

annual report

and accounts
2006



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PRESIDENT'S REPORT 2006:

It is my privilege to present an overview of the microfinance sector and the bank's performance for the year ended December 31, 2006.

The provision of financial services to low income households is critical in reducing poverty and this is a reality that is much better understood today by policymakers around the globe and promoting greater access has become a part of the International development agenda, including achieving the Millennium Development Goals.

Therefore, efforts are underway to secure commitments at the Government level to ensure that their macroeconomic, fiscal and regulatory policies and frameworks support rather than stunt the availability of microfinance with the overarching objective of developing a financial sector that is Inclusive and where majority of the population has access to affordable financial services.

The financial sector landscape is witnessing emerging microfinance Institutions challenge conventional wisdom by innovating and expanding outreach at an unprecedented pace with Institutions in Asia leading the way in terms of outreach and scale, while institutions in Latin America dominate in terms of performance with nearly a third of the top performers located in the region. The remaining institutions are spread across Africa, Caribbean, and Eastern Europe.

The microfinance sector in Pakistan has recorded substantial growth over the past six years as an outcome of a conducive policy and regulatory framework as well as supportive Investments undertaken by the Government of Pakistan towards the developments of the sector.

This is evidenced by the increase in the number of retail Institutions, more than ten fold increase in number of clients to nearly a million over the period, entry of green field specialized microfinance bank's, diversification in products and expansion in distribution network across some of the most resource constrained regions of the country.

The outreach within the sector remains pre-dominantly rural while newer players prefer to expand more in urban territories and the six specialized microfinance bank's as a group having the largest proportion of microfinance clients in the market.

These developments have encouraged the evolution of a meso sector such as microfinance networks, rating agencies, top audit firms having enhanced their capacities to engage with the microfinance industry as well as deepening of the central bank credit bureau to cater to microfinance clients.

Khushhalibank continues to lead and is the largest microfinance Institution in the country in terms of its network, clients and portfolio.

The bank has a presence in 85 districts of the country through a network of 73 branches and 37 service centers and a total of 280,526 active clients at the end of the year with cumulative disbursement of PKR 9.4 billion. The portfolio is pre-dominantly rural distributed across agriculture (43%), livestock (30%), enterprise (24%) and asset purchase (3%).

Expanding access to low Income households across marginalized territories remains a priority and highlights of the year were the opening of two branches Khyber and Kurrum agencies in Federally Administered Tribal Area besides launch of a network across the eight district affected by the earthquake in North West Frontier Province and Azad Jammu and Kashmir under the Emergency Livelihood Restoration Program funded by the Government of Pakistan.

The business strategy pursued portfolio consolidation and maintaining momentum in terms of client growth which contributed towards improving sustainability of the Institution with a greater focus on improving client service and retention.

Acquisition and retention of skilled pool of human resource remains a challenge within any fast expanding Institution operating in a dynamic financial sector environment and our endeavors during the year were to ensure that fresh resource is available in the pipeline at all times while strengthening the mid level tiers across units with particular emphasis on Information Technology, Compliance and Banking Operation functions.

The Microfinance Sector Development Program of the Government of Pakistan is scheduled to conclude by June 2007 and it is now time for us to reassess our strategic options in the light of our critical volume, a reasonable delivery channel and policies that have been put to test in varying market conditions.

While the sectoral environment is certainly more conducive it does continue to mushroom competition prompting for strategic alignment with the emerging conditions by expediting the launch of full-service banking in both rural & urban areas of the country.

It is with this perspective that we intend to undertake a rigorous planning exercise to formalize a medium terms plan that will guide the bank towards transformation from a credit only institution to a full service retail microfinance bank which is sustainable and able to respond effectively to market challenges and opportunities.

The JCR-VIS credit rating agency's review in 2006 reaffirmed bank's credit rating at "A-" for the long term and "A-1" for the short term with a positive outlook.

I wish to conclude by recording my appreciation to all stakeholders for supporting our endeavors over the years.



M. Ghalib Nishtar
President

March 31, 2007

AUDIT COMMITTEE REPORT 2006:

Audit Committee could not convene during the year due to change in incumbency of its chairmanship and all matters were referred to the Board of Directors.

The year in review witnessed efforts focused towards strengthening of the Internal Audit Department (IA) in terms of capacity building of IA staff, implementation of Audit manual, enhancement of audit programmes for branches and Corporate Office audits, development of new risk assessment frameworks and execution of planned activities vis-à-vis targets.

As per reports, Internal Audit Department closed the year 2006 not only as planned but exceeded at various counts as appended below:

Audit Type / Activity	Target	Achievement	Achievement%
Full Scope Branch Audits	64	65	102%
Surprise Branch Audits	81	106	131%
Corporate Office departments	11	10	91% (Audit of HDI magalhães (under target))
IT system review	5	Functional audit during regular audits of the concerned departments to establish system weaknesses and to ensure the accountability of Auditor	
Policy/Procedure reviews	5	Not targeted as per request of the management	
Special inquiries / investigations	28	Not targeted as per request of the management	


As per directives of the Audit Committee, during its meeting held in December 2005, to develop a branch Risk Rating model based on broad areas of coverage. Audit department developed Risk Rating models for branch Surprise & Full Scope Audits segregating branch functions into three border areas i.e. operational, financial and credit & sales. The new risk assessment approach implemented accordingly during the year. A similar approach developed / adopted for management audits of Corporate Office departments. Annual Report was also issued to the management highlighting major control weaknesses, reasons and recommendations for adoption.

While approving audit plan 2006, Audit Committee had emphasized the need of quality assurance of audit functions. During the year department started a feedback system from the auditee on the quality of IA product / services and based on that feedback audit approach remained dynamic during the year. An internal review of IA operations has also been completed, which helped the department to further strengthen its functions.

Internal audit department initiated a compliance function as per directives of Audit Committee including policy development, operating procedures, database and various reporting formats. Initially scope of work covered IA / SBP audit reports and commenced its quarterly reporting to SBP as well since September 2006. Similarly, department strengthened its follow up process on IA reports and started a follow up with Corporate Office departments too. Follow up frequency for branch audits increased from quarterly to monthly during last quarter of 2006 and being expected to maintain during 2007. Additionally, a framework is under process to enhance the scope of compliance to statutory, legal and prudential regulations. The compliance status for the year 2006 given as under:

Audit / Inspection Reports	Compliance Status
SBP inspection report 2005 – pertaining to branches	100% of report complied
SBP inspection report 2005 – pertaining to Corporate Office	48% of reports still open
IA reports 2005 (Both: surprise & Full Scope branch Audits)	99% of the reports complied
IA reports 2006 (Full Scope branch Audits)	47% of the reports still open (Open mostly due to audit execution in 3rd & 4th quarters)
IA reports 2006 (Surprise branch Audits)	21% of the reports still open

Audit plan for year 2007, already submitted to BoD; encompasses 84 branches for full scope audit and 109 branches for surprise audit. All 10 Corporate Office Departments/ Units & 6 Regional Offices / Sales Hubs identified for management audits and 5 information systems for review.



Shaharyar Ahmad
Chairperson Audit Committee

March 31, 2007

NON-SHAREHOLDING - INDEPENDENT DIRECTOR'S REPORT 2006:

Stakeholders are increasingly realizing that greater financial sector access contributes towards economic growth and creating opportunities that have a positive impact on poverty reduction hence, microfinance (MF) that targets the marginalized segments of the population is an effective tool for poverty reduction.

Khushhalibank (KB) has played a lead role in assisting stakeholders in the development of policy, frameworks and guidelines for Microfinance sector leading to greater transparency and institutional diversity within the Industry in Pakistan. With the support and investment of the Government of Pakistan, KB has been successful in catalyzing the environment for growth of microfinance in the country and since 2001 has become the one of the fastest growing micro-credit provider and emerged as the country's largest Microfinance institution with nationwide presence and outreach.

Over the years KB has endeavored to balance the achievement of double bottom line objectives i.e., reaching the poor while becoming financially sustainable over a deferred timeline by achieving scale of operations.

Following are some specific highlights of the year 2006:

Strategic Framework and Good Governance

To ensure good governance practices in KB and facilitate the functioning of the Board, Steering Committees of Board of Directors (BOD) have been constituted to provide strategic directions to various operational areas. Social Sector Committee (SSC) is one of such committees looking after the delivery of social sector services by KB under MSDF and CIF frameworks of the Central bank.

In the year 2006 one of the three members of the committee resigned and a new member has been inducted onto the committee. KB also strengthened its Social Sector Development Unit (SSDU) by deploying additional human resource.

KB-NGO/SP Alliances for Social Intermediation Services

KB continues to strive for enhancing outreach to the marginalized segments of the population both directly as well as through alliance operations with Non-Governmental Organizations and was successful in achieving horizontal as well as vertical expansion in

terms of client outreach during the period in review.

Social Mobilization

Under MSDF framework, KB adopted two pronged strategy to expand its alliance operations:

- Identify and engage new Service Providers
- Expand scope of contracted Service providers in existing and new locations

KB engaged eight (8) Non-Governmental Organizations for delivery of social intermediation services in 2006. Reviews of alliance operations with all partners were conducted to monitor the quality of alliance partnership program and ensure smooth operations by identifying and resolving bottlenecks and issues. Streamlining of systems & procedures and compliance with policies remained in focus during the year. Despite high potential low increase in client generation was observed in some locations due to the fact that District/Tehsil Service Centers reached the maximum benchmark for client as set by State bank of Pakistan under mobile banking guidelines, however, the matter is now being reviewed with the central bank:

Status update on KB-NGO Partnership:

- Alliance Operations was increased from 25 to 34 locations
- Client generation increased from 21,740 in 2005 to 27,173 in 2006.
- Gender ratio is 19:81 (F: M) for new clients.
- Cumulative clients generated since inception by service providers are 85,050 organized into 10,848 Community organizations with a gender ratio 37:63 (F: M).
- Pricing: Microfinance Social Development Fund committee revised the client acquisition/mobilization fee from Rs.750 per client since Inception to Rs.1,000 per client.

Small Infrastructure Projects (SIPs)

SIP's implementation which was slow in Initial years gained momentum in 2005 but the Government of Pakistan (GOP) decided to close the Community Investment Fund (CIF) and available funding was diverted towards the Earthquake Livelihood Restoration Program.

Due to diversion of CIF, clients did feel deprived as their small infrastructure needs were being instantly met out of this facility; however, the GOP is allocating sufficient resources for these schemes under the Khushhali Pakistan Program.

SIP's cumulative status as of 31 December 2006 is given hereunder:

Types/Description	Completed	In Progress	Pipeline	Total
Roads/Bridges	113	35	11	159
Farm Irrigation	535	132	12	739
Domestic/Water Supply	157	26	6	189
Drainage/Sewerage	6	30	5	38
School Building	36	13	2	51
Rural: Electrification, Computer Centre, PCO & Community Halls/other	239	101	10	400
Total	1253	357	36	1686

Earthquake Livelihood Restoration Program (ELRP)

In order to respond to the aftermath of the earthquake, KB formulated an Earthquake Livelihood Restoration Program across eight of the affected districts in NWFP and AJK. Public advertisement in national newspapers were released in December 2005 for identification and engagement of Service Providers (SP) to provide social Intermediation, vocational, technical and Small Infrastructure services to the bank's clients. However, no service provider could qualify the eligibility criteria as most were either very small Non-Governmental Organizations or Community based Organizations with capacity limitations whereas others were already well funded and engaged by the Government and the Donors in the relief operations. Accordingly, we re-advertised in 2006 and the response is more encouraging and we expect to deploy the qualifying service providers shortly.

Entrepreneurship Awards to KB's Clients and Staff:

Citigroup micro entrepreneurship award program aims at illustration and promotion of effective role that microfinance plays in poverty alleviation around the world. In particular, the program seeks to generate recognition for the extraordinary contributions that individual micro entrepreneurs have made to the economic sustainability of their families as well as their communities.

The 2006 event recognized KB by declaring one of the bank's clients from Faisalabad as winner of the Best National Female entrepreneur award of Rs. 150,000 and her Credit Officer, the National best loan officer

recognition award of Rs. 20,000. Similarly, another client from Quetta won the Regional Urban Runner-up entrepreneurship award of Rs. 50,000 and her credit officer won the loan officer recognition award of Rs.15,000.

Overall Social Sector Development function continues to support the expanding role of KB in the delivery of financial services.



Samina Rizwan
Member Social Sector Committee

March 27, 2007

AUDITOR'S REPORT TO THE MEMBERS:

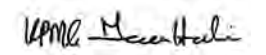
We have audited the annexed balance sheet of Khushhali Bank (the Bank) as at December 31, 2006 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof for the year then ended, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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 approved accounting standards, the Khushhali Bank Ordinance, 2000 and the Prudential Regulations for Microfinance Banks/Institutions. 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 report that:

- (a) in our opinion, proper books of account have been kept by the Bank as required by the Khushhali Bank Ordinance, 2000 and the Companies Ordinance, 1984;
- (b) in our opinion:
- (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Khushhali Bank Ordinance, 2000 and the Prudential Regulations for Microfinance Banks/Institutions, 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, 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 Khushhali Bank Ordinance, 2000 and the Prudential Regulations for Microfinance Banks/Institutions, in the manner so required and respectively give a true and fair view of the state of Bank's affairs as at December 31, 2006, and of the profit, its cash flows and changes in equity for the year then ended;
- (d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.


Islamabad
31 March 2007


KPMG Taseer Hadi & Co.
Chartered Accountants

Balance Sheet as at 31 December 2006

	NOTES	2006 (Rupees)	2005 (Rupees)
ASSETS			
Cash and balances with SBP and NBP	6	318,971,575	487,180,429
Balances with other banks	7	697,327,240	821,929,844
Lending to Financial Institutions	8	1,242,500,000	840,000,000
Investments - net of provision	9	1,369,416,056	1,373,236,435
Advances - net of provisions	10	2,082,483,915	1,847,625,559
Operating fixed assets	11	199,676,508	219,293,083
Other assets	12	889,760,380	536,705,827
Deferred tax asset	13	47,338,151	37,549,895
Total Assets		6,847,473,825	6,163,521,072
LIABILITIES			
Borrowings	14	(4,886,754,322)	(4,221,128,654)
Other liabilities	15	(88,020,862)	(61,914,804)
Total Liabilities		(4,974,775,184)	(4,283,043,458)
NET ASSETS		1,872,698,641	1,880,477,614
REPRESENTED BY			
Share capital	16	1,705,000,000	1,705,000,000
Statutory reserve	5.10	22,161,994	17,497,664
Reserve for contingencies	5.3	28,385,353	26,609,739
Un-appropriated profit		12,319,306	101,930
		1,767,866,653	1,749,209,333
Deficit on revaluation of securities - net of deferred tax	17	(16,331,258)	(10,834,093)
Deferred grants	18	121,163,246	142,102,374
TOTAL CAPITAL		1,872,698,641	1,880,477,614
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The annexed notes 1 to 35 form an integral part of these financial statements.


PRESIDENT/CHIEF EXECUTIVE


CHAIRMAN



DIRECTOR


DIRECTOR

Profit and Loss Account for the year ended 31 December 2006

	NOTES	2006 (Rupees)	2005 (Rupees)
Mark-up / return / interest earned	20	684,870,558	476,609,825
Mark-up / return / interest expensed	21	(158,542,627)	(76,109,043)
Net mark-up/interest income		526,327,931	400,500,782
Provision against non-performing advances/investments	8.2 & 10.2	(136,028,150)	(90,379,379)
Bad debts written off directly		-	-
		(136,028,150)	(90,379,379)
Net mark-up/interest income after provisions		390,299,781	310,121,403
NON- MARK-UP / NON INTEREST INCOME			
Other income	22	268,600,593	222,387,153
		658,900,374	532,508,556
NON- MARK-UP / NON INTEREST EXPENSES			
Administrative expenses	23	(626,215,854)	(506,202,417)
Other charges	24	(20,000)	(20,000)
		(626,235,854)	(506,222,417)
PROFIT BEFORE TAXATION		32,664,520	26,286,139
Taxation - Current	25	(16,171,116)	(17,607,125)
- Deferred	25	6,828,245	3,692,346
		(9,342,871)	(13,914,779)
PROFIT AFTER TAXATION		23,321,649	12,371,360
Un-appropriated profit brought forward		101,930	1,479,114
Profit available for appropriation		23,423,579	13,850,474
APPROPRIATIONS:			
Transfer to:			
Statutory Reserve	5.10	(4,664,330)	(2,474,272)
Microfinance Social Development Fund	5.10	(2,332,165)	(1,237,136)
Risk Mitigation Fund	5.10	(1,166,082)	(618,568)
Depositors' Protection Fund	5.10	(1,166,082)	(618,568)
Reserve for contingencies	5.3	(1,775,614)	(8,800,000)
		(11,104,273)	(13,748,544)
Un-appropriated profit carried forward		12,319,306	101,930
Earnings per share	29	13,678	7,256

The annexed notes 1 to 35 form an integral part of these financial statements.


PRESIDENT/CHIEF EXECUTIVE


CHAIRMAN


DIRECTOR


DIRECTOR

Cash Flow Statement for the year ended 31 December 2006

	NOTE	2006 (Rupees)	2005 (Rupees)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (loss) before taxation		32,664,520	26,286,139
Adjustments for non-cash charges:			
Depreciation		80,401,669	72,247,280
Amortization of deferred grant		(66,580,863)	(53,158,231)
Provision against non-performing advances		113,528,150	90,379,379
Gain on sale of fixed assets		(1,045,073)	(1,052,321)
Interest on investments and bank accounts		(302,762,863)	(176,595,662)
Grant income		(78,910,700)	(68,133,213)
Financial charges		164,720,040	79,352,778
Provision against lending to financial institutions		22,500,000	-
Provision for gratuity		18,362,432	12,337,262
Provision for compensated absences		3,250,000	1,515,000
		<u>(46,537,208)</u>	<u>(43,107,728)</u>
		<u>(13,872,688)</u>	<u>(16,821,589)</u>
 (Increase) in operating assets			
Lending to financial institutions		(425,000,000)	(840,000,000)
Advances		(348,386,506)	(608,584,303)
Other assets (excluding advance taxation)		(307,955,090)	(97,644,719)
		<u>(1,081,341,596)</u>	<u>(1,546,229,022)</u>
 (Decrease)/increase in operating liabilities			
Other liabilities		(4,302,447)	7,381,614
		<u>(1,085,644,043)</u>	<u>(1,538,847,408)</u>
 Cash outflow from operations		<u>(1,099,516,731)</u>	<u>(1,555,668,997)</u>
Interest received		307,208,741	161,901,879
Income taxes paid		(31,902,389)	(21,869,563)
Financial charges paid		(151,827,762)	(68,230,264)
Gratuity paid		(4,180,135)	(22,189,933)
 Net cash (outflow) from operating activities		<u>(980,218,275)</u>	<u>(1,506,056,878)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		(10,954,300)	(85,004,699)
Net investments in held to maturity securities		6,317,503	(177,594,872)
Investments in operating fixed assets		(61,221,544)	(114,126,507)
Sale proceeds against fixed assets		1,481,524	3,551,699
 Net cash (outflow) from investing activities		<u>(64,376,817)</u>	<u>(373,174,379)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowings from Government of Pakistan (ADB Loan)		343,625,102	1,438,590,480
Borrowings from financial institutions		322,000,570	200,000,000
Repayment of Government of Pakistan Loan		-	(18,000,000)
Grant from Government of Pakistan (ADB Grant)		-	83,947,802
Grant from USAID Pakistan		86,157,962	110,778,482
 Net cash inflow from financing activities		<u>751,783,634</u>	<u>1,815,316,764</u>
 Net (decrease) in cash and cash equivalents		(292,811,458)	(63,914,493)
Cash and cash equivalents at beginning of the year		1,309,110,273	1,373,024,766
Cash and cash equivalents at end of the year	26	<u>1,016,298,815</u>	<u>1,309,110,273</u>

The annexed notes 1 to 35 form an integral part of these financial statements.


PRESIDENT/CHIEF EXECUTIVE


CHAIRMAN


DIRECTOR


DIRECTOR

Statement of Changes in Equity for the year ended 31 December 2006

	Share Capital	Statutory Reserve	Reserve for contingencies Rupees	Un-appropriated profit	Total
Balances as on 31 December 2004	1,705,000,000	15,023,392	17,809,739	1,479,114	1,739,312,245
Profit for the year after taxation	-	-	-	12,371,360	12,371,360
Transfer to:					
Microfinance Social Development Fund	-	-	-	(1,237,136)	(1,237,136)
Risk Mitigation Fund	-	-	-	(618,568)	(618,568)
Depositors' Protection Fund	-	-	-	(618,568)	(618,568)
Statutory Reserve	-	2,474,272	-	(2,474,272)	-
Reserve for contingencies	-	-	8,800,000	(8,800,000)	-
Balances as on 31 December 2005	1,705,000,000	17,497,664	26,609,739	101,930	1,749,209,333
Profit for the year after taxation	-	-	-	23,321,649	23,321,649
Transfer to:					
Microfinance Social Development Fund	-	-	-	(2,332,165)	(2,332,165)
Risk Mitigation Fund	-	-	-	(1,166,082)	(1,166,082)
Depositors' Protection Fund	-	-	-	(1,166,082)	(1,166,082)
Statutory Reserve	-	4,664,330	-	(4,664,330)	-
Reserve for contingencies	-	-	1,775,614	(1,775,614)	-
Balances as on 31 December 2006	1,705,000,000	22,161,994	28,385,353	12,319,306	1,767,866,653

The annexed notes 1 to 35 form an integral part of these financial statements.


PRESIDENT/CHIEF EXECUTIVE


CHAIRMAN


DIRECTOR


DIRECTOR

Notes to the Financial Statements for the year ended 31 December 2006

1. STATUS AND NATURE OF BUSINESS

Khushhali Bank ("the Bank") came into existence with the promulgation of the Khushhali Bank Ordinance 2000 as a corporate body with limited liability on 4 August 2000. It commenced business with the issuance of license by the State Bank of Pakistan (SBP) on 11 August 2000. The Bank's registered office and principal place of business is in Islamabad.

The Bank is established to mobilize funds for providing micro-finance 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.

The Bank has 73 (2005: 63) branches in operation as at 31 December 2006 and is licensed to operate nationwide.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

These financial statements have been presented in accordance with the SBP Banking Supervision Department (BSD) circular number 11 dated 30 December 2003 and Prudential Regulations for Microfinance Institutions/Banks (the Regulations) issued by SBP vide BSD circular number 18 dated 14 October 2002.

3. STATEMENT OF COMPLIANCE

These financial statements are prepared in accordance with the approved accounting standards as applicable in Pakistan and the directives issued by SBP, requirements of the Companies Ordinance, 1984 and the Khushhali Bank Ordinance, 2000. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984, Khushhali Bank Ordinance, 2000 or directives issued by SBP differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, Khushhali Bank Ordinance, 2000 or the requirements of the said directives take precedence.

SBP has clarified that International Accounting Standard 39, "Financial Instruments: Recognition and Measurement" and International Accounting Standard 40, "Investment Properties" are not applicable to the Bank. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been stated in accordance with the requirements of the format prescribed by SBP's BSD circular number 11 dated 30 December 2003.

4. BASIS OF MEASUREMENT

These financial statements have been prepared on the basis of historical cost convention as modified for the revaluation of available for sale investments to fair value in conformity with the requirements of the SBP BSD circular number 18 dated 14 October 2002.

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments / estimates and associated assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. These judgments / estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the estimates about carrying value of assets and liabilities that are not readily apparent from other sources.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on a periodic basis. Revisions to accounting estimates are recognized in the period in which the revisions have been made.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods. Judgments made by management in application of the approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year relates to provision against advances, provision for income taxes, staff retirement benefits and determination of useful lives of depreciable assets and intangible assets which are discussed in respective policy notes.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of cash in hand, balances with SBP, National Bank of Pakistan (NBP) and other banks which are stated in the balance sheet at cost.

5.2 REVENUE RECOGNITION

Mark-up / return (service charge) on advances, deposit accounts and investments is recognized on accrual / time proportion basis , except for income, if any, which warrants suspension in compliance with the Regulations.

Gains and losses on sale of investments are included in income currently.

5.3 RESERVE FOR CONTINGENCIES

Reserve for contingencies is created for risk assets comprising advances. The reserve is created, as a matter of prudence and to comply with the additional requirements of Asian Development Bank (ADB) for the first five years of the Bank operation which was completed on 06 February 2006.

Last year, owing to the shortfall in profit available for appropriation, transfer to reserve for contingency was restricted to Rs. 8.8 million as against the actual amount of Rs. 10.57 million. The shortfall of Rs. 1.77 million has been transferred to the reserve for contingencies this year which also adequately covers for reserve requirement upto 06 February 2006.

5.4 INVESTMENTS

Investments are classified as follows:

5.4.1 Available for sale securities

Investments which may be sold in response to needs 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 fair value. In accordance with the SBP BSD circular No. 18, dated 14 October 2002, investments in securities are marked to market and the difference between the carrying value and the revalued amount is recognized in the surplus / (deficit) on revaluation account, shown below the shareholder's equity in the balance sheet.

5.4.2 Held to maturity securities

Investments with fixed maturity, where management has both the intent and the ability to hold to 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 instrument is recognized on a time proportion basis taking into account the effective yield on the investments.

All regular way' purchase and sale of financial assets are accounted for at settlement date.

5.5 ADVANCES (MICRO-CREDIT LOAN PORTFOLIO), LOAN LOSS PROVISION AND WRITE-OFFS

Advances are stated net of provisions for non-performing advances.

The SBP vide SMED Circular No 07 dated 13 April 2006 has made the amendments in the Regulation, whereby the requirement for specific and general provision has been revised. Accordingly, specific provision for non-performing advances is determined in accordance with the requirements of the Regulations. In addition, 1.5% general provision required under the Regulations is calculated on outstanding advances net of specific provisions. Also refer note 5.3.

General and specific provisions are charged to the profit and loss account in the period in which they occur. Non-performing advances are written-off after one month from the date of default in performance as per the requirements of the Regulations. However, the Bank continues its efforts for recovery of the written off balances.

5.6 OPERATING FIXED ASSETS

5.6.1 Property and equipment

Fixed assets are stated at cost less accumulated depreciation and impairment, if any.

Depreciation is charged on the straight line method at rate specified in note 11.1 so as to write-off the cost of assets over their estimated useful life. Depreciation is charged on additions and deletions based on number of months the assets are available for use. Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalized. Gains and losses on disposal of fixed assets are accounted for in the profit and loss account.

5.6.2 Intangible assets

Intangible assets comprise of computer software and applications. Intangible assets are amortized over their estimated useful lives at rate specified in note 11.2.1.

5.7 GRANTS

Grants for fixed assets are recorded as deferred revenue in the balance sheet and recognized as non-operating income on a systematic basis over the useful lives of the assets acquired from the grant proceeds.

Revenue grants are recognized as income on a systematic basis to match them with the related costs which they are intended to compensate.

Under the subsidiary Loan and Grant Agreement (Micro Finance Sector Development Project- ADB loan No. 1806), the Bank is eligible to utilize capacity building grant through re-imbusement of allowable expenditure for institutional development. Such grant amounts are accounted for on accrual basis and recognized in the financial statements on occurrence of the eligible spending.

5.8 TAXATION

5.8.1 Current

Provision for current tax is based on taxable income at the current rates of taxation after taking into account tax credits, rebates and tax losses, if any.

5.8.2 Deferred

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

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

5.9 STAFF RETIREMENT BENEFITS

5.9.1 Defined benefit plan

The Bank operates an approved gratuity scheme for all eligible employees completing the minimum qualifying period of service as specified by the employee rules. Provision is made annually to cover obligations under the scheme in accordance with the actuarial recommendations. Relevant details are given in note 15.1.4.

Actuarial gains and losses in excess of ten percent (10%) of the present value of the defined benefit obligation are recognized over the expected average future working lives of the employees participating in the scheme. Bank recognizes past service cost as an expense on a straight line basis over the average period until the benefits become vested. To the extent that the benefits are already vested immediately following the introduction of, or changes to, a defined benefit plan, the Bank recognizes past service cost immediately.

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

5.9.2 Compensated absences

The bank grants compensated absences to all eligible employees. Provisions are made annually to cover the obligation for compensated absences and charge to profit and loss account.

5.10 CONTRIBUTIONS AND STATUTORY RESERVE

In compliance with the Regulations, the Bank contributes 10% of its annual profit after tax to the Microfinance Social Development Fund and 5% each to Depositor's Protection Fund and Risk Mitigation Fund maintained by the SBP.

The Bank is also required to maintain a statutory reserve to which an appropriation equivalent to 20% of the annual 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 annual profit after tax.

5.11 FINANCIAL INSTRUMENTS

5.11.1 Financial assets

Financial assets are cash and balances with SBP and NBP, balances with other banks, 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 year end prices and investments classified as held to maturity are stated at amortized cost.

5.11.2 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangement entered into. Financial liabilities include borrowing from Government of Pakistan and ADB 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 de-recognition of the financial assets and liabilities is included in the net profit and loss for the period in which it arises.

5.12 MARK-UP BEARING BORROWINGS

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

5.13 BORROWING COSTS

Borrowing costs are included in the profit and loss account when incurred.

5.14 OFF-SETTING

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

5.15 PROVISIONS

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

5.16 IMPAIRMENT

The carrying amounts of the Bank's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists the assets recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense in the profit and loss account.

5.17 SALE AND REPURCHASE TRANSACTIONS

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

6.	CASH AND BALANCES WITH SBP AND NBP	NOTES	2006 (Rupees)	2005 (Rupees)
	Cash in hand		12,408,476	8,890,050
	Balances with State Bank of Pakistan in Local currency current accounts	6.1	259,812,505	224,214,619
	Balances with National Bank of Pakistan in Local currency current accounts		13,509,866	33,365,266
	Local currency deposit accounts	6.2	33,240,728	220,710,494
			46,750,594	254,075,760
			<u>318,971,575</u>	<u>487,180,429</u>

6.1 A minimum balance equivalent to 5% of the Bank's time and demand liabilities is required to be maintained in current accounts with State Bank of Pakistan, in accordance with section 27 of the Khushhali Bank Ordinance, 2000 and rule 6 of the Regulations.

6.2 This represents balances held across the network for the purpose of lending to borrowers and recoveries from customers which carry interest rates yielding approximately 1.50% to 3.75% (2005: 0.20% to 1.20%) per annum.

		2006 (Rupees)	2005 (Rupees)
7.	BALANCES WITH OTHER BANKS		
	In Pakistan-Local currency		
	Current accounts	92,431,349	102,264,009
	Deposit accounts	588,194,864	714,310,902
	In Pakistan-Foreign currency		
	Current accounts	16,701,027	5,354,933
		<u>697,327,240</u>	<u>821,929,844</u>
7.1	This includes short term placement of Rs. 100 million with Mybank Limited for 1 month (2005: Rs. 400 million) yielding interest at the rate of 12.05% (2005: 11.75% to 12.60%). The balance amount represents amounts held across the network for the purpose of lending to borrowers and recoveries from customers which carry interest rates yielding approximately 0.10% to 11.75% (2005: 0.10% to 1.20%) per annum.		
8.	LENDING TO FINANCIAL INSTITUTIONS - UNSECURED NOTES		
	Call money lending	1,265,000,000	840,000,000
	Less: Provision	(22,500,000)	-
		<u>1,242,500,000</u>	<u>840,000,000</u>
8.1	Call placements have been made in the Interbank market with other banks at the rates ranging from 10.70% to 14% (2005: 6.25% to 14.00%) per annum with maturity from 31 to 92 days. This includes an amount of Rs.100 million (2005: Rs Nil) placed with Crescent Standard Investment Bank Limited (CSIBL). The amount was initially given as a clean placement for a specified period and is being rolled over on maturity dates upon request of CSIBL in view of its present liquidity problems.		
8.2	This represents amount prudently provided for possible diminution in value of placement with CSIBL owing to its liquidity problems and sale out proposition in consideration. The management is actively pursuing the matter and has given a notice to the CSIBL for immediate settlement of this amount. The management is confident that the amount will be realized and it will not be exposed to any loss on this placement.		
9.	INVESTMENTS - NET OF PROVISION		
	Federal Government Securities:		
	Available for sale securities		
	Market Treasury Bills	980,500,000	969,545,700
	Pakistan Investment Bonds	242,763,699	242,763,699
		<u>1,223,263,699</u>	<u>1,212,309,399</u>
	Held to maturity securities		
	Pakistan Investment Bonds	171,277,369	177,594,872
	(Deficit) on revaluation of securities	(25,125,012)	(16,667,836)
		<u>1,369,416,056</u>	<u>1,373,236,435</u>
9.1	This represents Market Treasury Bills (T-Bills) purchased for the period of 84 days and yielding interest at the rate of 8.642% per annum (2005: 7.92% to 8.29% per annum).		
9.2	This represents purchase of 10 years Pakistan Investment Bonds (PIBs) with the maturity in 2011 and yielding interest rate ranging from 12% to 13% per annum receivable on semi-annual basis. Market value of PIBs held to maturity at the year end was Rs. 164 million.		
	T-Bills and PIBs amounting to Rs. 210 million and Rs. 315 million respectively are given as collateral against borrowings (refer note 14.2 for details).		
9.3	In compliance with the requirements of the SBP BSD circular No 18 dated 14 October 2002, available for sale investments have been valued at market value and the resulting surplus/deficit is kept in a separate account and is shown below the shareholders' equity in the balance sheet.		

10. ADVANCES - NET OF PROVISIONS

Loan type	2006		2005	
	No. of loans outstanding	Amount outstanding (Rupees)	No. of loans outstanding	Amount outstanding (Rupees)
Micro credit	236,917	2,147,611,820	227,172	1,923,245,376
Less: Provisions held				
Specific	11,316	(21,624,870)	19,942	(28,203,491)
General	236,917	(43,503,035)	227,172	(47,416,326)
		(65,127,905)		(75,619,817)
Advances (net of provisions)		<u>2,082,483,915</u>		<u>1,847,625,559</u>

10.1 Particulars of non-performing advances

Advances includes Rs. 46.68 million (2005: Rs. 92.90 million) which, as detailed below, have been placed under non-performing status:

Category of classification	2006			2005		
	Amount outstanding (Rupees)	Provisions required (Rupees)	Provisions held (Rupees)	Amount outstanding (Rupees)	Provisions required (Rupees)	Provisions held (Rupees)
OAEM	-	-	-	25,992,340	-	-
Sub-Standard	20,618,076	5,154,519	5,154,519	17,504,225	3,500,845	3,500,845
Doubtful	19,179,692	9,589,846	9,589,846	49,405,292	24,702,646	24,702,646
Loss	6,880,505	6,880,505	6,880,505	-	-	-
Total	<u>46,678,273</u>	<u>21,624,870</u>	<u>21,624,870</u>	<u>92,901,857</u>	<u>28,203,491</u>	<u>28,203,491</u>

10.2 Particulars of provisions against non-performing advances:

	2006			2005		
	Specific (Rupees)	General (Rupees)	Total (Rupees)	Specific (Rupees)	General (Rupees)	Total (Rupees)
Opening balance	28,203,491	47,416,326	75,619,817	31,672,833	36,840,712	68,513,545
Charge for the year	117,441,441	(3,913,291)	113,528,150	79,803,765	10,575,614	90,379,379
Amounts written off	(124,020,062)	-	(124,020,062)	(83,273,107)	-	(83,273,107)
Closing balance	<u>21,624,870</u>	<u>43,503,035</u>	<u>65,127,905</u>	<u>28,203,491</u>	<u>47,416,326</u>	<u>75,619,817</u>

10.3 Particulars of write offs:	NOTES	2006 (Rupees)	2005 (Rupees)
Against provisions		124,020,062	83,273,107
Directly charged to profit and loss account		-	-
		<u>124,020,062</u>	<u>83,273,107</u>

11. OPERATING FIXED ASSETS

Property and equipment	11.1	198,308,117	217,611,466
Intangible assets	11.2	1,368,391	1,681,617
		<u>199,676,508</u>	<u>219,293,083</u>

11.1 PROPERTY AND EQUIPMENT

	Furniture and fixture	Electrical and office equipment	Computer equipment	Vehicles	Total
Rupees					
Cost					
Balance as at Jan 01, 2005	30,750,227	34,323,168	39,339,256	202,782,186	307,194,837
Additions during the year	16,033,092	13,726,674	12,310,149	72,056,592	114,126,507
Disposals	(9,600)	-	-	(12,466,280)	(12,475,880)
Balance as at Dec 31, 2005	46,773,719	48,049,842	51,649,405	262,372,498	408,845,464
Balance as at Jan 01, 2006	46,773,719	48,049,842	51,649,405	262,372,498	408,845,464
Additions during the year	7,063,726	11,954,277	4,993,555	36,271,830	60,283,388
Disposals	(36,017)	-	-	(3,118,120)	(3,154,137)
Balance as at Dec 31, 2006	53,801,428	60,004,119	56,642,960	295,526,208	465,974,715
Depreciation					
Balance as at Jan 01, 2005	4,910,864	12,322,390	20,458,412	91,279,739	128,971,405
Depreciation charge for the year	3,697,263	8,448,827	9,826,052	49,199,375	71,171,517
Disposals	(3,256)	-	-	(8,905,668)	(8,908,924)
Balance as at Dec 31, 2005	8,604,871	20,771,217	30,284,464	131,573,446	191,233,998
Balance as at Jan 01, 2006	8,604,871	20,771,217	30,284,464	131,573,446	191,233,998
Depreciation charge for the year	4,974,485	9,764,160	11,240,921	53,170,721	79,150,286
Disposals	(13,468)	-	-	(2,704,218)	(2,717,686)
Balance as at Dec 31, 2006	13,565,888	30,535,377	41,525,385	182,039,949	267,666,598
Carrying value -2005	38,168,848	27,278,625	21,364,941	130,799,052	217,611,466
Carrying value -2006	40,235,540	29,468,742	15,117,575	113,486,259	198,308,117
Rates of depreciation	10%	20%	33%	25%	

11.1.1 Depreciation for the year includes Rs. 66.58 million (2005 : Rs.53.16 million) being the depreciation charged on assets acquired as grant, as explained in detail in note 18.1 to the accounts.

11.2 INTANGIBLE ASSETS	NOTE	2006 (Rupees)	2005 (Rupees)
Cost			
Opening balance		4,316,174	4,316,174
Additions during the year		938,156	-
Closing Balance		5,254,330	4,316,174
Amortization			
Opening balance	11.2.1	(2,634,557)	(1,558,794)
Charge for the year		(1,251,382)	(1,075,763)
Closing Balance		(3,885,939)	(2,634,557)
Carrying Value		1,368,391	1,681,617

11.2.1 Rate of amortization on intangible assets is 33%.

12	OTHER ASSETS	NOTES	2006 (Rupees)	2005 (Rupees)
	Mark-up accrued		132,227,834	106,132,207
	Less: Suspended markup on non-performing advances		(4,939,439)	(12,119,465)
			<u>127,288,395</u>	<u>94,012,742</u>
	Interest receivable on investments and bank accounts		18,286,780	22,732,658
	Advances, deposits and prepayments:			
	Advances: Unsecured considered good			
	Employees		20,027,904	21,575,044
	Expenses/suppliers		7,229,907	10,809,418
			<u>27,257,811</u>	<u>32,384,462</u>
	Deposits		1,966,297	1,909,196
	Prepayments		24,704,505	18,274,509
			<u>53,928,613</u>	<u>52,568,167</u>
	Advance taxation - net of provision		50,472,949	34,741,676
	Grants receivable for:			
	Fixed assets		66,541,608	36,416,848
	Training/traveling		8,870,871	5,181,563
			<u>75,412,479</u>	<u>41,598,411</u>
	Receivable from Microfinance Social Development Fund	22.3	304,308,921	199,078,445
	Receivable from Emergency Livelihood Restoration Fund (Formerly Community Investment Fund)		180,428,776	89,918,024
	Receivable from - Emergency Livelihood Restoration Fund	22.4	75,573,223	-
	Receivable from - Jafakash Aurat Project	12.1	1,886,897	-
	Insurance receivable		1,359,642	1,331,779
	Other receivables		813,705	723,925
			<u>889,760,380</u>	<u>536,705,827</u>
12.1	The Bank entered into an agreement with Ministry of Women Development, Government of Pakistan dated 19 June 2005; whereby a project is launched in the name of "Jafakash Aurat Supporting Skills & Micro-Enterprise Development Amongst Gawadar Women" (JAP). The objective of the project is to enable the women of Gawadar to supplement their livelihood through creating strong linkages between micro-credit and skills development, thus leading to their economic empowerment. The Bank is the implementing agency under the Agreement and recovers operational cost at actual. The balance represent amount outstanding from the JAP.			
13.	DEFERRED TAX ASSET	NOTE	2006 (Rupees)	2005 (Rupees)
	Deferred tax debits arising on account of:			
	Difference in tax and accounting written down value of fixed assets		7,874,630	5,249,216
	Provisions for bad/doubtful debts offered for tax		22,794,767	26,466,936
	Provision for lending to financial institution		7,875,000	-
	Deficit on revaluation of securities		8,793,754	5,833,743
		13.1	<u>47,338,151</u>	<u>37,549,895</u>
13.1	In view of management's assessment of availability of sufficient profits in the foreseeable future, deferred tax asset is considered fully recoverable and hence, valuation allowance has not been provided for.			
14.	BORROWINGS	NOTES	2006 (Rupees)	2005 (Rupees)
	Unsecured:			
	Asian Development Bank	14.1	4,364,753,752	4,021,128,654
	Secured:			
	Borrowings from Financial Institutions	14.2	522,000,570	200,000,000
			<u>4,886,754,322</u>	<u>4,221,128,654</u>

- 14.1 This represents receipts/reimbursements upto eighty percent (80%) of outreach loan disbursements against credit facility under the Subsidiary Loan and Grant Agreement entered between the Bank and the Government of Pakistan in pursuance of Loan Agreement (Special Operations) - Microfinance Sector Development Project, Loan #1806 between Asian Development Bank (ADB) and Islamic Republic of Pakistan. By February 2006, the Bank has utilized credit line amounting to SDR 52.51 million against total SDR 52.57 million under the aforesaid loan agreement.

The principal is repayable in twenty years, including a grace period of eight years, commencing from 1 May 2009 on bi-annual basis, i.e., on 1 May and 1 November each year. Interest is being paid on bi-annual basis charged at the rate equal to average weighted cost of deposits during the preceding six months in the banking industry as calculated by SBP. The interest rates used for the two bi-annual payments during the year were determined to be 2.57% and 2.69% (2005: 1.32% and 1.89%).

- 14.2 This represents interbank money market borrowing carrying interest rate of 8.85% to 9% (2005:8.45%) per annum and are repayable by February 2007. This is secured against T-Bills and PIBs of Rs. 210 million and Rs. 315 million respectively.

15. OTHER LIABILITIES	NOTES	2006 (Rupees)	2005 (Rupees)
Interest payable on borrowings		29,220,371	16,328,093
Accruals and other payables		24,049,351	25,877,517
Provision for compensated absences		6,965,000	3,715,009
Payable to defined benefit plan - Gratuity	15.1	16,829,621	2,647,324
Grant received in advance from USAID	22.2	6,292,190	10,872,589
Contribution payable to Microfinance Social Development Fund		2,332,165	1,237,136
Contribution payable to Risk Mitigation Fund		1,166,082	618,568
Contribution payable to Depositors' Protection Fund		1,166,082	618,568
		<u>88,020,862</u>	<u>61,914,804</u>

- 15.1 Payable to defined benefit plan - Gratuity

- 15.1.1 The amounts recognized in the balance sheet are determined as follows:

Present value of unfunded obligation	39,194,058	26,221,844
Unrecognized actuarial losses	(3,739,903)	(5,152,103)
Payment made to gratuity fund	(18,896,423)	(18,896,423)
Benefits payable; payments due but not settled	271,889	474,006
	<u>16,829,621</u>	<u>2,647,324</u>

- 15.1.2 The amounts charged in the profit and loss accounts are determined as follows:

Current service cost	15,749,474	11,195,221
Interest cost	2,359,966	1,126,402
Actuarial losses	252,992	15,639
	<u>18,362,432</u>	<u>12,337,262</u>

- 15.1.3 Movement in the liability recognized in the balance sheet:

At the beginning of the year	2,647,924	12,499,995
Amounts charged during the year	18,362,432	12,337,262
Benefit payments to employees	(4,180,135)	(3,293,510)
Payment made to gratuity fund	-	(18,896,423)
	<u>16,829,621</u>	<u>2,647,324</u>

- 15.1.4 The latest actuarial valuation of the scheme was carried out as at 31 December 2006. The Projected Unit Credit Method using the following principal actuarial assumptions was used for valuation of the scheme:

Discount rate	10%	9%
Expected rate of increase in salary	9%	15%
Mortality rate	EFU 1961-66 Mortality table	EFU 1961-66 Mortality table
Average expected remaining working life of employees	11 Years	11 Years

16. SHARE CAPITAL

16.1 Authorized capital

2006	2005	NOTE	2006 (Rupees)	2005 (Rupees)
<u>5,000</u>	<u>5,000</u>	Ordinary shares of Rs. 1,000,000 each	<u>5,000,000,000</u>	<u>5,000,000,000</u>

16.2 Issued, subscribed and paid-up

1,705	1,705	NOTE	2006 (Rupees)	2005 (Rupees)
<u>1,705</u>	<u>1,705</u>	Ordinary shares fully paid in cash	<u>1,705,000,000</u>	<u>1,705,000,000</u>

The shareholders comprise the following:

National Bank of Pakistan		400,000,000	400,000,000
Habib Bank Limited		300,000,000	300,000,000
MCB Bank Limited		300,000,000	300,000,000
United Bank Limited		200,000,000	200,000,000
Allied Bank Limited		200,000,000	200,000,000
Askari Commercial Bank Limited		50,000,000	50,000,000
Standard Chartered Bank (Pakistan) Limited	16.3	80,000,000	50,000,000
Citibank N.A		50,000,000	50,000,000
Bank Al Habib Limited		30,000,000	30,000,000
Union Bank Limited		-	30,000,000
Soneri Bank Limited		25,000,000	25,000,000
Habib Metropolitan Bank Limited		25,000,000	25,000,000
Prime Commercial Bank Limited		15,000,000	15,000,000
KASB Bank Limited		10,000,000	10,000,000
Saudi Pak Commercial Bank Limited		10,000,000	10,000,000
Mybank Limited		10,000,000	10,000,000
		<u>1,705,000,000</u>	<u>1,705,000,000</u>

16.3 This includes shareholding of Rs.30m acquired through purchase of Union Bank Limited during the year.

16.4 The shares of the Bank cannot be sold or transferred by a member before a period of five years from the date of subscription. Thereafter such sale/transfer shall be subject to prior approval of SBP, pursuant to section 10 of the Khushhali Bank Ordinance, 2000. The profit of the Bank are not distributable and are applied towards the promotion of the objectives of the Bank.

17.	(DEFICIT) ON REVALUATION OF SECURITIES	NOTES	2006 (Rupees)	2005 (Rupees)
	(Deficit) on revaluation of securities available for sale	9.3	(25,125,012)	(16,667,836)
	Deferred tax asset thereon		8,793,754	5,833,743
			<u>(16,331,258)</u>	<u>(10,834,093)</u>
18.	DEFERRED GRANTS			
	Grant from Government of Pakistan	18.1	247,436,483	218,313,141
	Less: Grant amortized			
	Upto the year 2001		(1,851,730)	(1,851,730)
	Upto the year 2002		(19,071,324)	(19,071,324)
	Upto the year 2003		(27,451,858)	(27,451,858)
	Upto the year 2004		(39,858,529)	(39,858,529)
	Upto the year 2005		(43,330,939)	(43,330,939)
	For the current year		(48,172,437)	-
			<u>(179,736,817)</u>	<u>(131,564,380)</u>
			67,699,666	86,748,761
	Grant from USAID	22.2	83,394,147	66,875,754
	Less: Grant amortized			
	Upto the year 2005		(11,522,141)	(1,694,849)
	For the current year		(18,408,426)	(9,827,292)
			<u>53,463,580</u>	<u>55,353,613</u>
			<u>121,163,246</u>	<u>142,102,374</u>

18.1 This represents grant from Government of Pakistan for capacity building against fixed assets acquired under the Subsidiary Loan and Grant Agreement entered with Government of Pakistan in pursuance of Loan Agreement (Special Operations) - Microfinance Sector Development Project, Loan #1806 between ADB and Islamic Republic of Pakistan. This includes reimbursement claims aggregating Rs.9.726 million which were pending for submission with SBP as of 31 December 2006.

19. CAPITAL COMMITMENTS

Commitments for capital expenditure amounting to Rs. 12.025 million (2005: Rs. 20.156 million) are outstanding as at 31 December 2006.

20. MARK-UP/RETURN/INTEREST EARNED	NOTE	2006 (Rupees)	2005 (Rupees)
Mark-up on advances	20.1	374,928,410	296,192,894
Add / (less): Suspended markup on non-performing advances		<u>7,179,285</u>	<u>3,821,269</u>
		382,107,695	300,014,163
Interest on investment in Government Securities		118,035,103	92,318,914
Interest on deposit accounts/placements with other banks/financial institutions		<u>184,727,760</u>	<u>84,276,748</u>
		<u>684,870,558</u>	<u>476,609,825</u>

20.1 This represents mark-up earned on micro-credit loans to customers at annual rate of 20% (2005: 20%).

21. MARK-UP/RETURN/INTEREST EXPENSED	NOTES	2006 (Rupees)	2005 (Rupees)
Interest on borrowings from:			
Government of Pakistan		-	1,033,078
Asian Development Bank		121,034,819	59,499,557
Other financial institutions		<u>37,507,808</u>	<u>15,576,408</u>
		<u>158,542,627</u>	<u>76,109,043</u>

22. OTHER INCOME

Amortization of deferred grant	11.1.1 & 18	66,580,863	53,158,231
Grant for training / traveling	22.1	4,690,732	4,485,226
Cost share of USAID project	22.2	74,219,968	63,647,987
Re-imbursment from MSDF	22.3	82,270,250	95,130,000
Operational cost support - ELRP	22.4	11,241,223	-
Others	22.5	<u>29,597,557</u>	<u>5,965,709</u>
		<u>268,600,593</u>	<u>222,387,153</u>

22.1 This represents grant from Government of Pakistan for capacity building acquired under the Subsidiary Loan and Grant Agreement entered with Government of Pakistan in pursuance of the Loan Agreement (Special Operations) - Microfinance Sector Development Project, Loan #1806 between ADB and Islamic Republic of Pakistan. This includes reimbursement claims aggregating Rs. 2.449 million which were pending for submission with SBP.

22.2 The Bank entered into an agreement with USAID on 30 September 2003 for developing non-bankable territories of Pakistan in Sindh and Baluchistan for financial services. Subsequently in September 2005, the scope of the grant was expanded to include seven FATA territories, where by USAID will contribute an aggregate of US\$ 11.052 million of the total project cost of US\$ 14.142 million until five year life of the project i.e. September 2010. The amount represents cost share of USAID under the agreement which is reimbursable on quarterly basis.

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

22.4 This represents amount receivable from Emergency Livelihood Restoration Programme (ELRP) launched by Government of Pakistan. The objective of ELRP is to provide substantial and immediate response to poor in areas affected by the earthquake of 8 October 2005 to restore income flows, reduce dependence on relief, revive local economies, and provide shelter including for undertaking livelihoods. For this purpose, KB is the designated implementing agency and use its own organization structures, personnel and coordinate with service providers for immediate outreach to affected households. In compensation of cost incurred by KB, the bank is entitle to a claim of composite figure of US\$50 per household.

22.5 It includes an amount of Rs. 27.98 million (2005: Rs. 5 million) received during the year against previously recognized bad debts.

23. ADMINISTRATIVE EXPENSES	NOTES	2006 (Rupees)	2005 (Rupees)
Salaries, wages and benefits	23.1	250,893,032	188,241,493
Charge for defined benefit plan	15.1.2	18,362,432	12,337,262
Contract / seconded staff expenses		55,878,872	42,126,748
Consultancies		231,403	2,419,166
Recruitment and development		3,749,433	1,886,351
Training		10,254,084	9,367,100
Rent and rates		37,649,965	31,313,260
Insurance		4,477,273	5,367,772
Utilities		10,964,315	9,714,677
Legal and professional charges		1,252,045	154,181
Communication		24,715,036	21,274,695
Repairs and maintenance		6,401,693	8,770,961
Printing, stationery and office supplies		17,569,937	20,484,383
Advertisement		8,619,838	8,318,915
Auditors' remuneration	23.2	950,000	1,098,500
Depreciation	11.1	79,150,286	71,171,517
Amortization	11.2	1,251,382	1,075,763
Vehicles' up keep		54,797,927	44,836,405
Traveling and conveyance		13,280,380	12,260,745
Entertainment		3,997,239	3,218,922
Security and hygiene		695,090	292,150
Bank charges		6,177,413	3,243,735
Newspapers and subscriptions		825,738	596,694
Programme cost – USAID		13,197,172	6,059,936
Miscellaneous		873,869	571,086
		<u>626,215,854</u>	<u>506,202,417</u>

23.1 This includes charge of Rs. 3.2 million (2005: Rs 1.5 million) for staff compensated absences.

23.2 Auditors' remuneration	2006 (rupees)	2005 (rupees)
Audit fee	525,000	423,500
Special certifications	255,000	550,000
Out-of-pocket expenses	170,000	125,000
	<u>950,000</u>	<u>1,098,500</u>

23.3 The Bank has not made any donations during the year.

24. OTHER CHARGES	NOTE	2006 (Rupees)	2005 (Rupees)
Penalties imposed by SBP	24.1	<u>20,000</u>	<u>20,000</u>

24.1 Represents penalty imposed by the SBP on account of non-compliance with instructions regarding shifting of branch premises.

25. TAXATION	NOTE	2006 (Rupees)	2005 (Rupees)
This made up as under:			
Current	25.1	16,171,116	17,607,125
Deferred		(6,828,245)	(3,692,346)
		<u>9,342,871</u>	<u>13,914,779</u>

25.1 Although by omission of section 29 of the Khushhali Bank Ordinance, 2000 through the Finance ordinance, 2001, the specific tax exemption available to the bank has been withdrawn, however, the bank claims exemption from income tax (including minimum tax) for the following reasons:

(a) The Bank is established by the Government of Pakistan to mobilize the funds and to provide sustainable microfinance services to poor persons, particularly poor women, in order to mitigate poverty and promote social welfare and economic justice through community building and social mobilization.

(b) Section 39 of the Khushhali Bank Ordinance, 2000 very specifically provides that the profits, if any, and other income of the bank shall not be utilized to pay any dividends to the members and shall be utilized to promote the objectives of the Bank.

Considering the foregoing, the management is of the view that the income of the Bank is exempt from tax under clause 93 and 94 of Part I of Second Schedule to the repealed Income Tax Ordinance, 1979 and clauses 59 and 60 of Part 1 of Second Schedule to the Income Tax Ordinance, 2001. The management is pursuing the matter further with the concerned authorities for obtaining a specific exemption.

In view of the above, the management is of the opinion that no provision is required for tax. However, provision for tax is being made for prudence purposes only as, in case the bank's claim of exemption is rejected, the bank will be liable to pay tax on taxable profits at the applicable tax rates.

		2006 (Rupees)	2005 (Rupees)	
25.2	Relationship between tax expense and tax on accounting profit			
	Accounting profit	32,664,520	26,286,139	
	Tax @ 35% (2005: 37%)	11,432,582	9,725,871	
	Tax effect of timing differences	4,731,534	5,480,254	
	Tax effect of penalties imposed by SBP	7,000	7,400	
	Tax effect of excess perquisites paid to employees	-	2,393,600	
		4,738,534	7,881,254	
	Current tax expense	16,171,116	17,607,125	
	Deferred tax	(6,828,245)	(3,692,346)	
		9,342,871	13,914,779	
26.	CASH AND CASH EQUIVALENTS	2006 (Rupees)	2005 (Rupees)	
	Cash and balances with SBP and NBP	6	318,971,575	487,180,429
	Balances with other banks	7	697,327,240	821,929,844
	Cash and cash equivalents at the end of the year		1,016,298,815	1,309,110,273
27.	NUMBER OF EMPLOYEES - AT THE YEAR END	2006	2005	
	Credit sales staff			
	Permanent	739	691	
	Banking / support staff			
	Permanent	230	195	
	Contractual	822	690	
		1,052	885	
	Total number of employees	1,791	1,576	
28.	NUMBER OF BRANCHES			
	Branches at the beginning of the year	63	52	
	Add: Branches opened during the year	10	11	
	Total branches at the end of the year	73	63	
29.	EARNINGS / (LOSS) PER SHARE			
	Profit / (loss) for the year -after tax	Rupees	23,321,649	12,371,360
	Number of shares outstanding	Numbers	1,705	1,705
	Earnings / (loss) per share	Rupees	13,678	7,256

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

30. REMUNERATION OF DIRECTORS AND EXECUTIVES

	President		Directors		Executives	
	2006	2005	2006	2005	2006	2005
	Rupees		Rupees		Rupees	
Managerial remuneration	1,842,576	1,842,576	-	-	21,496,252	17,568,778
Charge for defined benefit plan	1,188,167	950,169	-	-	9,780,039	6,314,407
Rent and house maintenance	829,164	829,164	-	-	9,673,309	6,759,857
Utilities	184,260	184,260	-	-	2,149,670	2,501,371
Medical	15,276	19,307	-	-	1,755,784	1,635,303
Conveyance	233,784	199,035	-	-	7,198,537	5,087,939
Bonus	-	-	-	-	1,849,287	-
Others	-	-	-	-	70,290	214,634
	<u>4,293,227</u>	<u>4,024,511</u>	<u>-</u>	<u>-</u>	<u>53,973,168</u>	<u>40,082,289</u>
Number of person(s)	<u>1</u>	<u>1</u>	<u>8</u>	<u>8</u>	<u>23</u>	<u>22</u>

30.1 The President is provided with a Bank maintained car.

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

31. SCHEDULE OF MATURITY DISTRIBUTION OF MARKET RATE ASSETS AND LIABILITIES

	TOTAL	UPTO 1 MONTH	OVER 1 MONTH UPTO 6 MONTHS	OVER 6 MONTHS UPTO 1 YEAR	OVER ONE YEAR
	Rupees				
<u>Market Rate Assets</u>					
Advances	2,082,483,915	113,805,177	850,452,888	1,118,225,850	-
Investments	1,369,416,056	217,643,927	980,494,760	-	171,277,369
Balances with SBP and NBP - Deposit accounts	33,240,728	33,240,728	-	-	-
Balances with other banks - Deposit accounts	588,194,864	588,194,864	-	-	-
Lending to financial institutions	1,242,500,000	200,000,000	1,042,500,000	-	-
Total market rate assets	<u>5,315,835,563</u>	<u>1,152,884,696</u>	<u>2,873,447,648</u>	<u>1,118,225,850</u>	<u>171,277,369</u>
<u>Other non-earning assets</u>					
Cash in hand	12,408,476	12,408,476	-	-	-
Balances with SBP and NBP - Current accounts	273,322,371	273,322,371	-	-	-
Balances with other banks - Current accounts	109,132,376	109,132,376	-	-	-
Other assets	889,760,380	47,089,745	744,582,046	36,685,343	61,403,246
Deferred tax asset	47,338,151	-	-	-	47,338,151
Operating fixed assets	199,676,508	6,800,003	34,217,880	41,061,456	117,597,169
Total non-earning assets	<u>1,531,638,262</u>	<u>448,752,971</u>	<u>778,799,926</u>	<u>77,746,799</u>	<u>226,338,566</u>
Total Assets	<u>6,847,473,825</u>	<u>1,601,637,667</u>	<u>3,652,247,574</u>	<u>1,195,972,649</u>	<u>397,615,935</u>
<u>Market Rate Liabilities</u>					
Borrowings from Government of Pakistan	4,364,753,752	-	-	-	4,364,753,752
Borrowings from Financial Institutions	522,000,570	-	522,000,570	-	-
Total market rate liabilities	<u>4,886,754,322</u>	<u>-</u>	<u>522,000,570</u>	<u>-</u>	<u>4,364,753,752</u>
<u>Other non-cost bearing liabilities</u>					
Other liabilities	88,020,862	29,836,745	38,090,235	4,106,633	15,987,249
Total non-cost bearing liabilities	<u>88,020,862</u>	<u>29,836,745</u>	<u>38,090,235</u>	<u>4,106,633</u>	<u>15,987,249</u>
Total Liabilities	<u>4,974,775,184</u>	<u>29,836,745</u>	<u>560,090,805</u>	<u>4,106,633</u>	<u>4,380,741,001</u>
Net Assets	<u>1,872,698,641</u>	<u>1,571,800,922</u>	<u>3,092,156,769</u>	<u>1,191,866,016</u>	<u>(3,983,125,066)</u>
<u>Represented by:</u>					
Share Capital	1,705,000,000				
Statutory reserve	22,161,994				
Un-appropriated profit	12,319,306				
Reserve for contingencies	28,385,353				
Surplus/(deficit) on revaluation of securities	(16,331,258)				
Deferred Grant	121,163,246				
Net Equity	<u>1,872,698,641</u>				

32. FINANCIAL INSTRUMENTS
32.1 Interest rate risk

The Bank's exposure to interest rate risk and the effective rates on its financial assets and liabilities as of 31 December 2006 are summarized as follows:

Description	INTEREST/MARK-UP BEARING										Non Interest Bearing	Total	Interest Rate		
	Rupees													Total	Rupees
	Maturity upto one year	Maturity after one year & upto two years	Maturity after two years & upto three years	Maturity after three years & upto four years	Maturity after four years & upto five years	Maturity after five years	Sub Total	Rupees							
Financial assets:															
Cash and balances in current and other accounts	-	-	-	-	-	-	-	-	-	-	394,863,223	394,863,223	-	-	
Balance in deposits accounts	621,435,592	-	-	-	-	-	-	-	-	-	-	621,435,592	-	0.2 % to 12.1 %	
Lending to financial institutions	1,242,500,000	-	-	-	-	-	-	-	-	-	621,435,592	1,242,500,000	-	10.7 % to 14 %	
Investments	1,198,138,687	-	-	-	-	-	-	-	-	171,277,369	1,369,416,056	1,369,416,056	-	8.6 % to 13.0 %	
Advances	2,082,483,915	-	-	-	-	-	-	-	-	-	2,082,483,915	2,082,483,915	-	20%	
Other assets	-	-	-	-	-	-	-	-	-	-	729,892,899	729,892,899	-	-	
31-Dec-06	5,144,558,194	-	-	-	-	-	-	-	-	171,277,369	5,315,835,563	1,124,756,122	6,440,591,685	-	
Financial liabilities:															
Borrowings	522,000,570	-	210,798,601	210,798,601	210,798,601	210,798,601	3,732,357,949	4,886,754,322	-	-	-	4,886,754,322	-	2.6 % to 9.0%	
Other liabilities	-	-	-	-	-	-	-	-	-	-	88,020,863	88,020,863	-	-	
31-Dec-06	522,000,570	-	210,798,601	210,798,601	210,798,601	210,798,601	3,732,357,949	4,886,754,322	-	-	88,020,863	4,974,775,185	-	-	
Financial assets:															
Cash and balances in current and other accounts	-	-	-	-	-	-	-	-	-	-	374,088,877	374,088,877	-	-	
Balance in deposits accounts	935,021,396	-	-	-	-	-	-	-	-	-	-	935,021,396	-	0.1 % to 12.6 %	
Lending to financial institutions	840,000,000	-	-	-	-	-	-	-	-	-	840,000,000	840,000,000	-	6.3 % to 14 %	
Investments	1,195,641,563	-	-	-	-	-	-	-	-	177,594,872	1,373,236,435	1,373,236,435	-	7.9 % to 13.0 %	
Advances	1,847,625,559	-	-	-	-	-	-	-	-	-	1,847,625,559	1,847,625,559	-	20%	
Other assets	-	-	-	-	-	-	-	-	-	-	472,880,224	472,880,224	-	-	
31-Dec-05	4,818,288,518	-	-	-	-	-	-	-	-	177,594,872	4,995,883,390	846,969,101	5,842,852,491	-	
Financial liabilities:															
Borrowings	200,000,000	-	-	207,636,620	207,636,620	207,636,620	3,605,855,414	4,221,128,654	-	-	-	4,221,128,654	-	1.3 % to 8.5%	
Other liabilities	-	-	-	-	-	-	-	-	-	-	61,326,378	61,326,378	-	-	
31-Dec-05	200,000,000	-	-	207,636,620	207,636,620	207,636,620	3,605,855,414	4,221,128,654	-	-	61,326,378	4,282,455,032	-	-	

32.2 Market risk

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

32.3 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, requiring compulsory savings from borrowers. Furthermore, COs are structured in a way to exert social pressure on the borrowers to perform their obligations.

32.4 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.

32.5 Fair value of financial instruments

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values.

33. Related party transactions

The Bank's related parties comprise of directors, key management personnel, shareholders and entities over which the directors are able to exercise significant influence. The detail of Bank's shareholders is given in note 16.2. Remuneration to chief executive and executives under their normal terms of employment is given in Note 30. Detail of transactions with the Bank's shareholders during the year under normal commercial banking terms are as follows:

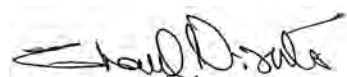
	2006 (Rupees)	2005 (Rupees)
Transactions with shareholder banks during the year:		
Profit earned on deposit accounts	96,919,562	59,327,678
Bank charges	5,592,993	2,761,692
Lending to shareholder banks	7,453,000,000	5,252,000,000
Repayment of lending from shareholder banks	6,188,000,000	5,012,000,000
Interest income	20,356,247	6,671,739
Lending from shareholder banks	1,986,179,705	1,513,187,330
Repayment of lending to shareholder banks	1,671,179,705	1,513,187,330
Interest expense	29,981,373	9,880,511
Contributions to gratuity fund	-	18,896,423
Balances outstanding at the year end		
Bank balances with shareholder banks	1,243,280,359	1,209,285,051
Advances receivable from executives	13,595,374	13,161,914
Balance payable to gratuity fund	16,829,621	2,647,324

34. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 31 March, 2007 by the Board of Directors of the Bank.

35. GENERAL

Figures have been rounded off to the nearest rupee.



PRESIDENT/CHIEF EXECUTIVE



CHAIRMAN



DIRECTOR



DIRECTOR

Branch Network

PUNJAB

Bahawalnagar
Khushhali Bank, Baldia Road
Tel: 063-9240115
Fax: 063-9240116

Bahawalpur
2-Rehan Society, Noor Mahal Road
Tel: 0621-9255316
Fax: 0621- 9255410

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

Dera Ghazi Khan
Near Microwave Tower, Jampur Road
Tel: 064-9260535
Fax: 064-9260519

Faisalabad
B-472/2, Liaquat Road, Near State Life Building
Tel: 041-9200780
Fax: 041- 9200779

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

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

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

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

Kasur
Main Chowk District Courts Kachehri Road
Sultani Market
Tel: 049-2722818
Fax: 049-2722817

Lahore
11-B Shadman-I, Shadman Chowk, Jail Road
Tel: 042-7534789
Fax: 042- 7534808

Leyyah
Plot # 405/B, 2nd Chaubara Road, Near Muslim
Commercial Bank
Tel: 0606-414705-6
Fax: 0606-414506

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

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

Multan
First Floor, NIPCO House 63-A, Abdali Road
Tel: 061-4782354-55/4783057
Fax: 061- 4782356

Narowal
Usman Plaza, Circular Road,
Moore Saddiq Pura
Tel: 054-2414267

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

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

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

Sahiwal
276/B-1, Jinnah Road (High Street), 1st Floor
Alflah Tower
Tel: 040-4223261
Fax: 040-4223262

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

Sialkot
1st Floor, Ali Complex, Railway Road
Tel: 052-9250527
Fax: 052-9250528

Taunsa Sharif
Mangorha Road
Tel: 0642-601467
Fax: 0642-601395

Vehari
1st Floor, Daha City Plaza, F-63, College Road,
Near Gool Chowk
Tel: 067-3360306
Fax: 067-3360307

NWFP

<p>Abbotabad 1st Floor, Silk Plaza, Supply Bazar, Mansehra Road Tel: 0992-343108 Fax: 0992-343109</p>	<p>Malakand Shop # 1-5 & 29-34, Tahir Plaza, Main Bazar. Tel: 0932-415039</p>
<p>Batagram First Floor, United Market Main Shahrah-e-Resham Tel: 0997-311778</p>	<p>Mardan House # 27 , The Mall Tel: 0937-9230445 Fax: 0937-9230446</p>
<p>Charsadda Ajmal Market, Tangi Road Tel: 091-6515724 Fax: 091-6515489</p>	<p>Mansehra Abid Khan Plaza, Near Kahu Ziarat Shinkiari Road, Tel: 0997-920046 Fax: 0997-920047</p>
<p>D.I. Khan Al-Zaman Building, Near Siraj Medical Center, West Circular Road Tel: 0966-812029 Fax: 0966-711382</p>	<p>Peshawar Ground Floor, Hurmaz Plaza, Tehkal Payan, University Road Tel: 091-9218366/5840388 Fax: 091-5840377</p>
<p>Haripur Pankad Area, Shahrah-e-Hazara Tel: 0995-610181</p>	<p>Shangla Shangla Plaza, College Road Alpuri, Shangla. Tel: 0996-850685 Fax: 096-850691</p>
<p>Karak Kakakhel Market, Main Sabirabad Road. Tel: 0927-210001 Fax: 0927-210002</p>	<p>Swat (Mingora) First Floor, Abasin Towers, New Maidan Road Tel: 0946-729410 Fax: 0946-729411</p>
<p>Kohat Samad Plaza, Behzadi Chakarkot, Bannu Road Tel: 0922-522875 Fax: 0922-522876</p>	<p>Swabi Rehman Market, Swabi Mardan Road. Tel: 0938-330075 Fax: 0938-223212</p>
<p>Kohistan Ground Floor, Kamila Market, Silk Road, Dassu, Kohistan.</p>	

SINDH

Badin

Adjacent Abbasi Hospital,
Main DCO Chowk, Karachi Road
Tel: 0297-862330
Fax: 0297-810149

Dadu

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

Ghotki

Sada Bahar Shopping Center,
Near Bilal Mosque, Main GT Road
Tel: 0723-600239
Fax: 0723-600240
Hyderabad
Shop # 2-3, Defence Plaza,
Thandi Sadak
Tel: 0222-786620
Fax: 0222-786621

Jacobabad

Station Road, Near PIA Office
Mahala Shaikh
Tel: 0722-652001
Fax: 0722-650302

Karachi

Ground Floor, Block-C, Finance
& Trade Centre,
Shahrah-e-Faisal
Tel: 021-9204124-30
Fax: 021- 9204132

Khairpur

Katchary Road, Near National Saving Khairpur Mir's.
Tel: 0243 - 714064
Fax: 0243-714065

Larkana

H #. 1588, Jan Mohd Jonejo Road, Near Jarral
Shah Bukhari
Tel: 0741-9410846
Fax: 0741-9410847

Mithi

Shahi Bazar, Near Press Club
Tel: 02322-62304
Fax: 02322-62305

Mirpur Khas

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

Nawabshah

House # C-S 2146 - 138, Dour Buchery Road,
Kazi Ahmed More
Tel: 0244-370093
Fax: 0244-370094

Nowsherofroze

National Highway
Tel: 0242- 481275
Fax: 0242- 481274

Sukkur

Plot # 64, Sindhi Muslim Society,
Near Red Carpet
Hotel, Military Road.
Tel: 071-9310527 /9310528
Fax: 071-9310530

Shikarpur

Sattari Building, Plot # 23/34/5,
Station Road
Tel: 0726-520072
Fax: 0726-521802

Sehwan Sharif

Shop # 3, Jahaz chowk
near new Bus Stand, Station Road
Tel: 0254-620700
Fax: 0254-620700

Sanghar

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

Thatta

Adjacent to Jahanzeb Hotel,
Main National Highway
Tel: 0298-550783
Fax: 0298-550784

BALOCHISTAN

Barkhan (Rakhni)
Near National Bank of Pakistan,
Rakhni branch, Rakhni
Tel: 0829-688368
Fax: 0829-688367

Gawadar
Shop no. 1-4 Super Gazarwan Market,
Airport Road
Tel: 0864-211764

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

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

Mastung
Masjid Road, Near National Saving Center
Tel: 0843-897426
Fax: 0843-897428

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

Pishin
Malik Plaza,
By-Pass Road
Tel: 0826-421111
Fax: 0826-421123

Quetta
Shop # 4, Usman Complex,
Hali Road, Quetta
Tel: 081-9201537 - 64
Fax: 081-9201528

Sibbi
84-A, Block-4, Jinnah Road
Tel: 0831-9230059
Fax: 0831-412949

Sanjawi (Ziarat)
Shop # 08, Haji Faizullah Market
Main Bazar
Tel: 0824-665572
Fax: 0824-665572

Zhob
1st Floor, House # C/196
Tehsil Road, Babu Mohalla
Tel: 0822-413497
Fax: 0822-412099

AZAD KASHMIR

Bagh
Jamil Plaza, Ground Floor,
By Pass Road, Bagh.
Tel: 058720-45061

Muzafarabad
House # D-51, Upper Chattar Housing Scheme,
Opposite SBP
Tel: 058810-34485/86
Fax: 058810-34487

Neelam
Patmakam, Near NADRA Office,
Neelam

Rawalakot
First Floor, Riaz Plaza, Near Tourism Hotel,
Rawalpindi Road, Rawalakot.
Tel: 058710-42710
Fax: 058710-43245

FATA

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

Kurram Agency
PA Chowk, Thari Road, Parachinar,
Kurram Agency
Tel: 0926-312375
Fax: 0926-311375

فوشدهالی بینک



khushhalibank

prosperity, on all accounts