

ANNUAL REPORT 2016



55-C, 5th floor, Ufone Tower,
Jinnah Avenue, Blue Area,
Islamabad.
Tel: +92 (51) 111 092 092
Fax: +92 (51) 9245120
Help Line: 021-111 222 525

www.khushhalibank.com.pk

ANNUAL REPORT 2016

SHAHEEN MUNAWAR

IS A KHUSHALI BANK CLIENT
AND AN ENTREPRENEUR WHO
RUNS A COMMUNITY BASED
SCHOOL THAT EDUCATES
OVER 300 STUDENTS



Vision

To be a leading microfinance bank providing financial services to enterprises across Pakistan.

Mission

To strive for excellence and to adopt sustainable practices for the best long term interests of all stakeholders.

Values

Empowerment

Excellence

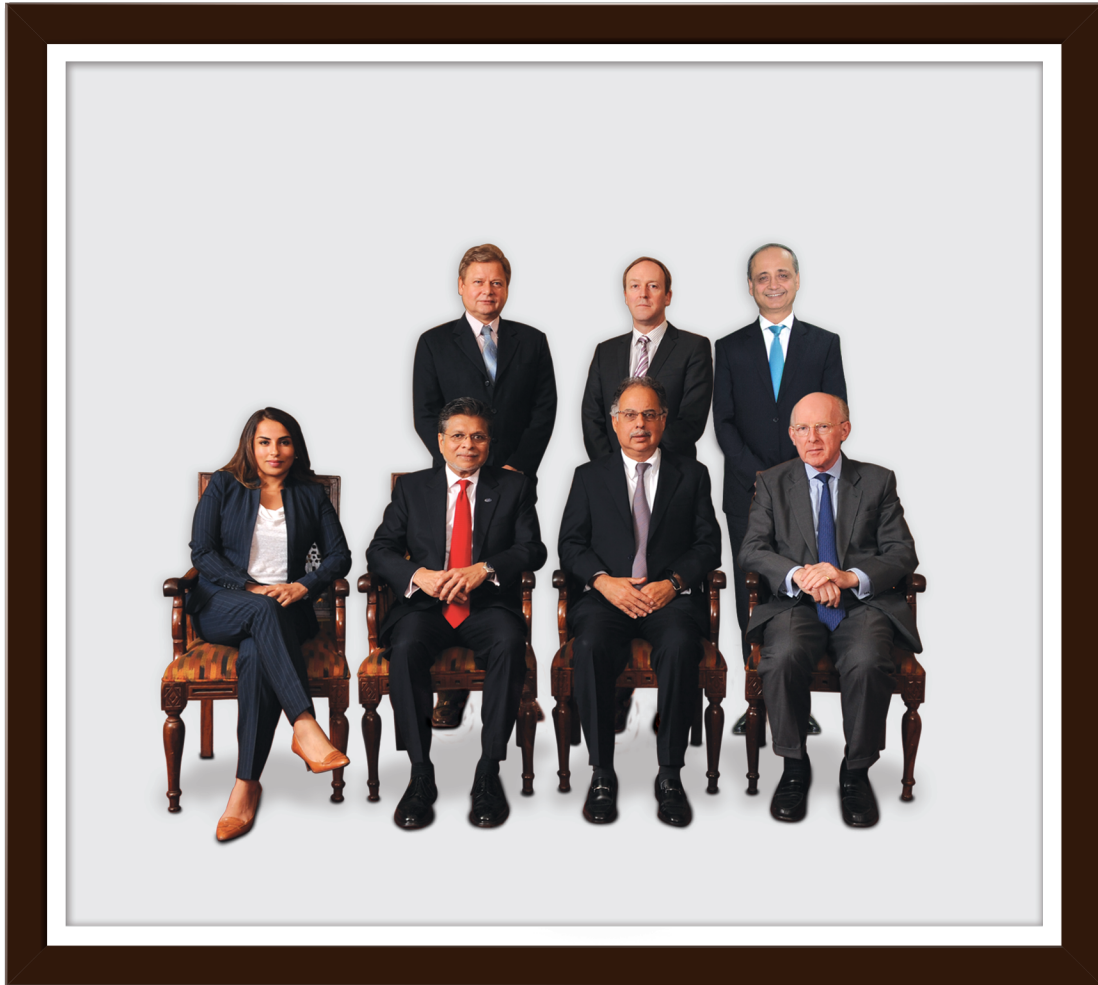
Ethical



Corporate Governance

The board of Khushhali Microfinance Bank consists of seven members representing leading commercial banks, asset managers and microfinance experts from across the globe.

From the vast global experience of this private sector board, it is ensured that pragmatic guidance is provided to the management in order to ascertain a platform which is always customer-centric and follows the international practices.



Standing from left to right: Peter Kooi, Geert Peetermans, Syed Javed

Sitting from left to right: Aatiqa Lateef, Aameer Karachiwala, M. Ghalib Nishtar, Robert Binyon

Team & Management

Our team comprises of seasoned personnel who have worked in leading financial institutions both locally and internationally. Together with their experience, they are now contributing to the field of microfinance.

The milestones achieved by Khushhali Microfinance Bank since its inception have been made possible by the dedication of the management team. The management team overlooks all aspects of the operations from business to maintaining a suitable internal control to providing support and guidance. The team aims to do the utmost in the mission of providing access of financial services to the largely unbanked segment of the market through innovative and customized microfinance products and services.



Standing from left to right: Rizwan Hafeez (Chief Compliance Officer), Hammad Haider (Head Operations & Technology), Lubna Azam Tiwana (Chief Risk Officer), M. Ghalib Nishtar (President & Chief Executive Officer), Amina Hassan (Head Retail Banking), Saleem Akhtar Bhatti (Chief Financial Officer), Umer Sami Hayat (Company Secretary & General Counsel), Ali Imran Bokhari (Chief Internal Auditor)

Who We Are

Khushhali Microfinance Bank with its 5 million relationships and 147 branches across Pakistan is a key player in the Microfinance banking sector of the country. With the goal of enhancing livelihood opportunities for the economically marginalised segments of the population and ensuring financial inclusion, Khushhali Microfinance Bank is expanding its reach in multiple regions of the country. It is devotedly enabling individuals to reach their true potential through access to financial services. The fact that the entire network of branches is digitally integrated gives KMBL the edge that allows it to provide unmatched services which have proven to be a game changer for many of our clients. The bank dedicatedly promotes the development of policy and regulatory framework in the country, and its success is a source of inspiration for many domestic and foreign investors in the sector.



Our Products and Services

Khushhali Microfinance Bank offers an ever-expanding array of products and services to its customers. The products and services include loans, savings, remittance, life and general insurance products and other services.





Our Clients

Our clients and their prosperity are the biggest motivators for Khushhali Microfinance Bank. We are proud to have the largest client base amongst microfinance banks. Not only do we have the privilege of serving the largest clientele but we also have the longest relationships with our clients, most of whom are repeat borrowers or depositors.

At the end of 2016, the bank served over 0.5 million active borrowers and over 1.4 million active savers.



Investing in Technology

With an ambition to reach out to the financially excluded, with quality products & services, Khushhali Microfinance Bank has partnered with Temenos & NDC on a transformational journey to acquire the leading Core Banking System by Temenos and invest in a strong technological foundation. The system will be implemented by National Data Consultant (NDC) a specialized Fintech solution provider and Temenos Certified Partner in the MEA region.

With Khushhali Bank's selection of Temenos Core Banking system along with Pakistan Model Bank for its Retail and MSME services, the Bank will be the 11th bank to acquire Temenos Core Banking system in Pakistan and will also implement Temenos Connect, FCM, Insight and Risk as its new digital solutions.

This is an important milestone in the continuous development and commitment of business and delivery of value to the Pakistani banking industry which is an integral part of our economy and this digital transformation process which is intrinsically linked to the Bank's strategy for financial inclusion will help further assist in expediting growth for the bank.

Khushhali Bank Joins Hands with Temenos & NDC for Core Banking Software and Implementation



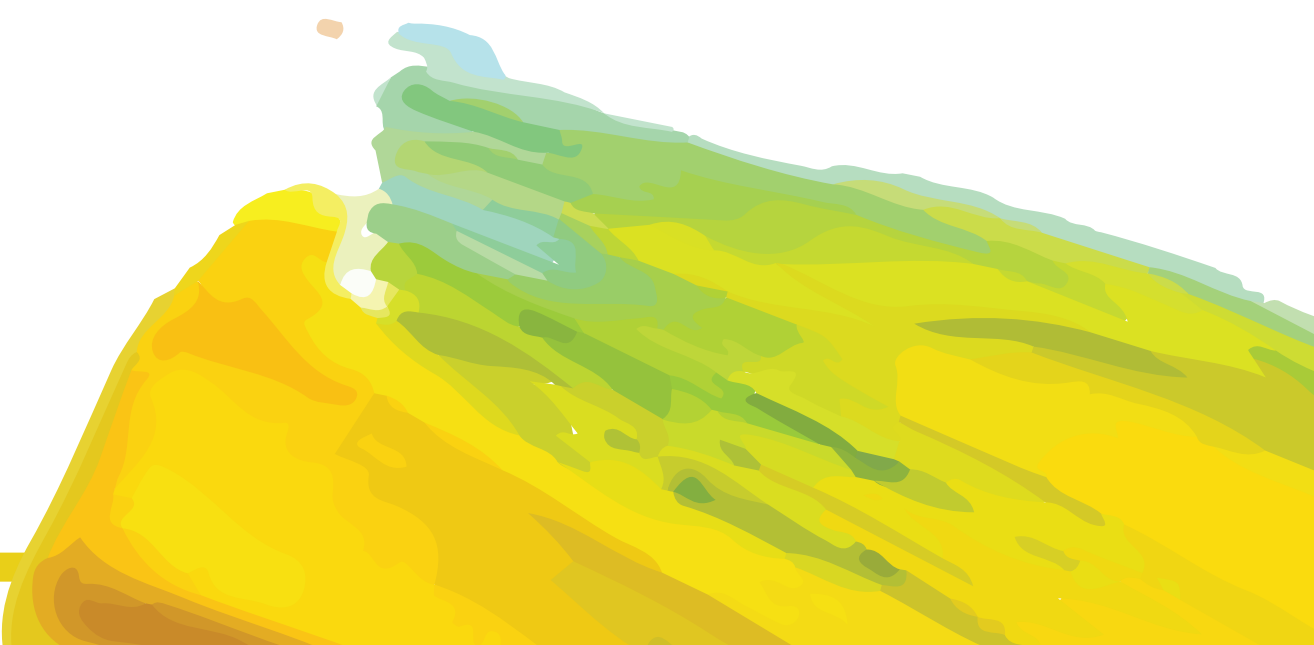
Partners on the Road to Prosperity

Khushhali Microfinance Bank and IFC – a member of the World Bank Group, have signed an agreement whereby IFC will help the Bank develop a housing finance product, primarily targeting the underserved and rural communities of Pakistan.

Housing remains a dire need in Pakistan where an estimated 20 million people are homeless according to the United Nations. This situation has been compounded over the years through the occurrences of natural disasters such as earthquakes and floods.

Khushhali Microfinance Bank is well poised to venture into housing finance to address the needs of both the salaried and entrepreneurial class. IFC will help tailor a product suite addressing home improvement at the outset. This phase is expected to lead to Khushhali Microfinance Bank exploring a potentially comprehensive offering, covering aspects of property purchase.

Pakistan is a priority country for IFC and over the past three years, IFC has ramped up its investment and advisory work in Pakistan to help develop the private sector. IFC has mobilized investments in the power and infrastructure sectors and provided access to finance to MSMEs through financial intermediaries.



Khushhali Microfinance Bank and International Finance Corporation have entered into an agreement to develop housing finance products for the underserved



Investing in the Future Generation

Khushhali Microfinance Bank realizes the huge potential in the youth of Pakistan. Staying true to its core belief of enabling individuals, the bank took different initiatives aimed towards encouraging talented university students.

One such initiative is awarding merit based fee sponsorship to the students of NAMAL College. NAMAL is designed to integrate education with employability enabling talented youth to become economically useful and socially robust citizens of the country. These scholarships allow worthy students to concentrate on their studies without worrying about financial pressures.

Khushhali Microfinance Bank believes that higher education and professional development through events/conferences like Model United Nations have the most profound impact on individual success and is a gift that turns students into professionals. KMBL supported NUST International Model United Nations (NIMUN) recently in Islamabad where the aim of the conference was to foster relationships between countries and to bring together vibrant minds of the youth. NUST is one of the leading institutes of Pakistan and is ranked in the top 450 universities in the world.

Another notable initiative is the donation of benches for the students of Agriculture University of Peshawar. Khushhali Microfinance Bank believes in encouraging the youth of Pakistan and extends its support wherever possible in this sector.

Khushhali sponsored NIMUN (NUST International Model United Nations)



Supporting Sports Talent

Khushhali Microfinance Bank understands the importance of playing sports and supports youth to take an active part in games and sports where productivity enhances.

One such initiative by Khushhali Microfinance Bank to support the spirit of sportsmanship was the cricket tournament, arranged by the Bank at Dera Ghazi Khan Cricket Ground. 12 best teams from the local vicinity participated in the game. The tournament lasted for a week and was attended by a crowd of super energetic people. Cash prizes, medals and shields were distributed to the winning team, runner up teams and the best performers of the match.

Such competitions encourage young players to take sports more seriously and even take it up as their career, leading them to play on international level, thus giving Khushhali Microfinance Bank a chance to give the community back in kind.



Women Empowerment

Women empowerment is the cornerstone of poverty elevation as a woman changes the fate of future and current generations. Khushhali Microfinance Bank has played an integral part in working towards reducing gender inequality in Pakistan through easy access to finance and empowering women to make a separate identity for themselves. In 2016, Khushhali Microfinance Bank conducted many activities focused on the advancement of women.

One such activity was the facilitation of Financial Literacy and Empowerment Training for TAFF-VTI beneficiaries. The training aimed at helping graduates confidently operate their saving accounts and effectively manage basic personal financial matters after employment. TAFF is currently engaged in several initiatives including an integrated Vocational Training Institute which provides training to underprivileged women and facilitates their job placement into the domestic help industry.

On the occasion of World Women Entrepreneurs Day, the Bank arranged a financial literacy and awareness program for a group of 120 potential female entrepreneurs in Chakwal including a donation of Overlock Machines to Potohar Organization for Development & Advocacy (PODA), a Skill Training Center near Chakwal. The PODA center imparts skill enhancement trainings to potential women entrepreneurs in this remote area. Skills training includes: stitching of handicrafts & saleable items, basket making with plastic recycling and paper mache/truck art.

The Bank also celebrated International Women's Day by holding an entrepreneurial awareness event for the women of Shah Allah Dita, a small village near Islamabad. 100 local, potential women entrepreneurs participated in this event and were educated about the opportunities and possibilities available to them. The Bank's staff from Islamabad and Rawalpindi worked with these women closely to brainstorm the different kind of businesses they can run while considering each woman's individual need and skills.

Such efforts serve to foster a sense of confidence in women, enabling them to start their own business and giving them access to microfinancing opportunities owing to which they can contribute positively towards the household income as well as the overall prosperity of the entire family.

A female participant at the financial literacy event arranged by KMBL near Chakwal



Promoting Agriculture

The foundation of Khushhali Microfinance Bank was laid on the idea of providing financial services to low-income households across Pakistan. Staying true to our mission, we are enabling farmers to realize their dreams through an array of products customized for the farmer community.

These products include Khushhali Qarza which caters to agriculture, livestock and enterprise, focusing on clients with income PKR 500,000 or less, Sarsabz Karobar (Value Chain Financing) which attends to the financing needs of small certified growers of public or private agro based organizations, primary, secondary milk suppliers, artisans, craftsmen, entrepreneurs & small traders involved either in supply/manufacturing of raw material or finished goods, end users of technology & energy equipment.

Another product is the Khushhali Agri Plus – an efficient loan scheme organized under the Financial Market Development project (a five year technical and training collaboration program funded by USAID), in which Khushhali Microfinance Bank is one of the Development Credit Authority's partner banks.

This one of a kind agri-loan scheme shall aid farmers in purchasing agricultural machinery, assets and other irrigational tools including tractors, trailers, threshers, rotivators, laser levelers, sprayers, seed drills etc. along with allied irrigational tools such as Peter engine, turbine, transformers, solar tubewells and more.

Moreover, in line with its commitment to promote corporate social responsibility, Khushhali Microfinance Bank plans to host regular farmer's training sessions in remote rural areas with agricultural potential, to allow farmers to benefit the most from the funds they invest in agriculture.

Such awareness sessions have been held on crops like maize, wheat and rice in distant villages of D.G. Khan and Okara, where agriculture experts from National Agriculture Research Council enlighten the audience with different ways to increase the yield, make efficient and profitable use of agriculture techniques and products, usefulness of new agricultural technology, organic farming and rain water harvesting.

These sessions enable farmers to learn techniques regarding water saving on a large scale and how to adapt these management practices in their everyday routine in order to increase soil fertility. Not only do these skills deliver positive results to the farmers, but also decrease the emission of green house gases and ultimately help in protecting the environment.

An awareness session on maize crop in Okara by an expert from NARC, Pakistan



Caring for the Environment

Khushhali Microfinance Bank has partnered with World Wide Fund (WWF) for Nature Pakistan for tree plantation and employee engagement programs.

Under the employee engagement agreement, employees of the Bank are engaged in activities like bird watching, global yarn activity, visit of forest reserve, animal sanctuaries, treasure hunt, cleanup drives, beach cleaning, green workshop, mangrove plantation, hoola-hoop activity, green turtle show, transit walks, jump-in jump-out and eco workshops which include knots techniques, tent pitching, directions and navigations.

These hands-on interactive environmental awareness workshops help in building capacity of the employees with an opportunity to contribute directly towards nature conservation initiatives.

Studies prove, the most simple and effective way to minimize the effects of climate change is by planting trees. Recognizing the role and services of plantation towards ecological balance, WWF-Pakistan & Khushhali have also partnered for a tree plantation drive and campaign. Planting trees not only improves water quality but recreates wildlife habitat, migration corridors and helps to mitigate climate change.

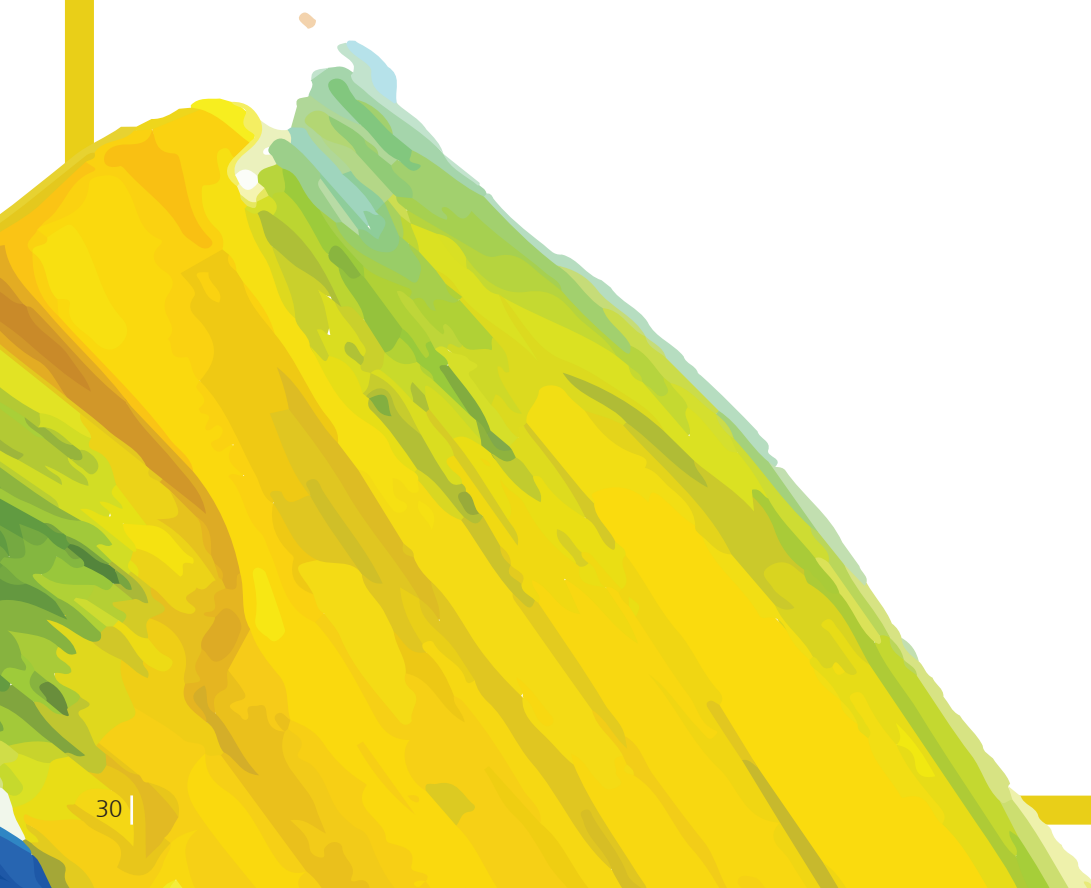
Mangrove plantation by KMBL staff near the beach in Karachi, Pakistan





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Corporate Information

Board of Directors

Aameer Mustaaly Karachiwalla
Chairman/Director

Muhammad Ghalib Nishtar
President/Director

Syed Javed
Director

Robert Francis Thomas Binyon
Director

Geert Peetermans
Director

Peter Kooi
Director

Aatiqa Lateef
Independent Director

Board Committees

Audit Committee

Aatiqa Lateef - Chair

Geert Peetermans - Member

Peter Kooi - Member

Risk Management Committee

Syed Javed - Chair

Geert Peetermans - Member

Peter Kooi - Member

Human Resource and Compensation Committee

Robert Francis Thomas Binyon - Chair

Syed Javed - Member

Aatiqa Lateef - Member

Social & Environmental Committee

Geert Peetermans - Chair

Head Office

Plot No. 55-C, 5th Floor, U-Fone Tower, Jinnah Avenue, Blue Area, Islamabad - Pakistan.
Tel: +92 51 111 092 092, Fax: +92 51 924 5120, www.khushhalibank.com.pk

Muhammad Ghalib Nishtar - Member

Robert Francis Thomas Binyon - Member

Aatiqa Lateef - Member

Chief Financial Officer
Saleem Akhtar Bhatti

Company Secretary & General Counsel
Umer Sami Hayat

Share Registrar

Central Depository Company of Pakistan
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

Internet: www.cdcpakistan.com

Auditors

BDO Ebrahim & Co.

Chartered Accountants

3rd Floor, Saeed Plaza

22-East, Blue Area

Islamabad

Tel: +92 51 287 6670

Fax: +92 51 227 7995

Internet: www.bdo.com.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 Advisors

Ernst & Young Ford Rhodes Sidat Hyder & Co.

Chartered Accounts

Eagle Plaza, 75-West

Fazlul Haq Road

Blue Area, Islamabad

Tel: +92 51 234 4160-62

Fax: +92 51 234 4163

Internet: www.ey.com/pk



President & CEO Review: 2016

Preface

Pakistan's macroeconomic situation remained positive in 2016 and the global rating agency Standard and Poor's upgraded Pakistan's long-term credit rating from B- to B with stable outlook and affirmed the 'B' short term rating. The GDP growth reached an 8-year high of 4.7%, on the back of several promising developments. The Government's successful completion of the IMF program, low fuel prices, a stable exchange rate, low inflation, improvements in the security situation and in energy supply, as well as improving fiscal position positively impacted the economy. Pakistan's economy is poised to build on the progress made in recent years on the back of Government initiatives to drive sustainable growth, improved security conditions and expected investment in China Pakistan-Economic-Corridor (CPEC) related projects. Economic activity spurred by CPEC is poised to be a windfall, as the industrial sector increased capacity in anticipation of these developments with large-scale manufacturing exhibiting growth in the process. Alongside, the low interest rates will help in further improving flow of private credits in coming periods. However, translating these gains into micro economy is yet to be realized. This will require persistent progress on structural reforms to accelerate growth and create opportunities for employment, expanding the energy supply, broadening the tax base and boosting revenue, strengthening the business environment and improving Pakistan's competitiveness with an expanding role of the private sector.

In 2016, in spite of negative growth in the agricultural sector in Pakistan which hosts a significant share of microfinance business, all key indicators of microfinance sector remained positive, substantial growth was witnessed in overall microfinance operations and at the

end of 2016, 47% growth in the loan portfolio, 65% growth in deposits and 22% growth in women borrowers recorded, while overall market share of MF operations in rural areas remained stable at 54%. Overall expansion in network & outreach of MF operations improved to 22% in comparison to the 13% from last year and also improved the penetration rate by 4% and closed at 22% from 18% of last year. Microfinance sector is considered an important player in promoting financial inclusion agenda envisioned by the Government of Pakistan.

I am pleased to report that Khushhali Bank's strategy has been successful in achieving growth and stability leading to record Income and bottom-line results for the year ending December 31, 2016.

Performance Review 2016

During the review period, despite growing competition in the MF sector it is satisfying to report that the bank's performance has been resilient and it has retained its market leadership.

Khushhali Bank's profits and balance sheet footing continue to grow steadily with record profit before tax of PKR 1.8 billion during 2016 as compared to PKR 1.2 billion during the previous year, an increase of over 50%.

Total assets grew by 26% mainly on the back of a healthy increase in loan book while the overall deposits increased to PKR 21.2 billion, an increase of 36%.

The growth trajectory helped achieve over 1.3 million clients and the highest pre-tax profit in the sector.

The Bank achieved over 33% growth in advances of PKR 23.3 billion (2015: PKR 17.5 billion) at the end of the fiscal year which is primarily attributed by group loans of PKR 12.2 billion, individual lending of PKR 9.8 billion and

microenterprise lending of PKR 1.1 billion.

On the other hand, investment portfolio increased to PKR 3.0 billion, an increase of 61% (2015: 1.8 billion) placed in government securities, T-Bills 49% and 51% in Term Deposits.

Likewise, Bank's net interest income increased by 29% to PKR 4.1 billion from last year's PKR 3.2 billion. Notable improvement was witnessed in fee and commission income that grew to PKR 939.5 million, with 47% growth over the previous year. The provision of loan portfolio increased to PKR 673.5 million from 275.0 million of last year mainly due to the fresh infection emanating from one value chain product, which was halted during 4Q15. However, the overall asset quality indicators improved in terms of gross, net and incremental infection despite fresh infection.

The net administrative expenses increased by 19% to support business growth of 33%, to manage institutional challenges of staff attrition, refurbishment of 24 branches for MSME operations, IT infrastructure upgrade and opening of additional 12 new units. In spite of increase in administrative expenses during the year, the Bank's overall administrative expense ratio decreased to 16.6% from last year ratio of 18.1%.

In order to improve overall competitiveness the Bank continues to innovate in terms of products and services. The strengthening of the individual loan category and micro, small and medium enterprise segment remains the focus for the Bank.

The Board of Directors of the bank approved a technology infrastructure upgradation program that envisages acquisition of an International Core Banking Solution and supporting infrastructure that will be followed by the development of a comprehensive Digital Finance Strategy for banking in the future.

Khushhali Bank's Internal policy & frameworks stipulate strategic commitment to socially and environmentally sustainable business principles which bring value to its customers and support the development of communities where it operates.

Future Outlook

I am confident that Khushhali will continue to grow sustainably given a sizeable untapped market potential while our teams are fully geared to capitalize on the diverse growth opportunities in the microfinance sector in Pakistan.

Khushhali has established a sound platform for business in the bottom of the pyramid markets and we look ahead with new vigor to capitalize on the numerous opportunities in the coming years. The Bank has substantial depth of leadership at all levels, making the required investments in innovation and technology and is well-placed to execute our future business strategy. We continue to provide a wide array of products and services to our clients across our expanding network, with a convenience. It is our ongoing endeavor to understand the unique requirements of our market and the ability to respond to them positively.

The achievement of these results would not have been possible without the unwavering support of all our stakeholders. I would like to mention our Shareholders and Directors for their guidance and support extended during the last year; State Bank of Pakistan, Securities & Exchange Commission of Pakistan and other regulatory bodies for creating an environment conducive to microfinance services in Pakistan.

I would extend my gratitude to our clients for partnering with us, further my appreciation goes to all our staff members and management teams for their hard work, dedication and commitment to our shared values.



Ghalib Nishtar
President

Financial Highlights: 2016

Financial Position		2016	2015	Change
Assets				
Cash and balance with SBP/Banks/MFBs	PKR M	2,688	1,945	38%
Lending to financial institutions	PKR M	1,544	2,383	-35%
Invesments	PKR M	2,968	1,848	61%
Advances - net of provisions	PKR M	22,940	17,247	33%
Operating fixed assets	PKR M	720	549	31%
Other assets	PKR M	2,914	2,724	7%
Total Assests	PKR M	33,773	26,696	27%
Liabilities				
Deposits	PKR M	21,179	15,584	36%
Borrowings	PKR M	6,200	5,890	5%
Other liabilities	PKR M	1,457	1,271	15%
Total Liabilities	PKR M	28,836	22,745	27%
Net Assets	PKR M	4,937	3,951	25%
Shareholders Funds				
Share capital	PKR M	1,705	1,705	0%
Statutory reserve	PKR M	865	611	42%
(Deficit)/surplus on revaluation of investments	PKR M	2,367	1,618	46%
Deferred grants	PKR M	-	17	-100%
Total Shareholders Funds	PKR M	4,937	3,951	25%
Profit & Loss				
Markup/return/interest earned	PKR M	5,926	4,407	34%
Markup/return/interest expensed	PKR M	(1,807)	(1,219)	48%
Net Mark-up/interest income	PKR M	4,119	3,187	29%
Fee, commission and brokerage income	PKR M	940	640	47%
Other income	PKR M	87	35	147%
Total non mark-up/non interest income	PKR M	1,027	676	52%
Operating expenses	PKR M	(2,766)	(2,340)	18%
Net provision against non performing assets	PKR M	(601)	(341)	76%
Profit before tax	PKR M	1,779	1,182	51%
Taxation	PKR M	(506)	(358)	42%
Profit after tax	PKR M	1,273	824	54%
Ratios				
Return on equity	%	23.4%	20.2%	16%
Return on assets	%	3.4%	3.4%	2%

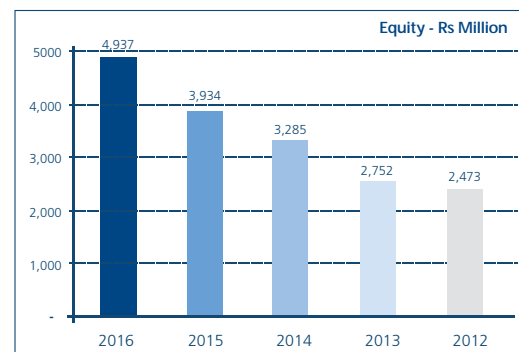
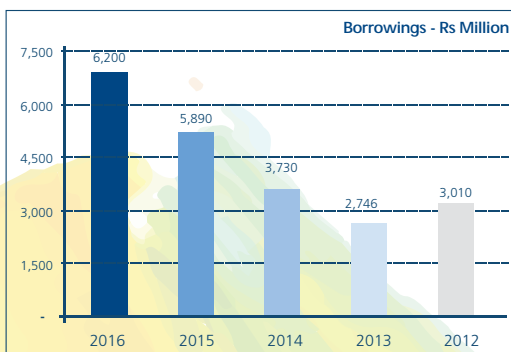
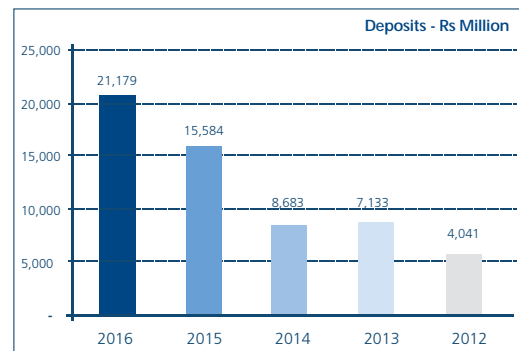
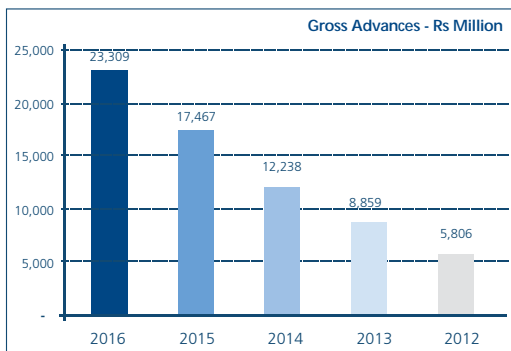
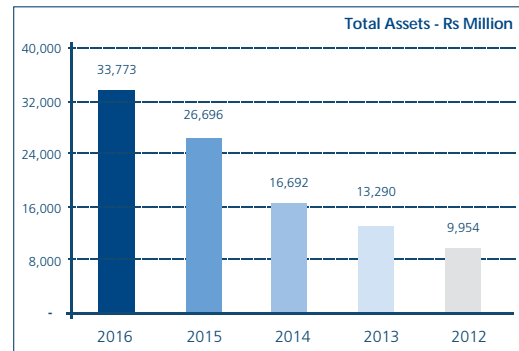
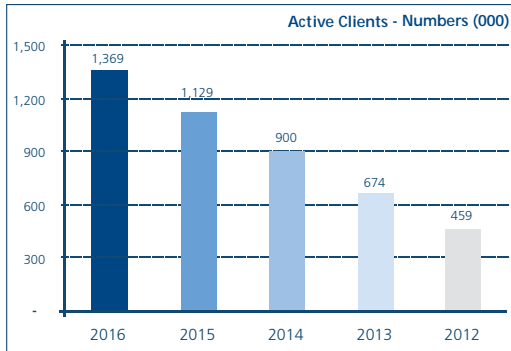
Five Years at a Glance: 2012 - 2016

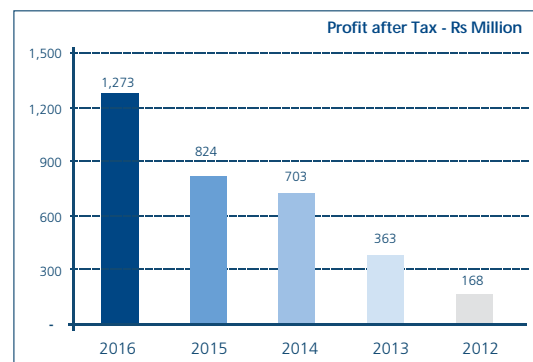
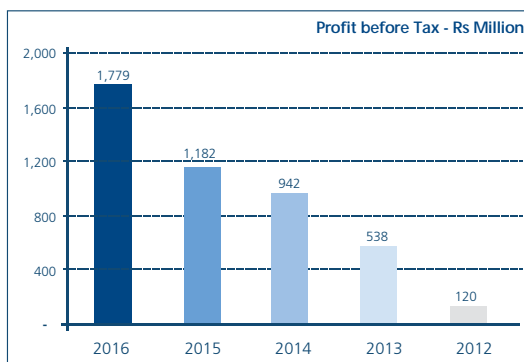
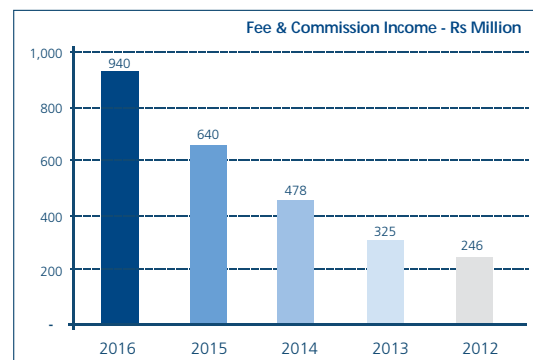
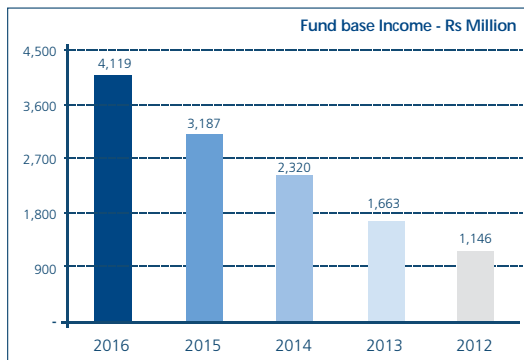
December 31		2016	2015	2014	2013	2012
OUTREACH						
Active clients	No	1,369,007	1,128,901	900,081	674,061	458,612
Active borrowers	No	556,787	520,517	468,369	409,010	364,138
No of branches	No	141	129	118	110	106
ASSETS						
Advances - Net	Rs M	22,940	17,247	12,106	8,757	5,717
Investments	Rs M	2,968	1,848	837	1,039	1,044
Cash/bank deposits/bal with SBP	Rs M	4,232	4,329	1,472	1,872	1,865
Operating fixed assets	Rs M	720	549	323	275	313
Other assets	Rs M	2,914	2,724	1,955	1,347	1,015
Total assets	Rs M	33,774	26,696	16,692	13,290	9,954
Non-performing loans	Rs M	347	338	113	70	64
Provision for non-performing loans	Rs M	369	220	132	103	89
LIABILITIES						
Deposits	Rs M	21,179	15,584	8,682	7,133	4,041
Borrowings	Rs M	6,200	5,890	3,730	2,746	3,010
Other liabilities	Rs M	1,457	1,288	995	658	430
Total liabilities	Rs M	28,836	22,762	13,407	10,537	7,481
SHAREHOLDERS FUNDS						
Share capital	Rs M	1,705	1,705	1,705	1,705	1,705
Reserves	Rs M	865	611	446	305	241
Un appropriated profit	Rs M	2,367	1,618	1,134	739	526
Total shareholders funds	Rs M	4,937	3,934	3,285	2,752	2,473
PROFITABILITY						
Interest income	Rs M	5,926	4,407	3,129	2,278	1,499
Interest expense	Rs M	1,807	1,219	810	615	353
Net interest income	Rs M	4,119	3,187	2,320	1,663	1,146
Provisions/Written offs	Rs M	601	341	163	175	287
Fee & commission income	Rs M	940	640	478	325	246
Other income	Rs M	87	35	217	259	340
Operating expenses	Rs M	2,766	2,340	1,910	1,534	1,324
Profit before tax	Rs M	1,779	1,182	942	538	120
Taxation	Rs M	506	358	239	175	(48)
Profit after tax	Rs M	1,273	824	703	363	168
PROFITABILITY RATIOS						
Return on Assets (ROA)	%	3.4%	3.4%	3.7%	1.8%	-0.5%
Return on Equity (ROE)	%	23.4%	20.2%	18.5%	8.0%	-2.0%
Operating Self Sufficiency (OSS)	%	129.2%	127.8%	126.7%	114.8%	97.9%
Financial Self Sufficiency (FSS)	%	128.0%	126.0%	123.0%	107.8%	79.7%
EFFICIENCY/PRODUCTIVITY RATIOS						
Operating expense ratio	%	14.2%	16.6%	18.1%	21.0%	26.3%
Personnel productivity	%	170	170	179	178	154
Loan officer productivity	%	399	426	518	578	517
Average outstanding loan size	Rs	41,548	33,408	26,102	21,617	15,943
PORTFOLIO QUALITY RATIOS						
Portfolio at Risk > 30	%	1.5%	1.9%	0.9%	0.8%	1.1%
Portfolio at Risk > 90	%	0.8%	0.5%	0.3%	0.3%	0.4%
Write off ratio	%	2.6%	1.3%	1.2%	2.1%	6.0%
Risk coverage ratio	%	106.4%	65.2%	77.9%	103.5%	84.7%

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

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

Financial Review (2012 – 2016)





Directors' Report to the Shareholders: 2016

I am pleased to place with you, on behalf of the Board of Directors of Khushhali Microfinance Bank, financial statements along with detailed financial results of the Bank for the year ended December 31, 2016.

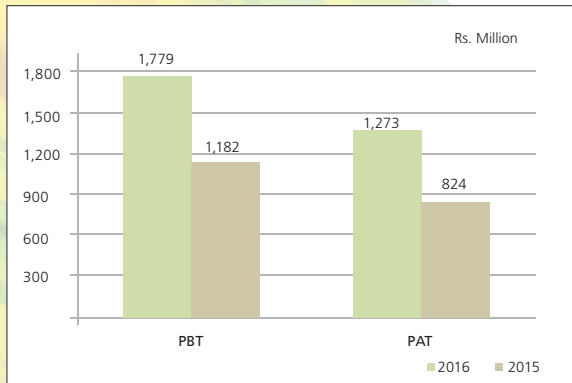
Our five years Strategic Plan 2016 - 2020 kept on unlocking business potentials and translated into improved customer recognition & service, better earnings, greater network and a motivated team. During the year, the Bank has shown tremendous growth in asset and liability portfolios as compared to the previous year and posted record profit for the year.

The Economy

The macro-economic indicators of Pakistan suggest the economy has stabilized and primed for high growth in the coming period. Pakistan's economy during the year 2015-16 showed a sign of improvement with GDP growth at the rate of 4.71 percent compared to 4.24 percent recorded last year. The country's foreign exchange reserves reached all-time high of US\$ 24 billion in Dec 2016. CPI inflation stands at 3.7 percent at Dec 2016 against 3.2 percent at the end of year 2015 year. The Pakistan Stock Exchange Index has broken all previous records in the current year and stood at 47,807 points, a reflection of investor confidence and economic growth. Pakistan market has become part of MSCI Emerging Market Index which is in itself evidence of solid economic growth and increased trust of international investors in Pakistan.

Financial Highlights

The Bank posted record pre-tax profit of Rs 1.78 billion, registering a growth of 51% against last year's profit of Rs 1.18 billion. After tax profit stood at Rs 1.27 billion, 54% more than the last year's profit of Rs 0.82 billion. The increase in profit resulted from continued growth

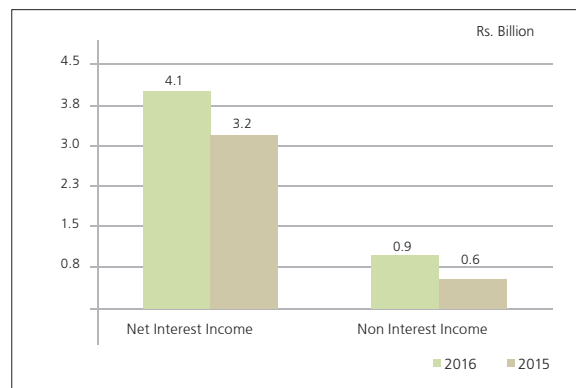


in balance sheet and improved non-fund income during the year. The return on equity improved from 20.2% to 23.4% and return on average assets maintained at 3.4% in 2016.

During the year, Bank focused on strengthening its balance sheet structure beside pursuing business growth. Strategically, the Bank increased liquid assets by nearly 250% YOY to improve the liquidity profile of the Bank. This led to the changes in the earning assets mix which affected the overall yield on the earning assets which dropped by 2%. Although the yield on loan portfolio improved by 60bps YOY. The cost of funds marginally improved by 20bps due to reduction in the deposit rates and the borrowing cost also improved due to lower discount rate during the year. The net interest margin declined by 1.8% and spread reduced by nearly 1.4%. Despite the spread compression, the balance sheet growth helped to improve net interest income to 4.1 billion, an increase of 29% over 2015.

Non-interest income comprising of fee and commission income increased from Rs 640 million in 2015 to Rs 940 million in 2016, an increase of 47% over 2015, following the judgment of the Supreme Court of Pakistan.

Provision charge and write off against advances increased to Rs 685 million in 2016 from Rs 279 million, increase in provision charge during the year is mainly due to default



of value chain product and the impact of accelerated provision charge of Rs 19m on the aforesaid portfolio which is not yet due. On the other hand, at the close of 2016 PAR 30+ reduced from 1.9% as against 1.5% of last year.

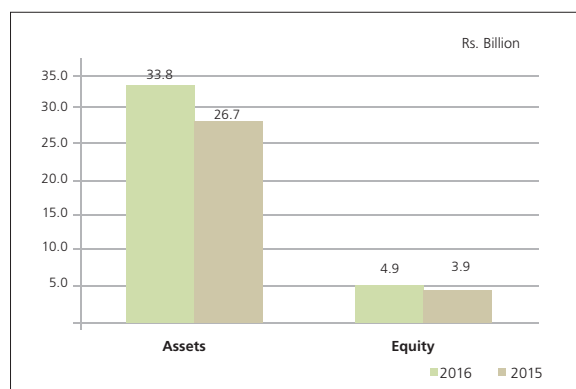
Cost Management

On the administrative expense side, expenses increased by Rs 435 million to Rs 2.9 billion in 2016, an increase of 18% YOY. Considering the business growth along with growth in operational network and refurbishment of 24 branches for MSME operations, the growth remains well within the budgetary levels.

The main contributor to the increase in operating expenses was employee related costs which increased by Rs 264 million due to the net increase in headcount of 197 staff members for new branches and expansion of existing operations and provision of sales incentives. Other administrative overheads increased by Rs 171 million primarily due to the opening of 10 additional branches and two service centers, recruitment and training of new hiring, provision of enhanced security for branches, refurbishment cost of existing branches for MSME operations and IT infrastructure upgrade to support business growth. Despite the increase in administrative expense, the Bank's operating expense ratio (operating expense/loan portfolio), decreased to 14% from 17% YOY.

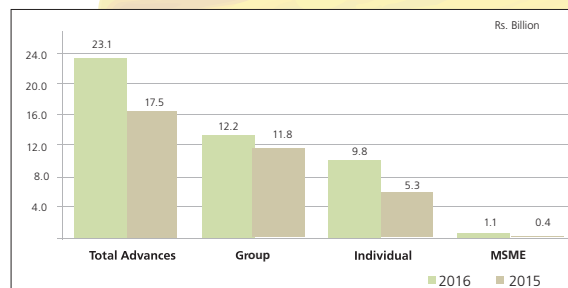
Financial Position

The total asset base of the Bank increased to Rs 33.8 billion (2015: Rs 26.7 billion), reflecting growth of 27% over December 31, 2015; the increase was primarily led by Rs 5.7 billion increase in loan portfolio. Likewise, equity increased by 26% and closed at Rs 4.9 billion against 3.9 billion of last year.



The gross loan portfolio grew by 33% to Rs 23.1 billion from 17.5 billion of last year. The Bank continued lateral expansion in individual, group loans as well as MSME loans during the year.

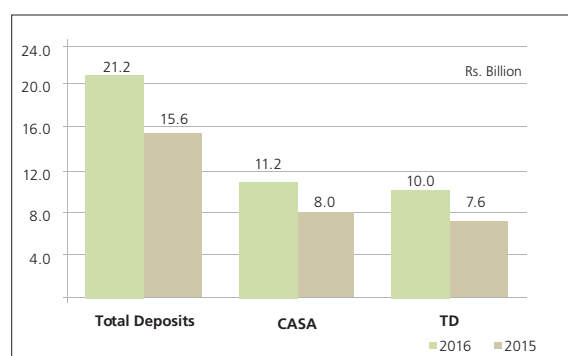
The ME roll out plan was successfully launched in 24 more branches during the year thus increasing the ME



branches to thirty nine at the end of 2016. The Bank has serviced over 6,000 ME clients with outstanding loan portfolio of around Rs 1.1 billion, a growth of over 200% on YOY. The group loan and individual loan portfolio increased from 11.8 billion to Rs 12.2 billion, and 5.3 billion to Rs 9.8 billion respectively. The increase focused to address product concentration helped slice group loan portfolio as nearly 70k clients were graduated to individual loan scheme which improved the loan portfolio mix as indicated in the table below:

Products	2016		2015	
	Rs Billion	Mix - %	Rs Billion	Mix - %
Group loans	12.2	53%	11.8	67%
Individual loans	9.8	42%	5.3	31%
MSME loans	1.1	5%	0.4	2%
Total	23.1	100%	17.5	100%

The deposits increased to Rs 21.2 billion from Rs 15.6 billion of last year, growth of 36% YOY. The loan to deposit ratio also improved to 109% against 111% of last year. The deposit strategy continues to concentrate on deepening of the existing borrower's as well as non borrower's accounts. The share of institutional deposits and TD remained high in the deposit book as experienced by the microfinance sector. The lower discount rate trend over the year has helped the Bank to increase its deposits due to the affordability of offering better rates to the depositors.



The growth of loan portfolio was primarily funded through deposits and the funding gap was covered through borrowings. The net increase in the commercial borrowings was less than 300 million. The result of operations under review are presented below:

	2016 Rupees	2015 Rupees
Profit after Tax	1,272,734,278	824,164,957
Re-measurement loss employment benefit obligation	(15,138,993)	(10,506,770)
Un-appropriated profit brought forward	1,618,313,938	1,134,321,734
Profit available for appropriation	<u>2,875,909,223</u>	<u>1,947,979,921</u>
APPROPRIATIONS:		
Transfer to:		
Statutory reserve	254,546,856	164,832,991
Microfinance Social Development Fund	127,273,428	82,416,496
Depositors' Protection Fund	63,636,714	41,208,248
Risk Mitigation Fund	63,636,714	41,208,248
	509,093,712	329,665,983
Un-appropriated Profit Carried Forward	<u>2,366,815,511</u>	<u>1,618,313,938</u>

CAPITAL ADEQUACY RATIO

As of December 31, 2016 the Bank's capital adequacy ratio (CAR) is measured at 20% against 21% last year. The Bank's CAR was well ahead of the mandatory requirement of 15% as per the Prudential Regulations (PR) for Microfinance Banks.

CREDIT RATING

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

STATEMENT OF CORPORATE GOVERNANCE

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

1. The financial statements prepared by the management of the Bank present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
2. Proper books of account of the Bank have been maintained.
3. Appropriate accounting policies have been

consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

4. The Bank has followed international accounting standards, as applicable to Banks in Pakistan, in the preparation of the accounts without any departure therefrom.
5. The system of internal control in the Bank is sound in design, and is effectively implemented and monitored.
6. There are no significant doubts about the Bank's ability to continue as a going concern.
7. No Directors have acquired any shares in the Bank during the year and no trading was carried out in the shares of the Bank during the year by the Directors, CEO, CFO, CS, CIA or their spouses and minor children.
8. The Board has constituted the following four sub – committees with defined terms of reference,
 - Board Audit Committee - BAC
 - Board Human Resources & Compensation Committee - BHRCC
 - Board Risk Management Committee – BRMC
 - Social & Environmental Committee – SEC

The number of board committee meetings attended during the year by each director is shown next:

Designation and name of committee		BAC	BHRCC	BRMC	SEC
Meetings Held		4	4	4	4
Meetings Attended					
Syed Javed ~	Chair BRMC, Member BHRCC	-	3	3	-
Mr. Robert Binyon ~	Chair HRCC, Member SEC	2	4	2	3
Mr. Geert Peetermans	Chair SEC, Member BAC, BRMC	4	2	4	4
Ms. Aatiqa Lateef	Member BAC, HRCC, SEC	4	4	3	4
Mr. Peter Kooi	Member BRMC, BAC	4	2	4	2
Mr. Teizoon Kisat *	Chair BAC	2	1	2	-
Mr. Aameer Karachiwala	Chairman Board of Directors	2	2	3	2
Mr. Ghalib Nishtar	President & CEO/Member SEC	4	4	3	4

* Mr. Teizoon Kisat took charge as Chairperson of BAC in place of Ms. Aatiqa Lateef with effect from September 08, 2016.

~Leave of absence granted to Syed Javed who could not attend BHRCC and BRMC held on February 24th, 2016 and February 25th, 2016 respectively. Leave of absence also granted to Mr. Robert Binyon, who could not attend SEC held on December 14th, 2016.

MEETINGS OF THE BOARD

During the year under review, the Board of Directors met four times. The number of meetings attended by each Director during the year and their eligibility is shown below:

Name of Director	Designation	Meeting Attended	Eligibility
Mr. Aameer Karachiwalla*~	Chairman	4	3
Syed Javed~	Director	4	3
Mr. Geert Peetermans	Director	4	4
Mr. Peter Kooi	Director	4	4
Mr. Robert Binyon	Director	4	4
Mr. Teizoon Kisat**	Director	2	2
Ms. Aatiqa Lateef	Director	4	4
Mr. Ghalib Nishtar	President and CEO	4	4

* Mr. Aameer Karachiwalla was elected as Chairman of the board in 51 board meeting held on February 24 and February 25, 2016 in place of Mr. Syed Javed who was the Acting Chairman of the BOD .

**Mr. Teizoon Kisat, was appointed as an Independent Director of the Bank on May 19, 2016.

~ Leave of absence granted to Syed Javed who could not attend 51 board meeting held on February 24, 2016 and February 25, 2016 and leave of absence also granted to Mr. Aameer Karachiwalla who could not attend 54 board meeting held on December 15, 2016; wherein Syed Javed was agreed to act as Acting Chairman for the session only.

CHANGE IN DIRECTORS

Mr. Dara Bashir Khan, resigned from the board of the Bank on March 16, 2016 and was replaced by Mr. Teizoon Kisat, following FTP clearance received from SBP.

The Bank in its financial statements as at December 31, 2016, has complied with the above stated guidelines. The CGAP disclosures and ratios are presented in addition to the requirements of SBP BSD circular 11 dated December 30, 2003.

CGAP COMPLIANT REPORTING

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

PATTERN OF SHAREHOLDING

The Pattern of shareholding of the Bank as at December 31, 2016 as required under section 236 of the Companies Ordinance 1984 is as follows:

SHAREHOLDING

No of shareholders	From	To	Total shares
1	1	5,000,000	3,000,000
1	5,000,001	20,000,000	16,879,502
2	20,000,001	35,000,000	58,286,307
2	35,000,001	65,000,000	92,334,191
6			170,500,000

CATEGORIES OF SHAREHOLDERS

Particulars	Number	Shares held	%
Individual	-	-	-
Joint Stock Companies	-	-	-
Financial Institutions	2	53,628,528	31.5%
Others	4	19,871,472	68.5%

SHAREHOLDERS HOLDING ABOVE 10% OF VOTING SHARES ARE

Share holders	Shares
United Bank Limited	50,628,528
Rural Impulse Fund II S.A SICAV-FIS	41,705,663
Credit Suisse Microfinance Fund Management Company	33,929,499
ShoreCap II Limited	24,356,808
Total Shares	150,620,498

AUDITORS

The present auditors of the Bank BDO Ebrahim & Co Chartered Accountants retire and being eligible, offer themselves for re-appointment in the forthcoming Annual General Meeting. The Board of Directors on the recommendations of the Board Audit Committee recommends BDO Ebrahim & Co Chartered Accountants as auditors of the bank for the next year.

who continue to place their trust and confidence in the Company and assure them our best efforts to ensure optimum utilization of their investment in the Company. Finally the Directors also wish to place on record their appreciation for the devotion, loyalty and hard work of all cadres of employees toward the growth, wellbeing and success of the Company.

APPRECIATION AND ACKNOWLEDGEMENT

The Directors of your Company would like to take this opportunity to thank the Government, State Bank of Pakistan, Securities & Exchange Commission of Pakistan (SECP), banks, financial institutions and other regulatory bodies for their continued support and cooperation.

The Directors would also like to express their gratitude and appreciation for the support provided by our valued customers and suppliers. We also thank our shareholders,



Chairman
February 15, 2017



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexd balance sheet of Khushhali Microfinance (the Bank) as at December 31, 2016 and the related profit and loss account, statement of comprehensive income, 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.

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 conducted 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 state that:

- (a) in our opinion, proper books of accounts have been kept by the Bank as required by the Companies Ordinance, 1984 and the Microfinance Institutions Ordinance, 2001;
- (b) in our opinion:
 - (i) the balance sheet, profit and loss account and statement of comprehensive income together with the notes thereon have been drawn up in conformity with the requirements of the Microfinance Institutions Ordinance, 2001 and the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose 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, statement of comprehensive income, 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, give the information required by the Microfinance Institutions Ordinance, 2001 and the 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, 2016 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Islamabad:

DATE: February 15, 2017

Abdul Qadeer
CHARTERED ACCOUNTANTS

Engagement Partner: Abdul Qadeer *AQ*

Balance Sheet as at December 31, 2016

	Note	2016 Rupees	2015 Rupees
ASSETS			
Cash and balances with SBP and NBP	8	1,300,649,633	1,001,222,441
Balances with other Banks/NBFIs/MFBs	9	1,387,702,166	944,008,613
Lending to financial institutions	10	1,544,066,350	2,383,352,710
Investments	11	2,967,965,444	1,847,825,070
Advances - net of provisions	12	22,939,531,448	17,246,531,575
Operating fixed assets	13	719,729,802	548,979,304
Other assets	14	2,775,892,413	2,616,868,449
Deferred tax asset	15	137,941,145	107,557,987
TOTAL ASSETS		33,773,478,401	26,696,346,149
LIABILITIES			
Deposits	16	21,179,403,031	15,583,727,129
Borrowings	17	6,199,882,198	5,890,397,392
Other liabilities	18	1,457,096,531	1,270,731,541
TOTAL LIABILITIES		28,836,381,760	22,744,856,062
NET ASSETS		4,937,096,641	3,951,490,087
REPRESENTED BY:			
Share capital	19	1,705,000,000	1,705,000,000
Statutory reserve	7.11	841,166,435	586,619,579
Capital reserve	7.12	24,255,224	24,255,224
Unappropriated profit		2,366,815,511	1,618,313,938
(Deficit)/Surplus on revaluation of investments		(140,529)	213,840
		4,937,096,641	3,934,402,581
Deferred grants	20	-	17,087,506
TOTAL CAPITAL		4,937,096,641	3,951,490,087
MEMORANDUM/OFF BALANCE SHEET ITEMS	21	-	-

The annexed notes from 1 to 46 form an integral part of these financial statements.


PRESIDENT


CHAIRMAN


DIRECTOR


DIRECTOR

Profit and Loss Account for the year ended December 31, 2016

	Note	2016 Rupees	2015 Rupees
Mark-up/return/interest earned	22	5,926,210,005	4,406,621,934
Mark-up/return/interest expensed	23	1,807,109,349	1,219,286,901
Net mark-up/interest income		4,119,100,656	3,187,335,033
Provision against non-performing loans and advances	12.5	673,517,609	275,014,569
Bad debts written off directly	12.6	11,288,911	4,085,475
Net mark-up/interest income after provisions		3,434,294,136	2,908,234,989
NON MARK-UP/NON INTEREST INCOME			
Fee, commission and brokerage income	24	939,507,349	640,438,198
Other income	25	179,151,826	76,001,167
Total non mark-up/non interest income		1,118,659,175	716,439,365
NON MARK-UP/NON INTEREST EXPENSES			
Administrative expenses	26	2,755,914,151	2,315,284,442
Other provisions	14	8,236,104	17,137,334
Other assets written off directly	14.1	-	85,771,400
Other charges	27	9,720,872	24,499,597
Total non-mark-up/non interest expense		2,773,871,127	2,442,692,773
PROFIT BEFORE TAXATION		1,779,082,184	1,181,981,581
TAXATION			
Current	28	499,455,148	355,121,400
Prior year	28	32,760,476	21,690,313
Deferred	28	(25,867,718)	(18,995,089)
		506,347,906	357,816,624
PROFIT AFTER TAXATION		1,272,734,278	824,164,957
Unappropriated profit brought forward		1,618,313,938	1,134,321,734
Profit available for appropriation		2,891,048,216	1,958,486,691
APPROPRIATIONS:			
Transfer to:			
Statutory Reserve	7.11	254,546,856	164,832,991
Microfinance Social Development Fund	7.13	127,273,428	82,416,496
Depositors' Protection Fund	7.13	63,636,714	41,208,248
Risk Mitigation Fund	7.13	63,636,714	41,208,248
		509,093,712	329,665,983
UNAPPROPRIATED PROFIT		2,381,954,504	1,628,820,708
EARNINGS PER SHARE - BASIC AND DILUTED		5.97	3.87

The annexed notes from 1 to 46 form an integral part of these financial statements.



PRESIDENT



CHAIRMAN



DIRECTOR



DIRECTOR

Statement of Comprehensive Income for the year ended December 31, 2016

	Note	2016 Rupees	2015 Rupees
Profit for the year		1,272,734,278	824,164,957
Other comprehensive income - net of tax			
Items that will not be reclassified subsequently to profit and loss			
Remeasurement loss on post employment benefit obligation		(19,493,576)	(15,451,132)
Tax credit relating to remeasurement loss on post employment benefit obligation	15.1	4,354,583	4,944,362
		(15,138,993)	(10,506,770)
Other comprehensive income transferred to equity			
Items that may be subsequently reclassified to profit and loss			
Available for sale financial assets			
(Deficit)/Surplus on revaluation of available for sale investments		(200,756)	314,470
Transfer to profit and loss on disposal of available for sale investments		(314,470)	(145,973)
Deferred tax asset/(liability) on Deficit/surplus on revaluation of available for sale investments	15.1	160,857	(52,459)
		(354,369)	116,038
		(15,493,362)	(10,390,732)
Other items that may be subsequently reclassified to profit and loss		-	-
Total comprehensive income for the year		1,257,240,916	813,774,225

(Deficit)/Surplus on revaluation of available for sale investments is charged through statement of comprehensive income in accordance with the R -11(c) "Treatment of Surplus/(deficit)" of the Prudential Regulations (PR) for microfinance banks dated June 10, 2014 issued by the State Bank of Pakistan.

The annexed notes from 1 to 46 form an integral part of these financial statements.


PRESIDENT


CHAIRMAN


DIRECTOR


DIRECTOR

Cash Flow Statement for the year ended December 31, 2016

	Note	2016 Rupees	2015 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before changes in operating assets/liabilities	29	(1,451,717,290)	(1,541,167,037)
(Increase)/decrease in operating assets			
Advances		(6,366,517,482)	(5,415,707,018)
Other assets		(131,621,675)	(313,877,427)
Increase/(decrease) in operating liabilities			
Deposits		5,595,675,902	6,901,254,370
Other liabilities		(31,608,538)	(20,113,458)
		(934,071,793)	1,151,556,467
		(2,385,789,083)	(389,610,570)
CASH OUT FLOW FROM OPERATIONS			
Mark-up received on advances		5,563,847,041	3,827,648,441
Interest received on investments and deposit accounts		326,724,572	128,507,125
Indirect cost received from USAID		-	1,534,130
Interest paid on borrowings and deposits		(1,805,789,295)	(1,039,091,337)
Contributions to defined benefit plan		(145,597,228)	(53,366,821)
Income taxes paid		(505,833,096)	(440,387,600)
		3,433,351,994	2,424,843,938
Net cash inflow from operating activities		1,047,562,911	2,035,233,368
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in available for sale securities - net		(1,120,655,600)	(1,010,770,000)
Purchase of operating fixed assets		(350,318,471)	(375,575,350)
Sale proceeds against disposal of operating fixed assets		10,446,595	29,037,529
Net cash (outflow) from investing activities		(1,460,527,476)	(1,357,307,821)
CASH FLOW FROM FINANCING ACTIVITIES			
Grant from Enclude micro savings project		7,314,144	18,196,984
Borrowings during the year - net		309,484,806	2,160,520,520
Net cash inflow from financing activities		316,798,950	2,178,717,504
Net (decrease)/increase in cash and cash equivalents		(96,165,615)	2,856,643,051
Cash and cash equivalents at beginning of the year		4,328,583,764	1,471,940,713
Cash and cash equivalents at end of the year	30	4,232,418,149	4,328,583,764

The annexed notes from 1 to 46 form an integral part of these financial statements.


PRESIDENT


CHAIRMAN


DIRECTOR


DIRECTOR

Statement of Changes In Equity for the year ended December 31, 2016

	Share Capital	Statutory Reserve	Capital Reserve	(Deficit)/Surplus on Revaluation of Investments	Unappropriated Profit	Total
	Rupees					Rupees
Balance as at January 01, 2015	1,705,000,000	421,786,588	24,255,224	97,802	1,134,321,734	3,285,461,348
Total comprehensive income for the year	-	-	-	-	824,164,957	824,164,957
Profit for the year	-	-	-	116,038	(10,506,770)	(10,390,732)
Other comprehensive income	-	-	-	116,038	813,658,187	813,774,225
Transfer to:						
Statutory reserve	-	164,832,991	-	-	(164,832,991)	-
Microfinance Social Development Fund	-	-	-	-	(82,416,496)	(82,416,496)
Risk Mitigation Fund	-	-	-	-	(41,208,248)	(41,208,248)
Depositors' Protection Fund	-	-	-	-	(41,208,248)	(41,208,248)
Balance as at December 31, 2015	1,705,000,000	586,619,579	24,255,224	213,840	1,618,313,938	3,934,402,581
Total comprehensive income for the year	-	-	-	-	1,272,734,278	1,272,734,278
Profit for the year	-	-	-	(354,369)	(15,138,993)	(15,493,362)
Other comprehensive income	-	-	-	(354,369)	1,257,595,285	1,257,240,916
Transfer to:						
Statutory reserve	-	254,546,856	-	-	(254,546,856)	-
Microfinance Social Development Fund	-	-	-	-	(127,273,428)	(127,273,428)
Risk Mitigation Fund	-	-	-	-	(63,636,714)	(63,636,714)
Depositors' Protection Fund	-	-	-	-	(63,636,714)	(63,636,714)
Balance as at December 31, 2016	1,705,000,000	841,166,435	24,255,224	(140,529)	2,366,815,511	4,937,096,641

The annexed notes from 1 to 46 form an integral part of these financial statements.


PRESIDENT


CHAIRMAN


DIRECTOR


DIRECTOR

Notes to the Financial Statements for the year ended December 31, 2016

1. STATUS AND NATURE OF BUSINESS

Khushhali Microfinance Bank (KMBL/the Bank, formerly Khushhali Bank Limited) came into existence with the promulgation of the Khushhali Microfinance 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. Khushhali Microfinance Bank was established to mobilize funds for providing microfinance services to poor persons, particularly poor women for mitigating poverty and promoting social welfare and economic justice through community building and social mobilization with the ultimate objective of poverty alleviation.

In pursuance of the requirements of Improving Access of Financing Service Program (IAFSP) Agreement signed in 2008 between the Government of Pakistan (GOP) and Asian Development Bank, all microfinance institutions in Pakistan including Khushhali Microfinance Bank were required to operate under Microfinance Institutions Ordinance, 2001.

Consequently, with the approval of SBP, the Khushhali Microfinance Bank was incorporated as a public company with Securities and Exchange Commission of Pakistan (SECP) and Certificate of Incorporation was issued under the Companies Ordinance, 1984 on February 28, 2008.

On March 18, 2008, SBP sanctioned a scheme for transfer of assets, liabilities and undertaking of KMBL into the Bank with effect from April 1, 2008, a microfinance institution licensed under the Microfinance Institution Ordinance, 2001.

In accordance with the scheme of conversion all assets and liabilities of the Bank were transferred to the Bank at their respective book values on the audited accounts of the Bank as of March 31, 2008.

On June 4, 2012, a consortium led by United Bank Limited and comprising ASN-NOVIB Microkredietfonds (Triple Jump B.V), Credit Suisse Microfinance Fund Management Company (Responsibility Global Microfinance Fund), Rural Impulse Fund II S.A. SICAS-FIS (Incofin Investment Management Comm.VA), and ShoreCap II Limited (Equator Capital Partners LLC) acquired 67.4% equity stake in KMBL from a selling consortium comprising of eleven shareholders. In view of the changes in the shareholding, a new microfinance banking license was issued on November 19, 2012 by SBP to the Bank.

The name of the bank was changed to Khushhali Microfinance Bank (formerly Khushhali Bank Limited) during the year in accordance with the directive of SBP vide its letter No. BPRD/(R&PD)/1969/2014 dated May 30, 2014 to the Bank.

The Bank's registered office and principal place of business is situated at 5th Floor, Ufone Tower, Blue Area, Islamabad. The Bank had 139 branches and 2 service centers in operation as at December 31, 2016 (December 31, 2015: 128 branches and 1 permanent booth) 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 31, 2003. Additional disclosures have been presented in compliance with Microfinance Consensus Guidelines issued by Consultative Group to Assist the Poor (CGAP) July, 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 (IFRS) issued by International Accounting Standard Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued by SECP and the SBP. In case requirements differ, the provisions or the directives of the Companies Ordinance, 1984, Microfinance Institutions Ordinance, 2001 or the requirements of the directives issued by SECP and the SBP shall prevail.

The SBP, vide BSD Circular letter No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement and International Accounting Standard 40, "Investment Property" for banking companies till further instructions. Further, according to the notification of the SECP issued vide SRO 411(1)/2008 dated April 28, 2008, IFRS 7, Financial Instruments: Disclosures has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

4. BASIS OF MEASUREMENT

Accounting convention

These financial statements have been prepared under the historical cost convention as modified for obligations under 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 7.34.

5. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISH APPROVED ACCOUNTING STANDARDS

5.1 Amendments that are effective in current year but not relevant to the Bank

The Bank has adopted the amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year from the dates mentioned below against the respective standard:

		Effective date (annual periods beginning on or after)
IFRS 10	Consolidated Financial Statements - Amendments regarding application of the consolidation exception	January 1, 2016
IFRS 11	Joint Arrangements - Amendments regarding the accounting for acquisitions of an interest in a joint operation	January 1, 2016
IFRS 12	Disclosure of Interests in Other Entities - Amendments regarding the application of the consolidation exception	January 1, 2016
IAS 1	Presentation of Financial Statements - Amendments resulting from the disclosure initiative	January 1, 2016
IAS 16	Property, Plant and Equipment - Amendments regarding the clarification of acceptable methods of depreciation and amortisation and amendments bringing bearer plants into the scope of IAS 16	January 1, 2016
IAS 27	Separate Financial Statements (as amended in 2011) -	January 1, 2016

Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statement

IAS 28	Investments in Associates and Joint Ventures - Amendments regarding the application of the consolidation exception	January 1, 2016
IAS 38	Intangible Assets - Amendments regarding the clarification of acceptable methods of depreciation and amortisation	January 1, 2016
IAS 41	Agriculture - Amendments bringing bearer plants into the scope of IAS 16	January 1, 2016

Other than the amendments to standards mentioned above, there are certain annual improvements made IFRS that became effective during the year:

Effective date (annual periods beginning on or after)

Annual Improvements to IFRSs (2012 – 2014) Cycle:

IFRS 5	Non-current Assets Held for Sale and Discontinued Operation	January 1, 2016
IFRS 7	Financial Instruments: Disclosures	January 1, 2016
IAS 19	Employee Benefits	January 1, 2016
IAS 34	Interim Financial Reporting	January 1, 2016

5.2 Amendments not yet effective

The following amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Effective date (annual periods beginning on or after)

IFRS 2	Share-based Payment - Amendments to clarify the classification and measurement of share-based payment transactions	January 1, 2018
IFRS 4	Insurance Contracts - Amendments regarding the interaction of IFRS 4 and IFRS 9 resulting from the disclosure initiative	January 1, 2018
IFRS 10	Consolidated Financial Statements - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Deferred indefinitely
IAS 7	Statement of Cash Flows - Amendments resulting from the disclosure initiative	January 01, 2017
IAS 12	Income Taxes - Amendments regarding the recognition of deferred tax assets for unrealised losses	January 01, 2017
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Deferred indefinitely
IAS 40	Investment Property - Amendments to clarify transfers or property to, or from, investment property	January 01, 2018
	The Annual Improvements to IFRSs that are effective for annual periods beginning on or after are as follows:	January 01, 2016
	Annual Improvements to IFRSs (2014 – 2016) Cycle:	

IFRS 1	First-time Adoption of International Financial Reporting Standards	January 01, 2018
IFRS 12	Disclosure of Interests in Other Entities	January 01, 2017
IAS 28	Investments in Associates and Joint Ventures	January 01, 2018

5.3 Standards or interpretations not yet effective

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

IFRS 1	First Time Adoption of International Financial Reporting Standards
IFRS 9	Financial Instruments
IFRS 14	Regulatory Deferral Accounts
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases

The effects of IFRS 15 - Revenues from Contracts with Customers and IFRS 9 - Financial Instruments are still being assessed, as these new standards may have a significant effect on the Bank's future financial statements.

The Bank expects that the adoption of the other amendments and interpretations of the standards will not have any material impact and therefore will not affect the Bank's financial statements in the period of initial application.

6 CHANGE IN ACCOUNTING ESTIMATES

6.1 Property and equipment

The Bank has reassessed the remaining useful lives and residual values of its operating assets on the basis of evaluations carried out internally. This would result in a more accurate allocation of depreciation expenses to the accounting periods in which depreciable assets are utilised by the Bank. The changes in accounting estimates have been applied prospectively in the financial statements as per the requirements of International Accounting Standard 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Had there been no change in estimates, the profit before taxation for the year and the carrying values of fixed assets would have been lower by Rs. 6.82 million. Further, on account of revision in residual values, the aggregate accumulated depreciation over the remaining useful lives of the assets shall be higher by Rs. 6.82 million.

6.2 Intangible assets

The Bank has reassessed the remaining useful lives and residual values of its intangible assets on the basis of evaluations carried out internally/externally. This would result in a more accurate allocation of amortization expenses to the accounting periods in which depreciable assets are utilised by the Bank. The changes in accounting estimates have been applied prospectively in the financial statements as per the requirements of International Accounting Standard 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Had there been no change in estimates, the profit before taxation for the year and the carrying values of Intangibles would have been lower by Rs. 0.56 million. Further, on account of revision in residual values, the aggregate accumulated amortization over the remaining useful lives of the assets shall be higher by Rs. 0.56 million.

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

7.1 Cash and cash equivalents

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

7.2 Sale and repurchase agreements

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) is included in lending to financial institutions. The difference between sale and repurchase purchase and resale price is treated respectively as return expensed and earned. Repo and reverse repo balances are reflected under borrowings from and lending to financial institutions respectively.

7.3 Investments

All purchases and sale of investments are recognized using settlement date accounting. Settlement date is the date on which investments are delivered to or by the Bank. All investments are derecognized when the right to receive economic benefits from the investments has expired or has been transferred and the Bank has transferred substantially all the risks and rewards of ownership.

Investments are classified as follows:

a) Held for trading investments

These represent securities acquired with the intention to trade by taking advantage of short-term market/interest rate movements. These are measured at mark-to-market and surplus/(deficit) arising on revaluation of 'held for trading' investments is taken to profit and loss account.

b) Available for sale investments

Investments which may be sold in response to need for liquidity or changes in interest rates, exchange rates or equity prices are classified as available for sale. Available for sale investments are initially recognized at cost and subsequently measured at mark-to-market basis.

The surplus/(deficit) arising on revaluation of available for sale investments is carried as "surplus/(deficit) on revaluation of assets" through statement of comprehensive income and also shown in the balance sheet below equity. The surplus/(deficit) arising on these investments is taken to the profit and loss account, when actually realized upon disposal.

On reclassification of an investment from the available for sale category, the investment is reclassified at its fair value on the date of reclassification. This fair value becomes its new cost or amortized cost, as applicable. For investments with fixed maturity, any gain or loss previously recognised in "surplus/(deficit) on revaluation of assets" is amortized to profit and loss over the remaining life of the investment using the effective interest method and if the investment does not have a fixed maturity, the gain or loss previously recognized in "surplus/(deficit) on revaluation of assets" is recognized in profit and loss when the investment is sold or disposed off.

c) Held to maturity investments

Investments with fixed maturity, where management has both the intent and the ability to hold till maturity, are classified as held to maturity. Subsequent to initial recognition at cost, these investments are measured at amortized cost, less provision for impairment in value, if any. Amortized cost is calculated taking into account

effective interest rate method. Profit on held to maturity investments is recognized on a time proportion basis taking into account the effective yield on the investments.

Premium or discount on acquisition of held to maturity investments are amortized through profit and loss account over the remaining period, using the effective interest rate method.

7.4 Advances

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

a) Other Assets Especially Mentioned (OAEM)

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

b) Substandard

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

c) Doubtful

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

d) Loss

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

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

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

OAEM	Nil
Substandard	25%
Doubtful	50%
Loss	100%

In addition, minimum 1% general provision required under the Regulations is calculated on outstanding advances net of specific provision. However, general provision is not required in cases wherein loans have been secured against gold or other cash collateral with appropriate margin.

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

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

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

7.5 Operating fixed assets

Capital work-in-progress

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

Property and equipment

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

Depreciation is charged on the straight line basis at rates specified in note 13.2 to the financial statements, so as to write off the cost of assets over their estimated useful lives. Full month's depreciation is charged in the month of capitalization and no depreciation is charged in the month of disposal.

Subsequent costs are included in the assets carrying amount when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. Carrying amount of the replaced part is derecognized. All other repair and maintenance are charged to income during the period.

Gains and losses on disposal of property and equipment are taken to the profit and loss account.

Intangible assets

An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the 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 13.3.1 to the financial statements. Subsequent expenditure is capitalized only when it increases the future economic benefit embodied in the specific asset to which it relates. All other expenditure is recognized in profit and loss account as incurred.

7.6 Impairment of non-financial assets

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

7.7 Deposits

Deposits are initially recorded at the amount of proceeds received. Mark-up accrued on deposits, if any

is recognised separately as part of other liabilities, and is charged to the profit and loss account over the period.

7.8 Taxation

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

Current

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

Deferred

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

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

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

Prior years

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

7.9 Employee benefits

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

The Bank operates an approved funded gratuity scheme for all eligible employees completing the minimum qualifying period of one year of service. In accordance with the gratuity scheme eligible salary constitute the basic salary for the service uptill July 26, 2004 and gross salary for service thereafter which is paid to the employee on the basis of period in service. The defined benefit obligation is calculated annually using the projected unit credit method. The present value of defined obligation is determined by discounting the estimated market yield on Government bonds and have terms to maturity approximating to the terms of the related liability. The Bank has a policy of carrying out actuarial valuations annually with the assistance of independent actuarial appraisers. The latest actuarial valuation was carried out on December 31, 2016.

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

7.10 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.

7.11 Statutory reserve

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

7.12 Capital reserve

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

7.13 Contributions

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

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

7.14 Cash reserve requirement

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

7.15 Statutory liquidity requirement

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

7.16 Grants

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

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

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

7.17 Revenue recognition

Mark-up/return on advances is recognized on accrualtime 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. Loan processing fee is recognized as income on the approval of loan application of borrowers.

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 amortized through the profit and loss account over the remaining period of maturity.

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

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

Dividend income is recognized when the right to receive the dividend is established.

Fee, brokerage and commission income is recognized on accrual basis.

7.18 Borrowing costs

Borrowings are recorded at the amount of proceeds received.

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

7.19 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Bank leases certain property and equipment. Leases of property and equipment where the Bank has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

7.20 Financial instruments

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

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value,

amortized cost or cost, as the case may be.

7.20.1 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.

7.20.2 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.

7.21 Impairment – financial assets

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

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in profit 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 the reversal is recognized in profit and loss account.

7.22 Off-setting

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

7.23 Foreign currency translation

a) Functional and presentation currency

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

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates

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

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

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

7.24 Provisions

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

7.25 Exceptional items

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

7.26 Related party transactions

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

7.27 Earnings per share

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

7.28 Segment reporting

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

7.29 Other payables

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

7.30 Dividend and apportioning to reserves

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

7.31 Other receivables

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

7.32 Contingencies

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

7.33 Fair value measurement

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

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

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

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

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

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

The financial assets and financial liabilities of the Bank that either require fair value measurements or only fair value disclosures as at December 31, 2016 are disclosed in Note 39.

7.34 Critical accounting estimates and judgments

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

a) Operating fixed assets

The Bank reviews useful life and residual value of operating fixed assets on a regular basis. Any change in estimates may affect the carrying amounts of the respective items of operating fixed assets with a corresponding effect on the depreciation charge.

b) Provision for income taxes

The Bank recognizes tax liabilities for pending tax assessments using estimates based on expert opinion obtained from tax/legal advisors. Differences, if any, between the income tax provision and the final tax liability is recorded when such liability is determined. Deferred income tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

c) Staff retirement benefits

Actuarial valuation of gratuity contributions requires use of certain assumptions related to future periods including increase in remuneration, expected long-term return on plan assets and the discount rate used to convert future cash flows to current values. Actuarial gains and losses arising from changes in actuarial assumptions are taken in the other comprehensive income immediately.

d) Classification of investments

The classification of investments between different categories depends upon the management's intentions to hold those investments. Any change in the classification of investments may affect their carrying amounts with a corresponding effect on the return and unrealized surplus/(deficit) on these investments.

e) Provision against advances

The Bank maintains a provision against advances as per the requirements of the Regulations and assesses the adequacy of provision against delinquent portfolio. Any change in the criteria/rate for provision may affect the carrying amount of the advances with a corresponding effect on the markup/interest earned and provision charge.

f) Provision and contingent liabilities

The management exercises judgment in measuring and recognizing provisions and exposures to contingent liabilities related to pending litigations or other outstanding claims. Judgment is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement. Because of inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provision.

g) Financial instrument

The fair value of the financial instrument that are not traded in an active market is determined by using valuation techniques based on assumption that are dependent on conditions existing at the balance sheet.

h) Provision for doubtful receivables

The carrying amount of other receivables are assessed on regular basis and if there is any doubt about the realisability of these receivables, appropriate amount of provision is made.

8 CASH AND BALANCES WITH SBP AND NBP

	Note	2016 Rupees	2015 Rupees
Cash in hand			
Local currency		445,290,595	489,853,139
Balances with State Bank of Pakistan (SBP) in:			
Local currency current accounts	8.1	853,358,603	509,603,126
Balances with National Bank of Pakistan (NBP) in:			
Local currency current accounts	8.2	169,721	107,691
Local currency deposit accounts		1,830,714	1,658,485
		2,000,435	1,766,176
		<u>1,300,649,633</u>	<u>1,001,222,441</u>

8.1 This represents balance held with SBP to meet the requirement of maintaining a minimum balance equivalent to 5.00% (2015: 5.00%) of the Bank's time and demand deposits with a tenure of less than one year, in accordance with regulation R- 3A of the Regulations.

8.2 This represents balances held in savings accounts carrying interest at the rate of 3.50% (2015: 4.50%) per annum.

9 BALANCES WITH OTHER BANKS/NBFIs/MFBs

	Note	2016 Rupees	2015 Rupees
In Pakistan			
Local currency current accounts		634,124,975	442,933,423
Local currency deposit accounts	9.1	753,577,191	501,075,190
		<u>1,387,702,166</u>	<u>944,008,613</u>

9.1 This represents balances held in savings accounts carrying interest at the rates ranging from 3.75% to 7.75% (2015: 4.00% to 6.25%) per annum.

10 LENDING TO FINANCIAL INSTITUTIONS

Repurchase agreement lending (reverse repo)	10.1	<u>1,544,066,350</u>	<u>2,383,352,710</u>
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10.1 This represents reverse repo carrying interest at the rates ranging from 5.75% to 5.90% per annum (2015: 6.00 % to 6.15% per annum) maturing on January 3, 2017 and January 06, 2017 (2015: January 8, 2016).

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

	2016			2015		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	Rupees			Rupees		
Market Treasury Bills (T-Bills)	1,550,000,000	-	1,550,000,000	2,457,000,000	-	2,457,000,000

- 10.2** In the year 2014 amount previously placed with Innovative Investment Bank Limited - IIBL (formerly Innovative Housing Finance Limited (IHFL) and Crescent Standard Investment Bank Limited) was written off against provision created in prior years. IIBL defaulted its repayment due to liquidity problems and was also unable to meet equity requirements as per NBFC's Regulations 2008 after which the SECP filed its winding up petition in the Honorable Lahore High Court (LHC). The LHC appointed official liquidator of IIBL which has undertaken the process of liquidation and distribution of the assets in accordance with the law.

11 INVESTMENTS	Note	2016 Rupees	2015 Rupees
Available for sale securities			
Federal Government securities			
Market Treasury Bills (T-bills)	11.1	1,468,166,200	1,047,510,600
Other investments			
Mutual funds	11.2	-	300,000,000
Held to maturity			
Term deposit receipts (TDRs)	11.3	<u>1,500,000,000</u>	<u>500,000,000</u>
		2,968,166,200	1,847,510,600
Net (deficit)/surplus on revaluation of available for sale securities	11.4	<u>(200,756)</u>	<u>314,470</u>
		<u><u>2,967,965,444</u></u>	<u><u>1,847,825,070</u></u>

- 11.1** This represents T-bills ranging from 84 days to 182 days (2015: 84 days to 182 days) carrying interest at the rates ranging from 5.86% to 5.97% (2015: 6.31% to 6.45%) per annum.

- 11.2** This represents units held in Faysal Money Market Fund, UBL Liquidity Plus Fund and NAFA Money Market Fund as tabulated below for the year 2015.

	Faysal Money Market Fund 2015	UBL Liquidity Plus Fund 2015	NAFA Money Market Fund 2015
Units purchased	963,763	969,251	9,889,632
Bonus units	-	-	-
Units held at year end	<u>963,763</u>	<u>969,251</u>	<u>9,889,632</u>
Purchase price per unit	103.76	103.17	10.11
Market price per unit at year end	103.92	103.20	10.13

11.3 Term deposit receipts (TDRs)	Note	2016 Rupees	2015 Rupees
Microfinance banks	11.3.1	900,000,000	-
Schedule banks	11.3.2	<u>600,000,000</u>	<u>500,000,000</u>
		<u><u>1,500,000,000</u></u>	<u><u>500,000,000</u></u>

- 11.3.1** This represents investment in short term deposits receipts (TDRs) and maturing on ranging from January 04, 2017 to March 03, 2017 and carries mark-up at the rates ranging from 9.60% to 11.50% (2015: Nil) per annum.

- 11.3.2** This represents investment in short term deposits receipts (TDRs) and maturing on ranging from January 12, 2017 to February 07, 2017 and carries mark-up at the rates ranging from 6.25% to 6.85% (2015: 7.75%) per annum.

- 11.4** In accordance with Regulation R-11C, available for sale securities have been valued on mark-to-market basis and the resulting surplus/(deficit) is kept in a separate account titled 'surplus on revaluation of investments' and is charged through statement of comprehensive income in accordance with the R -11('c) "Treatment of Surplus/(deficit)" of the Prudential Regulations (PR) for microfinance banks dated June 10, 2014 issued by the State Bank of Pakistan.
- 11.5** The investment includes securities which are held by the Bank to comply with the statutory liquidity requirements as set out under Regulations - Risk Management R-3 "Maintenance of cash reserve and liquidity".

12 ADVANCES - NET OF PROVISIONS

Loan type	Note	2016		2015	
		Number of loans outstanding	Amount outstanding	Number of loans outstanding	Amount outstanding
		Numbers	Rupees	Numbers	Rupees
Micro credit					
Secured	12.1	47,395	4,202,755,049	44,800	3,426,195,066
Unsecured	12.2	509,392	18,930,877,130	475,717	13,963,441,359
		556,787	23,133,632,179	520,517	17,389,636,425
Less: Provisions held					
Specific provision		7,195	(147,244,034)	4,356	(72,938,517)
General provision	12.3	524,025	(222,205,773)	484,910	(147,413,178)
			(369,449,807)		(220,351,695)
Microcredit advances - net of provisions			22,764,182,372		17,169,284,730
Staff loans - secured	12.10	295	175,349,076	226	77,246,845
Advances - net of provision		557,082	22,939,531,448	520,743	17,246,531,575

- 12.1** This includes microcredit loans amounting to Rs. 841.01 million (2015: Rs. 534.42 million) which are partially (50%) secured against deposit lien marking with the Bank.
- 12.2** This includes 5,394 micro enterprise clients (2015: 2,256) having aggregate amount of Rs. 1,049.17 million (2015: Rs. 511.76 million) backed by USAID guarantee of 50% of outstanding principal for qualifying borrowers.
- 12.3** General provision is maintained at the rate of 1.06% (2015: 1.00%) of micro credit advances other than those secured against gold and other cash collaterals, net of specific provision. This includes provision amounting to Rs. 19.36 million (2015: Rs. Nil) against unsecured micro credit advances in addition to the minimum requirements of Prudential Regulations to prudently manage credit risk of the Bank.

12.4 Particulars of non-performing advances

Advances include principal amount of Rs. 347.37 million and interest/mark-up of Rs. 74.76 million (2015: principal amount of Rs. 337.99 million and interest/mark-up Rs. 90.59 million) which, as detailed below, have been placed under non-performing status.

Category of classification	2016			2015		
	Amount outstanding	Provisions required	Provisions held	Amount outstanding	Provisions required	Provisions held
	Rupees			Rupees		
OAEM	116,333,692	-	-	232,641,155	-	-
Sub-standard	62,403,240	12,274,911	12,274,911	75,082,752	13,955,715	13,955,715
Doubtful	131,730,459	50,788,949	50,788,949	85,339,207	32,323,247	32,323,247
Loss	111,666,391	84,180,174	84,180,174	35,523,992	26,659,555	26,659,555
	422,133,782	147,244,034	147,244,034	428,587,106	72,938,517	72,938,517

12.5 Particulars of provisions against non-performing advances

	2016			2015		
	Specific	General	Total	Specific	General	Total
	Rupees			Rupees		
Balance at beginning of the year	72,938,517	147,413,178	220,351,695	29,121,069	103,291,965	132,413,034
Provision charge for the year	598,725,014	74,792,595	673,517,609	230,893,356	44,121,213	275,014,569
Advances written off against provision	(524,419,497)	-	(524,419,497)	(187,075,908)	-	(187,075,908)
Balance at end of the year	<u>147,244,034</u>	<u>222,205,773</u>	<u>369,449,807</u>	<u>72,938,517</u>	<u>147,413,178</u>	<u>220,351,695</u>

12.6 Particulars of write-offs

	Note	2016 Rupees	2015 Rupees
Against provisions			
Related to other classified advances		524,419,497	187,075,908
		<u>524,419,497</u>	<u>187,075,908</u>
Bad debts written off directly	12.6.1	11,288,911	4,085,475
		<u>535,708,408</u>	<u>191,161,383</u>

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

12.7 Portfolio quality report

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

	2016		2015	
	Amount Rupees	Portfolio at Risk	Amount Rupees	Portfolio at Risk
Normal Loans				
Current	22,595,023,304	-	16,897,745,437	-
1 - 29 days late	191,234,704	0.83%	153,898,125	0.88%
30 - 59 days late	100,435,718	0.43%	183,316,758	1.05%
60 - 89 days late	53,522,784	0.23%	59,513,191	0.34%
90 - 179 days late	108,411,347	0.47%	68,390,942	0.39%
More than 179 days late	85,004,322	0.37%	26,771,972	0.15%
Total	23,133,632,179	2.33%	17,389,636,425	2.81%
Rescheduled Loans				
Current	-	-	-	-
1 - 29 days late	-	-	-	-
30 - 59 days late	-	-	-	-
60 - 89 days late	-	-	-	-
90 - 179 days late	-	-	-	-
More than 179 days late	-	-	-	-
Total	23,133,632,179	2.33%	17,389,636,425	2.81%

12.8 Current recovery ratio

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

1st quarter
2nd quarter
3rd quarter
4th quarter
January - December

Current Recovery Ratio

2016	2015
196.3%	159.7%
276.2%	183.9%
110.7%	187.9%
254.8%	173.2%
211.2%	175.2%

12.8.1 Annual loss rate for the year is 0% (2015: 0%) computed using the following formula. The actual loss rate is below 0% due to early repayments of principal outstanding.

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

where:

ALR is the annual loss rate

CR is the collection rate in decimal form

T is the loan term expressed in years

12.9 Loan loss allowance

	2016				2015			
	Outstanding loan portfolio		Allowance for loan loss		Outstanding loan portfolio		Allowance for loan loss	
	Share of total	Rupees	Share of total	Rupees	Share of total	Rupees	Share of total	Rupees
Normal loans								
Current	97.7%	22,595,023,304	-	-	97.2%	16,897,745,437	-	-
1 - 29 days late	0.8%	191,234,704	-	-	0.9%	153,898,125	-	-
30 - 59 days late	0.4%	100,435,718	-	-	1.1%	183,316,758	-	-
60 - 89 days late	0.2%	53,522,784	8.3%	12,274,911	0.3%	59,513,191	19.1%	13,955,715
90 - 179 days late	0.5%	108,411,347	34.5%	50,788,949	0.4%	68,390,942	44.3%	32,323,247
More than 179 days late	0.4%	85,004,322	57.2%	84,180,174	0.2%	26,771,972	36.6%	26,659,555
Rescheduled loans								
Current	0.0%	-	-	-	-	-	-	-
1 - 29 days late	0.0%	-	-	-	-	-	-	-
30 - 59 days late	0.0%	-	-	-	-	-	-	-
60 - 89 days late	0.0%	-	-	-	-	-	-	-
90 - 179 days late	0.0%	-	-	-	-	-	-	-
More than 179 days late	0.0%	-	-	-	-	-	-	-
	100%	23,133,632,179	100%	147,244,034	100%	17,389,636,425	100%	72,938,517

12.10 This includes general purpose loans to employees of the Bank carrying interest at the rate of 10% (2015: 10%) per annum and long term housing loans to eligible employees of the Bank for the period ranging from 5 to 20 years carrying interest at the rate of average cost of funds plus 50 bps (2015: average cost of funds plus 50 bps) per annum. General purpose loans and long term housing loans are secured against employees' accrued terminal benefits and equitable mortgage over unencumbered property, respectively.

13 OPERATING FIXED ASSETS

Capital work-in-progress
Property and equipment
Intangible assets

Note
**2016
Rupees**
**2015
Rupees**

65,051,567
631,175,137
23,503,098
719,729,802

61,403,196
457,882,006
29,694,102
548,979,304

13.1 Capital work-in-progress

	Opening balance	Additions	Transferred	Closing balance
Advances to suppliers - software modules	2,061,922	37,782,392	(3,872,000)	35,972,314
Advances to suppliers - operating fixed assets	59,341,274	191,425,853	(221,687,874)	29,079,253
December 31, 2016	61,403,196	229,208,245	(225,559,874)	65,051,567
December 31, 2015	29,107,497	299,632,180	(267,336,481)	61,403,196

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

13.2 Property and equipment

	Leasehold improvement	Furniture and fixtures	Electrical and office equipment	Computer equipment	Vehicles	Total
Cost						
Rupees						
Balance as at January 1, 2015	-	166,139,268	250,117,289	233,625,041	157,410,444	807,292,042
Additions	-	84,739,177	107,879,700	38,388,518	78,339,352	309,346,747
Disposals	-	(18,579,871)	(7,943,758)	(4,936,395)	(49,709,688)	(81,169,712)
Balance as at December 31, 2015	-	232,298,574	350,053,231	267,077,164	186,040,108	1,035,469,077
Balance as at January 1, 2016	-	232,298,574	350,053,231	267,077,164	186,040,108	1,035,469,077
Additions	92,640,840	91,228,342	93,298,363	45,308,936	11,946,298	334,422,779
Disposals	-	(11,419,301)	(21,835,171)	(1,861,847)	(7,227,389)	(42,343,708)
Balance as at December 31, 2016	92,640,840	312,107,615	421,516,423	310,524,253	190,759,017	1,327,548,148
Depreciation						
Balance as at January 1, 2015	-	81,921,759	146,501,738	179,198,477	129,219,845	536,841,819
Depreciation charge	-	18,128,100	45,879,428	35,274,691	16,202,705	115,484,924
Disposals	-	(12,620,259)	(7,612,884)	(4,912,421)	(49,594,107)	(74,739,671)
Balance as at December 31, 2015	-	87,429,600	184,768,282	209,560,747	95,828,443	577,587,072
Balance as at January 1, 2016	-	87,429,600	184,768,282	209,560,747	95,828,443	577,587,072
Depreciation charge	7,447,539	26,579,535	59,931,693	31,315,347	30,284,733	155,558,847
Disposals	-	(7,847,606)	(19,897,579)	(1,847,836)	(7,179,887)	(36,772,908)
Balance as at December 31, 2016	7,447,539	106,161,529	224,802,396	239,028,258	118,933,289	696,373,011
Carrying value						
2015	-	144,868,974	165,284,950	57,516,417	90,211,665	457,882,006
2016	85,193,301	205,946,086	196,714,027	71,495,995	71,825,728	631,175,137
Rates of depreciation per annum						
2016	20%	10.00%	20.00%	20% - 33.33%	25.00%	
2015	-	10.00%	20.00%	33.33%	25.00%	

13.2.1 Cost of the assets as at December 31, 2016 includes Rs. 36.24 million (2015: Rs. 40.44 million) in respect of assets acquired against grants received.

13.2.2 The cost of fully depreciated property and equipment that are still in use is Rs. 330.87 million (2015: Rs. 319.05 million).

13.2.3 The Bank has reassessed the remaining useful lives and residual values of its operating assets and intangible on the basis of evaluations carried out internally. This would result in a more accurate allocation of depreciation expenses to the accounting periods in which depreciable assets are utilised by the Bank. The changes in accounting estimates have been applied prospectively in the financial statements as per the requirements of International Accounting Standard 8 "Accounting Policies, Changes in Accounting Estimates and Errors". The financial impact due to change in accounting estimate has been disclosed in note 6 to these financial statements.

13.2.4 Detail of property and equipment disposed with the original cost or book value in excess of Rs. 1 million or Rs. 250,000 respectively, whichever is less, are as under:

Particulars	Cost	Book value	Sale Proceed	Mode of disposal	Particulars of purchaser
2016	Rupees				
Electrical and office equipment					
APC smart UPS 20 KVA	2,021,866	2	47,154	Quotation	Mehmood Ul Haq
Generator caterpillar diesel	6,409,000	1,711,448	3,358,000	Quotation	M/S. Allied Rental Modarba
Diesel generator cummins	1,507,100	1	315,101	Quotation	M/S. Rajab Ali Contractor
Diesel generator cummins	3,601,600	1	753,014	Quotation	M/S. Rajab Ali Contractor
Diesel generator wilson	1,773,500	1	370,800	Quotation	M/S. Rajab Ali Contractor
	<u>15,313,066</u>	<u>1,711,453</u>	<u>4,844,069</u>		
2015					
Vehicles	<u>34,375,343</u>	<u>107,590</u>	<u>19,578,601</u>	Auction	Various

13.3 Intangible assets

Computer software

Cost

Balance as at January 1, 2015

Additions

Balance as at December 31, 2016

Amortization

Balance as at January 1, 2015

Amortization charge

Balance as at December 31, 2016

Carrying amount

	2016 Rupees	2015 Rupees
Balance as at January 1, 2015	149,517,199	115,584,295
Additions	12,247,321	33,932,904
Balance as at December 31, 2016	<u>161,764,520</u>	<u>149,517,199</u>
Balance as at January 1, 2015	(119,823,097)	(92,222,317)
Amortization charge	(18,438,325)	(27,600,780)
Balance as at December 31, 2016	<u>(138,261,422)</u>	<u>(119,823,097)</u>
Carrying amount	<u>23,503,098</u>	<u>29,694,102</u>

13.3.1 Amortization is charged on straight line basis @ 10% -33.33% per annum (2015: 33.33%), starting from the month the asset is available for use. The Bank has reassessed the remaining useful lives and residual values of its intangible on the basis of evaluations carried out internally. The impact of change in accounting estimate has been disclosed in note 6 to these financial statements.

13.3.2 Cost of the intangibles as at December 31, 2016 includes Rs. 25.48 million (2015: Rs 25.48 million) in respect of assets acquired from grant received.

13.3.3 The cost of fully amortized intangible assets that are still in use is Rs. 41.63 million (2015: Rs. 38.31 million).

14 OTHER ASSETS	Note	2016 Rupees	2015 Rupees
Mark-up accrued		1,714,098,526	1,739,411,253
Suspended mark-up on non-performing advances		(74,759,611)	(90,594,245)
		<u>1,639,338,915</u>	<u>1,648,817,008</u>
Interest receivable on investments and deposit accounts		59,842,034	14,725,549
Loans and advances - unsecured			
Employees		93,102,445	83,238,617
Suppliers		2,587,295	11,281,483
		<u>95,689,740</u>	<u>94,520,100</u>
Deposits		8,025,175	7,310,215
Prepayments		120,037,680	97,907,980
Receivable from Microfinance Social Development Fund	14.1	267,138,823	516,144,118
Insurance claims receivable		7,523,775	8,749,956
Sales tax/federal excise duty receivable	14.2	155,411,943	120,490,531
Other receivables	14.3	445,716,579	133,237,795
		<u>2,798,724,664</u>	<u>2,641,903,252</u>
Provisions against doubtful receivables			
Balance at the beginning of the year		25,034,803	18,674,466
Provision charge for the year		8,236,104	17,137,334
Receivables written off against provision		(10,438,656)	(10,776,997)
Balance at the end of the year	14.4	22,832,251	25,034,803
		<u>2,775,892,413</u>	<u>2,616,868,449</u>

14.1 This represents amount receivable from Micro Finance Social Development Fund (MSDF) against cost reimbursed to service providers, the Bank's own cost reimbursement against community mobilization lending and management cost of hosting the fund. During the last year an amount of Rs. 85.771 million has been written off against receivable from MSDF for claims lodged in respect of individual clients generated during the years from 2012 to 2014. This write-off is based on the decision of SBP that the cost reimbursement is only allowable in case of group clients and not for individual clients.

14.2 As explained in note 21.1, this includes Federal Excise Duty of Rs. 34.57 million paid under protest to the taxation authorities.

14.3 This includes receivable from State Bank of Pakistan against claim lodged amounting to Rs. 420.65 million (2015: Rs. 85.56 million) against crop and livestock insurance premium.

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

15 DEFERRED TAX ASSET - Net

Deferred tax assets/(liabilities) arising on account of temporary differences in:

	2016 Rupees	2015 Rupees
Operating fixed assets	(13,451,320)	(14,386,674)
Provision against advances and other assets	117,684,617	78,523,679
Remeasurement of post employment benefit obligation	28,250,415	23,895,832
Provision against Workers' Welfare Fund	5,397,206	19,625,780
	<u>137,880,918</u>	<u>107,658,617</u>
Deferred tax liability arising on account of temporary differences in:		
Surplus on revaluation of assets (available for sale)	60,227	(100,630)
	<u>137,941,145</u>	<u>107,557,987</u>

15.1 Reconciliation of deferred tax

Balance at the beginning of the year	107,557,987	83,670,995
(Reversal)/charge for the year in respect of:		
Operating fixed assets	935,354	(13,728,510)
Provision against advances and other assets	39,160,938	28,664,804
Provision against Workers' Welfare Fund	(14,228,574)	7,174,338
Unused tax losses	-	(2,523,310)
Charge to profit and loss account	25,867,718	19,587,322
Charge to other comprehensive income		
Deferred tax revaluation of available for sale investments	160,857	(52,459)
Deferred tax on remeasurement of post employment benefits obligation	4,354,583	4,352,129
Balance at the end of the year	<u>137,941,145</u>	<u>107,557,987</u>

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

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

16 DEPOSITS

	Note	2016		2015	
		No. of accounts	Amount Rupees	No. of accounts	Amount Rupees
Fixed deposits	16.2	11,049	10,015,212,516	6,661	7,632,933,625
Saving deposits	16.3	40,056	7,086,135,839	32,986	4,556,629,091
Current deposits		1,317,902	4,078,054,676	1,089,254	3,394,164,413
		<u>1,369,007</u>	<u>21,179,403,031</u>	<u>1,128,901</u>	<u>15,583,727,129</u>

16.1 Particulars of deposits by ownership

Individual depositors	1,366,644	12,877,782,376	1,126,811	9,091,840,377
Institutional depositors				
Corporation/firms	2,328	6,903,669,730	2,064	5,364,045,088
Banks/financial institutions	35	1,397,950,925	26	1,127,841,664
	<u>1,369,007</u>	<u>21,179,403,031</u>	<u>1,128,901</u>	<u>15,583,727,129</u>

16.2 This represents term deposits having tenure of 3 to 36 months (2015: 3 to 36 months) carrying interest at the rates ranging from 5.25% to 14.00% (2015: 6.25% to 14.00%) per annum. This includes fixed deposits amounting to Rs. 59.16 million (2015: Rs. 34.92 million) on which lien is marked against advances to borrowers.

16.3 This represents savings accounts carrying interest at the rates ranging from 5.00% to 9.00% (2015: 5.00% to 10.25%) per annum. This includes saving deposits amounting to Rs. 490.94 million (2015: Rs. 287.39) on which lien is marked against advances to borrowers.

17 BORROWINGS

Note

2016
Rupees2015
Rupees**Unsecured**

Borrowing from financial institutions outside Pakistan	17.1	2,481,667,912	2,845,397,392
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Secured

Borrowings from financial institutions in Pakistan	17.2	3,718,214,286	3,045,000,000
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		<u>6,199,882,198</u>	<u>5,890,397,392</u>
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17.1 Borrowings from financial institutions outside Pakistan

Asian Development Bank	17.1.1	1,454,917,912	1,818,647,392
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ECO Trade & Development Bank (TF-I)	17.1.2	507,250,000	507,250,000
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ECO Trade & Development Bank (TF-II)	17.1.3	519,500,000	519,500,000
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		<u>2,481,667,912</u>	<u>2,845,397,392</u>
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17.1.1 This represents receipts/reimbursements up to eighty percent (80%) of outreach loan disbursements against credit facility under the Subsidiary Loan and Grant Agreement entered between the Bank and the Government of Pakistan (GoP) in pursuance of Loan Agreement (Special Operations) - Microfinance Sector Development Project, Loan #1806 between Asian Development Bank (ADB) and Islamic Republic of Pakistan.

The Bank 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, through bi-annual equal instalments. The principal repayable is the aggregate equivalent of the amounts drawn by the Bank from the loan account for sub-loan expressed in Rupees, determined as of the respective dates of the withdrawal, while the GoP shall bear the foreign exchange risk.

The interest 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 bi-annual payment during the year were determined to be 4.11% and 4.52% (2015: 5.11% and 6.27%) per annum.

17.1.2 This represents borrowing from ECO Trade and Development Bank amounting to USD 5 million. This loan has grace period of two years and principal amount to be repaid as bullet on maturity. The term loan is two years. The loan carries mark-up at the rate of six month USD LIBOR plus a spread of 2.5% per 360 days.

The Bank has entered into cross currency SWAP agreement with United Bank Limited for the borrowing. Under such arrangement USD 5 million were translated at the exchange rate of Rs.101.45 and the loan will be repaid as bullet on maturity. Further under this arrangement the interest is payable at the rate of six months KIBOR plus a spread of 1% and payable semi annually commencing from date of disbursement per 365 days.

17.1.3 This represents borrowing from ECO Trade and Development Bank amounting to USD 5 million. This loan has grace period of two years and principal amount is to be repaid in five equal semi annual installments of USD one million each commencing from twenty fourth month after first disbursement. The term loan is four years. The loan carries mark-up at the rate of six month USD LIBOR plus a spread of 2.9% per 360 days.

The Bank has entered into cross currency SWAP agreement with JS Bank Limited for the borrowing. Under such arrangement USD 5 million were translated at the exchange rate of Rs.103.90 and the loan will be repaid into 05 equal installments of Rs.103.90 million each to be made semi annually commencing from twenty fourth month from the date of first disbursement. Further, under this arrangement, the interest paid is fixed at 10.47% per 365 days, semi annually commencing from date of disbursement.

17.2 Borrowings from financial institutions in Pakistan:	Note	2016 Rupees	2015 Rupees
Secured			
Pakistan Poverty Alleviation Fund (TF-II)	17.2.1	320,000,000	1,060,000,000
Pak Oman Investment Company Limited (TF-I)	17.2.2	-	325,000,000
Pak Oman Investment Company Limited (TF-II)	17.2.3	437,500,000	500,000,000
Pak Oman Investment Company Limited (TF-III)	17.2.4	500,000,000	-
United Bank Limited (TF - I)	17.2.5	200,000,000	400,000,000
Askari Bank Limited (TF-I)	17.2.6	200,000,000	360,000,000
Soneri Bank Limited (TF-IV)	17.2.7	300,000,000	300,000,000
Syndicated Term Finance	17.2.8	1,285,714,286	100,000,000
United Bank Limited (RF)	17.2.9	175,000,000	-
NIB Bank Limited (RF)	17.2.10	300,000,000	-
JS Bank Limited (RF)	17.2.11	-	-
		<u>3,718,214,286</u>	<u>3,045,000,000</u>

17.2.1 This represents borrowings from Pakistan Poverty Alleviation Fund (PPAF) and carries interest at the rates ranging from 5.51% to 9.00% (2015: 6.05% to 11.11%) per annum. PPAF extended Rs. 1,500 million financing facility, hypothecated against receivables created out of financing from PPAF, however the hypothecation charge is not registered with SECP. The Bank is liable to repay the principal amount to PPAF in 5 equal quarterly installments after the expiry of one year as grace period.

17.2.2 This represents interbank money market borrowings for two years with the grace period of six months from August 2014 and carries interest at the rates ranging from 8.13% to 8.79% (2015: 8.79% to 11.94%) per annum and repayable in three equal installments. These borrowings are secured against charge over current and future assets of Rs. 650 million. During the year all amount has been paid.

- 17.2.3** This represents interbank money market borrowings for five years with grace period of twelve months from draw down date and carries interest at the rates ranging 7.70% to 8.01 % (2015: 8.26% to 9.64%) per annum and repayable in 8 semi annual equal installments. These borrowings are secured against charge over current and future assets of Rs. 667 million.
- 17.2.4** This represents interbank money market borrowings for 5 years with grace period of 12 months from draw down date carrying interest rate ranging from 7.63% to 7.70% (2015: NIL) per annum and repayable in 8 semi annual equal installments. These borrowings are secured against charge over current and future assets of Rs. 667 million.
- 17.2.5** This represents interbank money market borrowings for three years with the grace period of six months from the date of first disbursement and carries interest at the rates ranging from 7.56% to 8.12 % (2015: 8.12% to 11.69%) per annum and repayable in five equal installments. These borrowings are secured against 40% partial Microfinance Credit Guarantee Facility (MCGF) by SBP and charge over current and future micro loans/ advances of Rs. 400 million.
- 17.2.6** This represents interbank money market borrowings for three years with the grace period of six months from draw down date and carries interest at the rates ranging from 7.54% to 7.55% (2015: 8.10% to 10.03%) per annum and repayable in 10 equal quarterly installments. These borrowings are secured against 40% partial Microfinance Credit Guarantee Facility (MCGF) by SBP and charge over current and future assets of Rs. 320 million.
- 17.2.7** This represents term finance facility of Rs.300 million and carries interest at the rates ranging from 7.56% to 8.53% (2015: 8.03% to 8.53%) per annum for a period of three years with grace period of one year from the draw down date. These borrowings are secured against 40% partial Microfinance Credit Guarantee Facility (MCGF) by SBP and charge over current and future assets of Rs. 300 million.
- 17.2.8** This represents syndicated (JS Bank Limited, Askari Bank Limited and PAIR Investment Company Limited) term finance facility of Rs.1,500 million and carries interest at the rate ranging from 7.36% to 7.45% (2015: 7.81%) per annum for a period of four years from the draw down date inclusive of grace period of six months. These borrowings are secured against 40% partial Microfinance Credit Guarantee Facility (MCGF) by SBP and charge over current and future assets of Rs. 200 million.
- 17.2.9** This represents running finance facility of Rs. 175 million and carries interest at the rates ranging from 6.85% to 7.35% (2015: 7.35% to 7.76%) per annum for a period of one year from the draw down date. These borrowings are secured against charge over current and future assets of Rs. 234 million.
- 17.2.10** This represents running finance facility of Rs. 400 million carrying interest rate ranging from 7.35% to 7.54% (2015: NIL) for a period of 1 year from the draw down date. These borrowings are secured against charge over present and future assets of the Bank worth Rs. 534 million.
- 17.2.11** This represents running finance facility of Rs. 300 million and carries interest at the rates ranging from 7.79% to 8.24% (2015: 8.35% to 11.32%) per annum for a period of one year from the draw down date. These borrowings are secured against charge over present and future assets of Rs. 400 million.

17.3 Quarterly average borrowing

1st Quarter
2nd Quarter
3rd Quarter
4th Quarter

**2016
Rupees**

**2015
Rupees**

5,695,397,392

4,534,398,438

5,866,654,232

4,785,883,604

6,104,365,985

5,709,999,418

6,256,694,254

6,002,685,506

17.4	Loan repayment schedule	Note	2016 Rupees	2015 Rupees
	Balance at the beginning of the year		5,890,397,392	3,729,876,872
	Availed during the year		2,375,000,000	6,666,960,013
	Repayments during the year		(2,065,515,194)	(4,506,439,493)
	Balance at the end of the year		<u>6,199,882,198</u>	<u>5,890,397,392</u>
18	OTHER LIABILITIES			
	Interest payable on borrowings		100,761,044	117,970,586
	Markup/return/interest payable on deposits		305,310,307	286,780,711
	Accrued expenses		240,516,728	223,679,852
	Bills payable		78,395,885	42,080,689
	Payable to defined benefit plan - gratuity	18.1	16,292,240	80,568,150
	Contribution payable to:			
	- Microfinance Social Development Fund	7.13	127,273,428	82,416,496
	- Risk Mitigation Fund	7.13	63,636,714	41,208,248
	- Depositors' Protection Fund	7.13	63,636,714	41,208,248
	Taxes payable - net	18.2	161,422,146	135,039,618
	Payable to service providers		34,024,900	29,788,200
	Payable to suppliers	18.3	201,005,794	92,001,096
	Provision for Workers' Welfare Fund	18.4	17,990,688	61,330,561
	Withholding tax payable		18,786,211	13,071,142
	Other payables		28,043,732	23,587,944
			<u>1,457,096,531</u>	<u>1,270,731,541</u>

18.1 Payable to defined benefit plan - gratuity

General description

The scheme provides for terminal benefits for all its permanent employees who attain the minimum qualifying period at varying percentages of last drawn basic salary. The percentage depends on the number of service years with the Bank. Annual charge is based on actuarial valuation carried out as at December 31, 2016 using the Projected Unit Credit Method.

The Bank faces the following risks on account of gratuity:

Final salary risk - The risk that the final salary at the time of cessation of service is greater than what the Company has assumed. Since the benefit is calculated on the final salary, the benefit amount would also increase proportionately.

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

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

Investment risks - The risk of the investment underperforming and not being sufficient to meet the liabilities. This risk is mitigated by closely monitoring the performance of investment.

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

Disclosures related to employees gratuity fund are given below:

	2016 Rupees	2015 Rupees
a) Amounts recognized in the balance sheet		
Present value of defined benefit obligations	386,561,068	312,016,937
Fair value of plan assets	(370,268,828)	(231,448,787)
Balance sheet liability	<u>16,292,240</u>	<u>80,568,150</u>
b) Movement in net liability		
Opening net liability	80,568,150	65,132,259
Net expense recognized in profit or loss	61,827,742	53,351,580
Remeasurement losses recognized in OCI	19,493,576	15,451,132
Contributions	(145,597,228)	(53,366,821)
Closing net liability	<u>16,292,240</u>	<u>80,568,150</u>
c) Changes in present value of defined benefit obligation		
Opening defined benefit obligation	312,016,937	251,545,592
Current service cost	61,198,890	48,583,868
Interest expense	28,823,756	26,328,273
Benefits due but not paid (payables)	(2,962,030)	(8,840,518)
Benefits paid	(44,596,717)	(26,192,476)
Remeasurements - experience losses	32,080,232	20,592,198
Closing defined benefit obligation	<u>386,561,068</u>	<u>312,016,937</u>
d) Changes in fair value of plan assets		
Opening fair value of plan assets	231,448,787	186,413,333
Interest income	28,194,904	21,560,561
Contributions	145,597,228	53,366,821
Benefits paid	(44,596,717)	(26,192,476)
Benefits due but not paid	(2,962,030)	(8,840,518)
Return on plan assets, excluding interest income	12,586,656	5,141,066
Closing fair value of plan assets	<u>370,268,828</u>	<u>231,448,787</u>
e) Amounts recognized in the profit and loss account		
Current service cost	61,198,890	48,583,868
Interest cost on defined benefit obligation	28,823,756	26,328,273
Interest income on plan assets	(28,194,904)	(21,560,561)
	<u>61,827,742</u>	<u>53,351,580</u>
f) Amounts recognized in other comprehensive income		
Remeasurement losses for the year		
Experience adjustments in present value of defined benefit obligation	32,080,232	20,592,198
Return on plan assets, excluding interest income	(12,586,656)	(5,141,066)
	<u>19,493,576</u>	<u>15,451,132</u>

g) Major categories of plan assets

	2016		2015	
	Rupees	Percentage	Rupees	Percentage
Accrued interest	53,608,922	14.48%	27,838,637	12.03%
Cash at bank	16,600,936	4.48%	29,429,668	12.72%
National Saving Centre - Bonds	183,021,000	49.43%	183,021,000	79.08%
Term deposits	120,000,000	32.41%	-	-
Payables to out-going employees	(2,962,030)	- 0.80%	(8,840,518)	-3.82%
	<u>370,268,828</u>	<u>100.00%</u>	<u>231,448,787</u>	<u>100.00%</u>

h) The latest actuarial valuation was carried out as at December 31, 2016. The significant assumptions used for actuarial valuation are as follows:

Discount rate - per annum
Salary increase rate - per annum
Mortality rate

2016

10.00%

9.50%

SLIC 2001-05

2015

10.00%

9.00%

SLIC 2001-05

i) Sensitivity Analysis

	Change in assumption	Impact on defined benefit obligation	
		Increase in assumption	Decrease in assumption
Rupees			
Discount rate	1%	(39,879,568)	48,185,829
Salary rate increase	1%	45,467,309	(38,495,465)

The above sensitivity analysis is based on changes in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognised within the statement of financial position.

The weighted average duration of the defined benefit obligation is 11 years.

j) Expected contribution of the Bank to the defined benefit gratuity fund for the year ending December 31, 2017 will be Rs. 74.7 million.

k) Comparison for five years

Present value of defined benefits obligations and fair value of plan assets	2016	2015	2014	2013	2012
Rupees					
Present value of defined benefits obligations at year end	386,561,068	312,016,937	251,545,592	197,631,664	162,305,721
Fair value of plan assets at year end	(370,268,828)	(231,448,787)	(186,413,333)	(172,924,929)	(163,578,922)
	<u>16,292,240</u>	<u>80,568,150</u>	<u>65,132,259</u>	<u>24,706,735</u>	<u>(1,273,201)</u>

18.2 Taxes payable - net

	Note	2016 Rupees	2015 Rupees
Opening balance		135,039,618	198,615,505
Payments/adjustments during the year		(473,072,620)	(418,697,287)
Provision for the year	28	499,455,148	355,121,400
Closing balance		161,422,146	135,039,618

18.3 This includes payable to insurance companies amounting to Rs. 149.40 million (2015: Rs. 34.27 million) against crop and livestock insurance premium.

18.4 During the year a provision amounting to Rs. 52.78 million against Workers' Welfare Fund Ordinance, 1971 has been reversed based on the judgement of Honorable Supreme Court of Pakistan and the opinion of the tax advisor. The Supreme Court of Pakistan, vide its judgement dated October 10, 2016 in civil appeals No. 1049 to 1055/2011 and others, has struck down the amendments made by The Federal Government in Workers' Welfare Fund Ordinance, 1971 through Finance Act 2006/2008 whereby the definition of Industrial Establishment was amended. The apex court has declared the same as unlawful and ultra-varies the Constitution. However, provision against WWF pertaining to Province of Sindh has been made during the year in accordance with Sindh Workers' Welfare Fund Act, 2014.

19 SHARE CAPITAL

19.1 Authorized capital

2016 Number	2015 Number		Note	2016 Rupees	2015 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>

19.2 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	19.2.1	<u>1,705,000,000</u>	<u>1,705,000,000</u>
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19.2.1 The Shareholders of the Bank are as follows:

United Bank Limited		506,285,280	506,285,280
Rural Impulse Fund II S.A. SICAV-FIS		417,056,630	417,056,630
ShoreCap II Limited		243,568,080	243,568,080
ASN-NOVIB Microkredietfonds		168,795,020	168,795,020
Credit Suisse Microfinance Fund Management Company		339,294,990	339,294,990
Bank Al Habib Limited		30,000,000	30,000,000
		<u>1,705,000,000</u>	<u>1,705,000,000</u>

20 DEFERRED GRANTS	Note	2016 Rupees	2015 Rupees
Grant from GoP	20.1	251,589,232	251,589,232
Accumulated amortization			
At the beginning of year		(251,523,789)	(251,437,620)
Amortization for the year		(65,443)	(86,169)
At the end of the year		(251,589,232)	(251,523,789)
		-	65,443
Grant from USAID	20.2	98,374,901	98,374,901
Accumulated amortization			
At the beginning of year		(98,188,242)	(97,860,252)
Amortization for the year		(186,659)	(327,990)
At the end of the year		(98,374,901)	(98,188,242)
		-	186,659
Grant from Enclude	20.3	43,681,321	25,484,337
Received during the year	20.3	7,314,144	18,196,984
		50,995,465	43,681,321
Accumulated amortization			
At the beginning of year		(26,845,917)	(25,484,337)
Amortization for the year		(24,149,548)	(1,361,580)
At the end of the year		(50,995,465)	(26,845,917)
		-	16,835,404
		-	17,087,506

20.1 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 completed its tenure on June 30, 2007.

20.2 This represents grant received from USAID on September 30, 2003 under the program "Developing non-bankable territories for financial services".

20.3 On September 24, 2010, the Bank entered into a two year grant agreement with Enclude (formerly Shore Bank International) to improve the capacity of the Bank for delivering saving products more effectively, profitably and at an enhanced scale. Enclude provided financial assistance of USD 300,000 in the form of grant to the Bank, in order to procure and implement a banking application named Bank Essential (BE). In the years 2015 and 2016, further grant was received from Enclude (formerly Shore Bank International) to promote Alternative Delivery Channel (ADC) marketing campaign in order to create client awareness and build uptake of Bank's branchless banking services that was utilized completely by the Bank.

21 MEMORANDUM/OFF BALANCE SHEET ITEMS

21.1 CONTIGENCIES

- a) For the period January 2008 to December 2010, the taxation authorities issued an order to charge FED amounting to Rs. 65.231 million on grants received by the Bank and non-withholding of sales tax on taxable purchases from suppliers not registered in large tax payer units (LTU). In this respect, a civil petition filed by the bank is currently pending with the Honourable Supreme Court of Pakistan, against the order of Honourable Islamabad High Court wherein the Bank's appeal was dismissed in limine. Related to this matter, payment of Rs. 34.57 million under protest is carried as receivable from taxable authorities as reflected in note 14.2 to the financial statements.

- b) For the period from January 2011 to December 2012, the Bank has also received two orders from Deputy Commissioner of Inland Revenue for non-payment of FED of Rs. 40.641 million on grants received by the Bank, Rs.71.53 million on processing fee paid by the Bank in provinces and Rs. 2.778 million on non-withholding of sales tax on taxable purchases from suppliers not registered in LTU. The Bank preferred an appeal before CIR (Appeals) against the alleged orders for 2011 and 2012 which were remanded back by the CIR (Appeals) with the observation that DCIR order contains legal and factual infirmities.
- c) For the period from January 2013 to December 2014, the Bank has received four orders from Deputy Commissioner of Inland Revenue (DCIR) for non- payment of FED of Rs. 51.78 million on grants received by the Bank, Rs.123.90 million on processing fee paid by the Bank in provinces and Rs. 47.66 million on non-withholding of Sales Tax/FED on payments made for advertisement services, disposal of fixed assets and non-apportionment of input tax. The Bank preferred appeal against the alleged demands of the DCIR and its appeals are pending adjudication before the CIR (Appeals) and Appellate Tribunal Inland Revenue (ATIR).

Based on the decision of CIR (A) in case of alleged orders of 2011, 2012 and tax counsel advise, the Bank is confident of a favorable outcome of the cases for the period January 2008 to December 2010 and January 2013 to December 2014, therefore, the management believes that no provision is required there against.

21.2 COMMITMENTS

Capital expenditure

22 MARK-UP/RETURN/INTEREST EARNED

Mark-up/interest on advances

Interest on investment in Federal Government securities

Interest/gain on deposit accounts/placements with other banks/
financial institutions/on mutual funds

23 MARK-UP/RETURN/INTEREST EXPENSED

Interest on borrowings from:

Financial institutions - Outside Pakistan

Financial institutions - Inside Pakistan

Interest on deposits

	2016 Rupees	2015 Rupees
Capital expenditure	25,215,902	49,204,928
Mark-up/interest on advances	5,554,368,948	4,277,947,717
Interest on investment in Federal Government securities	72,799,169	62,278,225
Interest/gain on deposit accounts/placements with other banks/ financial institutions/on mutual funds	299,041,888	66,395,992
	<u>5,926,210,005</u>	<u>4,406,621,934</u>
Interest on borrowings from:		
Financial institutions - Outside Pakistan	161,174,203	170,018,855
Financial institutions - Inside Pakistan	257,987,589	236,034,318
	419,161,792	406,053,173
Interest on deposits	1,387,947,557	813,233,728
	<u>1,807,109,349</u>	<u>1,219,286,901</u>

		2016 Rupees	2015 Rupees
24 FEE, COMMISSION AND BROKERAGE INCOME	Note		
Micro-credit application processing fee		852,112,688	575,848,380
Other commission		87,394,661	64,589,818
		<u>939,507,349</u>	<u>640,438,198</u>
25 OTHER INCOME			
Amortization of deferred grant		24,401,650	1,775,739
Indirect cost charged to USAID		-	19,545
Indirect cost charged to Incofin		-	971,415
Gain on disposal of fixed assets		4,875,795	22,607,489
Recoveries against advances written off		91,940,443	40,690,480
Workers welfare fund	18.4	52,780,745	-
Others		5,153,193	9,936,499
		<u>179,151,826</u>	<u>76,001,167</u>
26 ADMINISTRATIVE EXPENSES	Note	2016 Rupees	2015 Rupees
Salaries, wages and benefits		1,340,022,516	1,086,610,223
Charge for defined benefit plan	18.1	61,827,742	53,351,580
Contract/seconded staff expenses		223,291,346	221,525,923
Consultancies		9,187,019	8,089,957
Recruitment and development		18,068,993	16,246,686
Training		39,491,839	43,991,427
Rent and rates		222,075,955	180,945,689
Insurance		81,362,788	58,397,621
Utilities		78,596,935	69,194,077
Legal and professional charges		7,395,790	3,803,873
Communication		94,284,695	79,194,179
Repairs and maintenance		102,071,185	131,982,981
Printing, stationery and office supplies		81,139,569	79,825,808
Advertisement		58,645,261	30,893,352
Auditors' remuneration	26.1	2,097,425	1,626,500
Depreciation	13.2	155,558,847	115,484,925
Amortization	13.3	18,438,325	27,600,780
Vehicles up keep and maintenance		108,650,221	105,456,018
Travelling and conveyance		16,774,367	14,819,054
Meetings and conferences		27,327,379	29,391,916
Security charges		51,561,496	46,527,838
Bank and financial charges		68,906,601	33,191,601
Newspapers and subscriptions		5,888,034	3,077,736
Miscellaneous		7,268,523	3,446,298
		<u>2,879,932,851</u>	<u>2,444,676,042</u>
Expenditure reimbursed during the year	26.2	<u>(124,018,700)</u>	<u>(129,391,600)</u>
		<u>2,755,914,151</u>	<u>2,315,284,442</u>

26.1 Auditors' remuneration

Note

Audit fee
Certifications
Out of pocket expenses

**2016
Rupees**

1,264,450
350,000
482,975
2,097,425

**2015
Rupees**

1,149,500
-
477,000
1,626,500

26.2 This represents cost reimbursement from Microfinance Social Development Fund (MSDF) to recover the new client acquisition cost incurred by the Bank under the Loan Agreement (Special Operations) - Microfinance Sector Development Project, Loan #1806 between ADB and Islamic Republic of Pakistan.

27 OTHER CHARGES

Penalties
Workers' welfare fund
Professional tax

18.4

80,000
9,440,872
200,000
9,720,872

436,000
23,639,632
423,965
24,499,597

28 TAXATION

Current
Prior year
Super tax

28.1

499,455,148
-
32,760,476
532,215,624
(25,867,718)
506,347,906

355,121,400
-
21,690,313
376,811,713
(18,995,089)
357,816,624

28.1 The Finance Act 2016 has extended levy of super tax, introduced by Finance Act, 2015, for a further period of one year i.e tax year 2016 which is applicable at the rate of 3 percent of the taxable income. The effects of above amendment has been incorporated in these financial statements and an amount of Rs. 32.760 million (2015: 21.690 million) has been recognised as prior year tax charge.

28.2 Tax charge reconciliation

Profit before tax (Rupees)

Applicable tax rate
Deferred tax relating to prior periods
Temporary difference
Income tax relating to prior period
Permanent difference
Average effective tax rate charged to income

**2016
Rupees**

1,779,082,184

%
31.00
-
0.52
1.84
(4.90)
28.46

**2015
Rupees**

1,181,981,581

%
32.00
-
0.98
1.84
(4.55)
30.27

28.3 The applicable income tax rate was reduced from 32% to 31% for the year on account of the changes made to Income Tax Ordinance, 2001 through Finance Act, 2016.

28.4 The applicable income tax rate for subsequent years beyond tax year 2017 was reduced to 30% on account of changes made to Income Tax Ordinance 2001 through Finance Act 2015. Therefore, deferred tax is computed at the rate of 30% applicable to the period when temporary differences are expected to be reversed/utilised.

29	LOSS BEFORE CHANGES IN OPERATING ASSETS/LIABILITIES	Note	2016 Rupees	2015 Rupees
	Profit before taxation		1,779,082,184	1,181,981,581
	Adjustments for:			
	Depreciation and amortization		173,997,172	143,085,705
	Amortization of deferred grant		(24,401,650)	(1,775,739)
	Provision against non-performing advances		673,517,609	275,014,569
	Gain on disposal of operating fixed assets		(4,875,795)	(22,607,489)
	Mark-up on advances		(5,554,368,948)	(4,277,947,717)
	Interest on investments and deposit accounts		(371,841,057)	(128,674,217)
	Indirect cost charged to USAID		-	(19,545)
	Interest expense on borrowings and deposits		1,807,109,349	1,219,286,901
	Provision against other assets		8,236,104	17,137,334
	Charge for defined benefit plan		61,827,742	53,351,580
			<u>(3,230,799,474)</u>	<u>(2,723,148,618)</u>
			<u>(1,451,717,290)</u>	<u>(1,541,167,037)</u>
30	CASH AND CASH EQUIVALENTS			
	Cash and balances with SBP and NBP	8	1,300,649,633	1,001,222,441
	Balances with other banks	9	1,387,702,166	944,008,613
	Lending to financial institutions	10	1,544,066,350	2,383,352,710
			<u>4,232,418,149</u>	<u>4,328,583,764</u>
31	NUMBER OF EMPLOYEES		2016 Number	2015 Number
	Credit sales staff			
	Permanent		1,396	1,221
	Banking/support staff			
	Permanent		1,312	1,045
	Contractual		558	803
			<u>1,870</u>	<u>1,848</u>
	Total number of employees at the end of the year		<u>3,266</u>	<u>3,069</u>
32	AVERAGE NUMBER OF EMPLOYEES			
	Credit sales staff			
	Permanent		1,302	1,116
	Banking/support staff			
	Permanent		1,175	975
	Contractual		529	886
			<u>1,704</u>	<u>1,861</u>
	Average number of employees during the year		<u>3,006</u>	<u>2,977</u>
33	NUMBER OF BRANCHES			
	Total branches at beginning of the year		129	118
	Opened during the year			
	Branches		10	10
	Service centers/booths		2	1
	Closed/merged during the year		-	-
	Total branches/service centers/booths at the end of the year		<u>141</u>	<u>129</u>

34 EARNINGS PER SHARE

Basic

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

	2016 Rupees	2015 Rupees
Profit for the year after taxation	1,272,734,278	824,164,957
Microfinance Social Development Fund	(127,273,428)	(82,416,496)
Depositors' Protection Fund	(63,636,714)	(41,208,248)
Risk Mitigation Fund	(63,636,714)	(41,208,248)
	(254,546,856)	(164,832,992)
Profit attributable to equity holders	<u>1,018,187,422</u>	<u>659,331,965</u>
Weighted average number of ordinary shares (Numbers)	<u>170,500,000</u>	<u>170,500,000</u>
Earnings per share - basic (Rupees)	<u>5.97</u>	<u>3.87</u>

Diluted

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

35 REMUNERATION PAID TO PRESIDENT, DIRECTORS AND EXECUTIVES

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

	2016				2015			
	President	Directors	Executives		President	Directors	Executives	
			KMPs	Other			KMPs	Other
	Rupees							
Fees	-	300,000	-	-	-	200,000	-	-
Managerial remuneration	8,212,728	-	38,333,970	91,775,330	7,141,500	-	33,373,985	74,909,435
Charge for defined benefit plan/ gratuity	1,129,250	-	5,284,227	12,687,982	981,956	-	4,291,131	10,265,371
Rent and house maintenance allowance	3,695,724	-	17,250,277	41,298,880	3,213,672	-	15,018,293	33,709,281
Utilities allowance	1,642,548	-	7,666,779	18,355,030	1,428,300	-	6,674,792	14,981,908
Medical allowance	821,268	-	3,833,395	9,177,572	714,154	-	3,337,390	7,491,061
Conveyance allowance	268,843	-	5,965,041	30,640,913	305,939	-	5,688,227	28,465,815
Bonus	3,600,000	-	12,703,420	14,406,646	4,000,000	-	13,524,293	12,035,537
Others	30,420	-	239,388	7,153,792	30,420	-	336,552	6,613,918
Total	<u>19,400,781</u>	<u>300,000</u>	<u>91,276,497</u>	<u>225,496,145</u>	<u>17,815,941</u>	<u>200,000</u>	<u>82,244,663</u>	<u>188,472,326</u>
Number of person(s)	<u>1</u>	<u>2</u>	<u>11</u>	<u>109</u>	<u>1</u>	<u>1</u>	<u>11</u>	<u>90</u>

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

35.2 Executives mean employees, other than the Chief Executive and Directors, whose basic salary exceeds five hundred thousand rupees in a financial year. Further, executive are entitled to certain additional benefits in accordance with the Bank Policy.

35.3 Key Management Personnel (KMP) means persons having authority and responsibility for planning, directing and controlling the activities of the entity, either directly or indirectly, including any member (or non-executive) of the board.

36. SCHEDULE OF MATURITY DISTRIBUTION OF MARKET RATE ASSETS AND LIABILITIES AS AT DECEMBER 31, 2016

	TOTAL	Up to one month	Over one month up to six months	Over six months up to one year	OVER ONE YEAR
Rupees					
Market rate assets					
Advances	22,939,531,448	1,367,110,755	9,703,246,861	11,144,912,029	724,261,803
Investments	2,967,965,444	797,340,000	2,170,625,444	-	-
Other earning assets					
Balances with SBP and NBP - deposit accounts	1,830,714	1,830,714	-	-	-
Balances with other banks - deposit accounts	753,577,191	753,577,191	-	-	-
Lending to financial institutions	1,544,066,350	1,544,066,350	-	-	-
Total market rate assets	28,206,971,147	4,463,925,010	11,873,872,305	11,144,912,029	724,261,803
Other non-earning assets					
Cash in hand	445,290,595	445,290,595	-	-	-
Balances with SBP and NBP - current accounts	853,528,324	853,528,324	-	-	-
Balances with other banks - current accounts	634,124,975	634,124,975	-	-	-
Operating fixed assets	719,729,802	27,510,078	114,782,340	93,805,503	483,631,881
Other assets	2,775,892,413	365,152,461	1,256,498,552	959,694,635	194,546,765
Deferred tax asset	137,941,145	-	-	-	137,941,145
Total non-earning assets	5,566,507,254	2,325,606,433	1,371,280,892	1,053,500,138	816,119,791
Total assets	33,773,478,401	6,789,531,443	13,245,153,197	12,198,412,167	1,540,381,594
Market rate liabilities					
Large time deposits above Rs 100,000	9,966,872,092	1,397,951,207	3,270,546,941	2,050,430,962	3,247,942,982
All other time deposits (including fixed rate deposits)	48,340,424	1,344,780	6,779,533	8,597,711	31,618,400
Other cost bearing deposits	7,086,135,839	2,834,454,336	2,834,454,336	1,417,227,167	-
Borrowings	6,199,882,198	550,000,000	1,145,900,454	1,137,550,454	3,366,431,290
Total market rate liabilities	23,301,230,553	4,783,750,323	7,257,681,264	4,613,806,294	6,645,992,672
Other non-cost bearing liabilities					
Deposits	4,078,054,676	1,631,221,870	1,631,221,870	815,610,936	-
Other liabilities	1,457,096,531	284,911,966	748,015,504	265,518,720	158,650,341
Total non-cost bearing liabilities	5,535,151,207	1,916,133,836	2,379,237,374	1,081,129,656	158,650,341
Total liabilities	28,836,381,760	6,699,884,159	9,636,918,638	5,694,935,950	6,804,643,013
Net assets	4,937,096,641	89,647,284	3,608,234,559	6,503,476,217	(5,264,261,419)

36. SCHEDULE OF MATURITY DISTRIBUTION OF MARKET RATE ASSETS AND LIABILITIES AS AT DECEMBER 31, 2015

	TOTAL	Up to one month	Over one month up to six months	Over six months up to one year	OVER ONE YEAR
Market rate assets					
Rupees					
Advances	17,246,531,575	1,237,893,208	8,507,408,988	7,155,889,922	345,339,457
Investments	1,847,825,070	500,000,000	1,347,825,070	-	-
Other earning assets					
Balances with SBP and NBP - deposit accounts	1,658,485	1,658,485	-	-	-
Balances with other banks - deposit accounts	501,075,190	518,796,642	-	-	-
Lending to financial institutions	2,383,352,710	2,383,352,710	-	-	-
Total market rate assets	21,980,443,030	4,641,701,045	9,855,234,058	7,155,889,922	345,339,457
Other non-earning assets					
Cash in hand	489,853,139	489,853,139	-	-	-
Balances with SBP and NBP - current accounts	509,710,817	509,710,817	-	-	-
Balances with other banks - current accounts	442,933,423	425,211,971	-	-	-
Operating fixed assets	548,979,304	24,199,303	99,505,394	77,771,642	347,502,965
Other assets	2,616,868,449	276,351,420	1,490,285,720	739,054,108	111,177,201
Deferred tax asset	107,557,987	-	-	-	107,557,987
Total non-earning assets	4,715,903,119	1,725,326,650	1,589,791,114	816,825,750	566,238,153
Total assets	26,696,346,149	6,367,027,695	11,445,025,172	7,972,715,672	911,577,610
Market rate liabilities					
Large time deposits above Rs 100,000	7,403,731,217	673,293,400	2,139,989,567	3,083,442,978	1,507,005,272
All other time deposits (including fixed rate deposits)	229,202,408	8,882,166	62,106,000	63,501,242	94,713,000
Other cost bearing deposits	4,556,629,091	1,822,651,636	1,822,651,636	911,325,819	-
Borrowings	5,890,397,392	-	684,364,740	821,150,455	4,384,882,197
Total market rate liabilities	18,079,960,108	2,504,827,202	4,709,111,943	4,879,420,494	5,986,600,469
Other non-cost bearing liabilities					
Deposits	3,394,164,413	1,357,665,765	1,357,665,765	678,832,883	-
Other liabilities	1,270,731,541	180,788,624	646,943,031	283,259,637	159,740,249
Total non-cost bearing liabilities	4,664,895,954	1,538,454,389	2,004,608,796	962,092,520	159,740,249
Total liabilities	22,744,856,062	4,043,281,591	6,713,720,739	5,841,513,014	6,146,340,718
Net assets	3,951,490,087	2,323,746,104	4,731,304,433	2,131,202,658	(5,234,763,108)

37 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

37.1 Interest rate risk

The Bank's exposure to interest rate risk and the effective rates on its financial assets and liabilities as at December 31, 2016 are summarized as follows:

Description	INTEREST/MARK-UP BEARING						Sub Total	NON-INTEREST BEARING Total	Total	Interest rate
	Maturity up to one year	Maturity after one year & up to two years	Maturity after two years & up to three years	Maturity after three years & up to four years	Maturity after four years & up to five years	Maturity after five years				
Financial assets:										
Cash and balances in current and other accounts	-	-	-	-	-	-	755,407,905	1,932,943,894	1,932,943,894	3.5 % to 6.25 %
Balance in deposit accounts	755,407,905	-	-	-	-	-	1,544,066,350	755,407,905	755,407,905	5.75 % to 5.90 %
Lending to financial institutions	1,544,066,350	-	-	-	-	-	2,967,965,444	1,544,066,350	1,544,066,350	6.31 % to 11.50 %
Investments	2,967,965,444	-	-	-	-	-	22,939,531,448	2,967,965,444	2,967,965,444	8.5 % to 32 %
Advances	22,215,269,645	586,505,536	10,227,414	8,491,130	9,171,551	109,866,172	22,939,531,448	3,633,563,360	3,633,563,360	-
Other assets	-	-	-	-	-	-	27,482,709,344	5,566,507,254	33,773,478,401	-
Financial liabilities:										
Deposits and other accounts	-	-	-	-	-	-	17,101,348,355	4,078,054,676	21,179,403,031	5.0 % to 14 %
Borrowings	13,821,786,973	1,149,673,082	2,129,888,300	551,229,471	125,000,000	-	6,199,882,198	6,199,882,198	6,199,882,198	4.11 % to 11.32 %
Other liabilities	2,833,450,909	1,440,100,909	1,250,100,909	-	-	-	1,457,096,531	1,457,096,531	1,457,096,531	-
On balance sheet gap										
Unrecognized:	16,655,237,882	2,589,773,991	3,379,989,209	551,229,471	125,000,000	-	23,301,230,553	5,535,151,207	28,836,381,760	-
Commitments	10,827,471,462	(2,003,268,455)	(3,369,761,795)	(542,738,341)	(115,828,449)	-	4,905,740,594	31,356,047	4,937,096,641	-
Off balance sheet gap										
Unrecognized:	10,827,471,462	(2,003,268,455)	(3,369,761,795)	(542,738,341)	(115,828,449)	-	4,905,740,594	6,140,145	4,911,880,739	-
Commitments	-	-	-	-	-	-	-	(25,215,902)	(25,215,902)	-

The Bank's exposure to interest rate risk and the effective rates on its financial assets and liabilities as at December 31, 2015 are summarized as follows:

Description	INTEREST/MARK-UP BEARING						Sub Total	NON-INTEREST BEARING Total	Total	Interest rate
	Maturity up to one year	Maturity after one year & up to two years	Maturity after two years & up to three years	Maturity after three years & up to four years	Maturity after four years & up to five years	Maturity after five years				
Financial assets:										
Cash and balances in current and other accounts	-	-	-	-	-	-	502,733,675	1,442,497,379	1,442,497,379	4% to 6.25%
Balance in deposit accounts	502,733,675	-	-	-	-	-	2,383,352,710	502,733,675	502,733,675	6% to 6.15%
Lending to financial institutions	2,383,352,710	-	-	-	-	-	1,847,825,070	2,383,352,710	2,383,352,710	6.31 % to 7.75 %
Investments	1,847,825,070	-	-	-	-	-	17,246,531,575	1,847,825,070	1,847,825,070	8.5 % to 32%
Advances	16,901,192,118	345,339,457	-	-	-	-	21,980,443,030	3,273,405,740	17,246,531,575	-
Other assets	21,635,103,573	345,339,457	-	-	-	-	21,980,443,030	4,715,903,119	26,696,346,149	-
Financial liabilities:										
Deposits and other accounts	-	-	-	-	-	-	12,189,562,716	3,394,164,413	15,583,727,129	5% to 14%
Borrowings	10,587,844,444	367,861,000	1,233,857,272	725,100,909	426,229,472	-	5,890,397,392	5,890,397,392	5,890,397,392	5.11 % to 11.94 %
Other liabilities	1,505,515,195	2,318,450,908	915,100,908	-	-	-	1,270,731,541	1,270,731,541	1,270,731,541	-
On balance sheet gap										
Unrecognized:	12,093,359,639	2,686,311,908	2,148,958,180	725,100,909	426,229,472	-	18,079,960,108	4,664,895,954	22,744,856,062	-
Commitments	9,541,743,934	(2,340,972,451)	(2,148,958,180)	(725,100,909)	(426,229,472)	-	3,900,482,922	51,007,165	3,951,490,087	-
Off balance sheet gap										
Unrecognized:	9,541,743,934	(2,340,972,451)	(2,148,958,180)	(725,100,909)	(426,229,472)	-	3,900,482,922	(49,204,928)	(49,204,928)	-
Commitments	-	-	-	-	-	-	-	1,802,237	1,802,237	-

37.2 Market risk

Market price risk is the risk that the fair value of a financial instrument will fluctuate due to changes in the prices of individual securities. The Bank's investments comprises of available for sale (AFS) portfolios. The objective of the AFS portfolio is to make short-term capital gains, whilst the AFS portfolio is maintained with a medium term view of earning both capital gains and dividend income. Product program manuals have been developed to provide guidelines on the objectives and policies, risks and mitigates, limits and controls for the equity portfolios of the Bank.

The Bank's interest rate 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.

37.3 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 the Regulations. Further, the community organizations are structured in a way to exert social pressure on the borrowers to perform their obligations.

37.4 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. As at year end, the Bank has unavailed facilities cumulatively amounting to Rs. 400 million (2015: Rs. 1,750 million).

37.5 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arise in financial instruments that are denominated in foreign currencies i.e. in a currency other than the functional currency in which they are measured.

The Bank has obtained foreign currency borrowings from ECO Trade and Development Bank and hedged its foreign currency exposure by entering into cross currency SWAP agreements with United Bank Limited and JS Bank Limited.

37.6 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk is monitored and managed by performing periodic gap analysis, sensitivity analysis and stress testing and taking appropriate actions where required.

Interest rate of the Bank's financial assets and financial liabilities as at December 31, 2016 can be evaluated from the schedule given in note 37.1 to these financial statements.

37.7 Fair value of financial instruments

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date. The financial instruments that are not traded in active market are carried at cost and are tested for impairment. The carrying amount of other receivables and payables are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Bank for similar financial instruments.

37.8 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The risk department is primarily responsible for the oversight of operational risk management across the Bank. The operational risk management framework of the Bank is governed by the operational risk Management Policy and Procedures, while the implementation is supported by an operational risk management system and designated operational risk coordinators within different units across the Bank. The framework is in line with international best practices, flexible enough to implement in stages and permits the overall approach to evolve in response to organizational learning and future requirements.

Loss data, collected through a well defined program, is evaluated and processes are reviewed for improvements in mitigation techniques. Periodic workshops are conducted for Risk & Control Self Assessment and key risk exposures are identified and assessed against existing controls to evaluate improvement opportunities. Key Risk Indicators are also defined for monitoring of risk exposures. New products, systems, activities and processes, are subject to comprehensive operational risk assessments, before implementation.

Business Continuity Plans have been implemented across the Bank, clearly defining the roles and responsibilities of respective stakeholders, and covering recovery strategy, IT and structural backups, scenario and impact analyses and testing directives. The outsourcing policy has also been augmented to address risks associated with such arrangements.

38 CUSTOMER GRIEVANCE

38.1 Overview

In order to implement the SBP's Financial Consumer Protection Framework, a comprehensive policy framework duly approved by the Board of the Bank has been implemented for customers' complaint redressals. Customers' Complaints Handling Policy of the Bank complies with the requirements of the Prudential Regulations (PRs) for MFBs, guidelines issued by the State bank of Pakistan from time to time i.e. customers' grievance/complaint handling & business conduct for banks and Mechanism for Complaint Resolution under Universal Standards for Social Performance Management.

38.2 General process for complaint resolution

The Bank has established a centralized complaint handling unit which is responsible for managing Bank wide customer complaints as per SBP guidelines. Complaint Unit plays an intermediary role between the customers and the core units of the Bank for resolution of the customers complaints/issues/queries.

Complaint Unit ensures that the response to the complainant is based on the feedback received from the relevant department and accordingly informs the customer about the resolution details. The customers are also advised of the alternate grievance redressal forum if the customer is dis-satisfied with the resolution. The unit also maintains a record of complaints received, actions taken to resolve and response to the complainant.

38.3 Initiative taken during 2016.

The following initiatives were undertaken by the Bank.

- Complaint Handling Policy & Procedures have been updated & aligned in line with SBP's guidelines on Consumer Grievance Handling Mechanism, and mechanism for complaint resolution under Universal Standards for Social Performance Management (USSPM).
- Khushhali Microfinance Bank's Complaint unit has made significant efforts to increase customers awareness level regarding their rights of making a complaint. Keeping in view the literacy level of Khushhali Microfinance Bank customers, contact points and complaint lodgement procedures are displayed in the branches and webpage both in Urdu & English languages. Customers are encouraged to lodge their concerns without any obstacle.

The total number of complaints received by Khushhali Microfinance Bank and average time taken to resolve these complaints are mentioned hereunder:

Total number of complaints received by the Bank during the year

Average time taken to resolve:

2016	2015
491	282
9 Days	9 Days

39 FAIR VALUE MEASUREMENT

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

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

Financial assets which are traded in an open market are revalued at the market prices prevailing at the close of trading on the reporting date. The estimated fair value of all other financial assets and liabilities is not considered to be significantly different from book values as the items are either short-term in nature or periodically reprised.

Set out below is a comparison by category of carrying amounts and fair values of the Bank's assets and liabilities, that are carried in the statement of the financial position:

Assets	Note	Carrying amount		Fair Value	
		2016	2015	2016	2015
		Rupees		Rupees	
Available for sale securities Investments	11	1,467,965,444	1,347,825,070	1,467,965,444	1,347,825,070

The fair value of financial assets and liabilities except fixed term loan, staff, loan, non-performing advances, and fixed term deposits is not significantly different from the carrying amount since assets and liabilities are either short term in nature or frequently reprice in the case of customer loan and deposits.

The fair value of fixed term loan, staff loan and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets/ liabilities and reliable data regarding market rates for similar instruments. The provision for non-performing advance is calculated in accordance with the Bank' accounting policy as stated in the policy note.

The management assessed that the cash, deposits, other assets and other liabilities approximate their fair value amounts largely due to the short-term maturities of these instruments except stated above.

Fair value hierarchy

International Financial Reporting Standard (IFRS) 13, "Fair Value Measurement" requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

The Bank use the following hierarchy for determining and disclosing the fair value of the assets and liabilities by valuation method:

Level 1: based on quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: based on valuation techniques whereby all inputs having a significant effect on the fair value are observable, either directly or indirectly and includes quoted prices for identical or similar assets or liabilities in markets that are not so much actively traded.

Level 3: based on valuation techniques whereby all inputs having a significant effect on the fair value are not observable market data.

The following table provides the fair value measurement hierarchy of the Bank's assets and liabilities. The valuation was carried at December 31, 2016.

Assets	Note	2016 Rupees	Level of hierarchy	Significant unobservable inputs	Inter-relationship between unobservable inputs and fair value
Investments Market Treasury Bills	11	<u>1,467,965,444</u>	Level 2		

*Note: Prices are derived from market corroborated sources such as indices and yield curves; and matrix pricing

Valuation technique used & key inputs

Revaluation rates for T-bills are contributed by money market brokers on daily basis.

Transfer between levels of the fair value hierarchy are recognized at the end of the reporting period, during which the changes have occurred.

During the reporting period there were no transfers into and out of level 3.

Cross currency swap agreements entered during the year have not been revalued at fair value as at the balance sheet date as the SBP, vide BSD Circular letter No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement. Subsequently, vide BSD Circular letter No. 6 of 2007 dated September 06, 2007, the SBP further instructed the Banks/DFIs, that as implementation of IAS 39 has been deferred, therefore, Banks/ DFIs should not implement IAS 39 in respect of particular segment of investments or any other category of financial assets or liabilities until and unless SBP issues instructions for adoption of these standards by Banks/DFIs. Had the derivatives been measured at fair value as at December 31, 2016, profit for the year would have been lower by Rs. 22.88 million (2015: Rs. 14.130 million) on account of unrealised loss based on fair value confirmations obtained from counterparties to the said transactions.

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

Opening balance	1,347,825,070	836,886,573
Additions during the year	3,025,241,200	3,370,361,700
Unrealised fair value gain/loss included in other comprehensive income	(515,226)	168,497
Impairment loss for the year	-	-
Disposals during the year	(2,904,585,600)	(2,859,591,700)
Closing balance	<u>1,467,965,444</u>	<u>1,347,825,070</u>

	2016 Rupees	2015 Rupees
Opening balance	1,347,825,070	836,886,573
Additions during the year	3,025,241,200	3,370,361,700
Unrealised fair value gain/loss included in other comprehensive income	(515,226)	168,497
Impairment loss for the year	-	-
Disposals during the year	(2,904,585,600)	(2,859,591,700)
Closing balance	<u>1,467,965,444</u>	<u>1,347,825,070</u>

40 RELATED PARTY TRANSACTIONS

The Bank's related parties comprise of President, Directors, executives, shareholders, entities over which the Directors are able to exercise significant influence and employee gratuity fund. The detail of Bank's shareholders is given in note 19.2.1 while remuneration of President, Directors and executives is disclosed in note 35 to the financial statements. Detail of transactions during the year and balances outstanding at the year end are as follows:

	2016 Rupees	2015 Rupees
Transactions during the year		
- with shareholders		
Lending to financial institutions	10,220,000,000	5,971,000,000
Repayment of lending to financial institutions	10,220,000,000	6,403,000,000
Investments made during the year	350,000,000	911,000,000
Borrowings	289,182,170	832,250,000
Repayment of borrowings	314,182,182	425,000,000
Branchless banking services recovery of loan portfolio	1,947,619,194	168,256,646
ATM services payments	6,023,242	8,100,624
Income		
Interest income on deposit account bank balances	1,503,906	1,301,516
Interest income on lending to financial institutions	11,157,396	3,465,578
Grant received	-	971,415
Expenses		
Interest expense on borrowings	60,501,324	86,150,190
Bank charges	183,616	67,355
Branchless banking service commission	33,498,750	6,629,230
- with defined benefit plan		
Contribution to gratuity fund	145,597,228	53,366,821
- with others		
Cost reimbursement receipts from MSDF	484,103,899	-
Cost reimbursement from MSDF	124,018,700	129,391,600
Receivable from MSDF - written-off	-	85,771,400
Balances outstanding at the year end		
- with shareholders		
Balances with banks	60,115,538	75,126,413
Branchless banking services commission payable	2,010,872	1,852,382
Borrowings	882,250,000	907,250,000
Interest payable on borrowings	18,056,585	25,440,756
- with defined benefit plan		
Balance payable to gratuity fund	16,292,240	80,568,150
- with key management personnel including President		
Advances - staff loans	66,595,293	41,211,906
Other assets - loans and advances to employees	10,985,288	9,826,019
Deposits	28,935,489	12,153,398
- with others		
Receivable from MSDF	267,138,823	516,144,118

41 CAPITAL RISK MANAGEMENT

The Bank's objectives when managing its capital are:

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

Capital requirements applicable to the Bank are set out under the Regulations. These requirements are put

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

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

42 GENERAL INFORMATION

The following information is included in these financial statements to facilitate the calculation of financial ratios.

	2016 Number	2015 Number
Offices		
Total branches of the Bank	139	128
Total service centers/of the Bank	2	1
Micro-credit cases		
Number of active cases at year end	556,787	520,517
Number of loans disbursed during the year	620,737	572,393
Average number of active borrowers for the year	538,652	494,443
Microcredit portfolio		
Microcredit advances receivable - Gross	23,133,632,179	17,389,636,425
Total disbursements for the year	27,377,582,629	20,391,506,234
Portfolio Quality		
Portfolio at risk	347,374,171	337,992,863
Portfolio written off	535,708,408	191,161,383
Loan loss reserve	369,449,807	220,351,695
Average loan sizes		
Average outstanding loan size	41,548	33,408
Average gross loan portfolio	20,261,634,302	14,807,479,086
Information about the Bank's assets/liabilities		
Total assets	33,773,478,401	26,696,346,149
Current assets	31,996,998,886	25,583,292,200
Fixed assets	719,729,802	548,979,304
Average total assets	30,234,912,275	21,694,389,914
Current liabilities	22,031,738,747	16,598,515,344
Bank's equity	4,937,096,641	3,934,402,581

43 FINANCIAL RATIOS	Note	2016	2015
Sustainability/Profitability			
Return on equity	43.1	23.43%	20.24%
Adjusted return on equity	43.2	21.93%	18.24%
Return on assets	43.3	3.44%	3.37%
Adjusted return on assets	43.4	3.22%	3.03%
Operational self sufficiency	43.5	129.15%	127.80%
Financial self sufficiency	43.6	128.00%	126.00%
Profit margin	43.7	22.57%	21.75%
Asset/Liability Management			
Current ratio	43.8	1.45	1.54
Yield on gross loan portfolio	43.9	31.47%	29.74%
Yield gap	43.10	7.26%	12.41%
Funding-expense ratio	43.11	8.86%	8.21%
Cost-of-funds ratio	43.12	7.40%	7.20%
Portfolio Quality			
Portfolio at risk	43.13		
from 1 - 29 days		0.83%	0.88%
from 30 - 59 days		0.43%	1.05%
from 60 - 89 days		0.23%	0.34%
from 90 - 179 days		0.47%	0.39%
over 179 days		0.37%	0.15%
Write-off ratio	43.14	2.63%	1.29%
Risk coverage ratio	43.15	106.36%	65.19%
Efficiency/Productivity			
Operating expense ratio	43.16	14.17%	16.62%
Cost per borrower (Rupees)	43.17	5,362	4,991
Personnel productivity	43.18	170	170
Loan officer productivity	43.19	399	426
Average disbursed loan size (Rupees)	43.20	44,105	35,625
Average outstanding loan size (Rupees)	43.21	41,548	33,408

- 43.1** Return on equity (RoE) calculates the rate of return on the average equity for the year. RoE calculations are net operating income less taxes divided by average equity for the year.
- 43.2** Adjusted return on equity is calculated on an adjusted basis to address the effects of subsidies, provision against non-performing advances and other items that are not in the Bank's net operating income.
- 43.3** Return on assets (RoA) measures how well the Bank uses its total assets to generate returns. RoA calculations are net operating income less taxes divided by average assets during the year.
- 43.4** Adjusted return on assets is calculated on an adjusted basis to address the effects of subsidies, provision against non-performing advances and other items that are not included in the Bank's net operating income.
- 43.5** Operational self sufficiency measures how well the Bank covers its costs through operating revenues. In addition to operating expenses, financial expenses and loan loss provision expense are also included in the calculation.
- 43.6** Financial self sufficiency measures how well the Bank covers its costs, taking into account a number of adjustments to operating revenues and expenses. The purpose of these adjustments is to model how well the Bank covers its costs if its operations were unsubsidized and was funding its expansion with commercial-cost liabilities.

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

44 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary for the purposes of comparison and for better presentation. However, no significant reclassification has been made during the year except cost reimbursement from MSDF that has been reclassified from "Other income" to "Administrative expenses" to reflect the true nature of transactions.

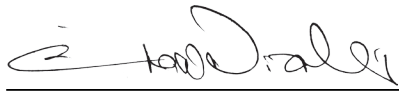
45 DATE OF APPROVAL

These financial statements were approved by the Board of Directors of the Bank in their meeting held on February 15, 2017.

46 GENERAL

46.1 Account captions as prescribed by BSD circular No. 11 dated December 30, 2003 which have nil balances, have not been reproduced in these financial statements.

46.2 Figures have been rounded off to the nearest rupee.



PRESIDENT



CHAIRMAN

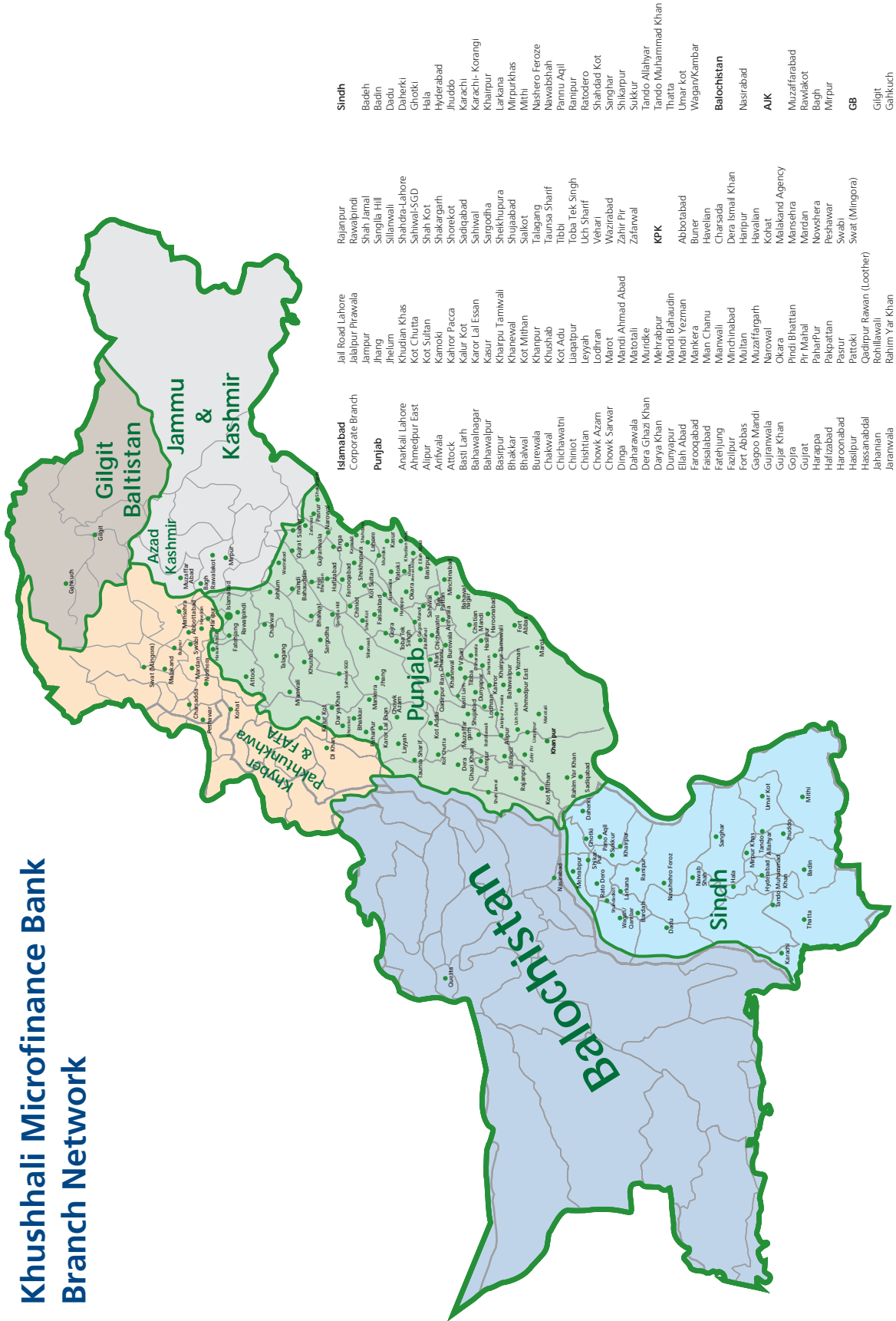


DIRECTOR



DIRECTOR

Khushhali Microfinance Bank Branch Network



- | | | | |
|------------------|---|--------------------|--|
| Sindh | Rajapur
Rawalpindi
Shah Jamal
Sangila Hill
Sillanwali
Shahdara-Lahore
Sahwal-SGD
Shah Kot
Shakargarh
Shorekot
Jhuddo
Karachi
Karachi - Korangi
Khairpur
Larkana
Mirpurkhas
Mithi
Nashero Feroze
Nawabshah
Panmu Aqil
Ranipur
Racodero
Shahbad Kot
Sanghar
Shikarpur
Sukkur
Tando Allahyar
Tando Muhammad Khan
Thatta
Umar Kot
Wagan/Kambar | Balochistan | Abbotabad
Buner
Favelan
Charsada
Dera Ismail Khan
Haripur
Kohat
Kohistan
Makand Agency
Manshehra
Mardan
Moysewera
Beslawar
Swar
Swat (Mingora) |
| Islamabad | Jail Road Lahore
Khalipur Prawala
Jampur
Jhelum
Khudian Khas
Kot Chutta
Kamoki
Kahror Pacca
Kalar Kot
Kasur
Khanewal
Kot Mithan
Khairpur
Khushab
Kot Adu
Lahore
Lodhran
Layyah
Mandi Ahmad Abad
Matioli
Murdke
Mehrabpur
Mandi Bahaudin
Mandi Yezman
Menkera
Mian Chanu
Mianwali
Minghimabad
Mullian
Muzafargarh
Narowal
Okara
Rindi Bhattian
Rahim Yar Khan
Rahim Yar Khan
Rohitkhai
Sialkot
Swar
Swat (Mingora) | Punjab | Abbotabad
Buner
Favelan
Charsada
Dera Ismail Khan
Haripur
Kohat
Kohistan
Makand Agency
Manshehra
Mardan
Moysewera
Beslawar
Swar
Swat (Mingora) |

Khushhali Microfinance Bank

Branches Network

ICT:

Islamabad

Ground Floor, 94 West Jinnah Avenue, Blue Area, Islamabad.

Ph: 051-2804087 / 2804191

Fax: 051-2804192

Email: ISD.bm@kb.com.pk

Khyber Pakhtunkhawa:

Abbottabad

Ground Floor, Ali Plaza, Supply Bazar, Mansehra Road, Abbottabad.

Ph: 0992-343108

Fax: 0992-343109

Email: ABD.bm@kb.com.pk

Haripur

Pankaj Area, Shahrah-e-Hazara, Haripur.

Ph: 0995-610353

Fax: 0995-610353

Email: HRP.bm@kb.com.pk

Mansehra

Ammar's Arcade, near Noor College, Old Balakot Bypass Road, Mansehra.

Ph: 0997-304086

Fax: 0997-304086

Email: MNS.bm@kb.com.pk

Charsadda

MG Plaza, Tangi Road, Charsadda.

Ph: 091-6513300

Fax: 091-6515489

Email: CSD.bm@kb.com.pk

Buner

Shop No. 1 to 7, Irsal Market, opposite General Bus Stand, Mardan Road, opposite New Bus Stand, Sawarai, District Buner.

Ph: 0939-555637

Fax: 0939-555637

Email: BNR.bm@kb.com.pk

Kohat

Najam Complex near Police Line, Hangu Road, Kohat.

Ph: 0922-860356

Fax: 0922-522876

Email: KHT.bm@kb.com.pk

Malakand Agency

Tahir Plaza, Main Bazar, Batkhela, Malakand Agency.

Ph: 0932-415040

Fax: 0932-415039

Email: MLK.bm@kb.com.pk

Mardan

CB 445/A- 2, Saddar Bazar, The Mall, Mardan Cantt. Mardan.

Ph: 0937-870194-95

Fax: 0937-870828

Email: MDN.bm@kb.com.pk

Nowshera

Al-Jameel City Center, near PSO Police Petrol pump, Main G.T. Road, Nowshera.

Ph: 0923-610923

Fax: 0923-614558

Email: NSR.bm@kb.com.pk

Havelian

Malik Cottage, Main Bazar, Havelian, Abbottabad.

Ph: 0992-810184

Fax: 0992-81083

Email: HVL.bm@kb.com.pk

Swat (Mingora)

Ground Floor, Shahzad Plaza, Mukan Bagh, Saidu Sharif Road, Mingora.

Ph: 0946-724744

Fax: 0946-729410

Email: MOG.bm@kb.com.pk

Swabi

Rehman Plaza, Mardan Road, Swabi.

Ph: 0938-223212

Fax: 0938-224587

Email: SWB.bm@kb.com.pk

Peshawar:

Amin Hotel Main G.T. Road, Hashtnagri, Peshawar.

Ph: 091-2264055/2612069

Fax: 091-5840377

Email: PSR.bm@kb.com.pk

Dera Ismail Khan

Al-Zaman Building, West Circular Road, Dera Ismail Khan.

Ph: 0966-716859/711382

Fax: 0966-711382

Email: DIK.bm@kb.com.pk

Azad Kashmir:

Muzaffarabad

Raza Building, Poultry Farm Road, opposite AJK University, Muzaffarabad.

Ph: 05822-920467

Fax: 05822-920469

Email: MZD.bm@kb.com.pk

Mirpur

Plot # 1, Sector II, Allama Iqbal Road, Mirpur.

Ph: 05827-448701

Email: mpr.bm@kb.com.pk

Punjab:

Hassan Abdal

Manan Ali Khan Plaza, near General Bus Stand, G.T. Road, Hassan Abdal, District Attock.

Ph: 057-2520191

Fax: 057-2520098

Email: HAS.bm@kb.com.pk

Darya Khan

Plot # 89, Ward # 8, Bhakkar Road, near PTCL Exchange, Darya Khan.

Ph: 0453-252678,253678

Fax: 0453-253678

Email: DRY.bm@kb.com.pk

Layyah

Plot # 405/B, Main Choubara Road, Layyah.

Ph: 0606-414506,412207

Fax: 0606-414506

Email: LYH.bm@kb.com.pk

Rawalakot

Anmol Plaza, opposite Ali Firdos Clinic, CMH-Road, Rawalakot.

Ph: 05824-920193

Fax: 05824-920044

Email: RKT.bm@kb.com.pk

Bhakkar

Plot # 155-2, Club Road, Mandi Town, Bhakkar.

Ph: 0453-510187/513187

Fax: 0453-513187

Email: BKR.bm@kb.com.pk

Kallur Kot

Plot No. 15, Housing Scheme Kallur Kot, District Bhakkar.

Ph: 0453-200892,200992

Fax: 0453-200992

Email: KKT.bm@kb.com.pk

Mankera

Khewat No. 295, Khatooni No. 454, Jhang Road, Mankera, District Bhakkar.

Ph: 0453-410323,410324

Fax: 0453-410323

Email: MNK.bm@kb.com.pk

Bagh

Ground Floor, Al-Noor Plaza, College Road, Bagh.

Ph: 05823-920023

Fax: 05823-920159

Email: BAG.bm@kb.com.pk

Chok Azam

Multan-Mianwali Road, near Greenway Petrol Pump, Chowk Azam, Tehsil & District Layyah.

Ph: 0606-381057-58

Fax: 0606-381057

Email: CAZ.bm@kb.com.pk

Karor Lal Essan

Sewag Plaza, opposite PTCL Exchange, Fateh Pur Road, Karor Lal Essan, District Layyah.

Ph: 0606-811506 / 811505

Fax: 0606-811506

Email: KLS.bm@kb.com.pk

Bahawalpur

1-B, 1st Floor, Model Town-B, Ghalla Mandi Road, Bahawalpur.

Ph: 0622-889612,884316

Fax: 062 2882856

Email: BWP.bm@kb.com.pk

Dunyapur

Near Almulk Hospital, Railway Road, Dunyapur.

Ph: 0608-305317
Fax: 0608-304317
Email: DNP.bm@kb.com.pk

Kahror Pacca

Ward No. 16/8, Lodhran Road, Union Council Bakhshi Wali, Kahror Pacca, District Lodhran.

Ph: 0608-342123
Fax: 0608-342122
Email: KPA.bm@kb.com.pk

Mandi Yazman

Near kenal Bridge, Bahawalpur Road, Mandi Yazman.

Ph: 062-702185
Fax: 062-2702185
Email: MDY.bm@kb.com.pk

Jampur

Opposite Canal Rest House, Indus Highway, Jampur.

Ph: 0604-568800
Fax: 0604-568650
Email: JMP.bm@kb.com.pk

Taunsa Sharif

Main Vehova Road, Taunsa Sharif, District D.G. Khan.

Ph: 064-2601367
Fax: 064-2601395
Email: TNS.bm@kb.com.pk

Faisalabad

Ayubi Plaza P-834/A, Liaquat Road, near Police Line Petrol Pump, Faisalabad.

Ph: 041-2616146/2616148
Fax: 041-2616146
Email: FSD.bm@kb.com.pk

Hasilpur

Near Honda Atlas Store, Main Bahawalpur Road, Hasilpur.

Ph: 062-2449935
Fax: 062-2443936
Email: HSP.bm@kb.com.pk

Khairpur Tamewali

Khata # 119/111, Khatooni 271-276, opposite Chand Restaurant, Tehsil Khairpur Tamewali, District Bahawalpur.

Ph: 062-2262010
Fax: 062-2261011
Email: KTW.bm@kb.com.pk

Dera Ghazi Khan

Railway Road, Block J, D.G. Khan.

Ph: 0642-470722
Fax: 0642-470722
Email: DGK.bm@kb.com.pk

Kot Mithan

Khawaja Ayaz Tower, Baldia Chowk, Kot Mithan.

Ph: 0604-317330
Fax: 0604-317292
Email: KMT.bm@kb.com.pk

Tibbi

Khata No. 81, main Indus Highway, Tibbi Qaisrani, Tehsil Taunsa & District D.G. Khan.

Ph: 0642-007202/2007513
Email: TBY.bm@kb.com.pk

Gojra

Tehsil Road, Saddiqui Commercial Plaza, Gojra.

Ph: 0463516504-505
Fax: 046-3516505
Email: GRA.bm@kb.com.pk

Jalalpur Pirwala

Al-Mehmood Shopping Centre, Permit Road, Jalalpur Pirwala.

Ph: 061-4212292/ 4212299,
Fax: 061-4212292
Email: JPW.bm@kb.com.pk

Lodhran

Jalalpur More, near Masjid Ahl-e-Hadees, Bahawalpur Road, Lodhran.

Ph: 0608-361321
Fax: 0608-361324
Email: LDR.bm@kb.com.pk

Fazilpur

M. Ismaeel Plaza, Traffic Chowk, main Indus Highway, Fazilpur.

Ph: 0604-681660
Fax: 0604-681660
Email: FZP.bm@kb.com.pk

Rajanpur

Kamran Market, opposite Jamia Sheikh Darkhwasti, main Indus Highway Road, Rajanpur.

Ph: 0604-689513
Fax: 0604-590120
Email: RJP.bm@kb.com.pk

Chiniot

Chaudry Center, Jhumra Chowk, Jhang Road, Chiniot.

Ph: 047-6332692
Fax: 047-6332692
Email: CNT.bm@kb.com.pk

Hafizabad

Shop B1-185, Ghari Awan Kassoake Road, Hafizabad.

Ph: 0547-541142 /541141
Fax: 0547-541143
Email: HZD.bm@kb.com.pk

Jaranwala

Near FESCO Office, Ismail Plaza, Faisalabad Road, Jaranwala.

Ph: 041-4310340
 Fax: 041-4310343
 Email: JRW.bm@kb.com.pk

Toba Tek Singh

Al-Aziz Center, Shorekot Road, Toba Tek Singh.

Ph: 046-2517515-12-14
 Fax: 046-2154618
 Email: TTS.bm@kb.com.pk

Narowal

Siddique Pura Morr, Circular Road, Narowal.

Ph: 0542-414267
 Fax: 0542-414168
 Email: NRL.bm@kb.com.pk

Sialkot

Small Industrial Estate, near Alam Chowk, Shahabpura Road, Sialkot.

Ph: 052-3258442
 Fax: 052-3258440
 Email: SKT.bm@kb.com.pk

Jail Road - Lahore

15-Shadman, near Shadman Chowk, Jail Road, Lahore.

Ph: 042-35408679-80
 Fax: 042-35408682
 Email: LHR.bm@kb.com.pk

Shah Kot

Melad-e-Mustafa Chowk, Jaranwala Road, Shah Kot.

Ph: 056-3712281-82
 Fax: 056-3712283
 Email: SHK.bm@kb.com.pk

Jhang

Canal Colony Road, near District Courts, Jhang.

Ph: 047-7620985
 Fax: 047-7627940
 Email: JNG.bm@kb.com.pk

Gujrat

Shehroz Plaza, near SA Fans G.T. Road, Gujrat.

Ph: 053-3536275
 Fax: 053-3521426
 Email: GRT.bm@kb.com.pk

Pasrur

Faisal Colony, near Gujjar PSO Petrol Pump, Pasrur.

Ph: 052-6442242,47,49
 Fax: 0526-442248
 Email: PRR.bm@kb.com.pk

Wazirabad

Near Veterinary Hospital, Foam Market, Circular Road, Wazirabad.

Ph: 0556-604692
 Fax: 0556-609120
 Email: WZD.bm@kb.com.pk

Kasur

Minhas Colony, near Khan Mahal Cinema, main Lahore Road, Kasur.

Ph: 049-2773202-3
 Fax: 049 2773203
 Email: KSR.bm@kb.com.pk

Sheikhupura

Al Rehman Center, near Millan Marriage Hall, Lahore Road, Sheikhupura.

Ph: 056-3792192
 Fax: 056-3792194
 Email: SHP.bm@kb.com.pk

Shore Kot

Jhang Road, near Sabir Chowk, Shore Kot.

Ph: 047-5310473-71
 Fax: 047-5310474
 Email: SKT.bm@kb.com.pk

Kamoki

197/162 near Shifa Eye Hospital, main G.T. Road, Kamoki.

Ph: 055-6816240-41
 Fax: 055-6811161
 Email: KMK.bm@kb.com.pk

Shakargarh

Maqsood Plaza, Railway Road, Shakargarh.

Ph: 054-2414181-82
 Fax: 0542-451183
 Email: SKG.bm@kb.com.pk

Pattoki

Shop # 02 Tariq Center, Halla Road, Pattoki.

Ph: 049-4425350
 Fax: 049-4423350
 Email: PTK.bm@kb.com.pk

Chowk Sarwar Shaheed

Property No. 96 4 SH, bearing Khatta No.18, Salim Khatta, Mohal 571/TM, MM Road, Chowk Sarwar Shaheed, Tehsil Kot Adoo, District Muzaffargarh.

Ph: 066-2210352-51
 Fax: 066-2210352
 Email: CSS.bm@kb.com.pk

Kot Addu/Muzaffargarh

Main G.T. Road, Kot Addu.

Ph: 066-2243852

Fax: 066-2243852

Email: MGR.bm@kb.com.pk

MuzaffargarhIntiqal # 6365, Khewat # 60,
opposite Graveyard Roshan
Shah, near Talhri Bypass,
Multan Road, District
Muzaffargarh.

Ph: 066-2551792/2551892

Fax: 066-2551892

Email: MZG.bm@kb.com.pk

Ahmedpur EastKLP Road, Unique Plaza,
Ground Floor, Tehsil Ahmedpur
East.

Ph: 062-2271450

Fax: 062-2273450

Email: APE.bm@kb.com.pk

Liaquatpur87-A Scheme # 2, Bank
Road, opposite Qayyam
Petroleum, Liaquatpur.

Ph: 068-5795499

Fax: 068-5792699

Email: LQP.bm@kb.com.pk

Uch SharifNear MCB Bank, main
Ahmedpur East Road, Uch
Sharif, Tehsil Ahmedpur East,
District Bahawalpur.

Ph: 062-2551151-52-53

Fax: 062-2551152

Email: UCH.bm@kb.com.pk

Kot SultanMohallah Hasnain Abad,
near Civil Hospital, Multan
Road, Kot Sultan.

Ph: 0606-470252,470251-53

Fax: 0606-470252

Email: KSN.bm@kb.com.pk

Qadirpur RawanG.T. Road, Qadirpur Rawan,
Tehsil & District Multan.

Ph: 061-4578668

Fax: 061-4578670

Email: LTR.bm@kb.com.pk

AlipurNear City Police Station,
Alipur, District
Muzaffargarh.

Ph: 066-2700873-72

Fax: 066-2700872

Email: ALP.bm@kb.com.pk

Rahim Yar KhanPlot # 12, Public Plots, Model
Town, Rahim Yar Khan.

Ph: 068-5886223

Fax: 068-5887223

Email: RYK.bm@kb.com.pk

FatehjangGround Floor, Mudassar
Awan Arcade, Rawalpindi
Road, Fatehjang.

Ph: 057-2212132/2212701

Fax: 057-221232

Email: FTJ.bm@kb.com.pk

Arifwala21/A Block, Main
Muhammadi Road, Arifwala.

Ph: 0457-835204

Fax: 0457-830541

Email: AWL.bm@kb.com.pk

MultanShop #1, Royal Shopping
Centre, Azmat Wasti Road,
Dera Adda Chowk, Multan.

Ph: 061-4515981

Fax: 061-4782356

Email: MTN.bm@kb.com.pk

ShujahabadOpposite KB stand, Jalalpur
Road, Shujahabad.

Ph: 0614-396006

Fax: 0614-396006

Email: SJD.bm@kb.com.pk

KhanpurQaid-e-Millat Road, opposite
National Savings Center,
Khushhalibank Limited,
Khanpur.

Ph: 068-5576922

Fax: 068-5576924

Email: KNP.bm@kb.com.pk

SadiqabadNishtar Chowk, KLP Road,
Sadiqabad.

Ph: 068-5700326/5700426

Fax: 068-5700426

Email: SDQ.bm@kb.com.pk

JhelumOpposite Tableeg-ul-Islam
High School, near NADRA
Office, Civil Line, Jhelum.

Ph: 0544-621261

Fax: 0544-621261

Email: JHL.bm@kb.com.pk

BasirpurPlot No. 416, main Basirpur
Road, Basirpur, Tehsil Depalpur,
District Okara.

Ph: 044-4771122

Fax: 044-4771030

Email: BSP.bm@kb.com.pk

Rawalpindi

Ropyal Brothers Plaza, B-130, main Muree Road, Chandni Chowk, Rawalpindi.

Ph: 051-4842548
 Fax: 051-4842549
 Email: RWP.bm@kb.com.pk

Chichawatni

Plot # 18-19, near Lakar Mandi, main G.T. Road, Chichawatni.

Ph: 0405-483415
 Fax: 0405-480415
 Email: CCW.bm@kb.com.pk

Okara

Habib Cotton Factory, MA Jinnah Road, Chak No. 1-A/4-L, Okara.

Ph: 044-2550045
 Fax: 044-2552246
 Email: OKR.bm@kb.com.pk

Bhalwal

Plot No. 451, Block No. 4, Liaqat Shaheed Road, Bhalwal, District Sargodha.

Ph: 048-6642571
 Fax: 048-6643071
 Email: BHL.bm@kb.com.pk

Mandi Bahauddin

Khewat No. 282, Khatooni No. 486 to 487, Tehreem Plaza Punjab Center, Phalia Road, Mandi Bahauddin.

Ph: 0546-500981
 Fax: 0546-500981
 Email: MBD.bm@kb.com.pk

Khanewal

Nishtar Road, near MCB Bank opposite Khalid Tea Stall, Mian Channu.

Ph: 0652-551529
 Fax: Nil
 Email: KWL.bm@kb.com.pk

Pakpattan

Khata #3182/3152, 4347/3993, Khatooni # 3384, 4754, College Road, Pakpattan.

Ph: 0457-352477/352559
 Fax: 0457-353759
 Email: PTN.bm@kb.com.pk

Chakwal

Near Warid Franchise, Rawalpindi Road, Chakwal.

Ph: 0543-550917-18
 Fax: 0543-550918
 Email: CKL.bm@kb.com.pk

Mianwali

Plot No. 706, Soney Khel Market, Govt. High School Road, Mianwali.

Ph: 059-231010
 Fax: 0459-231010
 Email: MNI.bm@kb.com.pk

Bahawalnagar

Plot no 7, City Chowk, Jail Road, Bahawalnagar.

Ph: 063-2279054-55
 Fax: 063-2279053
 Email: BNG.bm@kb.com.pk

Fort Abbas

Khata # 259/260, Khatooni # 259, School Bazar, Fort Abbas.

Ph: 063-2510592-94-99
 Fax: 063-2510592
 Email: FAB.bm@kb.com.pk

Mian Channu

Nishtar Road, near MCB Bank opposite Khalid Tea Stall, Mian Channu.

Ph: 065-2660131-32
 Fax: 065-2660132
 Email: MCU.bm@kb.com.pk

Sahiwal

Khewat No.15848/4764, Liaqat Ali Road, Sahiwal.

Ph: 040-44225313
 Fax: 040-44225313
 Email: SHL.bm@kb.com.pk

Khushab

Plot # 221, Block # 4, College Chowk, Jauharabad, District Khushab.

Ph: 0454-722131/ 723131
 Fax: 0454-722131
 Email: KSB.bm@kb.com.pk

Sahiwal - SGD

Main Sarghoda Road, Nawanlok Sahiwal, District Sarghoda.

Ph: 048-6786103
 Fax: 048-6786101
 Email: SWL.bm@kb.com.pk

Burewala

Ramay Market, near ZTBL Mian, Multan Road, Burewala.

Ph: 067-3354155-57-59
 Fax: 067-3601557
 Email: BRW.bm@kb.com.pk

Haronabad

Plot # C S 832, opposite SSP Office, Tando Muhammad Khan.

Ph: 063-2250095-195
 Fax: 063-2256495
 Email: HOD.bm@kb.com.pk

Chishtian

Gillani Market, opposite
Sadar Eid Gah, Highway
Road, Chishtian, District
Bahawalnagar.

Ph: 063-2500331-334
Fax: 063-2500332
Email: CTN.bm@kb.com.pk

Minchinabad

Khata # 208, khatooni #
208, Circular Road, near
MCB Bank, Minchinabad.

Ph: 063-2750135-36-37
Fax: 063-2750137
Email: MNC.bm@kb.com.pk

Anarkali - Lahore

House # 17, St # 15, Peer
Buksh Road, Fayaz Road,
New Anarkali, Lahore.

Ph: 042-37115622-23
Fax: 042-37115622
Email: LAK.bm@kb.com.pk

Zahir Pir

Old G.T. Road, Canal Rest
House Chowk, Zahir Pir.

Ph: 068-5562191-92/
Fax: 0685562193
Email: zpr.bm@kb.com.pk

Gujranwala

Khasra No. 182, Khewat No.
42, Khatooni No. 43, Mouza
Mian Sansi, Tehsil & District
Gujranwala.

Ph: 0554440150/146

Jahanian

Opposite Govt. Middle
School # 03 for Boys,
Madina Chowk, Jahanian,
Tehsil Jahanian, District
Khanewal.

Ph: 0652211272
Fax: 0652211273
Email: jhn.bm@kb.com.pk

Shahdra - Lahore

Masjid Tuheed, adjacent ZTBL
Bank, main Sheikhpura
Road, Jia Musa, Shahdra,
Lahore.

Ph: 042-37922965,37922966
Email: sdr.bm@kb.com.pk

Daharawala

Waraich Market, Haroonabad
Road, Daharawala.

Ph: 0632440701
Fax: 0632440702
Email: drw.bm@kb.com.pk

Attock

BV 11-56 & 57, Indus Plaza,
Barq Road, near Geedar
Chowk, Attock City.

Ph: 0572-700764
Fax: 0572-700763
Email: atk.bm@kb.com.pk

Daska

Property No.889/11-B/Banglow,
Circular Road, opposite Civil
Hospital, Daska,
District Sialkot.

Ph: 0524778884
Email: dsk.bm@kb.com.pk

Vehari

E-8, Karkhana Bazar, Vehari.

Ph: 067-3360301-04-06
Fax: 067-3360304
Email: VRI.bm@kb.com.pk

Kot Chutta

Khata No. 109, opposite
Tehsil Office, main Indus
Highway, Kot Chutta.

Ph: 0642843282-83
Email: kct.bm@kb.com.pk

Gujar Khan

Haji Raja Karam Ellahi Plaza,
G.T. Road, Gujar Khan.

Ph: 051-3510432
Fax : 051-3510433

Paharpur

Mouza Chah Ganda, opposite
National Bank, Rangpur Road,
Paharpur.

Ph: 0966-775224
Fax: 0966-775224
Email: prp.bm@kb.com.pk

Muridke

Salim Qitta 17, Khewat No.
419, Khatooni No. 1019 to
1023, Mouza Muridke, near
Bilal Masjid, main G.T. Road,
Tehsil Muridke, District
Sheikhpura.

Ph: 042-37980651
Fax: 042-37980652
Email: muk.bm@kb.com.pk

Sargodha

Block # 16, near NADRA
Office, Main Road, Sargodha.

Ph: 048-3740861

Fax: 048-3740288

Email: SGD.bm@kb.com.pk

Khudian Khas

Khewat No.1005, Khatooni
No. 3230, Khasra No.6664,
Mahal Khudian, near New
Bus Stand, MainDepalpur
Road, Tehsil & District Kasur.

Ph: 0492791060-62

Fax: 0492791061

Email: kdn.bm@kb.com.pk

Sindh:

Badin

Survey # 33, adjacent Abbasi
Hospital, main DCO Chowk,
Karachi Road, Badin.

Ph: 029-7862330

Fax: 029-7861149

Email: BDN.bm@kb.com.pk

Umarkot

Haji Saleem Mahar Housing
Society, near Sabzi Mandi,
main Chore Road, Umarkot.

Ph: 0238-500301

Fax: 0238-500302

Email: UMK.bm@kb.com.pk

Sanghar

Choudhary Corner, main
Nawabshah Road, Sanghar.

Ph: 0235-800161

Fax: 0235-800161

Email: SGR.bm@kb.com.pk

Karachi

Plot#13, Commercial Area,
Gulshan-e-Iqbal, Block 10-A,
main Rashid Minhas Road,
opposite Lal Flats, Karachi.

Ph: 021-34818323

Fax: 021-3-4818324

Email: KHI.bm@kb.com.pk

Hala

Old National Highway, near
UBL Hala, District Mititari.

Ph: 022-3332352

Fax: 022-3332350

Email: HLA.bm@kb.com.pk

Pano Akil

Near Eid Gah, Baiji Chowk,
Pano Akil.

Ph: 071-5814304

Fax: 071-5692032

Email: PAQ.bm@kb.com.pk

Tando Allahyar

Main Mirpurkhas Road,
adjacent main Eid Gah,
Tando Allahyar.

Ph: 022- 3892875

Fax: 022- 3892875

Email: TAY.bm@kb.com.pk

Noshero Feroze

Main National Highway,
Noshero Feroze.

Ph: 0242-481270-1

Fax: 0242 481269

Email: NSF.bm@kb.com.pk

Shikarpur

Sattari Building, opposite
Jahaz Chowk, Station Road,
Shikarpur.

Ph: 0726-513023

Fax: 0726-513024

Email: SRP.bm@kb.com.pk

Karachi - Korangi

Plot # L-04, Sector 35-C
Korangi Township, Karachi.

Ph: 021 35060482

Email: krh.bm@kb.com.pk

Hyderabad

Plot # HCB-73, Qazi Abdul
Qayyom Road, Gari Khata,
Hyderabad.

Ph: 022-2786620

Fax: 022-2786621

Email: HYD.bm@kb.com.pk

Mirpurkhas

Plot # 7, Survey # 862/7,
Ward-A, MP Colony, main
Umarkot Road, Mirpurkhas.

Ph: 0233-873163

Fax: 0233-876427

Email: MPK.bm@kb.com.pk

Tando Muhammad Khan

Plot No. C S 832, opposite
SSP Office, Tando
Muhammad Khan.

Ph: 022- 3342738

Fax: 022- 3340738

Email: TMK.bm@kb.com.pk

Badeh

Main Naseerabad Road,
Badeh, District Larkana.

Ph: 0744-081074

Fax: 0744-081232

Email: BDH.bm@kb.com.pk

Khairpur

Near National Savings
Centre, Katchehry Road,
Khairpur Mirs.

Ph: 0243-714064

Fax: 0243-714065

Email: KRP.bm@kb.com.pk

Nawabshah

House No. A -306, Paro
Hospital Road, Otaq Quarter,
Nawabshah.

Ph: 0244-370093

Fax: 0244-370093

Email: NBS.bm@kb.com.pk

Daherki

Deh, Tapo, Taluka, Daherki,
District Ghotki.

Ph: 0723-642663

Fax: 0723-642663

Email: DRK.bm@kb.com.pk

Ratodero

Main Bus Stand Chowk,
Ratodero.

Ph: 074-4088189

Fax: 074-4088189

Email: RTD.bm@kb.com.pk

Sukkur

Military Road,
Sukkur.

Ph: 071-5633237

Fax: 071-5633237

Email: SKB.bm@kb.com.pk

Jhuddo

Plot #7, Ward No. 03, near
Rajput Chowk, Shahi Bazar,
Jhuddo, District Mirpurkhas.

Ph: 0233-878990

Fax: 0233-878990

Email: JUD.bm@kb.com.pk

Mithi

Shop # 2 & 3, Satyani Shop-
ping Center, main Naukot
Road, Mithi, Tharparkar.

Ph: 0232-262304

Fax: 0232-262302

Email: MTI.bm@kb.com.pk

Thatta

Shop # 6, Al-Shahbaz Shops,
National Highway, Thatta.

Ph: 0298- 550084

Fax: 0298- 550784

Email: TTA.bm@kb.com.pk

Dadu

opposite Govt. Pilot Girls
School, College Road, Dadu.

Ph: 0254-710007

Fax: 0254-720007

Email: DDU.bm@kb.com.pk

Larkana

Bank Square Road, Larkana.

Ph: 074-4056981

Fax: 074-4056982

Email: LRK.bm@kb.com.pk

Ranipur

Near Mazhar Model School,
National Highway, Ranipur
City, District Khairpur Mirs.

Ph: 0243-730229/730226

Fax: 0243-730226

Email: RNP.bm@kb.com.pk

Ghotki

Sada Bahar Shopping Center,
near Bilal Masjid, main G.T.
Road, Ghotki.

Ph: 0723-600239-20

Fax: 0723-600220

Email: GTI.bm@kb.com.pk

Shahdad Kot

Lakh Pat Road, Shahdad Kot.

Ph: 074-4754522

Fax: 074-4754622

Email: SDK.bm@kb.com.pk

Wagan/Kambar

Opposite Govt. Primary Main
Boys School, Miro Khan
Road, Kambar.

Ph: 074-4 210072

Fax: 074-4210062

Email: WGN.bm@kb.com.p

Balochistan:

Naseerabad

Near City Police Station,
Quetta Road, Dera Murad
Jamali, Naseerabad,
Balochistan.

Ph: 0838-711338-37

Fax: 0838-711338

Email: NRD.bm@kb.com.pk

Gilgit Baltistan:

Gilgit

S M Abdul Hakim Market,
near Radio Pakistan,
Zulfiqarabad, Jutial, Tehsil &
District Gilgit.

Ph: 05811-450740

Email: GLT.bm@kb.com.pk

Gahkuch

Khasra No.1087, Rais
Market, opposite City Park,
Near LG & RD Office, Main
Bazar, Gahkuch, Tehsil
Punial, District Ghizar.

Ph: 05814-451653

Email: GKH.bm@kb.com.pk

Khushhali Microfinance Bank Service Centres**Matotali**

Khasra No 32/26, Ward # 02, Basti Wala Road, Rana Colony, Matotali, Shujahabad District, Multan.

Ph: 0340-7403480

Basti Larh

Bahawalpur Road, Grains Market, Ada Larr, Tehsil & District Multan.

Ph: 061-4377010

Gagoo Mandi

Khewat No. 262/250, Khatooni No. 710, Khasra No. 40/18, Sheikh Fazal Road, Mohal 187 Gagoo Mandi, Tehsil Burewala, District Vehari.

Ph: 0333-4751134

Pindi Bhattian

Khewat # 228 Khatooni # 808 to 942, Khasra # 239, near ZTBL, Lahore Road, Mouza & Tehsil Pindi Bhattian, District Hafizabad.

Ph: 0300-2046129

Harappa

Khata No. 23, Khatooni No. 53, Bypass Chowk, Harappa, District Sahiwal.

Ph: 0404504156

Sillanwali

Khewat # 2583, Khatooni # 2597, 46 Ada Road, near Nadra Office, Sillanwali.

Ph: 0303966095

Pir Mahal

Plot # 5/6, Khewat # 1237, Kausarabad, Rajana Road, Pir Mahal, District Toba Tek Singh.

Ph: 0333-6162720

Zafarwal

Main Sialkot Chowinada Phatak, Mouza Zafarwal, Tehsil Zafarwal, District Narowal.

Ph: 0542-539326

Dinga

Khasra No. 3028/2 & 3028/1, Khewat No. 140 & 142, Khatooni No. 747, 749 situated at Mouza Dinga, Tehsil kharian, District Gujrat.

Ph: 053-7400889

Marot

Khewat No. 87, Khatooni No. 233, Salim Khasra, Faisal Bazar, Mohal 319/HR Marot, Tehsil Fort Abbas, District Bahawalnagar.

Ph: 0301-7689094

Talagang

Khasra No. 557, Rawalpindi Road, Talagang.

Ph: 0307-5264742

Farooqabad

Khewat No. 266, Khatooni Nos. 291-230 & 295-296, near Bus Stand, main Approach Road, Farooqabad, District Sheikhpura.

Ph: 0322-5934864

Ellah Abad

Khasra # 2444, 1845 Khewat # 234, Khatooni # 438, Kasur Road, Ellah Abad, Tehsil Chunian, District Kasur.

Ph: 0343-4753605

Mandi Ahmad Abad

Khatta No. 44, main Kangan Pur Road, Mandi Ahmad Abad, Tehsil Depalpur, District Okara.

Ph:0333-4751134

Talagang

Khasra No. 557, Rawalpindi Road, Talagang.

Ph: 0307-5264742

Mehrabpur

DSC. No. IIIA-285, Town Mehrabpur, Tehsil Mehrabpur, District Naushehro Feroze, Sindh.

Ph: 0308-3015265

Rohillawali

Near PTCL Exchange, Alipur Road, Rohillawali, Tehsil & District Muzaffargarh.

Ph: 066-2640641

Shah Jamal

Khewat No. 309, Salam Khata situated at Khan Garh Road, Mohal Shah Jamal, Tehsil and District Muzaffargarh.

Ph: 0343-1415077

