



CONDENSED QUARTERLY ACCOUNTS
(Un-Audited)
SEP - 2022



<https://www.khushhalibank.com.pk/>

CONTENTS

| | |
|--|---|
| Balance Sheet as at Sep 30, 2022 | 3 |
| Profit and Loss for the quarter ended Sep 30, 2022 | 4 |
| Notes to the Accounts for the quarter ended Sep 30, 2022 | 5 |

Balance Sheet as at Sep 30, 2022

| | Note | Actual 30-Sep-22 Rs.'000 | Actual 31-Dec-21 Rs.'000 |
|--------------------------------------|------|--------------------------------|--------------------------------|
| ASSETS | | | |
| Balances with State Bank of Pakistan | 1 | 2,307,178 | 2,409,300 |
| Cash in hand and balances with banks | 2 | 2,063,515 | 2,215,944 |
| Lending to financial institutions | 3 | - | 100,000 |
| Investments - net of provisions | 4 | 15,822,634 | 23,525,620 |
| Advances - net of provisions | 5 | 84,687,939 | 70,884,244 |
| Operating fixed assets | 6 | 4,020,296 | 3,578,798 |
| Other assets | 7 | 13,863,053 | 13,270,613 |
| Deferred tax assets | | 1,846,314 | 539,407 |
| Total Assets | | 124,610,929 | 116,523,926 |
| LIABILITIES | | | |
| Deposits and other accounts | 8 | 101,067,124 | 93,162,369 |
| Borrowings | 9 | 5,691,100 | 4,608,379 |
| Subordinated debt | 10 | 4,500,000 | 3,000,000 |
| Other liabilities | 11 | 4,852,907 | 4,568,629 |
| Total Liabilities | | 116,111,131 | 105,339,377 |
| NET ASSETS | | 8,499,798 | 11,184,549 |
| REPRESENTED BY : | | | |
| CAPITAL | | | |
| Paid up capital | 20 | 1,705,000 | 1,705,000 |
| Capital and general reserves | 12 | 1,874,829 | 1,863,459 |
| Unappropriated profit | | 4,919,969 | 7,616,090 |
| Total Capital | | 8,499,798 | 11,184,549 |

Profit and Loss for the quarter ended Sep 30, 2022

| | Note | YTD - SEP - 22 Actual Rs.'000 | YTD - SEP - 21 Actual Rs.'000 |
|---|------|-------------------------------------|-------------------------------------|
| Mark up/Interest Income on advances | 13 | 11,970,135 | 12,369,225 |
| Mark up/Interest Income on investments/placements | | 1,937,192 | 1,425,019 |
| Mark up / Interest earned | | 13,907,327 | 13,794,244 |
| Mark up/Interest on borrowings/subordinated debt | | 930,344 | 264,563 |
| Mark up/Interest on deposits | | 7,736,517 | 6,241,491 |
| Mark up / Interest expensed | | 8,666,861 | 6,506,054 |
| Net Mark up / Interest income | | 5,240,466 | 7,288,190 |
| Micro Credit Processing Fees | 14 | 1,338,282 | 1,146,909 |
| Retail Banking Services Fees | 15 | 107,564 | 86,924 |
| Non Mark up/Interest Income | | 1,445,846 | 1,233,833 |
| Gross Income Earned | | 6,686,312 | 8,522,023 |
| OPERATING EXPENSES | | | |
| Salaries, wages & other benefits | | 2,741,509 | 2,530,307 |
| Incentive on Asset and Liability Sales | | 197,165 | 110,776 |
| Recruitment & Development | | 4,635 | 10,842 |
| Management consultancy | | 896 | 359 |
| IT Operations | | 349,469 | 267,618 |
| Training & Development | | 21,927 | 18,912 |
| Operating Lease/Rent Expense | 18 | 512,102 | 487,573 |
| Meeting & Conferences | | 28,440 | 25,999 |
| Utilities | | 326,090 | 195,492 |
| Communication & Verification | | 101,458 | 83,667 |
| Traveling & conveyance | | 23,825 | 13,752 |
| Insurance | 16 | 55,557 | 252,400 |
| Repair & maintenance | | 69,040 | 51,908 |
| Security services | | 44,762 | 51,441 |
| Health Hygiene - COVID -19 | | 1,577 | 5,211 |
| Vehicle running & maintenance | | 428,550 | 273,864 |
| Legal & Professional | | 16,318 | 15,350 |
| Printing, stationery & office supplies | | 162,286 | 121,918 |
| Subscription | | 5,269 | 3,516 |
| Advertisement & business promotion | | 172,165 | 111,675 |
| Financial charges | | 61,957 | 42,018 |
| ATM Operations and Call Center Charges | | 21,706 | 14,435 |
| Depreciation and amortization | | 470,643 | 464,318 |
| Other Expenses | | 3,507 | 4,437 |
| Workers Welfare Fund | | 9,000 | 13,500 |
| | | 5,829,853 | 5,171,288 |
| Reimbursement of Social Mobilization Cost | | 2,084 | 16,191 |
| | | 5,827,769 | 5,155,097 |
| Net Provision against advances/other assets | 17 | 4,674,842 | 2,700,973 |
| Total operating expenses | | 10,502,611 | 7,856,070 |
| OPERATING PROFIT/(LOSS) | | (3,816,299) | 665,953 |
| OTHER INCOME | | | |
| Gain/(Loss) on Disposal of Fixed Assets | | (1,401) | 24,371 |
| Misc Income | | 1,205 | 1,564 |
| Gain/(Loss) on Foreign Currency Transactions | | - | - |
| | | (196) | 25,935 |
| PROFIT/(LOSS) BEFORE TAXATION | | (3,816,495) | 691,888 |
| Taxation - Current | 19 | 191,177 | 475,639 |
| - Prior Year | 19 | - | - |
| - Deferred | | (1,311,551) | (272,293) |
| | | (1,120,374) | 203,346 |
| PROFIT/(LOSS) AFTER TAXATION | | (2,696,121) | 488,542 |
| Un-appropriated profit b/f | | 7,616,090 | 7,200,276 |
| Profit available for appropriation | | 4,919,969 | 7,688,818 |
| APPROPRIATIONS: | | | |
| Transfer to: | | | |
| Statutory Reserves | | - | 24,427 |
| Microfinance Sector Development Fund | | - | 48,854 |
| Risk Mitigation Fund | | - | 24,427 |
| Depositors' Protection Fund | | - | 24,427 |
| | | - | 122,135 |
| UNAPPROPRIATED PROFIT c/f | | 4,919,969 | 7,566,683 |

Notes to the Accounts for the quarter ended Sep 30, 2022

| | | | | | | |
|-----|---|------|-------------------|--------------------|-------------------|--------------------|
| 1 | BALANCES WITH SBP | Note | 30-Sep-22 | | 31-Dec-21 | |
| | | | Rs. '000 | | Rs. '000 | |
| | Balances with SBP | 1.1 | 2,307,178 | | 2,409,300 | |
| | | | <u>2,307,178</u> | | <u>2,409,300</u> | |
| 1.1 | This represents balance held with State Bank of Pakistan to meet the requirement of maintaining minimum balance equivalent to 5% (2021: 5%) of the Bank's time and demand liabilities in accordance with the Regulation R - 3A. | | | | | |
| 2 | CASH IN HAND AND BALANCES WITH BANKS | | 30-Sep-22 | | 31-Dec-21 | |
| | | | Rs. '000 | | Rs. '000 | |
| | Cash in hand | | 1,006,720 | | 1,406,362 | |
| | Current Account | | 758,734 | | 654,488 | |
| | Saving Account | 2.1 | 298,061 | | 155,094 | |
| | | | <u>2,063,515</u> | | <u>2,215,944</u> | |
| 2.1 | This represents corporate accounts carry interest rates ranging from 6.50% to 13.50% (2021: 4.50% to 7.75%) per annum. | | | | | |
| 3. | LENDING TO FINANCIAL INSTITUTIONS | | 30-Sep-22 | | 31-Dec-21 | |
| | | | Rs. '000 | | Rs. '000 | |
| | Call/Clean Lending | 3.1 | - | | 100,000 | |
| | | | <u>-</u> | | <u>100,000</u> | |
| 3.1 | This represents call placement at the rate NIL% per annum (2021: 10.70% per annum) maturing on NIL (2021: January 4, 2022.) | | | | | |
| 4. | INVESTMENTS - NET OF PROVISIONS | | 30-Sep-22 | | 31-Dec-21 | |
| | | | Rs. '000 | | Rs. '000 | |
| | Available for sale securities | | | | | |
| | Market Treasury Bills | 4.1 | 490,143 | | 3,451,863 | |
| | Pakistan Investment Bonds | 4.2 | 11,192,527 | | 7,574,186 | |
| | Held to maturity securities | | | | | |
| | Term Finance Certificates | 4.3 | 150,000 | | 150,000 | |
| | Term Deposit Receipts/Placements | 4.4 | <u>4,060,163</u> | | <u>12,435,784</u> | |
| | | | 15,892,833 | | 23,611,833 | |
| | Surplus/(Deficit) on revaluation on T-Bills/PIB's | 4.5 | (70,199) | | (86,213) | |
| | | | <u>15,822,634</u> | | <u>23,525,620</u> | |
| 4.1 | This represents 3 months T-Bills having yield at the rate 15.75% (2021: 7.47% to 8.15%) per annum maturing on November 17, 2022. | | | | | |
| 4.2 | This represents 3 years PIB's having fixed/floater coupon rate ranging from 7.00% to 15.73% per annum (2021: 7.42% to 8.71% per annum) maturing on September 8, 2025. | | | | | |
| 4.3 | This represents 10,000 and 100 term finance certificates (TFC's) having face value of Rs.5,000/- and Rs.1,000,000/- each duly issued by Bank Al Habib Limited and Soneri Bank Limited respectively for perpetual tenor. These TFC's carrying profit @ 6 month KIBOR plus 1.50% and 2.00% respectively receivable on semi annual basis from the date of issue. | | | | | |
| 4.4 | This represents placement with microfinance bank carrying interest rate of 14.50% (2021: 10.95% to 14.50%) per annum. | | | | | |
| 4.5 | In compliance with the requirements of the Regulations (R-11C), available for sale investments have been valued on mark-to market basis and the (deficit) / surplus is kept in a separate account and is charged through statement of comprehensive income. | | | | | |
| 5. | ADVANCES - NET OF PROVISIONS | Note | 30-Sep-22 | | 31-Dec-21 | |
| | | | Loans Outstanding | Amount outstanding | Loans Outstanding | Amount outstanding |
| | | | Number | Rs.'000 | Number | Rs.'000 |
| | General Loans | | | | | |
| | Secured/Semi Secured | 5.1 | 162,353 | 15,940,656 | 133,470 | 11,762,879 |
| | Unsecured | 5.3 | <u>473,057</u> | <u>32,445,999</u> | <u>582,442</u> | <u>36,690,041</u> |
| | | | 635,410 | 48,386,655 | 715,912 | 48,452,920 |
| | Micro Enterprise Loans | | | | | |
| | Secured | 5.2 | 75,065 | 23,563,689 | 55,519 | 15,683,887 |
| | Unsecured | 5.2 | <u>36,195</u> | <u>5,369,098</u> | <u>21,187</u> | <u>1,372,382</u> |
| | | | 111,260 | 28,932,787 | 76,706 | 17,056,269 |
| | Micro Housing Loans | | | | | |
| | Secured | | 2,030 | 2,770,667 | 588 | 620,416 |
| | Unsecured | | <u>10,952</u> | <u>4,983,151</u> | <u>10,614</u> | <u>4,652,692</u> |
| | | | 12,982 | 7,753,818 | 11,202 | 5,273,108 |
| | Microcredit advances : | | 759,652 | 85,073,260 | 803,820 | 70,782,297 |
| | Staff Loans | | | | | |
| | Staff Loans - General Purpose | 5.4 | 2,242 | 451,646 | 2,314 | 473,030 |
| | Staff Loans - Housing Finance | 5.5 | <u>380</u> | <u>1,537,521</u> | <u>300</u> | <u>1,257,708</u> |
| | | | 2,622 | 1,989,167 | 2,614 | 1,730,738 |
| | Gross advances : | | 762,274 | 87,062,427 | 806,434 | 72,513,035 |
| | Less : provisions held | | | | | |
| | Specific provision | | 37,661 | 1,769,857 | 22,319 | 575,014 |
| | General provision | | <u>626,344</u> | <u>604,631</u> | <u>701,310</u> | <u>1,053,777</u> |
| | | | | 2,374,488 | | 1,628,791 |
| | Advances - Net of Provisions | | 762,274 | 84,687,939 | 806,434 | 70,884,244 |
| 5.1 | This includes microcredit loans amounting to Rs. 26.9 million (2021: Rs. 39.2 million) which are partially (50%) secured against own deposit lien marking with the Bank. | | | | | |

- 5.2 This includes 108 (2021: 10) micro enterprise clients having aggregate outstanding amount of Rs. 7.8 million (2021: Rs. 1.61 million) which are 50% backed by Guarantee under the terms of Loan Portfolio Guarantee Agreement between USAID and the Bank on September 30, 2014. The Guarantee is effective from November 24, 2014
- 5.3 This includes 12,493 (2021: 11,691) borrowers having aggregate outstanding amount of Rs. 769.3 million (2021: Rs. 694.4) against the issuance of Guarantee Scheme for Small and Marginalized Farmers (CGSMF) approved by State Bank of Pakistan which is 50% backed by Guarantee under the terms of the scheme.
- 5.4 This represents short to medium term general purpose loans to employees of the Bank carrying fixed interest at the rate of 5% per annum (2021: 5%) per annum. These loans are partially secured against employees' accrued terminal benefits.
- 5.5 This represents long term housing loans to eligible employees of the Bank for the period ranging from 5 to 20 years carrying fixed interest at the rate 5% per annum (2021: 5%) per annum. These loans are secured against equitable mortgage over unencumbered property.
- 5.6 Particulars of non-performing advances

Non performing advances includes principal amount of Rs. 3,330.46 million and interest/markup amount of Rs. 1,684.88 million (2021: principal Rs. 2,047.3 million and interest/markup amount of Rs. 967.7 million) which, as detailed below, have been placed under non performing status.

| Category of classification | 30-Sep-22 | | | 31-Dec-21 | | |
|----------------------------|---------------------|--------------------|------------------|---------------------|--------------------|----------------|
| | Amount out standing | Provision required | Provision held | Amount out standing | Provision required | Provision held |
| | Rs.'000 | | | Rs.'000 | | |
| OAEM | 755,569 | 10,044 | 10,044 | 1,139,649 | - | - |
| Sub-standard | 361,605 | 227,967 | 227,967 | 489,051 | 85,070 | 85,070 |
| Doubtful | 2,722,973 | 845,331 | 845,331 | 1,302,568 | 422,282 | 422,282 |
| Loss | 1,175,201 | 686,515 | 686,515 | 83,708 | 67,662 | 67,662 |
| | 5,015,349 | 1,769,857 | 1,769,857 | 3,014,976 | 575,014 | 575,014 |

- 5.7 Particulars of the provisions against non-performing advances

| | 30-Sep-22 | | | 31-Dec-21 | | |
|-----------------------------|------------------|----------------|------------------|----------------|------------------|------------------|
| | Specific | General | Total | Specific | General | Total |
| | Rs.'000 | | | Rs.'000 | | |
| Opening Provision | 575,014 | 1,053,777 | 1,628,791 | 649,341 | 815,513 | 1,464,854 |
| Provision Charge | 5,030,202 | (449,146) | 4,581,056 | 3,700,030 | 238,264 | 3,938,294 |
| Less: Portfolio written off | 3,835,359 | - | 3,835,359 | 3,774,357 | - | 3,774,357 |
| Closing Provision | 1,769,857 | 604,631 | 2,374,488 | 575,014 | 1,053,777 | 1,628,791 |

- 5.8 Particulars of Write offs

| | 30-Sep-22 | 31-Dec-21 |
|-------------------------------------|------------------|------------------|
| | Rs. '000 | Rs. '000 |
| Loans Written off against provision | 3,835,359 | 3,774,357 |
| Loans Written off directly | 122,454 | 22,202 |
| | 3,957,813 | 3,796,559 |

- 5.9 Portfolio Quality

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 loan portfolio before deducting allowance for non-performing advances.

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.

| Loan Portfolio | Note | 30-Sep-22 | | 31-Dec-21 | |
|--|-------|-------------------|-------------------|-------------------|-------------------|
| | | Portfolio at Risk | Amount Rs. '000 | Portfolio at Risk | Amount Rs. '000 |
| Normal and Staff Loans | | | | | |
| Current | | 0.00% | 71,511,004 | 0.00% | 51,099,215 |
| Watchlist | | 1.31% | 972,179 | 1.86% | 986,922 |
| OAEM | | 0.43% | 314,868 | 0.71% | 376,118 |
| Substandard | | 0.39% | 286,323 | 0.35% | 186,610 |
| Doubtful | | 1.00% | 737,991 | 0.43% | 226,959 |
| Loss | | 0.29% | 215,838 | 0.30% | 58,460 |
| | | 3.41% | 74,038,203 | 3.65% | 52,934,284 |
| Deferred and Restructured Loans | | | | | |
| Current | | 0.00% | 11,033,475 | 0.00% | 16,643,430 |
| Watchlist | | 1.65% | 215,304 | 8.87% | 1,736,166 |
| OAEM | | 1.71% | 223,267 | 2.08% | 407,448 |
| Substandard | | 0.90% | 117,468 | 0.82% | 161,448 |
| Doubtful | | 7.38% | 961,019 | 3.18% | 621,985 |
| Loss | | 3.64% | 473,691 | 0.04% | 8,274 |
| | 5.9.2 | 15.28% | 13,024,224 | 14.99% | 19,578,751 |
| Global Over Due Loans | | 5.19% | 87,062,427 | 6.58% | 72,513,035 |
| Global Non-Performing Loans | | 3.83% | 3,330,465 | 2.82% | 2,047,302 |

5.9.1 Category wise portfolio classification is as under:

| Loan Portfolio | 30-Sep-22 | | 31-Dec-21 | |
|--------------------------------|-------------------|-------------------|-------------------|-------------------|
| | Portfolio at Risk | Amount Rs. '000 | Portfolio at Risk | Amount Rs. '000 |
| General and Staff Loans | | | | |
| Current | 0.00% | 47,399,003 | 0.00% | 45,922,094 |
| Watchlist - 1-29 Days | 1.14% | 575,564 | 4.80% | 2,406,892 |
| OAEM - 30-59 Days | 0.80% | 403,204 | 1.48% | 743,326 |
| Substandard - 60-89 Days | 0.42% | 211,686 | 0.62% | 312,025 |
| Doubtful - 90-179 Days | 3.06% | 1,540,179 | 1.51% | 758,000 |
| Loss - 180 -209 Days | 0.49% | 246,185 | 0.08% | 41,321 |
| | 5.91% | 50,375,822 | 8.49% | 50,183,658 |
| Micro Enterprise Loans | | | | |
| Current | 0.00% | 27,572,651 | 0.00% | 16,612,319 |
| Watchlist - 1-89 Days | 1.74% | 504,349 | 1.56% | 266,288 |
| OAEM - 90-179 Days | 0.40% | 115,159 | 0.22% | 38,104 |
| Substandard - 180 - 364 Days | 0.57% | 165,137 | 0.20% | 33,654 |
| Doubtful - 365 - 544 Days | 0.49% | 141,629 | 0.48% | 81,926 |
| Loss - 545 - 1945 Days | 1.50% | 433,862 | 0.14% | 23,979 |
| | 4.70% | 28,932,787 | 2.60% | 17,056,269 |
| Micro Housing Loans | | | | |
| Current | 0.00% | 7,572,825 | 0.00% | 5,208,234 |
| Watchlist - 1 - 89 Days | 1.39% | 107,570 | 0.95% | 49,908 |
| OAEM - 90-179 Days | 0.25% | 19,771 | 0.04% | 2,135 |
| Substandard - 180-364 Days | 0.35% | 26,968 | 0.05% | 2,380 |
| Doubtful - 365 - 729 Days | 0.22% | 17,202 | 0.17% | 9,017 |
| Loss - 730-1945 Days | 0.12% | 9,482 | 0.03% | 1,434 |
| | 2.33% | 7,753,818 | 1.23% | 5,273,108 |
| Global Over Due Loans | 5.19% | 87,062,427 | 6.58% | 72,513,035 |

5.9.2 This consist of outstanding rescheduled/deferred loan portfolio (DRP) against SBP COVID relief package.

| | Borrowers Number | Gross Loan Outstanding Amount '000 |
|--|------------------|------------------------------------|
| Rescheduled/Deferred Loans under regulatory relief | 16,964 | 1,232,521 |
| Rollover Loans under internal policy | 188,536 | 11,791,703 |
| Total | 205,500 | 13,024,224 |

| 6. OPERATING FIXED ASSETS | Note | 30-Sep-22 | 31-Dec-21 |
|---------------------------|------|------------------|------------------|
| | | Rs. '000 | Rs. '000 |
| Capital work-in-progress | 6.1 | 261,361 | 204,687 |
| Right of Use Assets | 6.2 | 1,801,418 | 1,418,622 |
| Property and equipment | 6.3 | 1,425,319 | 1,394,789 |
| Intangible assets | 6.3 | 532,198 | 560,700 |
| | | 4,020,296 | 3,578,798 |

6.1 Capital Work-in-progress
This includes payments made to the vendor for the development of various software Modules and purchase of fixed assets.

| | 30-Sep-22 | 31-Dec-21 |
|--------------------|----------------|----------------|
| | Rs. '000 | Rs. '000 |
| Opening Balance | 204,687 | 185,655 |
| Advances issued | 812,122 | 251,591 |
| Assets transferred | (755,448) | (232,559) |
| Closing Balance | 261,361 | 204,687 |

| 6.2 RIGHT OF USE ASSETS | 30-Sep-22 | 31-Dec-21 |
|---|------------------|------------------|
| | Rs. '000 | Rs. '000 |
| Opening Right of Use Assets | 2,493,121 | 2,257,249 |
| Asset Recognized/Derecognized during the nine months/year | 675,052 | 235,872 |
| Total ROU Assets | 3,168,173 | 2,493,121 |
| Accumulated Depreciation | (1,366,755) | (1,074,499) |
| Net Right of Use Assets | 1,801,418 | 1,418,622 |

6.3 Property and Equipment & Intangible Assets

| | Leasehold Improvements | Vehicles | Furniture & Fixture | Electrical and Office Equipment | Computer Equipment | Total | Computer Software |
|----------------------------------|------------------------|----------|---------------------|---------------------------------|--------------------|-----------|-------------------|
| Cost | | | | | | | |
| Balances as on January 1, 2022 | 457,424 | 483,288 | 568,722 | 763,848 | 1,155,154 | 3,428,436 | 1,063,400 |
| Additions | 107,487 | 85,751 | 29,124 | 78,952 | 115,601 | 416,915 | 60,948 |
| Disposals | - | - | (5,646) | (3,027) | (8,201) | (16,874) | - |
| Balance as on September 30, 2022 | 564,911 | 569,039 | 592,200 | 839,773 | 1,262,554 | 3,828,477 | 1,124,348 |
| Depreciation | | | | | | | |
| Balances as on January 1, 2022 | 250,677 | 289,227 | 264,498 | 550,433 | 678,812 | 2,033,647 | 502,700 |
| Depreciation/Amortization Charge | 59,391 | 72,325 | 39,506 | 62,912 | 147,059 | 381,193 | 89,450 |
| Disposals | - | (1) | (4,138) | (2,755) | (4,788) | (11,682) | - |
| Balance as on September 30, 2022 | 310,068 | 361,551 | 299,866 | 610,590 | 821,083 | 2,403,158 | 592,150 |
| Carrying Value | | | | | | | |
| As on September 30, 2022 | 254,843 | 207,488 | 292,334 | 229,183 | 441,471 | 1,425,319 | 532,198 |
| As on December 31, 2021 | 206,747 | 194,061 | 304,224 | 213,415 | 476,342 | 1,394,789 | 560,700 |
| Rate of Depreciation per annum | 20.00% | 25.00% | 10.00% | 20.00% | 20% - 33.33% | | 33.33% |

| 7. OTHER ASSETS | Note | 30-Sep-22 Rs. '000 | 31-Dec-21 Rs. '000 |
|--|------|-----------------------|-----------------------|
| Markup/interest accrued on advances | | 13,838,727 | 13,038,477 |
| Less: Suspended Markup/interest on non performing advances | | 1,684,884 | 967,790 |
| | | 12,153,843 | 12,070,687 |
| Interest receivable on investments/placements | | 469,225 | 191,092 |
| Advances to staff | | 12,396 | 8,265 |
| Advances to Suppliers and Service Providers | | 13,808 | 16,721 |
| Prepayments & Security deposit | | 348,080 | 178,191 |
| Receivable from MSDF | 7.1 | 7,678 | 21,078 |
| Insurance Claims Receivable | | 50,377 | 56,943 |
| Receivable from SBP | | 412,909 | 213,649 |
| Advance Taxation | | 230,300 | 296,554 |
| Other receivables | | 343,127 | 345,397 |
| | | 14,041,743 | 13,398,577 |
| Less: Provision held against classified assets | | | |
| Opening Provision | | 127,964 | 75,960 |
| Provision Charge during the nine months/year | | 50,726 | 62,145 |
| Receivable written off against provision | | - | (10,141) |
| Closing Provision | | 178,690 | 127,964 |
| | | 13,863,053 | 13,270,613 |

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

| 8. DEPOSITS | Note | 30-Sep-22 | | 31-Dec-21 | |
|--|------|--------------------|-------------|--------------------|------------|
| | | Number of accounts | Rupees | Number of accounts | Rupees |
| Time Liabilities: | | | | | |
| Term Deposits | 8.2 | 55,589 | 66,389,571 | 64,455 | 54,051,370 |
| Demand Liabilities: | | | | | |
| Saving Deposits | 8.3 | 81,425 | 28,077,162 | 77,276 | 28,840,400 |
| Current Deposits | 8.4 | 2,932,659 | 6,540,424 | 2,847,854 | 10,223,431 |
| Call Deposits (CDR) | | 525 | 59,967 | 537 | 47,168 |
| | | 3,014,609 | 34,677,553 | 2,925,667 | 39,110,999 |
| | | 3,070,198 | 101,067,124 | 2,990,122 | 93,162,369 |
| 8.1 Particulars of Deposits by ownership | | | | | |
| Individual Depositors | | 3,065,608 | 73,566,911 | 2,985,884 | 73,677,820 |
| Institutional Depositors | | | | | |
| a) Corporations/Firms | | 4,539 | 22,886,532 | 4,209 | 15,175,055 |
| a) Banks/Financial Institutions | | 51 | 4,613,681 | 29 | 4,309,494 |
| | | 3,070,198 | 101,067,124 | 2,990,122 | 93,162,369 |

8.2 This represents term deposits having tenure of 3 to 60 months (2021: 3 to 36 months) carrying interest at rates ranging from 8.00% to 17.00% (2021: 6.50% to 15.00%) per annum. The term deposits amounting to Rs 532.63 Million (2021: Rs 594.41 Million) are lien marked against advances to borrowers.

8.3 This represents saving deposits carrying interest rates ranging from 5.00% to 16.85% per annum (2021: 5.00% to 12.50%). The saving deposits amounting to Rs. 29.74 million (2021: Rs. 56.60 million) are lien marked against advances to borrowers.

8.4 This represents non-remunerative current deposits . The current deposits amounting to Rs. 11.37 million (2021: Rs. 81.21 million) are lien marked against advances to borrowers.

| 9. BORROWINGS | Note | 30-Sep-22 Rs. '000 | 31-Dec-21 Rs. '000 |
|---|-------|-----------------------|-----------------------|
| Borrowings from banks/financial Institutions in Pakistan | | | |
| Secured | 9.1 | 5,691,100 | 4,608,379 |
| | | 5,691,100 | 4,608,379 |
| 9.1 Borrowings from Financial Institutions in Pakistan | | | |
| Pak Oman Investment Company Limited (TF-IV) | 9.1.1 | - | 62,500 |
| Allied Bank Limited (TF-1) | 9.1.2 | - | 8,333 |
| The Bank of Punjab (TF-2) | 9.1.3 | 437,500 | 500,000 |
| Pakistan Mortgage Refinance Company Limited (TF-1) | 9.1.4 | 900,000 | 900,000 |
| Pakistan Mortgage Refinance Company Limited (TF-2) | 9.1.5 | 450,000 | - |
| Pakistan Mortgage Refinance Company Limited (TF-3) | 9.1.6 | 450,000 | - |
| Allied Bank Limited (RF) | 9.1.7 | - | 200,000 |
| Repo Borrowing | 9.1.8 | 3,453,600 | 2,937,546 |
| | | 5,691,100 | 4,608,379 |
| 9.1.1 This represents interbank money market borrowing for 5 years with grace period of 12 months from draw down date carrying interest rate of 9.21% (2021: 8.88% to 9.22%) per annum and repayable in 8 semi annual equal installments. This borrowing is secured against charge over current and future assets of Rs.667 million. | | | |
| 9.1.2 This represents interbank money market borrowing carrying interest rate ranging from 12.07% to 13.63% (2021: 8.95% to 12.07%) per annum for a period of 5 from the draw down date inclusive of grace period of 2 years. This borrowing is secured against charge over present and future assets of the Bank worth Rs.334 million. | | | |
| 9.1.3 This represents interbank money market borrowing carrying interest rate ranging from 10.85% to 16.82% (2021: 8.27% to 10.85%) per annum for a period of 3 from the draw down date inclusive of grace period of 1 year. This borrowing is secured against charge over present and future current assets of the Bank worth Rs.2,667 million. | | | |
| 9.1.4 This represents mortgage refinance facility for creating Bank's housing mortgage portfolio carrying fixed interest rate of 6.5% per annum for first 5 years and 8.5% annum for next 5 years for a period of 10 years from the draw down date inclusive of 2 years as grace period under the Government's Markup Subsidy Scheme for Housing Finance (GMSS). Markup is payable quarterly in arrears. This borrowing is secured against charge over present and future current assets of the Bank worth Rs.1,200 million. | | | |
| 9.1.5 This represents mortgage refinance facility for creating Bank's housing mortgage portfolio carrying floating interest rate of 11.82% per annum with floor of 8% for period of 3 years from the draw down date inclusive of 1 years as grace period under the Government's Markup Subsidy Scheme for Housing Finance (GMSS). It is payable half yearly in arrears. This borrowing is secured against charge over present and future current assets of the Bank worth Rs. 600 million. | | | |
| 9.1.6 This represents mortgage refinance facility for creating Bank's housing mortgage portfolio carrying floating interest rate of 12.32% per annum with floor of 8% for period of 5 years from the draw down date inclusive of 1 years as grace period under the Government's Markup Subsidy Scheme for Housing Finance (GMSS). It is payable half yearly in arrears. This borrowing is secured against charge over present and future current assets of the Bank worth Rs. 600 million. | | | |
| 9.1.7 This represents running finance borrowing carrying floating interest rate ranging from 8.68% to 11.44% (2021: 8.68%) per annum. This borrowing is secured charge over present and future assets of the Bank worth of Rs.267 Million. | | | |
| 9.1.8 This represents repo borrowings carrying interest rate ranging from 15.50% to 15.90% (2021: 10.50% to 10.70%) per annum maturing on October 3, 2022 (2021: January 21, 2022) | | | |
| 10. SUB-ORDINATED DEBT | Note | 30-Sep-22 Rs. '000 | 31-Dec-21 Rs. '000 |
| Term Finance Certificate IV (TFCs) - Additional Tier I | 10.1 | 1,500,000 | - |
| Term Finance Certificate I (TFCs) - Tier II | 10.2 | 1,000,000 | 1,000,000 |
| Term Finance Certificate II (TFCs) - Tier II | 10.3 | 1,400,000 | 1,400,000 |
| Term Finance Certificate III (TFCs) - Tier II | 10.4 | 600,000 | 600,000 |
| | | 4,500,000 | 3,000,000 |
| 10.1 This represents rated, unsecured, subordinated, privately placed/DSLR Listed, Perpetual and Non-Cumulative Debt Instrument in the nature of Additional Tier I Term Finance Certificates of worth Rs.100,000/- each fully subscribed on June 16, 2022. The funds raised by the Bank through the issuance of these TFC's have contributed towards the Bank's Additional Tier 1 Capital for meeting its capital adequacy requirements as per Basel III Guidelines set by SBP under BPRD Circular 6 dated 15th August 2013. The instrument is sub-ordinated to the payment of principal and profit to all other indebtedness of the Bank Including the TFC's under Tier previously issued by the Bank. These funds are intended to be utilized for the Bank's ongoing business operations in accordance with the Bank's Memorandum and Articles of Association. The instrument has assigned preliminary rating of single 'A-' (Single A Minus) with stable outlook. Profit is priced @ 6 months KIBOR plus 4.00% and repayable every six months in arrears. The Bank may call the TFC's at par (either partially or in full) with prior approval from SBP, on any profit payment date after 5 years from the issue date. The instrument has lockin and loss absorption clauses and no put option. | | | |
| 10.2 This represents rated, unsecured, subordinated and privately placed term finance certificates of worth Rs.100,000/- each fully subscribed on March 19, 2018. The issue is for a period of 8 years from the date of subscription and mature on March 19, 2026. The issue has assigned preliminary rating of single 'A' (Single A) with stable outlook. Profit is priced @ 6 months KIBOR plus 2.05% and repayable every six months in arrears while principal shall be redeemed in two equal semi annual installments the end of 90th and 96th months. The issue has call option after 10th redemption date, lockin clause and loss absorbency clause. | | | |
| 10.3 This represents rated, unsecured, subordinated and privately placed term finance certificates of worth Rs.100,000/- each fully subscribed on December 27, 2019. The issue is for a period of 8 years from the date of subscription and mature on December 27, 2027. The issue has assigned preliminary rating of single 'A' (Single A) with stable outlook. Profit is priced @ 3 months KIBOR plus 2.70% and repayable every three months in arrears while principal shall be redeemed in twelve equal quarterly installments commencing from the 63th month from the issue date. The issue has lockin and loss absorbency clause. | | | |
| 10.4 This represents unsecured, subordinated and privately placed term finance certificates of worth Rs.100,000/- each fully subscribed on June 18, 2021. The issue is for a period of 8 years from the date of subscription and mature on June 18, 2029. Profit is priced @ 6 months KIBOR plus 2.70% and repayable every three in arrears while principal shall be redeemed in twelve equal quarterly installments commencing from the 63rd month from the issue date. The issue has lockin and loss absorbency clause. | | | |

| 11. OTHER LIABILITIES | Note | 30-Sep-22 Rs. '000 | 31-Dec-21 Rs. '000 |
|---|------|-----------------------|-----------------------|
| Markup/Interest payable on deposits | | 1,208,398 | 1,142,874 |
| Markup/Interest payable on borrowings/subordinated debt | | 113,213 | 45,756 |
| Bills Payable | | 217,199 | 184,993 |
| Accrued expenses | | 606,289 | 695,932 |
| Payable to defined benefit plan - Gratuity/EOBI | | - | 54,697 |
| Contribution payable to funds | | - | 114,336 |
| Payable to suppliers and service providers | | 81,898 | 53,829 |
| Provision for workers welfare fund | | 87,946 | 78,946 |
| Sundry deposits | | - | 975 |
| Right of Use Liability | | 2,282,933 | 1,842,788 |
| Taxation Payable | | - | 86,673 |
| Dividend Payable | | 136,710 | 150,244 |
| Other Payables | | 118,321 | 116,586 |
| | | 4,852,907 | 4,568,629 |
| 12. CAPITAL AND GENERAL RESERVES | | | |
| Statutory Reserve | | 1,900,416 | 1,900,416 |
| Capital Reserve | | 24,255 | 24,255 |
| Net Surplus/(Deficit) on revaluation of available for sale securities | | (49,842) | (61,212) |
| | | 1,874,829 | 1,863,459 |
| 13. MARKUP/INTEREST ON ADVANCES | | 30-Sep-22 Rs. '000 | 30-Sep-21 Rs. '000 |
| Markup/Interest on Advances - General Loans - Group | | 2,019,577 | 4,123,679 |
| Markup/Interest on Advances - General Loans - Individual | | 5,367,414 | 5,510,230 |
| Markup/Interest on Advances - Micro Enterprise Loans | | 4,375,786 | 2,444,287 |
| Markup/Interest on Advances - Micro Housing Loans | | 1,174,803 | 336,851 |
| Markup/Interest on Advances - Staff Loans | | 62,180 | 48,687 |
| Total Markup Earned | | 12,999,760 | 12,463,734 |
| Less: Markup/Interest Waiver | | (1,029,625) | (94,509) |
| Net Markup Earned | | 11,970,135 | 12,369,225 |
| 14. MICROCREDIT PROCESSING FEES | | | |
| Micro Credit Processing Fee - General Loans - Group | | 349,837 | 510,787 |
| Micro Credit Processing Fee - General Loans - Individual | | 629,658 | 432,598 |
| Micro Credit Processing Fee - Micro Enterprise Loans | | 328,443 | 174,217 |
| Micro Credit Processing Fee - Micro Housing Loans | | 30,344 | 29,307 |
| | | 1,338,282 | 1,146,909 |
| 15. RETAIL BANKING SERVICES FEES | | | |
| Banking Services Fee | | 90,208 | 68,939 |
| Remittance Services Fee | | 2,975 | 2,821 |
| Bancassurance Services Fee | | 13,675 | 14,839 |
| BB Channel Services Fee | | 706 | 325 |
| | | 107,564 | 86,924 |
| 16. INSURANCE | | | |
| Insurance - Advances | | 10,651 | 219,603 |
| Insurance - Deposits | | 6,700 | 6,672 |
| Insurance - Operating Fixed Assets & Others | | 38,206 | 26,125 |
| | | 55,557 | 252,400 |
| 17. NET PROVISION AGAINST ADVANCES/OTHER ASSETS | | | |
| Provision against advances | | | |
| Specific Provision | 5.7 | 5,030,202 | 2,573,008 |
| General Provision | 5.7 | (449,146) | 113,216 |
| | | 4,581,056 | 2,686,224 |
| Bad Debts Written off Directly | | 122,454 | 14,385 |
| Bad Debts Recovered | | (79,394) | (51,594) |
| Net Provision against advances | | 4,624,116 | 2,649,015 |
| Provision against Other Assets | | | |
| Provision against other assets | 7 | 50,726 | 51,958 |
| Recovery against other assets | | - | - |
| | | 50,726 | 51,958 |
| | | 4,674,842 | 2,700,973 |

| | Note | 30-Sep-22 | 30-Sep-21 | | | | | | |
|---|--|------------------|------------------|-----------------|---------------|------------|----------------|-----------------|---------------|
| | | Rs. '000 | Rs. '000 | | | | | | |
| 18. OPERATING LEASE | | | | | | | | | |
| Interest Expense - Operating Lease Liability | | 189,708 | 20,990 | | | | | | |
| Depreciation - Right of Use Assets | | 292,256 | 30,543 | | | | | | |
| Rent Expense | | 30,138 | 3,614 | | | | | | |
| | | 512,102 | 55,147 | | | | | | |
| 19. TAXATION | | | | | | | | | |
| The bank has provided for corporate tax at the rate of 29% (2021: 29%) for the year with minimum tax being limited to 1.25% of non exempt turnover. | | | | | | | | | |
| 20. SHARE CAPITAL | Note | 30-Sep-22 | 31-Dec-21 | | | | | | |
| | | Rs. '000 | Rs. '000 | | | | | | |
| 20.1 Authorized Capital | 20.1.1 | 6,000,000 | 6,000,000 | | | | | | |
| 20.1.1 | The Bank's authorized share capital is 600 million ordinary shares of Rs.10/- each. | | | | | | | | |
| 20.2 Issued, Subscribed and Paid up Capital | 20.2.1 | 1,705,000 | 1,705,000 | | | | | | |
| 20.2.1 | The Bank's issued, subscribed and fully paid up capital for consideration other than cash is 170.5 million ordinary shares of Rs.10/- each as follows: | | | | | | | | |
| United Bank Limited | | 506,285 | 506,285 | | | | | | |
| Rural Impulse Fund II S.A. SICAV-FIS (Incofin Investment Management Comm. VA) | | 417,057 | 417,057 | | | | | | |
| MultiConcept Fund Management Company S.A (responsibility Global Microfinance Fund) | | 339,295 | 339,295 | | | | | | |
| ShoreCap II Limited (Equator Capital Partners LLC) | | 243,568 | 243,568 | | | | | | |
| ASN Mikrokredietpool (Tripple Jump B.V) | | 168,795 | 168,795 | | | | | | |
| Bank Al Habib Limited | | 30,000 | 30,000 | | | | | | |
| | | 1,705,000 | 1,705,000 | | | | | | |
| 21. GENERAL INFORMATION | | 30-Sep-22 | 31-Dec-21 | | | | | | |
| 21.1 Number of Employees | | Number | Number | | | | | | |
| Credit Sales Staff | | | | | | | | | |
| Permanent | | 2,498 | 2,743 | | | | | | |
| Banking/Support Staff | | | | | | | | | |
| Permanent | | 1,975 | 2,003 | | | | | | |
| Contractual | | 862 | 898 | | | | | | |
| | | 2,837 | 2,901 | | | | | | |
| Total number of employees at the end of nine months/year | | 5,335 | 5,644 | | | | | | |
| 21.1.1 Credit Sales Staff - MSME | | 424 | 385 | | | | | | |
| 21.1.2 Female Staff | | 493 | 499 | | | | | | |
| 21.1.3 Managers | | 123 | 118 | | | | | | |
| 21.2 Network Outreach | | 30-Sep-22 | 31-Dec-21 | | | | | | |
| | | Branches | Service Center | Permanent Booth | Total Outlets | Branches | Service Center | Permanent Booth | Total Outlets |
| 21.2.1 At the Beginning of the year | | 206 | - | 33 | 239 | 193 | - | 41 | 234 |
| Opened/Converted during the nine months/year | | 11 | - | - | 11 | 13 | - | - | 13 |
| Closed/merged during the nine months/year | | - | - | (10) | (10) | - | - | (8) | (8) |
| At the end of the nine months/year | | 217 | - | 23 | 240 | 206 | - | 33 | 239 |



PROSPERITY ON ALL ACCOUNTS

These Financial Statements are proprietary to Finance & Accounts Department, Khushhali Microfinance Bank Limited for the sole intended management purposes.

**Khushhali Microfinance
Bank Limited**

Plot No. 55-C, 5th Floor
Jinnah Avenue, Blue Area
Islamabad
www.khushhalibank.com.pk