspended markup on non-performing advances		(6,643,527)	(8,371,662)
		306,131,189	195,456,854
Interest receivable on investments and bank deposits		42,554,911	49,007,741
Advances - unsecured, considered good			
Employees		64,442,211	33,046,366
Suppliers		8,985,953	28,990,484
		73,428,164	62,036,850
Deposits		743,345	833,866
Prepayments		43,788,073	35,985,832
Advance taxation - net of provision		40,564,887	44,443,581
Receivable from Microfinance Social Development Fund	23.2	150,035,943	68,100,364
Receivable from Emergency Livelihood Restoration Fund for:			
Equity support	12.1	162,621,000	153,500,000
Operational cost support	23.3	56,010,853	60,201,533
Community group formation	23.3	18,519,600	17,320,100
		237,151,453	231,021,633
Receivable from Jafakash Aurat Project		-	909,522
Receivable from USAID	23.1	5,838,841	-
Insurance claims receivable		3,294,143	1,171,106
Other receivables		3,341,143	9,643,632
		906,872,092	698,610,981
Less: provisions held against classified other assets			
Opening provision		6,033,916	3,801,144
Provision for the year /period		959,547	2,742,092
Receivables written off against provision		(5,518,040)	(509,320)
		1,475,423	6,033,916
		<b>905,396,669</b>	<b>692,577,065</b>



- 12.1 This represents amount paid on behalf of Emergency Livelihood Restoration Programme (ELRP) launched by GoP during February 2006. The objective of ELRP was to revive local economies and reduce dependence on relief to affected households of October 8, 2005 earthquake. For the purposes of ELRP, Earthquake Livelihood Restoration Fund (ELRF) was established by SBP and the Bank was designated as implementing agency which utilized its organizational structure, personnel etc and collaborated with service providers for immediate outreach to the earthquake affected households.

In accordance with the provision of the ELRF Rules; an equity support of Rs. 12,000 per household was paid as grant to the earthquake affected households on behalf of ELRP in addition to soft loan of Rs.3,000 by the Bank for economic revival of the earthquake affected households.

The ELRP completed its tenure on July 31, 2009 and the final claim of the Bank is in process with SBP.

13. DEPOSITS AND OTHER ACCOUNTS	Note	2009		2008	
		No of Accounts	Amount Rupees	No of Accounts	Amount Rupees
Fixed deposits	13.2	644	56,610,000	-	-
Current deposits		74,351	133,422,590	3,477	18,168,500
		<u>74,995</u>	<u>190,032,590</u>	<u>3,477</u>	<u>18,168,500</u>
13.1 Particulars of deposits by ownership					
Individual depositors		<u>74,995</u>	<u>190,032,590</u>	<u>3,477</u>	<u>18,168,500</u>
13.2 This represent term deposits having tenure of 1 to 12 months carrying interest rates ranging from 6% to 10% per annum (2008: Nil).					

14. BORROWINGS	Note	2009 Rupees	2008 Rupees
Borrowing from bank/ financial institution outside Pakistan - unsecured			
Asian Development Bank	14.1	4,001,024,272	4,364,753,752
Borrowings from banks/ financial institutions in Pakistan - secured	14.2	157,636,644	263,709,004
		<u>4,158,660,916</u>	<u>4,628,462,756</u>

- 14.1 This represent receipts/ reimbursements upto 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. By February 2006, the Bank utilized SDR 52.51 million against total credit line amounting to SDR 52.57 million under the aforesaid loan agreement.

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

The interest is being paid on bi-annual basis charged at the rate equal to weighted average cost of deposits during the preceding six months in the banking industry as calculated by SBP. The interest rates used for the two bi-annual payments during the year were determined at the rates 6.02% and 6.11% (2008: 3.61% and 5.58%) per annum.

- 14.2 This represent interbank money market borrowings carrying interest rate of 12.25% (2008:14.25%) per annum and are repayable on January 21, 2010 (2008: January 21, 2009). These borrowings are secured against T-Bills amounting to Rs.167 million (2008: Rs. 272 million).

	Note	2009 Rupees	2008 Rupees
<b>15. OTHER LIABILITIES</b>			
Interest payable on borrowings		41,243,341	47,263,628
Interest payable on deposits		560,364	-
Accrued expenses		38,487,813	24,955,471
Provision for compensated absences		-	841,299
Payable to defined benefit plan - gratuity	15.1	2,298,663	205,847
Grant received in advance from USAID		-	1,742,000
Contribution payable to Microfinance Social Development Fund		24,564,027	10,276,256
Contribution payable to Risk Mitigation Fund		12,282,013	5,138,128
Contribution payable to Depositors' Protection Fund		12,282,013	5,138,128
Payable to service providers		7,524,000	14,570,800
Payable to suppliers		9,681,624	15,743,784
Other payables		13,241,398	8,141,533
		<u>162,165,256</u>	<u>134,016,874</u>
<b>15.1 Payable to defined benefit plan - gratuity</b>			
Disclosures related to Employees Gratuity Fund are given below:			
i) Amounts recognised in the balance sheet			
Present value of defined benefit obligations		95,792,693	71,494,772
Fair value of plan assets		(92,704,801)	(66,681,152)
Deficit		3,087,892	4,813,620
Unrecognized actuarial gain/(loss)		(789,229)	(4,607,773)
Net liability		<u>2,298,663</u>	<u>205,847</u>
ii) Amounts recognized in the profit and loss account			
Current service cost		25,493,682	23,975,897
Interest cost		10,724,216	5,159,548
Expected return on plan assets		(10,002,173)	(4,542,599)
		<u>26,215,725</u>	<u>24,592,846</u>
iii) Changes in present value of defined benefit obligation			
Opening defined benefit obligation		71,494,772	51,595,476
Expense for the year/ period		36,217,898	29,135,445
Benefits paid during the year/ period		(7,669,535)	(9,313,201)
Actuarial (gain)/loss		(4,250,442)	77,052
Closing defined benefit obligation		<u>95,792,693</u>	<u>71,494,772</u>
iv) Changes in fair value of plan assets			
Opening fair value of plan assets		66,681,152	45,425,985
Expected return on plan assets		10,002,173	4,542,599
Contributions paid during the year/ period		24,122,909	25,886,999
Benefit paid during the year/ period		(7,669,535)	(9,313,201)
Actuarial gain/(loss) on plan assets		(431,898)	138,770
Closing fair value of plan assets		<u>92,704,801</u>	<u>66,681,152</u>
v) Actual return on plan assets			
Expected return on plan assets		10,002,173	4,542,599
Actuarial (gain)/loss on plan assets		(431,898)	138,770
		<u>9,570,275</u>	<u>4,681,369</u>
vi) Major categories of plan assets			
Investments in T-Bills		89,491,500	62,991,500
Accrued interest		1,582,208	630,576
Cash at bank		1,631,093	3,059,076
		<u>92,704,801</u>	<u>66,681,152</u>

vii) The latest actuarial valuation was carried out at December 31, 2009. The significant assumptions used for actuarial valuation are as follows:

	2009	2008
Discount rate	12%	15%
Expected rate of increase in salaries	13%	14%
Mortality rate	EFU 1961-66	EFU 1961-66
Average expected remaining working life of employees	11 years	11 years

viii) Amounts for the current and previous year/period

	2009 Rupees	2008 Rupees
Present value of defined benefit obligation	(95,792,693)	(71,494,772)
Fair value of plan assets	92,704,801	66,681,152
Deficit	(3,087,892)	(4,813,620)
Experience adjustments on plan liabilities	4,250,442	(77,052)
Experience adjustments on plan assets	(431,898)	138,770

ix) Expected contribution of the Company to the defined benefit gratuity fund for the year ending December 31, 2010 is Rs. 26,676,167.

## 16. SHARE CAPITAL

### 16.1 Authorized Capital

2009 Number	2008 Number		2009 (Rupees)	2008 (Rupees)
<u>600,000,000</u>	<u>600,000,000</u>	Ordinary shares of Rs.10 each	<u>6,000,000,000</u>	<u>6,000,000,000</u>

### 16.2 Issued, subscribed and paid-up capital

<u>170,500,000</u>	<u>170,500,000</u>	Ordinary shares of Rs.10 each fully paid for consideration other than cash - note 16.2.1	<u>1,705,000,000</u>	<u>1,705,000,000</u>
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16.2.1 This represents ordinary shares allotted to shareholders of the Bank in accordance with the scheme of conversion. These ordinary shares were previously issued by KB against cash consideration.

	Note	2009 Rupees	2008 Rupees
<b>16.2.2 The shareholders of the Bank are as follow:</b>			
National Bank of Pakistan		400,000,000	400,000,000
Habib Bank Limited		300,000,000	300,000,000
MCB Bank Limited		300,000,000	300,000,000
United Bank Limited		200,000,000	200,000,000
Allied Bank Limited		200,000,000	200,000,000
Standard Chartered Bank (Pakistan) Limited		80,000,000	80,000,000
Askari Bank Limited		50,000,000	50,000,000
Citibank N.A		50,000,000	50,000,000
Bank Al Habib Limited		30,000,000	30,000,000
Soneri Bank Limited		25,000,000	25,000,000
Habib Metropolitan Bank Limited		25,000,000	25,000,000
The Royal Bank of Scotland		15,000,000	15,000,000
KASB Bank Limited		10,000,000	10,000,000
Saudi Pak Commercial Bank Limited		-	10,000,000
Silk Bank Limited	16.3	10,000,000	-
Mybank Limited		10,000,000	10,000,000
		<u>1,705,000,000</u>	<u>1,705,000,000</u>



16.3 During the year Silk Bank Limited fully acquired the equity of Saudi Pak Commercial Bank Limited.

	Note	2009 Rupees	2008 Rupees
<b>17. (DEFICIT) ON REVALUATION OF ASSETS</b>			
Surplus on revaluation of available for sale securities		1,506,460	17,161,740
Unamortised loss on reclassification of available for sale securities to held to maturity	17.1	(16,958,830)	(25,880,639)
		<u>(15,452,370)</u>	<u>(8,718,899)</u>

17.1 This represents unamortised balance of revaluation loss of reclassified held to maturity (PIB) investments. Accordingly, revaluation loss at reclassification date, April 1, 2008, amounting to Rs. 34 million is being amortised over the remaining life of PIBs using effective interest method.

	Note	2009 Rupees	2008 Rupees
<b>18. DEFERRED GRANTS</b>			
Grant from GoP	18.1	251,589,232	251,589,232
Less: Grant amortized upto March 31, 2008 for nine months ended December 31, 2008 for the year 2009		(229,033,917) (13,264,640) (6,004,178)	(229,033,917) (13,264,640) -
		3,286,497	9,290,675
Grant from USAID	23.1	98,374,901	98,374,901
Less: Grant amortized upto March 31, 2008 for nine months ended December 31, 2008 for the year 2009		(57,990,871) (15,802,975) (11,948,507)	(57,990,871) (15,802,975) -
		12,632,548	24,581,055
		<u>15,919,045</u>	<u>33,871,730</u>

18.1 This represents grant from GoP for assets acquired for institutional strengthening of the Bank, under the Subsidiary Loan and Grant Agreement (SLGA) entered with GoP in pursuance of Loan Agreement (Special Operations) - Microfinance Sector Development Project (MSDP), Loan #1806 between ADB and Islamic Republic of Pakistan. MSDP has completed its tenure on June 30, 2007. The Bank has received reimbursements from SBP for all pending claims.

## 19. MEMORANDUM/ OFF BALANCE SHEET ITEMS

19.1 There are no contingent liabilities at the year end (2008: Nil).

19.2 Commitments for capital expenditure amounting to Rs. 23.15 million (2008: Rs. 11.44 million) are outstanding as at December 31, 2009.

Furthermore, to meet the Bank's funding needs for microfinance activities for a tenure of two years, a proposal for term finance of Rs. 200 million from Soneri Bank was being considered. By the year end i.e. December 31, 2009, the Bank was in the process of obtaining NOC from SBP for creation of charge on assets offered as collateral. Subsequently, on January 1, 2010, the SBP issued NOC for creation of charge on assets offered as collateral. Following completion of formalities Soneri Bank released the funds to the Bank on January 11, 2010.

	2009 Rupees	For nine months ended December 31, 2008 Rupees
<b>20. MARK-UP/ RETURN/INTEREST EARNED</b>		
Mark-up on advances	822,763,226	446,050,469
Add / (less): Suspended markup on non-performing advances	1,728,135	(2,237,277)
	824,491,361	443,813,192
Interest on investment in Government Securities	132,895,624	71,824,303
Interest on deposit accounts/ placements with other banks/ financial institutions/ mutual funds	125,337,977	153,157,044
	<u>1,082,724,962</u>	<u>668,794,539</u>



	Note	For nine months ended	
		2009 Rupees	December 31, 2008 Rupees
<b>21. MARK-UP/ RETURN/ INTEREST EXPENSED</b>			
Interest on borrowings from:			
Asian Development Bank		253,564,091	172,465,173
Other financial institutions		2,641,022	37,747,586
Other deposits		669,960	-
		<u>256,875,073</u>	<u>210,212,759</u>
<b>22. FEE, COMMISSION AND BROKERAGE INCOME</b>			
Deposit account opening fee		3,091,400	426,500
Micro-credit application processing fee		185,759,800	96,820,500
Other commission		1,326,531	-
		<u>190,177,731</u>	<u>97,247,000</u>
<b>23. OTHER INCOME</b>			
Amortization of deferred grants	18	17,952,685	29,067,615
Re-imbursment of cost share- USAID project	23.1	35,651,257	89,877,168
Re-imbursment from MSDF	23.2	98,148,000	79,942,000
Grant/subsidies from ELRF	23.3	98,707,113	91,949,416
Gain on disposal of fixed assets		20,661,163	-
Others	23.4	45,428,465	39,817,589
		<u>316,548,683</u>	<u>330,653,788</u>

**23.1** On September 30, 2003, the Bank entered into an agreement with USAID, for developing non-bankable territories for financial services in Sindh and Baluchistan. Subsequently in September 2005, the scope of the grant was expanded to include seven FATA territories, whereby USAID revised its contribution from US Dollar 7.042 million to US Dollar 11.052 million while the total project cost was revised from US Dollar 9.371 million to US Dollar 14.142 million. Sindh and Baluchistan project period ended on September 30, 2008 while FATA project period ended on September 30, 2009. The cost share of USAID project was reimbursable to the Bank on monthly basis.

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

**23.3** This represents amount recognised as receivable from Emergency Livelihood Restoration Programme (ELRP). The Bank was the designated implementing agency and utilized its organizational structure, personnel and collaborated with service providers for immediate outreach to earthquake affected households. In compensation of cost incurred by the Bank, it was entitled to claim a composite figure of US Dollar 50 per household. Under ELRF Rules, 2006, the Bank was also eligible to claim Rs. 1,200 per person for delivery of financial and non-financial services to community groups. Each community group comprises of 5 person.

The Programme completed its tenure on July 31, 2009 and the final claim of the Bank is in process with SBP.

**23.4** This includes an amount of Rs. 37.69 million (Dec 2008: Rs 24.84 million) received during the year/ period against previously recognized bad debts.

24.	ADMINISTRATIVE EXPENSES	Note	For nine months ended	
			2009 Rupees	December 31, 2008 Rupees
	Salaries, wages and benefits		444,414,808	272,027,139
	Charge for defined benefit plan	15.1	26,215,725	18,056,552
	Contract/ seconded staff expenses		88,783,006	60,281,167
	Consultancies		3,942,708	1,047,620
	Recruitment and development		1,517,257	5,062,106
	Training		13,215,977	10,896,892
	Rent and rates		72,126,774	45,900,808
	Insurance		20,534,477	12,748,003
	Utilities		27,011,076	14,968,003
	Legal and professional charges		1,443,424	2,964,290
	Communication		34,639,484	16,757,194
	Repairs and maintenance		12,694,790	9,994,208
	Printing, stationery and office supplies		43,274,752	29,202,582
	Advertisement		10,601,618	15,747,166
	Auditors' remuneration	24.1	1,625,000	1,475,000
	Depreciation	11.1	61,913,630	52,766,632
	Amortization	11.2	4,619,683	1,988,762
	Vehicles up keep and maintenance		54,479,730	56,832,709
	Traveling and conveyance		12,592,669	8,529,157
	Meetings and conferences		13,647,891	11,485,182
	Security charges		739,915	560,614
	Bank charges		6,233,461	5,910,214
	Newspapers and subscriptions		1,312,963	957,177
	Donations	24.2	-	1,270
	Programme cost - USAID		20,500,750	41,011,702
	Miscellaneous		6,112,441	320,987
			<u>984,194,009</u>	<u>697,493,136</u>
<b>24.1</b>	<b>Auditors' remuneration</b>			
	Annual audit fee		750,000	750,000
	Special certifications		600,000	470,000
	Out-of-pocket expenses		275,000	255,000
			<u>1,625,000</u>	<u>1,475,000</u>
<b>24.2</b>	This represents written down value of 27 computers, donated to Pakistan Centre for Philanthropy in 2008.			
<b>25</b>	<b>OTHER CHARGES</b>		<b>2009 Rupees</b>	<b>For nine months ended December 31, 2008 Rupees</b>
	Penalties imposed by SBP		137,000	-
<b>25.1</b>	This represents penalty imposed by the SBP on account of misreporting of eCIB data.			
<b>26.</b>	<b>TAXATION</b>			
<b>26.1</b>	With effect from July 1, 2007, pursuant to Clause (66- XVIII) of part I of Second Schedule to the Income Tax Ordinance, 2001, the Bank's income is exempt from tax for five years provided that no dividend is paid to the shareholders and profits are retained for the objectives of the Bank. Accordingly, the Bank has opted for the tax holiday pursuant to the provisions of the aforementioned clause.			
<b>26.2</b>	During the year the Bank has provided minimum tax at the rate of 0.5% of turnover as per requirements of Section 113 of Income Tax Ordinance, 2001.			
<b>26.3</b>	Numeric tax rate reconciliation is not given as the Bank is exempt from tax.			
<b>27.</b>	<b>CASH AND CASH EQUIVALENTS</b>		<b>2009 Rupees</b>	<b>2008 Rupees</b>
	Cash and balances with SBP and NBP		79,179,713	87,610,488
	Balances with other banks		485,843,594	923,176,367
	Lending to financial institutions		-	600,000,000
			<u>565,023,307</u>	<u>1,610,786,855</u>

28. NUMBER OF EMPLOYEES	2009	2008
Credit sales staff		
Permanent	647	665
Banking / support staff		
Permanent	574	479
Contractual	781	864
	1,355	1,343
Total number of employees at the end of the year	<u>2,002</u>	<u>2,008</u>
29. NUMBER OF BRANCHES		
Total branches at beginning of the year / period	114	113
Add: Opened during the year / period	-	1
Less: Closed / merged during the year / period	7	-
Total branches at the end of the year	<u>107</u>	<u>114</u>
30. EARNINGS PER SHARE	2009	For nine months ended December 31, 2008
Profit for the year after tax (Rupees)	245,640,267	102,762,558
Shares outstanding during the year / period (Numbers)	170,500,000	170,500,000
Earnings per share- basic and diluted (Rupees)	<u>1.44</u>	<u>0.60</u>

There is no dilutive effect on the basic earnings per share of the Bank.

### 31. REMUNERATION OF PRESIDENT, DIRECTORS AND EXECUTIVES

	2009			For nine months ended December 31, 2008		
	President	Directors Rupees	Executives	President	Directors Rupees	Executives
Managerial remuneration	2,763,876	-	33,852,424	2,072,907	-	24,024,716
Charge for defined benefit plan /Gratuity	347,858	-	4,270,802	299,397	-	3,218,368
Rent and house maintenance	1,243,740	-	15,233,608	932,805	-	10,811,138
Utilities	276,384	-	3,385,271	207,288	-	2,402,485
Medical	50,777	-	3,320,202	12,700	-	2,108,859
Conveyance	245,349	-	9,519,368	226,166	-	7,717,784
Bonus	-	-	1,577,751	-	-	2,231,239
Others	-	-	292,875	-	-	499,251
Total	<u>4,927,984</u>	<u>-</u>	<u>71,452,301</u>	<u>3,751,263</u>	<u>-</u>	<u>53,013,840</u>
Number of person(s)	<u>1</u>	<u>5</u>	<u>29</u>	<u>1</u>	<u>8</u>	<u>31</u>

31.1 The President is provided with a Bank maintained car.

31.2 Executives mean employees, other than the chief executive and directors, whose basic salary exceed five hundred thousand rupees in a financial year.



## 32. SCHEDULE OF MATURITY DISTRIBUTION OF MARKET RATE ASSETS AND LIABILITIES AS AT DECEMBER 31, 2009

	TOTAL	UPTO 1 MONTH	OVER 1 MONTH UPTO 6 MONTHS	OVER 6 MONTHS UPTO 1 YEAR	OVER ONE YEAR
<b>Rupees</b>					
<b>Market rate assets</b>					
Advances	3,555,947,451	165,877,256	1,612,669,962	1,777,400,233	-
Investments	976,273,697	-	610,658,760	-	365,614,937
Balances with SBP and NBP - deposit accounts	6,733,546	6,733,546	-	-	-
Balances with other banks - deposit accounts	340,617,687	190,617,687	150,000,000	-	-
Lending to financial institutions	399,459,544	399,459,544	-	-	-
<b>Total market rate assets</b>	<b>5,279,031,925</b>	<b>762,688,033</b>	<b>2,373,328,722</b>	<b>1,777,400,233</b>	<b>365,614,937</b>
<b>Other non-earning assets</b>					
Cash in hand	40,731,544	40,731,544	-	-	-
Balances with SBP and NBP - current accounts	31,714,623	31,714,623	-	-	-
Balances with other banks - current accounts	145,225,907	145,225,907	-	-	-
Other assets	905,396,669	91,878,691	669,815,327	103,422,855	40,279,796
Operating fixed assets	185,678,434	5,692,843	28,464,215	34,157,058	117,364,318
<b>Total non-earning assets</b>	<b>1,308,747,177</b>	<b>315,243,608</b>	<b>698,279,542</b>	<b>137,579,913</b>	<b>157,644,114</b>
<b>Total assets</b>	<b>6,587,779,102</b>	<b>1,077,931,641</b>	<b>3,071,608,264</b>	<b>1,914,980,146</b>	<b>523,259,051</b>
<b>Market rate liabilities</b>					
Borrowing from ADB	4,001,024,272	-	181,864,740	181,864,740	3,637,294,792
Borrowings from financial institutions	157,636,644	157,636,644	-	-	-
<b>Total market rate liabilities</b>	<b>4,158,660,916</b>	<b>157,636,644</b>	<b>181,864,740</b>	<b>181,864,740</b>	<b>3,637,294,792</b>
<b>Other non-cost bearing liabilities</b>					
Deposits and other accounts	190,032,590	147,452,590	27,900,000	14,680,000	-
Other liabilities	162,165,256	45,657,036	111,040,047	5,468,173	-
<b>Total non-cost bearing liabilities</b>	<b>352,197,846</b>	<b>193,109,626</b>	<b>138,940,047</b>	<b>20,148,173</b>	<b>-</b>
<b>Total liabilities</b>	<b>4,510,858,762</b>	<b>350,746,270</b>	<b>320,804,787</b>	<b>202,012,913</b>	<b>3,637,294,792</b>
<b>Net assets</b>	<b>2,076,920,340</b>	<b>727,185,371</b>	<b>2,750,803,477</b>	<b>1,712,967,233</b>	<b>(3,114,035,741)</b>
<b>Represented by:</b>					
Share capital	1,705,000,000				
Statutory reserve	109,771,393				
Capital reserve	24,255,224				
Unappropriated profit	209,041,695				
Reserve for contingencies	28,385,353				
Deficit on revaluation of assets	(15,452,370)				
Deferred grants	15,919,045				
	<b>2,076,920,340</b>				



### 33. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

#### 33.1 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, 2009 are summarized as follows:

Description	INTEREST/MARK-UP BEARING						NON INTEREST BEARING		Effective interest rate
	Maturity upto one year	Maturity after one year & upto two years	Maturity after two years & upto three years	Maturity after three years & upto four years	Maturity after four years & upto five years	Maturity after five years	Sub Total	Total	
	Rupees						Rupees		
<b>Financial assets:</b>									
Cash and balances in current and other accounts	-	-	-	-	-	-	393,351,233	171,672,074	5.0 % to 13.3 %
Balance in deposits accounts	393,351,233	-	-	-	-	-	399,459,544	393,351,233	12.10 %
Lending to financial institutions	610,658,760	365,614,937	-	-	-	-	976,273,697	976,273,697	12.2 % to 13.3 %
Investments	3,555,947,451	-	-	-	-	-	3,555,947,451	3,555,947,451	23.0 % to 29.0 %
Advances	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	749,090,968	749,090,968	-
	4,959,416,988	365,614,937	-	-	-	5,325,031,925	920,763,042	6,245,794,967	-
<b>Financial liabilities:</b>									
Deposit and other accounts	56,610,000	-	-	-	-	-	133,422,590	190,032,590	6.0 % to 10.0 %
Borrowings	521,366,124	363,729,480	-	-	-	2,182,376,872	4,158,660,916	4,158,660,916	6.0% to 12.3 %
Other Liabilities	-	-	-	-	-	-	155,928,845	155,928,845	-
	577,976,124	363,729,480	363,729,480	363,729,480	363,729,480	2,182,376,872	289,351,435	4,504,622,351	-
<b>On balance sheet gap</b>	4,381,440,864	1,885,457	(363,729,480)	(363,729,480)	(363,729,480)	(2,182,376,872)	1,109,761,009	1,741,172,616	-
<b>Un recognized:</b>									
Commitments	-	-	-	-	-	-	23,152,011	23,152,011	-
<b>Off balance sheet gap</b>	4,381,440,864	1,885,457	(363,729,480)	(363,729,480)	(363,729,480)	(2,182,376,872)	1,109,761,009	1,718,020,605	-
The Bank's exposure to interest rate risk and the effective rates on its financial assets and liabilities as at December 31, 2008 are summarized as follows:									
<b>Financial assets:</b>									
Cash and balances in current and other accounts	-	-	-	-	-	-	868,521,342	142,265,513	5.0 % to 18.0 %
Balance in deposits accounts	600,000,000	-	-	-	-	-	600,000,000	868,521,342	15.0% to 16.0 %
Lending to financial institutions	845,820,540	-	-	-	-	-	1,211,854,626	1,211,854,626	10.1 % to 13.9 %
Investments	3,012,936,737	-	-	-	-	-	3,012,936,737	3,012,936,737	20.0% to 23.0 %
Advances	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	556,144,718	556,144,718	-
	5,327,278,619	-	366,034,086	-	-	5,693,312,705	698,410,231	6,391,722,936	-
<b>Financial liabilities:</b>									
Deposits and other accounts	-	-	-	-	-	-	18,168,500	18,168,500	3.6 % to 14.3 %
Borrowings	627,438,484	363,729,480	-	-	-	2,546,106,352	4,628,462,756	4,628,462,756	-
Other liabilities	-	-	-	-	-	-	126,939,164	126,939,164	-
	627,438,484	363,729,480	363,729,480	363,729,480	363,729,480	2,546,106,352	4,775,570,420	4,775,570,420	-
<b>On balance sheet gap</b>	4,699,840,135	(363,729,480)	2,304,606	(363,729,480)	(363,729,480)	(2,546,106,352)	1,064,849,949	1,618,152,516	-
<b>Un recognized:</b>									
Commitments	-	-	-	-	-	-	11,437,371	11,437,371	-
<b>Off balance sheet gap</b>	4,699,840,135	(363,729,480)	2,304,606	(363,729,480)	(363,729,480)	(2,546,106,352)	1,064,849,949	1,606,715,145	-

**33.2 Market risk**

The Bank's interest rates exposure comprises those originating from investing and lending activities. The Assets and Liability Management Committee of the Bank monitors and manages the interest rate risk with the objective of limiting the potential adverse effect on the profitability of the Bank.

**33.3 Concentration of credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Bank is exposed to credit related losses in the event of non-performance by counter parties.

The Bank seeks to manage the credit risk by attempting to diversify the lending activities to avoid undue concentration of risks with customers in specific locations or activities. The Bank controls this risk through credit appraisals, assessing the credit-worthiness of customers. A provision for potential loan losses is maintained as required by Prudential Regulations. Further, the community organizations are structured in a way to exert social pressure on the borrowers to perform their obligations.

**33.4 Liquidity risk**

Liquidity risk is the risk that the Bank will encounter difficulty in raising funds to meet its net funding requirements. The Bank attempts to manage this risk by having adequate credit lines in place and maintaining sufficient liquidity at branch level to meet anticipated funding requirements.

**33.5 Fair value of financial instruments**

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values, except held to maturity assets which are carried at amortised cost.

**34. RELATED PARTY TRANSACTIONS**

The Bank's related parties comprise of directors, key management personnel, shareholders and 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 16.2.2 while remuneration of key employee personnel is disclosed in note 31 to the financial statements. Detail of transactions with the Bank's shareholders and employee retirement benefit fund, during the year / period under normal commercial banking terms and balances outstanding at the year / period end are as follows:

	<b>2009</b> <b>Rupees</b>	<b>For nine months ended</b> <b>December 31, 2008</b> <b>Rupees</b>
<b>Transactions with shareholder banks during the year/ period</b>		
Profit earned on deposit accounts	5,131,604	10,273,047
Bank charges	6,033,619	5,586,597
Lending to shareholder banks	32,066,278,974	21,590,625,194
Repayment of lending from shareholder banks	32,566,278,974	21,140,625,194
Interest income	71,343,535	61,720,935
Lending from shareholder banks	157,636,644	4,505,279,056
Repayment of lending to shareholder banks	263,709,004	4,750,971,501
Interest expense	2,641,020	31,990,490
<b>Contributions to gratuity fund</b>	<b>16,453,374</b>	<b>16,478,217</b>
<b>Transactions with subsidiaries of shareholder banks</b>		
Sale of units in mutual fund	-	225,000,000

	2009 Rupees	For nine months ended December 31, 2008 Rupees
<b>Balances outstanding at the year/period end</b>		
Bank balances with shareholder banks	197,990,275	295,274,258
TDR placements with shareholder banks	300,000,000	200,000,000
Repo Borrowings with shareholder bank	157,636,644	263,709,004
Interest receivable on bank deposits with shareholder banks	224,259	1,458,365
Interest payable on repo borrowings from shareholder bank	581,973	1,029,525
Advances receivable from executives	10,284,138	14,637,387
Balance payable to gratuity fund	2,298,663	205,847

### 35. CAPITAL RISK MANAGEMENT

The Bank's objectives when managing its capital are:

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

Capital requirements applicable to the Bank are set out under Microfinance Institutions Ordinance, 2001. 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. 500 million. The bank has maintained capital adequacy ratio in accordance with regulation No. 4 of the Regulations 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.

### 36. DATE OF APPROVAL

These financial statements were approved by the Board of Directors of the Bank in their meeting held on March 18, 2010 .

### 37. GENERAL

Previous periods figures have been rearranged and reclassified wherever necessary for the purpose of comparison.

Account captions as prescribed by BSD circular No. 11 dated December 30, 2003 issued by the SBP in respect of which no amounts are outstanding have not been reproduced in these financial statements.

  
PRESIDENT

  
CHAIRMAN

  
DIRECTOR

  
DIRECTOR



## Branch Network

### Punjab

#### Lahore

09 Ferozpur Road, Near Muzang Chungi, Lahore.  
Tel: 042-7534789, Fax: 042-7534808

#### Shiekhpora

Shop # 435, Gujranwala Road, Near Batti Chowk, Shiekhpora.  
Tel: 056-3813565, Fax: 056-3813564

#### Gujrat

1st Floor, Faisal Plaza, G.T. Road, Gujrat.  
Tel: 053-3521426, Fax: 053-3521426

#### Kamoki

Neelum Cinema GT Road, Tehsil Kamoki.  
Tel: 055-6811141, Fax: 055-6420171

#### Gujranwala

2nd Floor, Centre Point Upper MCB, Ghalla Mandi Branch, Main GT Road, Gujranwala  
Tel: 055-9200842, Fax: 055-9200843

#### Sialkot

BASF Building, Main Defence Road, Near Sublime Chowk, Sialkot.  
Tel: 052-3253208, Fax: 052-3253208

#### Toba Tak Singh

Al Aziz Centre, Shore Kot Road Toba Tak Singh.  
Tel: 0462-517513, Fax: 0462-514618

#### Hafizabad

Shop # B1-185, Garhi Awan, Kassoke Road Hafizabad.  
Tel: 0547-541123, Fax: 0547-541123

#### Pakpattan

Pakpattan Club, Club Road, Pakpattan.  
Tel: 0457-353559, Fax: 0457-352559

#### Hasilpur

Khata No. 34/29, Near Bus Stand Main Bahawalpur Road, Hasilpur.  
Tel: 062-2449936

#### Narowal

Usman Plaza, Siddique pura Morre, Circular Road, Narowal.  
Tel: 054-2414267

#### Okara

10-Mehr Market, M.A. Jinnah Road, Okara.  
Tel: 0442-550003, Fax: 0442-550004

#### Wazirabad

Yousaf Market, First Floor, AC Road, Wazirabad.  
Tel: 055-6609120, Fax: 055-6609118

#### Chishtian

Plot # 47, Block 'C' Qazi Wala Road, Chishtian.  
Tel: 063-2500031

#### Hassanabdal

Plot # B-I-69, Khasra # 2534, Mohallah Milad Nagar, Near Civil Hospital Main Hazara Road Hassanabdal.  
Tel: 057-2523109, Fax: 057-2004468

#### Haroonabad

221-Main Bazar, Haroonabad.  
Tel: 063-2256495

#### Faisalabad

1st Floor, Jinnah Center, Jinnah Colony, Faisalabad.  
Tel: 041-9200780, Fax: 041-9200779

#### Jhang

Canal Colony Road, District Court Branch, Jhang.  
Tel: 0477-620986

#### Kasur

Main Chowk District Courts Kachehri Road, Sultani Market, Kasur.  
Tel: 049-2773201, Fax: 049-2773202

#### Sahiwal

276/B-1, 1st Floor, Alfiah Tower, Jinnah Road High Street, Sahiwal.  
Tel: 040-9200501-2, Fax: 040-9200503

#### Rawalpindi

1st Floor, 20-B North Star Plaza, Rehmanabad Chowk, Murree Road, Rawalpindi.  
Tel: 051-4842548 / 9290930, Fax: 051-9290562

#### Jehlum

Flat # 03, 1st Floor, Soldier Arcade, Civil Lines, Jehlum.  
Tel: 0544-9270309, Fax: 0544-9270322

#### Fatehjung (Attock)

Shop # 3, Ground Floor, Ittehad Plaza, Pindi Road, Fatehjung.  
Tel: 057-2212132

#### Mandibahauddin

Farooq Plaza, Link Kachehri Road, Mandibahauddin.  
Tel: 0546-5009800, Fax: 0546-521002

#### Sargodha

19, 1st Floor, Zahoor Plaza, Noori Gate, Sargodha.  
Tel: 048-9230557 / 0483-740861  
Fax: 048-9230558

#### Bhalwal

Sugar Mill, Ajnala Road, Bhalwal.  
Tel: 048-6642431, Fax: 048-6642571

#### Shujaabad

Jalal Pur Road, Opposite KB Stand, Shujaabad.  
Tel: 061-4396006

#### Lodhran

Shop No. 2&3, Ghalla Mandi, Lodhran.  
Tel: 0608-9200142, Fax: 0608-9200141

#### Chakwal

Shop # BI /1631, Talangang Road, Chakwal.  
Tel: 0543-540864, Fax: 0543-540864

#### Khushab

Plot No. 221, Block No. 4, College Chowk, Jauharabad, Khushab.  
Tel: 0454-920014, Fax: 0454-920013

#### Qadirpur Rawan (Lodhran)

G.T. Road Qadir Pur Ranwaan, District Multan.  
Tel: 061-4578668

#### Ahmed Pur East

Ground Floor, Unique Plaza, KLP Road, Near Uch By Pass, Ahmed Pur East.  
Tel: 062-2272450

#### Mianwali

PAF Road, Chah Gull Khanwala, Mianwali.  
Tel: 0459-920029, Fax: 0459-920030

#### Khanewal

House # 1, Street # 1, Block 2, RCA Chawak.  
Tel: 065-2551452, Fax: 065-9200256

#### Khanpur

Plot # 309-310 Model Town A, Khanpur.  
Tel: 068-5028283, Fax: 068-5576822

#### Liaquatpur

3 - Housing Scheme, 87- Bank Road, Liaquatpur.  
Tel: 068-5792599.

#### Multan

63-A-NIPCO House-1st Floor, Abdali Road, Multan  
Tel: 061-4783057, Fax: 061-4782356

#### Bahawalpur

1-B, 1st Floor, Model Town B' Ghalla Mandi Road, Bahawalpur.  
Tel: 062-2885410, Fax: 062-9255316

#### Rahim Yar Khan

29/30 Canal Bank Road, Opposite Jamiat ul Farooq, Rahim Yar Khan.  
Tel: 068-5001899, Fax: 068-5879772

#### Dera Ghazi Khan

Block 18/2557, Near Microwave Tower (NTC) Jampur Road, Dera Ghazi Khan  
Tel: 0642-474034

**Khairpur Tamay Wali**

Opposite National Saving Center  
Main Hasilpur Road,  
Khairpur Tamewali  
Tel: 062-2261010

**Taunsa Sharif**

Vohva Road, Taunsa Sharif  
Tel: 0642-2601467, Fax: 0642-2601395

**Jampur**

Opposite Canal Rest House, Indus Highway,  
Jampur.  
Tel: 0604-568650-332427

**Bahawalnagar**

Plot # 358, Jail Road,  
Jinnah Colony  
Bahawalnagar.  
Tel: 063-9240115, Fax: 063-9240116

**Fazilpur**

Khata No. 27,  
Opposite Truck Adda,  
Main Indus Highway,  
Fazilpur.  
Tel: 0604-309921, Fax: 0604-309921

**Rajanpur**

Kamran Market,  
Opposite Jamia Sheikh Darkhasti,  
Indus Highway,  
Rajanpur.  
Tel: 0604-690120, Fax: 0604-689513

**Leyyah**

Plot # 405/B, 2nd Chaurara Road,  
Layyah  
Tel: 0606-414705, Fax: 0606-414506

**Vehari**

Plot # E/8, Main Karkhana Bazar, Vehari  
Tel: 067-3360306, Fax: 067-3360307

**Kot Addu/Muzaffargarh**

Main G.T Road, Kot Addu  
Tel: 066-2243952, Fax: 066-2243852

**Bhakkar**

Plot# 155/2, Club Road,  
Bhakkar  
Tel: 0453-9200087, Fax: 0453-9200088

**Khyber-Pakhtoonkhwa****Peshawar**

Ground Floor, Hurmaz Plaza, Tehkal Payan  
University Road, Peshawar  
Tel: 091-9218366/5840388, Fax: 091-5840377

**Mardan**

CB 445/A- 2, Saddar Bazar, The Mall, Mardan  
Cantt, Mardan.  
Tel: 0937-870195, Fax: 0937-9230446

**Kohat**

Samad Plaza, Behzadi Chakarkot  
Bannu Road, Kohat.  
Tel: 0922-522875, Fax: 0922-522876

**Abbotabad**

1st Floor, Silk Plaza, Supply Bazar  
Mansehra Road, Abbotabad  
Tel: 0992-343108/343109, Fax: 0992-335313

**Haripur**

Pankad Area, Shahrah-e-Hazara, Haripur  
Tel: 0995-610181, Fax: 0995615281

**Swat (Mingora)**

First Floor, Shahzad Plaza, Mukan Bagh  
Saidu Sharif Road, Mingora  
Tel: 0946-9240417, Fax: 0946-9240418

**Malakand Agency**

Tahir plaza, Main Bazar, Batkhela  
Malakand Agency  
Tel: 0932-415039, Fax: 0932-415239

**Charsadda**

M G Plaza, Tangi Road,  
Charsadda  
Tel: 091-6515724, Fax: 091-6515489

**Karak**

Kakakhel Market, Main Sabirabad Road,  
Karak  
Tel: 0927-210001, Fax: 0927-210002

**Swabi**

Rehman Plaza, Mardan Road, Swabi  
Tel: 0938-330075, Fax: 0938-223212

**Nowshera**

1st Floor, Army Welfare Shop  
Daewoo Terminal, Nowshera  
Tel: 0923-9220203

**Dera Ismail Khan**

Al-Zaman Building,  
Near Siraj Medical  
Center West Circular Road,  
Dera Ismail Khan.  
Tel: 0966-732029, Fax: 0966-711382

**Mansehra**

Abid Khan Plaza, Near Kauho Ziarat  
Shinkhari Road, Mansehra.  
Tel: 0997-920046, Fax: 0997-920047

**Shangla**

Shangla Plaza, College Road, Alpuri  
Shangla.  
Tel: 0996-850685, Fax: 096-850691

**Sindh****Karachi**

Ground Floor, Block-C,  
Finance & Trade Centre,  
Sharah-e-Faisal, Karachi.  
Tel: 021-9204123-26/28, Fax: 021- 9204132

**Hyderabad**

Shop # 2-3, Defence Plaza, Thandi Sarak,  
Hyderabad.  
Tel: 022-2784349, Fax: 022-2786621

**Sanghar**

Choudhary Corner, Main Nawabshah Road,  
Sanghar.  
Tel: 0235- 800161, Fax: 0235-543439

**Nawabshah**

House # A-306, Paro Hospital Road,  
Otaq Quarter, Nawabshah.  
Tel: 0244-370093, Fax: 0244-370094

**Nowsherofroze**

National Highway,  
Nowsherofroze.  
Tel: 0242-537482, Fax: 0242- 481274

**Sehwan Sharif**

College Road,  
Sehwan Sharif.  
Tel: 025-4620700, Fax: 025-4620700

**Mithi**

Shop No. 2 & 3, Satyani Shopping Centre,  
Main Naukot Road Mithi,  
District Tharparkar.  
Tel: 023-2262304, Fax: 023-2262305

**Thatta**

Shop # 5, Al-Shahbaz Shops, National  
Highway Thatta.  
Tel: 0298-550783, Fax: 0298-550784

**Badin**

Adjacent Abbasi Hospital,  
Main DCO Chowk,  
Karachi Road, Badin.  
Tel: 029-7862330, Fax: 029-7810149

**Mirpur Khas**

Plot # 7, Ward-A, MP Colony,  
Main Umar Kot Road, Mirpur Khas.  
Tel: 0233-873276, Fax: 0233-873163

**Sukkur**

Plot # 717, Latifabad Colony,  
Military Road  
Sukkur.  
Tel: 071-5633237-38, Fax: 071-5633240



### Jacobabad

Main Quetta Road, Near Tikundo Park  
Jacobabad.  
Tel: 0722-652001, Fax: 0722-650302

### Khairpur

Main Katchary Road, Khairpur.  
Tel: 0243-714064, Fax: 0243-714065

### Larkana

H # 1588, Jan Mohd Jonejo Road,  
Near Jarral Shah Bukhari,  
Larkana.  
Tel: 0741-4044580, Fax: 0741-4044578

### Ghotki

Sada Bahar Shopping Center, Near Bilal Masjid,  
Main GT Road, Ghotki.  
Tel: 0723-600239, Fax: 0723-600240

### Shikarpur

Sattari Building, Plot # 23/34/5, Station Road,  
Shikarpur.  
Tel: 0726-920161, Fax: 0726-920162

### Tandu Allahyar

Main Mirpurkhas Road,  
Adjacent Main Eid Gah,  
Tando Allah Yar.  
Tel: 022-3892875, Fax: 022-3892874

### Daherki

Haq Plaza, Main GT Road, Daherki  
District Ghotki.  
Tel: 0723-643834, Fax: 0723-643834

### Rato Dero

Main Bus Stand Chowk, Ratodero  
Dist Larkana.  
Tel: 074-4088943, Fax: 074-4088189

### Dadu

Plot # 629, Main Road, Adjacent to  
Govt. Girls High School, Dadu.  
Tel: 025-9200084, Fax: 025-9200085

### Halla

Plot # 824, Old Main National Highway  
Adjacent Babi-Nooh, Halla.  
Tel: 022-3332350.

### Rohri

Ground Floor, Plot # B-2181/06/01,  
Main GT Road, Rohri.  
Tel: 071-5651127, Fax: 071-5651127

### Ranipur

Near Mazhar Model School,  
National Highway Ranipur City,  
District Khairpur Mirs.  
Tel: 0243-730229, Fax: 0243-730230

### Tandu Muhammad

Main Hayderabad Badin Road, Adjacent Bus  
Stop, Tandu Mohammad Khan.  
Tel: 022-3342738, Fax: 022-3342833

### Pannu Aqil

Near Eid Gah, Baiji Chowk, Pano Aqil,  
District Sukkur.  
Tel: 071-5692033, Fax: 071-5692062

### Wagan (Qambar)

Opposite Sui Southern Gas Company Limited  
Qambar.  
Tel: 074-4212230, Fax: 074-4212230

### Thul

Near ZTBL, Main Kandhkot Road,  
Tehsil Thul  
Distt. Jacobabad.  
Tel: 0722-610117, Fax: 0722-610363

## Baluchistan

### Quetta

Shop # 2, Usman Complex, Hali Road, Quetta.  
Tel: 081-9201537, Fax: 081-9201528

### Loralai

Shop No. 1060, Near Masool Chungi,  
Zhob Road, Loralai.  
Tel: 0824-410845, Fax: 0824-410916

### Barkhan (Rakhni)

Near National Bank of Pakistan,  
Rakhni Branch, Rakhni,  
Rakhni Disst, Barkhan.  
Tel: 0829-688050, Fax: 0829-688367

### Sibbi

84-A, Block -4, Jinnah Road, Sibbi.  
Tel: 0833-412949, Fax: 0833-9230013

### Jafferabad

Main Quetta Road, Near Railway Station,  
Jafferabad.  
Tel: 0838-510034, Fax: 0838-510034

### Zhob

House # D-59/A, Goshala Road,  
Near Al-Amarat Market, Zhob.  
Tel: 0822-413497  
Fax: 0822-412099

### Nasirabad

Labor Chowk, Quetta Road  
Dera Murad Jamali, Nasirabad.  
Tel: 0838- 711337, Fax: 0838- 711338

### Gawadar

Shop # 01, Ashraf Complex, East Block, Airport  
Road, Near Jawed Complex, Gawadar.  
Tel: 0864-211764

## Azad Jammu & Kashmir

### Muzafarabad

Raza Building Poultry Form Road Opposite AJK  
University, Muzafferabad.  
Tel: 058810-42700, Fax: 058810-42710

### Bagh

Ground Floor, Al-Noor Plaza,  
College Road, Bagh.  
Tel: 058720-45061, Fax: 058720-45062

### Rawalakot

Anmol Plaza, Opposite Firdous Clinic, CMH  
Road, Rawalakot.  
Tel: 058710-42710, Fax: 058710-43245

## Federally Administered Tribal Areas

### Kurram Agency

First Floor, Hayat Shaheed Market,  
KB-PA Chowk, Thari Road, Parachinar,  
Kurram Agency.  
Tel: 0926-312375, Fax: 0926-311375

### Khyber Agency

Katyakhel Market,  
Jamrud Bazar, Jamrud,  
Khyber Agency.  
Tel: 091-5827655, Fax: 091-5827656

### Mohmand Agency

Haji Dilawar Market, Main Mandi Road,  
Main Bazar, Ghalnai, Mohmand Agency.

### Bajaur Agency

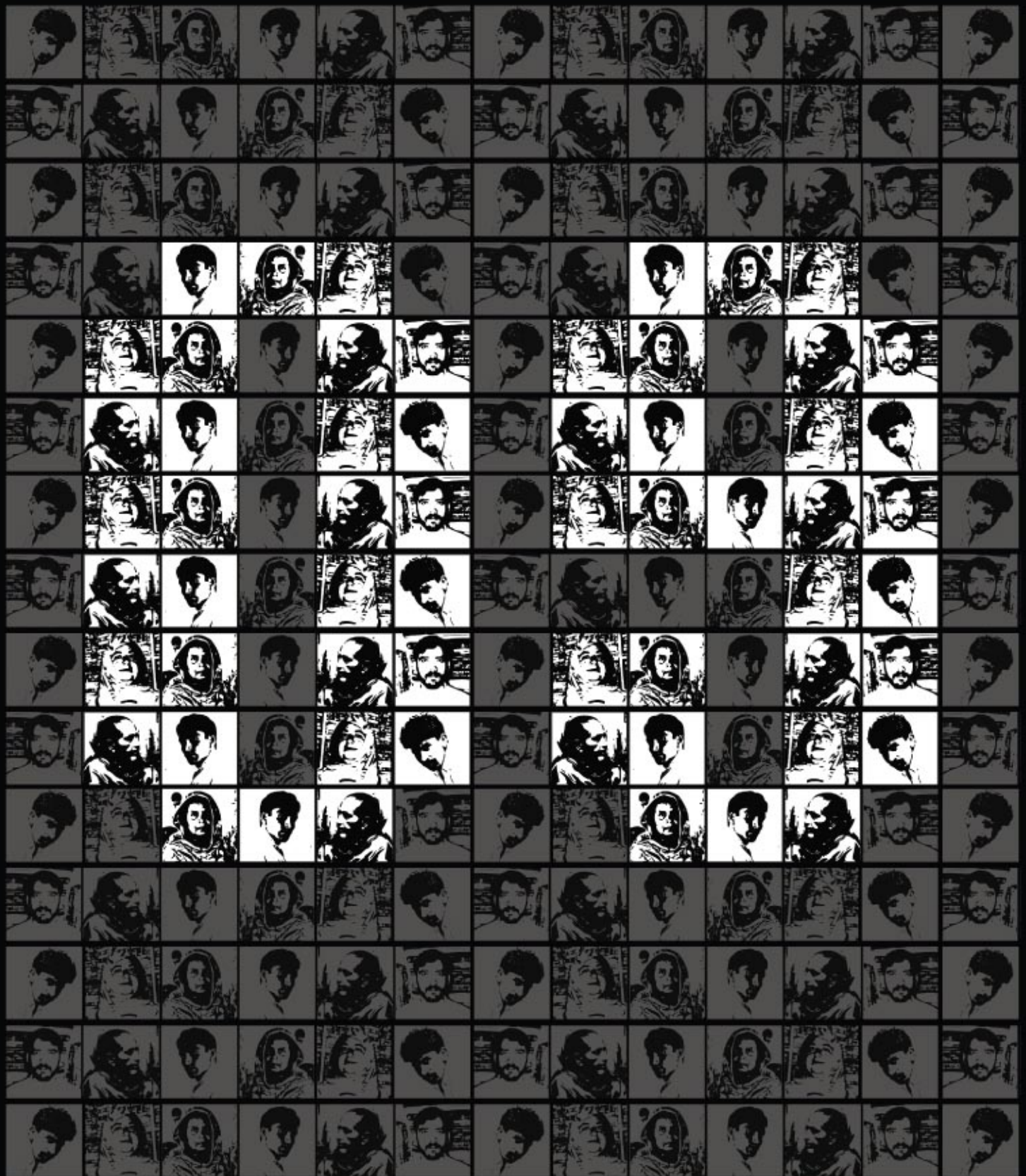
Car Park Hotel, Opposite Civil Colony, Khar,  
Bajaur Agency.  
Tel 0942-221250

### Orakzai Agency

Tehsil Head Quarter,  
Kalaya, Orakzai.  
Tel: 0925-650157







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Khushhalibank Limited, 94 West, Fourth Floor, Jinnah Avenue, Blue Area, PO Box 3111 Islamabad-Pakistan