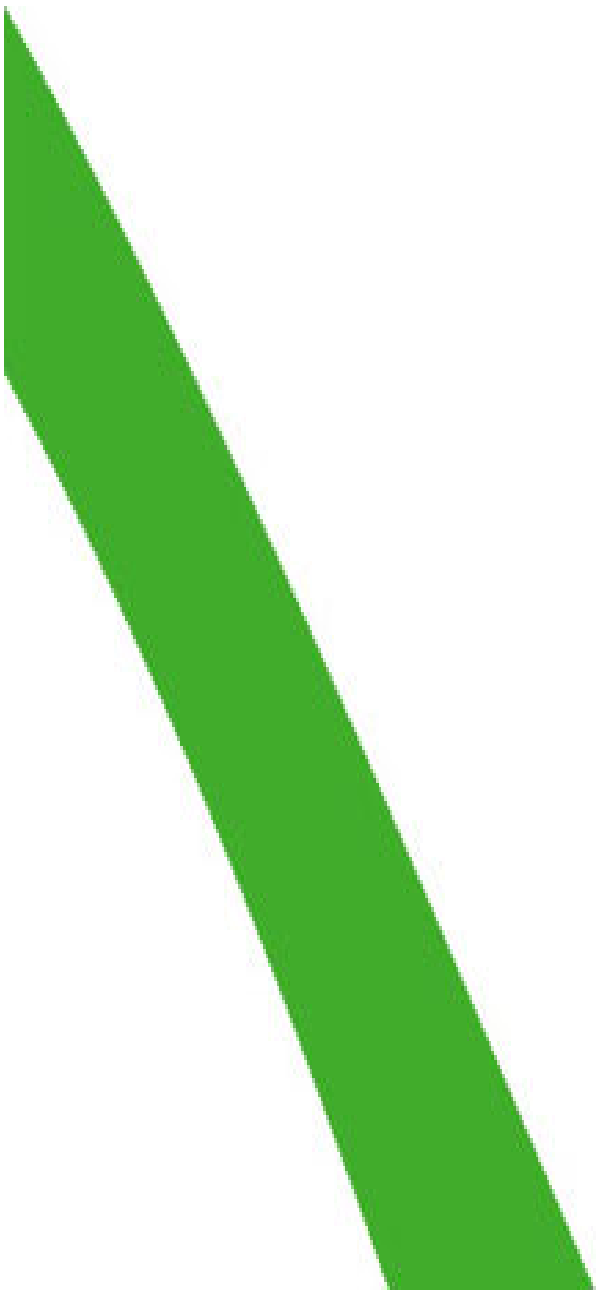


**Condensed Interim Financial  
Statements for the half year ended  
June 30, 2022**





EY Ford Rhodes  
Chartered Accountants  
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## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Khushhali Microfinance Bank Limited

Report on review of Condensed Interim Financial Statements

### Introduction

We have reviewed the accompanying condensed interim statement of financial position of Khushhali Microfinance Bank Limited ("the Bank") as at 30 June 2022, and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim cash flow statement and notes to the condensed interim financial statements for the six month period then ended (here-in-after referred to as the "condensed interim financial statements"). Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the review resulting in this independent auditor's report is Ahsan Shahzad.

**Chartered Accountants**

**Place:** Islamabad

**Date:** 30 August 2022

**UDIN:** RR202210079NydhOF9sA

**KHUSHHALI MICROFINANCE BANK LIMITED**  
**CONDENSED INTERIM BALANCE SHEET**  
**AS AT 30 JUNE 2022**

	Note	30 June 2022 (Unaudited)	31 December 2021 (Audited)
-----Rupees '000-----			
<b>ASSETS</b>			
Cash and balances with SBP and NBP	7	3,752,187	3,883,711
Balances with other banks/NBFIs/MFBs	8	5,821,149	10,177,317
Lending to financial institutions	9	1,298,520	100,000
Investments	10	12,826,630	14,089,836
Advances - net of provisions	11	79,602,351	70,884,244
Operating fixed assets	12	3,670,889	3,578,798
Other assets	13	12,705,391	13,270,613
Deferred tax asset	14	1,413,972	539,407
<b>Total assets</b>		<b>121,091,089</b>	<b>116,523,926</b>
<b>LIABILITIES</b>			
Deposits	15	96,856,967	93,162,369
Borrowings	16	5,971,300	4,608,379
Subordinated debt	17	4,500,000	3,000,000
Other liabilities	18	4,446,395	4,568,629
<b>Total liabilities</b>		<b>111,774,662</b>	<b>105,339,377</b>
<b>NET ASSETS</b>		<b>9,316,427</b>	<b>11,184,549</b>
<b>REPRESENTED BY:</b>			
Share capital	19	1,705,000	1,705,000
Statutory reserve		1,900,415	1,900,415
Capital reserve		24,255	24,255
Unappropriated profit		5,747,262	7,616,090
		<b>9,376,932</b>	<b>11,245,760</b>
Deficit on revaluation of assets		<b>(60,505)</b>	<b>(61,211)</b>
<b>Total capital</b>		<b>9,316,427</b>	<b>11,184,549</b>
<b>MEMORANDUM / OFF-BALANCE SHEET ITEMS</b>	20	-	-

The annexed notes from, 1 to 28, form an integral part of these condensed interim financial statements.


  
**PRESIDENT**

  
**CHAIRMAN**

**KHUSHHALI MICROFINANCE BANK LIMITED**  
**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)**  
**FOR THE HALF YEAR ENDED 30 JUNE 2022**

	Note	Half year ended	
		30 June 2022	30 June 2021
-----Rupees '000-----			
Mark-up/ return/ interest earned	21	8,434,096	8,916,948
Mark-up/ return/ interest expensed	22	5,283,470	4,452,938
Net mark-up/ interest income		3,150,626	4,464,010
Provision against non-performing loans and advances		3,135,595	1,282,638
Bad debts written-off directly		41,949	10,485
<b>Net mark-up/ interest (loss) / income after provisions</b>		<b>(26,918)</b>	<b>3,170,887</b>
<b>NON MARK-UP / NON INTEREST INCOME</b>			
Fee, commission and brokerage income	23	998,416	857,454
Other income	24	51,873	54,285
<b>Total non-markup / non interest income</b>		<b>1,050,289</b>	<b>911,739</b>
		<b>1,023,371</b>	<b>4,082,626</b>
<b>NON MARK-UP / NON INTEREST EXPENSE</b>			
Administrative expenses		3,605,474	3,204,261
Other provisions		34,014	49,458
Other charges		9,010	9,339
<b>Total non-markup / interest expenses</b>		<b>3,648,498</b>	<b>3,263,058</b>
<b>(LOSS) / PROFIT BEFORE TAXATION</b>		<b>(2,625,127)</b>	<b>819,568</b>
<b>TAXATION</b>			
Current		118,554	307,055
Prior year		-	-
Deferred		(874,853)	(88,433)
		<b>(756,299)</b>	<b>218,622</b>
<b>(LOSS) / PROFIT AFTER TAXATION</b>		<b>(1,868,828)</b>	<b>600,946</b>
Unappropriated profit brought forward		7,616,090	7,200,276
<b>Profit available for appropriations</b>		<b>5,747,262</b>	<b>7,801,222</b>
<b>APPROPRIATIONS - TRANSFERS TO</b>			
Statutory reserve		-	30,047
Microfinance social development fund		-	60,095
Depositors' protection fund		-	30,047
Risk mitigation fund		-	30,047
		-	150,236
<b>UNAPPROPRIATED PROFIT CARRIED FORWARD</b>		<b>5,747,262</b>	<b>7,650,986</b>
-----Rupees-----			
<b>(LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED</b>	25	<b>(10.96)</b>	<b>2.82</b>

The annexed notes from, 1 to 28, form an integral part of these condensed interim financial statements.

  
**PRESIDENT**

  
**CHAIRMAN**

**KHUSHHALI MICROFINANCE BANK LIMITED**  
**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**  
**FOR THE HALF YEAR ENDED 30 JUNE 2022**

	Half year ended	
	30 June 2022	30 June 2021
	-----Rupees '000-----	
<b>(Loss) / Profit after taxation</b>	(1,868,828)	600,946
<b>Other comprehensive income</b>	-	-
Comprehensive (loss) / income for the period transferred to equity	(1,868,828)	600,946
<b>Comprehensive (loss) / income for the period not transferred to equity</b>		
Items that may be subsequently reclassified to profit and loss:		
(Deficit) / Surplus on revaluation of investments - AFS	(85,218)	(16,773)
Transfer to profit and loss on disposal of available for sale investments	-	10,541
Deferred tax relating to revaluation of investments - AFS	24,713	1,807
<b>Comprehensive (loss) / income for the period not transferred to equity</b>	(60,505)	(4,425)

The annexed notes from, 1 to 28, form an integral part of these condensed interim financial statements.

PRESIDENT

CHAIRMAN

**KHUSHALI MICROFINANCE BANK LIMITED**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
**FOR THE HALF YEAR ENDED 30 JUNE 2022**

	Share capital	Statutory reserve	Capital reserve	Unappropriated profit	Total
	-----Rupees '000-----				
Balance as at 31 December 2020	1,705,000	1,871,831	24,255	7,200,276	10,801,362
<b>Total comprehensive income for the half year ended 30 June 2021</b>					
Net profit for the half year ended 30 June 2021	-	-	-	600,946	600,946
Other comprehensive income	-	-	-	-	-
	-	-	-	600,946	600,946
<b>Transfers to</b>					
Statutory reserve	-	30,047	-	(30,047)	-
Microfinance Social Development Fund	-	-	-	(60,095)	(60,095)
Risk Mitigation Fund	-	-	-	(30,047)	(30,047)
Depositors' Protection Fund	-	-	-	(30,047)	(30,047)
	-	30,047	-	(150,236)	(120,189)
Balance as at 30 June 2021	<u>1,705,000</u>	<u>1,901,878</u>	<u>24,255</u>	<u>7,650,986</u>	<u>11,282,119</u>
<b>Total comprehensive income for the six months ended 31 December 2021</b>					
Net profit for the six months ended 31 December 2021	-	-	-	(29,266)	(29,266)
Other comprehensive income	-	-	-	(12,946)	(12,946)
	-	-	-	(42,212)	(42,212)
<b>Transfers to</b>					
Statutory reserve	-	(1,463)	-	1,463	-
Microfinance Social Development Fund	-	-	-	2,927	2,927
Risk Mitigation Fund	-	-	-	1,463	1,463
Depositors' Protection Fund	-	-	-	1,463	1,463
	-	(1,463)	-	7,316	5,853
Balance as at 31 December 2021	<u>1,705,000</u>	<u>1,900,415</u>	<u>24,255</u>	<u>7,616,090</u>	<u>11,245,760</u>
<b>Total comprehensive income for the half year ended 30 June 2022</b>					
Net loss for the half year ended 30 June 2022	-	-	-	(1,868,828)	(1,868,828)
Other comprehensive income	-	-	-	-	-
	-	-	-	(1,868,828)	(1,868,828)
<b>Transfers to</b>					
Statutory reserve	-	-	-	-	-
Microfinance Social Development Fund	-	-	-	-	-
Risk Mitigation Fund	-	-	-	-	-
Depositors' Protection Fund	-	-	-	-	-
	-	-	-	-	-
Balance as at 30 June 2022	<u>1,705,000</u>	<u>1,900,415</u>	<u>24,255</u>	<u>5,747,262</u>	<u>9,376,932</u>

The annexed notes from, 1 to 28, form an integral part of these condensed interim financial statements.


  
PRESIDENT

  
CHAIRMAN

**KHUSHHALI MICROFINANCE BANK LIMITED**  
**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)**  
**FOR THE HALF YEAR ENDED 30 JUNE 2022**

	Note	Half year ended	
		30 June 2022	30 June 2021
		-----Rupees '000-----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Loss) / Profit before taxation		(2,625,127)	819,568
<b>Adjustment for non cash items:</b>			
Depreciation of property and equipment		251,571	236,987
Depreciation of right of use asset		193,484	184,774
Amortization of intangible assets		60,449	73,699
Provision against non performing advances		3,135,595	1,725,140
(Gain) / Loss on disposal of operating fixed assets		970	(7,941)
Mark-up / return / interest earned		(7,173,821)	(7,965,399)
Interest income on investments and deposits		(1,260,275)	(951,549)
Interest expense on borrowings and deposits		4,952,313	4,208,217
Interest expense on subordinated debt		212,536	120,652
Interest expense on lease liability		118,621	124,069
Provision against other assets		75,963	49,458
Charge for defined benefit plan		82,138	74,130
		649,544	(2,127,763)
<b>Loss before changes in operating assets and liabilities</b>		(1,975,583)	(1,308,195)
<b>(Increase) / decrease in operating assets:</b>			
Lending to financial institutions		(1,198,520)	795,981
Advances		(11,791,580)	(5,382,928)
Other assets		(232,458)	78,784
		(13,222,558)	(4,508,163)
<b>(Decrease) / increase in operating liabilities:</b>			
Deposits		3,694,598	(1,316,680)
Other liabilities		(76,219)	(18,223)
		3,618,379	(1,334,903)
<b>Net cash used inoperating activities</b>		(11,579,762)	(7,151,261)
Markup received on advances		8,091,308	6,476,824
Interest received on investment and deposit accounts		1,149,278	929,836
Interest paid on deposits, borrowings and subordinated debt		(5,226,649)	(4,463,169)
Interest paid on leases		(118,621)	(124,069)
Payments to defined benefit plan		(130,356)	(38,460)
Income tax paid		(157,593)	(450,973)
<b>Net cash used in operating activities</b>		(7,972,395)	(4,821,272)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment in held to maturity securities - net		1,264,201	2,058,331
Purchase of operating fixed assets		(460,933)	(377,227)
Sale proceeds of operating fixed assets		293	17,427
<b>Net cash inflow from investing activities</b>		803,561	1,698,531
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Principal paid against leases		(181,779)	(138,034)
Subordinated debt received		1,500,000	600,000
Borrowings received		139,334,390	1,400,000
Borrowings paid		(137,971,469)	(223,541)
<b>Net cash inflow from financing activities</b>		2,681,142	1,638,425
<b>Net decrease in cash and cash equivalents</b>		(4,487,692)	(1,484,316)
<b>Cash and cash equivalents at beginning of the period</b>		14,061,028	13,602,442
<b>Cash and cash equivalents at the end of the period</b>		9,573,336	12,118,126
<b>Cash and cash equivalents comprise of the following:</b>			
Cash and balances with State Bank of Pakistan and National Bank of Pakistan	7	3,752,187	2,660,553
Balances with other banks / NBFIs / MFBs	8	5,821,149	9,457,573
		9,573,336	12,118,126

The annexed notes from, 1 to 28, form an integral part of these condensed interim financial statements.

  
**PRESIDENT**

  
**CHAIRMAN**

**KHUSHHALI MICROFINANCE BANK LIMITED****NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
FOR THE HALF YEAR ENDED 30 JUNE 2022****1 STATUS AND NATURE OF BUSINESS**

Khushhali Microfinance Bank Limited (KMBL/the Bank) came into existence with the promulgation of the Khushhali Bank Ordinance 2000, as a corporate body with limited liability on 4 August 2000. It commenced its business with the issuance of license by the State Bank of Pakistan (SBP) on 11 August 2000. KMBL was established to mobilize funds for providing microfinance services to poor persons, particularly poor women for mitigating poverty and promoting social welfare and economic justice through community building and social mobilization with the ultimate objective of poverty alleviation.

In pursuance to the requirements of improving Access to Financing Service Program (IAFSP) Agreement signed in 2008 between Government of Pakistan (GOP) and Asian Development Bank, where by all microfinance institutions in Pakistan including KMBL were required to operate under Microfinance Institutions Ordinance, 2001. Consequently, with the approval of SBP, KMBL was incorporated as a public company with Securities and Exchange Commission of Pakistan (SECP) and Certificate of incorporation was issued under the repealed Companies Ordinance, 1984 (replaced by Companies Act, 2017) on 28 February 2008.

On March 18, 2008, SBP sanctioned a scheme for transfer of assets, liabilities and undertaking of Khushhali Bank (KB) into KMBL with effect from April 1, 2008, a microfinance institution licensed under the Microfinance Institution Ordinance, 2001. In accordance with the scheme of conversion all assets and liabilities of the KB were transferred to the Bank at their respective book values based on the audited accounts of the Bank as of March 31, 2008.

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

On November 01, 2019, responsAbility Management Company S.A has been replaced as management company by MultiConcept Fund Management Company S.A., acting in its own name but on behalf of the fund ( the "New Management Company").

The Bank's registered office and principal place of business is situated at 5th Floor, Ufone Tower, Blue Area, Islamabad. The Bank has 214 branches and 24 permanent booths in operation as at 30 June 2022 (31 December 2021: 206 branches and 33 permanent booths) and is licensed to operate nationwide.

**2 BASIS OF PREPARATION & STATEMENT OF COMPLIANCE**

2.1 These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Microfinance Institutions Ordinance, 2001 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

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

State Bank of Pakistan, vide SBP BPRD circular no. 03, dated 05 July 2022, has extended the applicable date of adoption of IFRS-9 'Financial Instrument' from annual periods beginning on or after 01 January 2022 to annual periods beginning on or after 01 January 2024.





- 2.2 These condensed interim financial statements do not include all the information and disclosures required for the annual financial statements, and should be read in conjunction with the annual financial statements of the Bank as at December 31, 2021, which have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for financial reporting. The accounting and reporting standards as applicable in Pakistan for financial reporting comprise of: 'International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017; Provisions of and directives issued under the Microfinance Institutions Ordinance, 2001 and the Companies Act, 2017; and Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Microfinance Institution Ordinance, 2001, the Companies Act, 2017 or the directives issued by the SBP and SECP differ with the requirements of IFRS, the requirements of the Microfinance Ordinance, 2001, the Companies Act, 2017 and the said directives shall prevail.

### 3 BASIS OF MEASUREMENT

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

### 4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements for the year ended 31 December 2021.

### 5 ACCOUNTING ESTIMATES

The basis for accounting estimates adopted in the preparation of this condensed interim financial statements are the same as those applied in the preparation of the financial statements of KMBL for the year ended 31 December 2021.

### 6 Revision in Prudential regulation for Micro Finance Banks

State Bank of Pakistan, vide SBP BPRD circular no. 02, dated 16 March 2022, has changed maximum loan size and eligibility of borrower (R-5), classification of assets and provisioning requirement (R-8) and charging of non- performing loans (R-10) criteria. Accordingly, the bank has adopted these changes in June 30, 2022 condensed financial statements.

*JPR*

	Note	30 June 2022 (Unaudited)	31 December 2021 (Audited)
-----Rupees '000-----			
<b>7 CASH AND BALANCES WITH SBP AND NBP</b>			
Cash in hand - Local currency		1,235,272	1,406,362
<b>Balance with State Bank of Pakistan in</b>			
Local currency current accounts - SBP	7.1	2,516,165	2,409,300
<b>Balance with National Bank of Pakistan in</b>			
Local currency deposit accounts - NBP	7.2	750	68,049
		<u>3,752,187</u>	<u>3,883,711</u>

7.1 This represents the balance maintained with SBP to meet the requirement of maintaining a minimum balance equivalent to 5.00% (2021: 5.00%) of the Bank's time and demand deposits with a tenure of less than one year, in accordance with the requirement of R-3A of the Prudential Regulations.

7.2 This represents balances held in saving account carrying interest at the rate of 12.25% (2021: 7.25%) per annum.

	Note	30 June 2022 (Unaudited)	31 December 2021 (Audited)
-----Rupees '000-----			
<b>8 BALANCES WITH OTHER BANKS/NBFIS/MFBS</b>			
In Pakistan:			
Local currency current accounts		533,882	654,488
Local currency deposit accounts	8.1	5,287,267	9,522,829
		<u>5,821,149</u>	<u>10,177,317</u>

8.1 This represents corporate accounts carry interest rates ranging from 6.50% to 14.50% (2021: 4.50% to 12.25%) per annum.

	Note	30 June 2022 (Unaudited)	31 December 2021 (Audited)
-----Rupees '000-----			
<b>9 LENDING TO FINANCIAL INSTITUTIONS</b>			
Repurchase agreement lending (reverse repo)	9.1	973,520	-
Call lending	9.2	325,000	100,000
		<u>1,298,520</u>	<u>100,000</u>

9.1 This represented reverse repo transactions carried interest at the rate ranging from 14.00% to 14.50% per annum and maturing on 04 July and 13 July 2022 respectively. (2021: Nil)

9.1.1 Securities held as collateral against lending to financial institutions - reverse repo was as follows:

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
-----Rupees '000-----		
Market Treasury Bills/PIB's - Held by bank	1,000,000	-
	<u>1,000,000</u>	<u>-</u>

9.2 This represents call lending carrying interest at the rate of 13.75% to 14.00% per annum maturing on 04 July 2022 (2021: 10.70% per annum maturing on January 4, 2022)

	Note	30 June 2022 (Unaudited)	31 December 2021 (Audited)
-----Rupees '000-----			
<b>10 INVESTMENTS</b>			
<b>Available for sale (AFS)</b>			
<b>Federal Government Securities</b>			
Market Treasury Bills - AFS	10.1	1,979,134	3,451,863
Pakistan Investment Bonds (PIB's)	10.2	10,782,714	7,574,186
<b>Held to maturity (HTM)</b>			
Term finance certificates (TFCs)	10.3	150,000	150,000
Term deposit receipts (TDRs)	10.4	-	3,000,000
		150,000	3,150,000
Deficit on revaluation of AFS investments	10.5	(85,218)	(86,213)
		<u>12,826,630</u>	<u>14,089,836</u>

10.1 This represents T-Bills having maturity period of 28 days (2021: 26 to 68 days) carrying yield at the rate ranging from 14.25% to 14.35% (2021: 7.47% to 9.88%) per annum.

10.2 This represents 3 years PIB's having fixed/floater coupon rate ranging from 7.00% to 15.40% per annum (2021: 7.00% to 9.00% per annum) maturing on June 2023, October 2023 and October 2024. (2021: June 2023, August 2023, September 2023, October 2023)

10.3 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.

	Note	30 June 2022 (Unaudited)	31 December 2021 (Audited)
-----Rupees '000-----			
<b>10.4 Term deposit receipts (TDRs)</b>			
Micro finance banks		-	1,000,000
Other banks / DFIs / NBFIs		-	2,000,000
		<u>-</u>	<u>3,000,000</u>

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

JR

## Khushhali Microfinance Bank Limited

	30 June 2022 (Unaudited)		31 December 2021 (Audited)	
	Number of loans outstanding	Amount of loans outstanding	Number of loans outstanding	Amount of loans outstanding
	Number	Rupees '000	Number	Rupees '000
11				
<b>ADVANCES - NET OF PROVISIONS</b>				
Micro credit:				
Secured	224,427	37,989,262	185,977	28,067,180
Unsecured	557,074	42,776,346	614,243	42,715,117
	781,501	80,765,608	800,220	70,782,297
11.1				
Less: provisions held:				
Specific		(2,252,358)		(575,014)
General		(821,115)		(1,053,777)
		(3,073,473)		(1,628,791)
		77,692,135		69,153,506
Microcredit advances - net of provisions				
Staff loans	2,670	1,910,216	2,614	1,730,738
Advances - net of provisions	784,171	79,602,351	802,834	70,884,244

11.1 This includes deferred, rollover and reschedule loans amounting to Rs 15.57 billion (2021: Rs 19.58 billion).

## 11.2 Particulars of provision against non-performing advances

	30 June 2022 (Unaudited)		31 December 2021 (Audited)	
	General	Total	General	Total
	Rupees '000			
Opening balance	575,014	1,628,791	815,513	1,464,854
Provision charge for the period / year - net	3,368,257	3,135,595	370,030	3,938,294
Advances written off against provision	(1,690,913)	(1,690,913)	(3,774,357)	3,774,357
	1,677,344	1,444,682	(74,327)	163,937
Closing balance	2,252,358	3,073,473	575,014	1,628,791

TJR

		30 June 2022 (Unaudited)	31 December 2021 (Audited)
	Note	-----Rupees '000-----	
<b>12 OPERATING FIXED ASSETS</b>			
Capital work-in-progress		442,429	204,687
Right of use assets		1,363,063	1,418,622
Property and equipment		1,348,909	1,394,789
Intangible assets		516,488	560,700
		<u>3,670,889</u>	<u>3,578,798</u>
<b>12.1</b>	Details of additions and deletions during the period / year are as follows:		
Additions			
Capital work-in-progress		460,933	251,591
Right of use assets		137,925	235,872
Property and equipment		206,955	485,712
Intangible assets		16,236	160,670
		<u>822,049</u>	<u>1,133,845</u>
Less: transfers from capital work-in-progress			
Property and equipment		(206,955)	(172,200)
Intangible assets		(16,236)	(60,359)
		<u>(223,191)</u>	<u>(232,559)</u>
		<u>598,858</u>	<u>901,286</u>
Deletions (at net book value)			
Property and equipment		(1,263)	(13,582)
		<u>(1,263)</u>	<u>(13,582)</u>
<b>13 OTHER ASSETS</b>			
Mark-up accrued		11,153,200	12,070,687
Interest receivable on investments and deposit accounts		302,089	191,092
Loan and advances - unsecured			
Employees		10,982	8,265
Suppliers		20,741	16,721
		<u>31,723</u>	<u>24,986</u>
Receivable from Microfinance Social Development Fund (MSDF)		25,444	21,078
Insurance premium receivable from SBP		328,172	213,649
Prepayments		273,185	171,318
Advance corporate tax - net		335,593	296,554
Insurance claims receivable		59,120	56,943
Receivable from defined benefit plan - KMBL employees gratuity fund		6,479	-
Security deposits		6,873	6,873
Other receivables	13.1	345,491	345,397
		<u>12,867,369</u>	<u>13,398,577</u>
Less: Provision against doubtful receivables			
Opening balance		127,964	75,960
Provision charge for the period / year - other assets		34,014	62,145
Receivables written off against provision		-	(10,141)
Closing balance	13.2	161,978	127,964
		<u>12,705,391</u>	<u>13,270,613</u>
13.1	This includes an amount of Rs. 71.95 million (2021: Rs. 71.95 million) paid under protest to the taxation authorities.		
13.2	This represents provisions made against receivables from resigned employees, cash embezzlement and insurance claim receivables.		

30 June 2022      31 December 2021  
(Unaudited)      (Audited)  
-----Rupees '000-----

14 DEFERRED TAX ASSET

Deferred tax assets arising on account of temporary differences in:

Provision against advances and other assets	938,281	509,460
Remeasurement of post employment benefit obligation	55,754	55,894
Provisions against workers' welfare fund	25,504	25,002
Accumulated Tax Loss	306,270	-
Minimum Tax	118,555	-
Deficit on revaluation of assets - AFS	24,713	22,866
	1,469,077	613,222

Deferred tax liability in respect of:

Operating fixed assets	(55,105)	(73,815)
	(55,105)	(73,815)
	1,413,972	539,407

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

15 DEPOSITS

	30 June 2022		31 December 2021	
	(Unaudited)		(Audited)	
	Number of accounts	Rupees '000	Number of accounts	Rupees '000
Fixed deposits	55,833	59,955,158	64,455	54,051,370
Saving deposits	79,953	29,957,770	77,276	28,840,400
Current deposits	2,879,974	6,944,039	2,848,391	10,270,599
	3,015,760	96,856,967	2,990,122	93,162,369

15.1 Particulars of deposits by ownership

Individual depositors	3,011,278	69,998,427	2,985,884	73,677,820
Institutional depositors				
Corporations / firms	4,451	20,478,283	4,209	15,175,055
Banks / financial institutions	31	6,380,257	29	4,309,494
	3,015,760	96,856,967	2,990,122	93,162,369

		30 June 2022	31 December 2021
	Note	(Unaudited)	(Audited)
		-----Rupees '000-----	
<b>16</b>	<b>BORROWINGS</b>		
	Borrowings from financial institutions in Pakistan	5,971,300	4,608,379
<b>16.1</b>	<b>Borrowing from financial institutions in Pakistan</b>		
	Pak Oman Investment Company Limited (TF-IV)	-	62,500
	Allied Bank Limited (TF-1)	-	8,333
	The Bank of Punjab (TF-2)	500,000	500,000
	Pakistan Mortgage Refinance Company Limited (TF-1)	900,000	900,000
	Pakistan Mortgage Refinance Company Limited (TF-2)	450,000	-
	Pakistan Mortgage Refinance Company Limited (TF-3)	450,000	-
	Allied Bank Limited (RF)	200,000	200,000
	Repo Borrowing	3,471,300	2,937,546
		<u>5,971,300</u>	<u>4,608,379</u>
<b>16.2</b>	<b>Loan repayment schedule:</b>		
	Opening balance	4,608,379	427,708
	Availed during the period	139,334,390	151,948,367
	Repayment during the period / year	(137,971,469)	(147,767,696)
	Closing balance	<u>5,971,300</u>	<u>4,608,379</u>
<b>17</b>	<b>SUBORDINATED DEBT</b>		
	Term finance certificate (TFC) - I	1,000,000	1,000,000
	Term finance certificate (TFC) - II	1,400,000	1,400,000
	Term finance certificate (TFC) - III	600,000	600,000
	Term finance certificate (TFC) - IV	1,500,000	-
		<u>4,500,000</u>	<u>3,000,000</u>
<b>17.1</b>	The Bank has raised 10,000/- rated, unsecured, subordinated and privately placed term finance certificates of face value Rs 100,000/- each fully subscribed on 19 March 2018 to improve capital adequacy at the rate of 6 month KIBOR plus 2.05% per annum. The issue is for a period of 8 years from the date of subscription and mature on 19 March 2026. The issue has call option after 10th redemption date including lock-in and loss absorbency clause. The principal will redeemed in two equal semi annual installments falling on the end of 90th month and 96th month from the date of issue. The issue has preliminary rating of 'single A' with stable outlook.		
<b>17.2</b>	This represents rated, unsecured, subordinated and privately placed term finance certificates of face value Rs.100,000/- each fully subscribed on 27 December 2019 to improve capital adequacy at the rate of 3 month KIBOR plus 2.70% per annum. The issue is for a period of 8 years from the date of subscription and will mature on 27 December 2027. The issue has assigned preliminary rating of single 'A' (Single A) with stable outlook. The principal amount of issued TFC - II will be redeemed in twelve equal quarterly installments, commencing from the 63rd month from the issue date including lock-in and loss absorbency clause.		
<b>17.3</b>	This represents 6,000 unsecured, subordinated and privately placed term finance certificates of face value 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 will mature on 18 June, 2029. Profit is priced at the rate of 6 months KIBOR plus 2.70% per annum and repayable every three months 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.		
<b>17.4</b>	This represents rated, unsecured, subordinated, privately placed/DSLIR Listed, Perpetual and Non-Cumulative Debt Instrument in the nature of Additional Tier I Capital 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 Number 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 II 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.		

TJR

30 June 2022      31 December 2021  
(Unaudited)      (Audited)  
-----Rupees '000-----

**18 OTHER LIABILITIES**

Mark-up / return / interest payable on deposits	1,007,855	1,142,874
Interest payable on borrowings/subordinated debt	118,975	45,756
Lease liability	1,798,934	1,842,788
Accrued expenses	607,099	695,932
Payable to defined benefit plan - KMBL employees gratuity fund	-	54,697
GST/FED payable	104,264	83,900
Payable to suppliers	68,760	51,276
Bills payable	260,314	184,993
Provision for workers' welfare fund	87,946	78,946
Dividend payable	150,244	150,244
Payable to service providers	17	2,553
Withholding tax payable	-	2,773
Contribution payable to		
Microfinance Social Development Fund	57,168	57,168
Risk Mitigation Fund	28,584	28,584
Depositors' Protection Fund	28,584	28,584
Other payables	127,651	96,802
	<b>4,446,395</b>	<b>4,547,870</b>

**19 SHARE CAPITAL****19.1 Authorized capital**

	Jun-22 Number	Dec-21 Number
Ordinary shares of Rs. 10 each	600,000,000	600,000,000
	<b>600,000,000</b>	<b>600,000,000</b>

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

	Jun-22 Number	Dec-21 Number
Ordinary shares of Rs. 10 each fully paid for consideration other than cash	170,500,000	170,500,000
	<b>170,500,000</b>	<b>170,500,000</b>

**19.3 The shareholders of the Bank are as follows:**

United Bank Limited	506,285	506,285
Rural Impulse Fund II S.A. SICAV-FIS	417,057	417,057
ShoreCap II Limited	243,568	243,568
ASN-NOVIB Mikrokedietfonds	168,795	168,795
MultiConcept Fund Management S.A. (formerly responsibility Management Company S.A)	339,295	339,295
Bank Al Habib Limited	30,000	30,000
	<b>1,705,000</b>	<b>1,705,000</b>

**20 MEMORANDUM / OFF-BALANCE SHEET ITEMS****20.1 Contingencies**

There has been no significant change in the status of contingencies, for the period, from those disclosed in the financial statements for the year ended 31 December 2021.

31/12



	30 June 2022 (Unaudited)	31 December 2021 (Audited)
	-----Rupees '000-----	
<b>20.2 Commitments</b>		
Capital expenditure	191,721	198,114
	30 June 2022 (Unaudited)	30 June 2021 (Unaudited)
	-----Rupees '000-----	
<b>21 MARK-UP / RETURN / INTEREST EARNED</b>		
Mark-up/interest/gain on:		
Advances	7,173,821	7,965,399
Investment in Federal Government securities	730,448	532,781
Deposits/placements with banks/FI/MFBs/TFC etc	529,827	418,768
	<u>8,434,096</u>	<u>8,916,948</u>
<b>22 MARK-UP / RETURN / INTEREST EXPENSED</b>		
Interest on borrowings from:		
Financial institutions - Outside Pakistan	-	4,012
Financial institutions - Inside Pakistan	413,758	19,923
	<u>413,758</u>	<u>23,935</u>
Subordinated debt	212,536	120,652
Interest on deposits	4,538,555	4,184,282
Interest on lease liability	118,621	124,069
	<u>5,283,470</u>	<u>4,452,938</u>
<b>23 FEE, COMMISSION AND BROKERAGE INCOME</b>		
Micro-credit application processing fee	929,456	799,371
Other commission	68,960	58,083
	<u>998,416</u>	<u>857,454</u>
<b>24 OTHER INCOME</b>		
Recoveries against advances written off	52,198	32,354
(Loss) / Gain on disposal of fixed assets	(970)	20,860
Others	645	1,071
	<u>51,873</u>	<u>54,285</u>
<b>25 (LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED</b>		
<b>Basic</b>		
Basic earnings per shares is calculated by dividing the profit attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the period excluding ordinary shares purchased by the Bank and held as treasury shares.		
	30 June 2022 (Unaudited)	30 June 2021 (Unaudited)
	-----Rupees '000-----	
Profit for the period after taxation	(1,868,828)	600,946
Microfinance Social Development Fund	-	(60,095)
Risk Mitigation Fund	-	(30,047)
Depositors' Protection Fund	-	(30,047)
	<u>-</u>	<u>(120,189)</u>
Profit attributable to equity shareholders	<u>(1,868,828)</u>	<u>480,757</u>
Weighted average number of ordinary shares (Numbers in '000)	<u>170,500</u>	<u>170,500</u>
(LOSS) / Earnings per share - Basic (Rupees)	<u>(10.96)</u>	<u>2.82</u>

**Diluted**

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

**26 RELATED PARTY TRANSACTIONS**

The Bank's related parties comprise of President, Directors, Executives, Shareholders, Entities over which the directors are able to exercise significant influence and employee gratuity fund. Detail of transactions during the half year ended 30 June 2022 and balances outstanding at that date are as follows:

	30 June 2022 (Unaudited)	30 June 2021 (Unaudited)
	-----Rupees '000-----	
<b>Transactions during the period</b>		
<b>-with shareholders</b>		
Lending to financial institutions	-	-
Repayment of lending to financial institutions	-	-
Investments made during the period	495,275	207,794
Investments sold during the period	2,796,113	-
Repayment of interest on Investment	2,972	2,061
Borrowings	-	-
Subordinated debt	225,000	-
Repayment of borrowings/Subordinated Debt	19,316	17,563
Branchless banking services of loan portfolio	11,118	11,659
Insurance services payments	4,713	4,166
Cash Management Services	22,197,692	16,269,904
Remittance Services	312,184	427,563
<b>Income</b>		
Interest income on deposit account bank balances	6,202	3,091
Interest income lending to financial institutions	-	-
Interest income on investments (TFC)	3,227	2,200
<b>Transactions during the period</b>		
<b>-with shareholders</b>		
<b>Expenses</b>		
Fee, commission and bank charges	10,380	7,568
Branchless banking services commission	4,867	4,166
Interest expense on TFC / Subordinate Debt	33,254	17,765
<b>-with others</b>		
Cost reimbursement received from MSDF	17,909	50,005
Cost reimbursement claim from MSDF	7,577	34,195
Remuneration of Key Management Personnel	85,052	72,446
Directors	2,000	2,000
<b>Balances outstanding at the end</b>		
<b>-with shareholders</b>		
Balances with banks	229,064	274,770
Investments	50,000	50,000
Interest receivable on investments (TFCs)	255	210
Interest payable on borrowings and subordinated debt	13,938	4,272
Borrowings and subordinated debt	685,000	460,000

TJR

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
	-----Rupees '000-----	

**-with defined benefit plan**

Balance (receivable) / payable to KMBL employees gratuity fund

(6,479)

54,697

**-with key management personnel including President**

Advances - staff loans

144,533

141,560

Other assets - loans and advances to employees

-

-

Deposits

154,900

148,131

**-with others**

Receivable from MSDF


25,444

21,078

**27 GENERAL**

27.1 Figures have been rounded to the nearest thousand Rupee unless otherwise stated.

**28 DATE OF APPROVAL**

These condensed interim financial statements were approved by the Board of Directors of the Bank in their meeting held on August 25, 2022. 



PRESIDENT



CHAIRMAN