



**KHUSHHALI MICROFINANCE
BANK LIMITED**

**CONDENSED INTERIM FINANCIAL
STATEMENTS**

**FOR THE PERIOD ENDED
JUNE 30, 2023**

BDO Ebrahim & Co. Chartered Accountants

BDO Ebrahim & Co., a Pakistan registered partnership firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

KHUSHALI MICROFINANCE BANK LIMITED
CONDENSED INTERIM BALANCE SHEET
AS AT JUNE 30, 2023

		June 30, 2023 (Un-audited)	December 31, 2022 (Audited)
	Note	-----Rupees '000-----	
ASSETS			
Cash and balances with treasury banks	7	3,716,743	5,153,731
Balances with other banks	8	1,133,126	3,902,980
Lendings to financial institutions	9	897,930	4,893,064
Investments	10	13,214,107	11,287,050
Advances	11	76,959,753	86,372,392
Operating fixed assets	12	3,299,400	4,154,127
Other assets	13	14,801,523	14,433,078
Deferred tax assets - net	14	2,932,521	2,009,938
		116,955,103	132,206,360
LIABILITIES			
Deposits and other accounts	15	98,740,646	111,791,738
Borrowings	16	2,050,000	2,175,000
Sub-ordinated loans	17	3,000,000	4,500,000
Other liabilities	18	5,347,447	5,630,369
		109,138,093	124,097,107
NET ASSETS		7,817,010	8,109,253
REPRESENTED BY			
Share capital	19	1,705,000	1,705,000
Advance against share capital	20	1,500,000	-
Statutory reserve		1,900,415	1,900,415
Capital reserve		24,255	24,255
Unappropriated profit		2,711,724	4,514,447
		7,841,394	8,144,117
Deficit on revaluation of assets		(36,572)	(48,458)
Deferred grants		12,188	13,594
Total capital		7,817,010	8,109,253

MEMORANDUM/ OFF-BALANCE SHEET ITEMS 21

The annexed notes from 1 to 31 form an integral part of these condensed interim financial statements.


PRESIDENT


CHAIRMAN

KHUSHHALI MICROFINANCE BANK LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2023

	Note	Half year ended	
		June 30, 2023	June 30, 2022
-----Rupees '000-----			
Mark-up/ return/ interest earned	22	11,018,803	8,434,096
Mark-up/ return/ interest expensed	23	7,731,752	5,283,470
Net mark-up/ interest income		3,287,051	3,150,626
Provision against non-performing loans and advances		3,055,425	3,135,595
Bad debts written-off directly		257,035	41,949
		3,312,460	3,177,544
Net mark-up/ interest loss after provisions		(25,409)	(26,918)
NON MARK-UP/ INTEREST INCOME			
Fee and commission income	24	823,048	998,416
Other income		470,172	51,873
Total non-markup/ interest income		1,293,220	1,050,289
Total income		1,267,811	1,023,371
NON MARK-UP/ INTEREST EXPENSES			
Administrative expenses		4,111,222	3,605,474
Other (reversals)/provisions	13	(261,443)	34,014
Other charges	26	170	9,010
Total non-markup/ interest expenses		3,849,949	3,648,498
LOSS BEFORE TAXATION		(2,582,138)	(2,625,127)
TAXATION			
- Current		148,023	118,554
- Prior year		-	-
- Deferred		(927,438)	(874,853)
		(779,415)	(756,299)
LOSS AFTER TAXATION		(1,802,723)	(1,868,828)
Un-appropriated profit brought forward		4,514,447	7,616,090
Profit available for appropriations		2,711,724	5,747,262
APPROPRIATIONS:			
Transfer to:			
Statutory reserve		-	-
Microfinance social development fund		-	-
Depositors' protection fund		-	-
Risk mitigation fund		-	-
		-	-
Unappropriated profit carried forward		2,711,724	5,747,262
Basic/diluted loss per share (rupees)	25	(10.57)	(10.96)

The annexed notes from 1 to 31 form an integral part of these condensed interim financial statements.

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KHUSHALI MICROFINANCE BANK LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2023

	Half year ended	
	June 30, 2023	June 30, 2022
	-----Rupees '000-----	
Loss after taxation	(1,802,723)	(1,868,828)
Other comprehensive income	-	-
Comprehensive loss for the period transferred to equity	<u>(1,802,723)</u>	<u>(1,868,828)</u>
Comprehensive (loss)/ income for the period not transferred to equity		
Items that may be subsequently reclassified to profit and loss:		
(Deficit)/surplus on revaluation of investments - available for sale	(51,510)	(85,218)
Deferred tax relating to revaluation of investments - available for sale	14,938	24,713
Comprehensive loss for the period not transferred to equity	<u>(36,572)</u>	<u>(60,505)</u>

The annexed notes from 1 to 31 form an integral part of these condensed interim financial statements.


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KHUSHIJA MICROFINANCE BANK LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2023

	Share capital	Advance against share capital	Capital reserve	Statutory reserve	Unappropriated profit	Total
	----- (Rupees in '000) -----					
Balance as at January 01, 2022	1,705,000	-	24,255	1,900,415	7,616,090	11,245,760
Total comprehensive income for the six months period ended June 30, 2022						
Total comprehensive loss for the period						
Loss for the period	-	-	-	-	(1,868,828)	(1,868,828)
Other comprehensive income - net of tax	-	-	-	-	(1,868,828)	(1,868,828)
Transfer to:						
Statutory reserve	-	-	-	-	-	-
Microfinance social development fund	-	-	-	-	-	-
Risk mitigation fund	-	-	-	-	-	-
Depositors' protection fund	-	-	-	-	-	-
Balance as at June 30, 2022 (un-audited)	1,705,000	-	24,255	1,900,415	5,747,262	9,376,932
Total comprehensive income for the six months period ended December 31, 2022						
Loss after taxation	-	-	-	-	(1,183,017)	(1,183,017)
Other comprehensive income' (loss) - net of tax	-	-	-	-	(49,798)	(49,798)
Transfer to:						
Statutory reserve	-	-	-	-	-	-
Microfinance social development fund	-	-	-	-	-	-
Risk mitigation fund	-	-	-	-	-	-
Depositors' protection fund	-	-	-	-	-	-
Balance as at December 31, 2022 (audited)	1,705,000	-	24,255	1,900,415	4,514,447	8,144,117
Total comprehensive income for the six months period ended June 30, 2023						
Total comprehensive loss for the period						
Loss for the period	-	-	-	-	(1,802,723)	(1,802,723)
Other comprehensive income - net of tax	-	-	-	-	(1,802,723)	(1,802,723)
Transfer from sub-ordinated debt	-	1,500,000	-	-	-	1,500,000
Transfer to:						
Statutory reserve	-	-	-	-	-	-
Microfinance social development fund	-	-	-	-	-	-
Risk mitigation fund	-	-	-	-	-	-
Depositors' protection fund	-	-	-	-	-	-
Balance as at June 30, 2023 (un-audited)	1,705,000	1,500,000	24,255	1,900,415	2,711,724	7,841,394

The annexed notes from 1 to 31 form an integral part of these condensed interim financial statements.


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KHUSHIHALI MICROFINANCE BANK LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2023

Note	Half year ended	
	June 30, 2023	June 30, 2022
(Rupees in '000)		
CASH FLOW FROM OPERATING ACTIVITIES		
	(2,582,138)	(2,625,127)
Loss before taxation		
Adjustments for non-cash items	27 227,828	649,544
Working capital changes:		
(Increase)/ decrease in operating assets		
Lendings to financial institutions	3,995,134	(1,198,520)
Advances	6,200,437	(11,791,580)
Other assets	(194,177)	(232,458)
	10,001,394	(13,222,558)
Increase/ (decrease) in operating liabilities		
Deposits	(13,051,092)	3,694,598
Other liabilities	288,944	(76,219)
	(12,762,148)	3,618,379
Cash used in operations	(5,115,064)	(11,579,762)
Markup received on advances	9,891,982	8,091,308
Interest received on investment and deposit accounts	1,164,954	1,149,278
Interest paid on deposits, borrowings and subordinated debt	(7,250,371)	(5,226,649)
Interest paid on leases	(119,953)	(118,621)
Payments to defined benefit plan	(57,660)	(130,356)
Income tax paid	(179,014)	(157,593)
Net cash used in operating activities	(1,665,126)	(7,972,395)
CASH FLOW FROM INVESTING ACTIVITIES		
Investment in held-to-maturity securities	(1,893,573)	1,264,201
Investment in operating fixed assets	(217,044)	(460,933)
Sale proceeds of operating fixed assets	32,245	293
Net cash (used in)/ generated from investing activities	(2,078,372)	803,561
CASH FLOW FROM FINANCING ACTIVITIES		
Principal paid against leases	(337,388)	(181,779)
Addition in Sub-ordinated loans	-	1,500,000
Borrowings received	133,729,505	139,334,390
Borrowings paid	(133,854,505)	(137,971,469)
Net cash (used in)/ generated from financing activities	(462,388)	2,681,142
Net decrease in cash and cash equivalents	(4,205,886)	(4,487,692)
Cash and cash equivalents at the beginning of the year	9,056,711	14,061,028
Cash and cash equivalents at the end of the year	4,850,825	9,573,336
Cash and cash equivalents comprise of the following:		
Cash and balances with treasury banks	3,717,699	3,752,187
Balances with other banks	1,133,126	5,821,149
	4,850,825	9,573,336

The annexed notes from 1 to 31 form an integral part of these condensed interim financial statements.


PRESIDENT


CHAIRMAN

KHUSHHALI MICROFINANCE BANK LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2023

1 GENERAL INFORMATION

1.1 Khushhali Microfinance Bank Limited (KMBL/the Bank) is a public limited company incorporated in Pakistan with the promulgation of the Khushhali Bank Ordinance, 2000 having its registered office at Plot No: 87-88 Executive Block, Gulberg Greens, Islamabad as a corporate body with limited liability on August 04, 2000. It commenced its business with the issuance of license by the State Bank of Pakistan (SBP) on August 11, 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 of the requirements of Improving Access of Financing Service Program (IAFSP) Agreement signed in 2008 between the Government of Pakistan (GOP) and Asian Development Bank, 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 (repealed with the enactment of Companies Act, 2017) on February 28, 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 01, 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 04, 2012, a consortium led by United Bank Limited and comprising ASN-NOVIB Microkredietfonds (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 shifted from 5th Floor, Ufone Tower, Blue Area, Islamabad to Plot No: 87-88 Executive Block, Gulberg Greens, Islamabad with effective from June 27, 2023. The Bank has 207 branches and 14 permanent booths in operation as at June 30, 2023 (December 31, 2022: 220 branches, 23 permanent booths) and is licensed to operate nationwide.

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2 BASIS OF PRESENTATION

These condensed interim financial statements have been prepared following the accrual basis of accounting except for the cash flow information.

The condensed interim financial statements are presented in Pakistani Rupee, which is the Bank's functional currency. Figures have been rounded off to the nearest thousand of rupees, unless otherwise stated.

3 STATEMENT OF COMPLIANCE

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 Banking 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).

Whenever the requirements of the Microfinance Banking Ordinance, 2001, the Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of IAS 34, the requirements of the Microfinance Banking Ordinance, 2001, the Companies Act, 2017 and the said directives, shall prevail.

State Bank of Pakistan, vide SBP BPRD Circular Letter no. 07 dated April 13, 2023, has extended the applicable date of adoption of IFRS-9 "Financial Instrument" from annual periods beginning on or after January 01, 2024 to annual period on or after January 01, 2024.

4 BASIS OF MEASUREMENT

The condensed interim financial statements have been prepared under the historical cost convention as modified for certain investments which are carried at fair value, obligations in respect of defined benefit schemes and lease liability under IFRS 16 at their present values and investment available for sale which are measured at mark-to-market basis.

5 SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS AND FINANCIAL RISK MANAGEMENT POLICIES

5.1 Significant accounting policies, estimates and judgements

The accounting policies, underlying estimates and judgements and method of computation followed in the preparation of these condensed interim financial statements are same as those applied in preparing the financial statements of the Bank for the year ended December 31, 2022.

There are certain new and amended standards, issued by International Accounting Standards Board (IASB), interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 01, 2022 but are considered not to be relevant or do not have any significant effect on the Bank's operations and therefore not detailed in these condensed interim financial statements.

5.2 Financial Risk Management

The Bank's Financial Risk Management objectives and policies adopted by the Bank are consistent with those disclosed in the financial statements for the year ended December 31, 2022.

6 CAPITAL ADEQUACY

The Bank has incurred loss before tax for the period amounting to Rs. 2,582 million, due to credit losses mainly on the Reschedule, Deferred and Roll over loans of COVID impacted portfolio. In view of the operating losses, Bank's CAR fell below the regulatory requirement of 15% at the reporting date. These conditions and events indicate the existence of material uncertainty that may cause significant doubt on the Bank's ability to continue as going concern, and therefore the Bank may be unable to realise its assets and discharge its liabilities in the normal course of business.

In order to address this, the management of the Bank had developed contingency plan and long term strategic plan, which have been approved by the Board of KMBL, and is implementing the same to overcome the financial and operational difficulties faced by the Bank. Moreover, the Bank has a contingency plan as disclosed in note 2 of annual financial statements for the year ended December 31, 2022.

Release

		June 30, 2023 (Un-audited)	December 31, 2022 (Audited)
	Note	-----Rupees '000-----	
7 CASH AND BALANCES WITH SBP AND NBP			
In hand:			
Local currency		1,323,963	2,387,201
With State Bank of Pakistan (SBP) in:			
Local currency current accounts	7.1	2,391,851	2,676,751
With National Bank of Pakistan in:			
Local currency current accounts		-	-
Local currency deposit accounts		1,885	89,779
		<u>3,717,699</u>	<u>5,153,731</u>

7.1 This represents balance held with State Bank of Pakistan to meet the requirement of maintaining minimum balance equivalent to 5% (2022: 5%) of the Bank's time and demand liabilities in accordance with the Regulation R - 3A.

		June 30, 2023 (Un-audited)	December 31, 2022 (Audited)
	Note	-----Rupees '000-----	
8 BALANCES WITH OTHER BANKS			
In Pakistan:			
On current accounts		522,293	997,457
On deposit accounts	8.1	610,833	2,905,523
		<u>1,133,126</u>	<u>3,902,980</u>

8.1 This represents corporate accounts carrying interest rate ranging from 18.00% to 23.10% (2022: 4.50% to 14.50%) per annum.

		June 30, 2023 (Un-audited)	December 31, 2022 (Audited)
	Note	-----Rupees '000-----	
9 LENDINGS TO FINANCIAL INSTITUTIONS			
Call/ clean lending		-	-
Reverse repo lending	9.1	897,930	4,893,064
		<u>897,930</u>	<u>4,893,064</u>

9.1 Particulars of lending

In local currency	9.1.1	<u>897,930</u>	<u>4,893,064</u>
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9.1.1 This reverse repo transaction carrying interest rate 22.90% (2022: 16.00% to 16.50%) per annum and has maturity period upto 4 days (2022: 3 days).

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

		June 30, 2023 (Un-audited)	December 31, 2022 (Audited)
		-----Rupees '000-----	
	Market Treasury Bills/PIB's - Held by bank	900,000	4,950,000
10	INVESTMENTS		
	Available-for-sale securities:		
	Federal government securities		
	- Market treasury bills (T-bills)	10.1 476,517	-
	- Pakistan investment bonds (PIBs)	10.2 12,639,100	11,205,302
	Held-to-maturity securities:		
	- Term deposit receipts (TDRs)	-	-
	- Term finance certificates	10.3 150,000	150,000
		150,000	150,000
	Deficit on revaluation of AFS investments	(51,510)	(68,252)
	Total investment	13,214,107	11,287,050

10.1 This represents 3 months T-Bills having yield at the rate of 22% (2022: nil) per annum.

10.2 This represents fixed/floating interest based Pakistan Investment Bonds (PIBs) at the interest rate ranging from 7.00% to 23.48% per annum (2022: 7.00% to 17.30% per annum) maturing on August 2023, October 2023, October 2024, April 2025, September 2025 and February 2026 (2022: June 2023, August 2023, October 2023, October 2024, April 2025, September 2025) respectively.

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.

11	ADVANCES	Note	June 30, 2023 (Un-audited)		December 31, 2022 (Audited)	
			Loans Outstanding		Loans Outstanding	
			Number	Rupees '000	Number	Rupees '000
	Micro credit					
	Secured/semi secured		208,323 38,771,371	247,945	44,294,240	
	Unsecured		426,548 39,332,565	486,915	42,240,829	
			634,871 78,103,936	734,860	86,535,069	
	Less: Provision held					
	Specific provision		49,635 (2,405,554)	33,867	(1,609,306)	
	General provision		528,929 (806,648)	590,905	(614,415)	
		11.1	578,564 (3,212,202)		(2,223,721)	
	Microcredit advances - net of provisions		74,891,734		84,311,348	
	Staff loans		2,427 2,068,019	2,681	2,061,044	
	Advances - net of provision		637,298 76,959,753	737,541	86,372,392	

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11.1 Particulars of provisions against non-performing advances

Category of classification	June 30, 2023 (un-audited)			December 31, 2022 (audited)		
	Specific	General	Total	Specific	General	Total
	Provision	Provision		Provision	Provision	
----- Rupees '000 -----			----- Rupees '000 -----			
Balance at the beginning of the period	1,609,306	614,415	2,223,721	575,014	1,053,777	1,628,791
Provision charge for the period	2,863,193	192,232	3,055,425	6,082,420	(439,362)	5,643,058
Advances written/charge off against provision	(2,066,944)	-	(2,066,944)	(5,048,128)	-	(5,048,128)
Balance at the end of the period	2,405,555	806,647	3,212,202	1,609,306	614,415	2,223,721

June 30, 2023 **December 31, 2022**
(Un-audited) **(Audited)**
 -----Rupees '000-----

12 OPERATING FIXED ASSETS

Capital work-in-progress	329,772	262,258
Right of use assets	1,247,520	2,007,377
Property and equipment	1,220,761	1,343,862
Intangible assets	501,347	540,630
	<u>3,299,400</u>	<u>4,154,127</u>

12.1 Details of additions and deletions during the period/ year are as follows:

Additions

Capital work-in-progress	220,403	1,152,328
Right of use assets	-	985,973
Property and equipment	139,473	502,428
Intangible assets	17,770	101,044
	<u>377,646</u>	<u>2,741,773</u>

Less: transfers from capital work-in-progress

Property and equipment	(146,134)	(868,561)
Intangible assets	(6,755)	(226,196)
	<u>(152,889)</u>	<u>(1,094,757)</u>
	<u>224,757</u>	<u>1,647,016</u>

Deletions (at net book value)

Property and equipment	7,714	37,429
	<u>7,714</u>	<u>37,429</u>

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June 30, 2023 December 31, 2022
(Un-audited) (Audited)
 -----Rupees '000-----

13 OTHER ASSETS

Markup accrued	12,436,069	12,594,617
Interest receivable on	556,559	436,144
Loans and advances - unsecured :		
Employees	12,201	6,200
Suppliers	7,754	1,446
	19,955	7,646
Receivable from Microfinance Social Development Fund (MSDF)	564	1,520
Insurance premium receivable from SBP	274,095	231,899
Receivable from SBP under markup subsidy scheme	334,557	290,832
Receivable from SBP - CGMF	2,907	608
Advance corporate tax - net	378,366	347,375
Prepayments	387,717	295,287
Insurance claims receivable	65,869	52,038
Security deposits	26,448	7,008
Other receivables	599,626	630,723
	15,082,732	14,895,697
Less: Provision against doubtful receivables		
Opening balance	462,619	127,964
Provision (reversal) / charge for the period / year - other assets	(261,443)	342,549
Receivable written off against provision	-	(7,894)
Closing balance	201,176	462,619
13.1	14,881,556	14,433,078

14 DEFERRED TAX ASSET - NET

Deferred tax assets arising on account of temporary differences in :

Provision against advances and other assets	989,880	779,039
Remeasurement of post employment benefit obligation	76,235	76,235
Deficit on revaluation of assets - AFS	14,938	19,793
Provision against workers' welfare fund	25,939	25,939
Taxable losses	1,852,447	1,157,569
	2,959,439	2,058,575

Deferred tax assets arising on account of temporary differences in:

Operating fixed assets	(26,918)	(48,637)
	2,932,521	2,009,938

Review

- 14.1 The Bank has recognised the deferred tax asset which represents management's best estimate of the probable benefits expected to be realised 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.

	June 30, 2023 (Un-audited)		December 31, 2022 (Audited)	
	Number of accounts	Rupees '000	Number of accounts	Rupees '000
15 DEPOSITS AND OTHER ACCOUNTS				
Fixed deposits	57,708	72,632,829	55,052	68,471,381
Savings deposits	87,417	19,387,387	83,082	33,761,594
Current deposits	2,983,062	6,720,430	2,980,545	9,558,763
	<u>3,128,187</u>	<u>98,740,646</u>	<u>3,118,679</u>	<u>111,791,738</u>
15.1 Particulars of Deposits by ownership				
Individual depositors	3,123,403	83,408,704	3,113,916	78,277,529
Institutional depositors:				
Corporations/Firms	4,737	12,538,441	4,714	27,563,927
Banks/Financial Institutions	47	2,793,501	49	5,950,282
	<u>3,128,187</u>	<u>98,740,646</u>	<u>3,118,679</u>	<u>111,791,738</u>
			June 30, 2023 (Un-audited)	December 31, 2022 (Audited)
16 BORROWINGS	Note		-----Rupees '000-----	
Borrowing from financial institutions in Pakistan	16.1		<u>2,050,000</u>	<u>2,175,000</u>
16.1 Borrowing from financial institutions in Pakistan				
The Bank of Punjab (TF-2)			250,000	375,000
Pakistan Mortgage Refinance Company Limited (TF-1)			900,000	900,000
Pakistan Mortgage Refinance Company Limited (TF-2)			450,000	450,000
Pakistan Mortgage Refinance Company Limited (TF-3)			450,000	450,000
			<u>2,050,000</u>	<u>2,175,000</u>
16.2 Borrowing repayment reschedule				
Opening balance			2,175,000	4,608,379
Availed during the year			133,729,505	286,113,969
Repayments during the year			<u>(133,854,505)</u>	<u>(288,547,348)</u>
Closing balance			<u>2,050,000</u>	<u>2,175,000</u>

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June 30, 2023 **December 31, 2022**
(Un-audited) **(Audited)**

-----Rupees '000-----

17 SUB-ORDINATED LOANS

	Note		
Term Finance Certificate (TFCs) - I	17.1	1,000,000	1,000,000
Term Finance Certificate (TFCs) - II	17.2	1,400,000	1,400,000
Term Finance Certificate (TFCs) - III	17.3	600,000	600,000
Term Finance Certificate (TFCs) - IV	17.4	-	1,500,000
		3,000,000	4,500,000

17.1 The bank has raised 10,000/- rated, unsecured, subordinated and privately placed term finance certificates of worth Rs. 100,000/- each fully subscribed on March 19, 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 March 19, 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.

17.2 This represents rated, unsecured, subordinated and privately placed term finance certificates of worth Rs.100,000/- each fully subscribed on December 27, 2019 to improve the capital adequacy rate 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 mature on December 27, 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.

17.3 This represents unsecured, subordinated and privately placed term finance certificates of worth Rs.100,000/- each fully subscribed on June 18, 2021. The issue is for a period of 8 years from the date of subscription and mature on June 18, 2029. Profit is priced at 6 months KIBOR plus 2.70% and repayable every three months in arrears while principal shall be redeemed in twelve equal quarterly installments commencing from the 63rd month from the issue date including lock-in and loss absorbency clause.

17.4 Last year, this represents rated, unsecured, subordinated, privately placed/DSLRL 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 utilised 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.

June 30, 2023 December 31, 2022
(Un-audited) (Audited)
-----Rupees '000-----

18 OTHER LIABILITIES

Markup/Interest payable on deposits	1,579,280	1,564,008
Markup/Interest payable on borrowings/subordinated debt	538,100	191,944
Leased liability against right of use assets	1,678,462	2,546,677
Accrued expenses	834,663	640,119
Payable to defined benefit plan - KMBL employees gratuity fund	47,498	31,588
GST/ FED payable	63,098	78,968
Payable to suppliers	223,813	47,614
Bills payable	114,427	173,534
Provision for workers' welfare fund	89,446	89,446
Dividend payable	107,584	107,584
Withholding tax payable	17,891	16,658
Other payables	134,174	142,229
	5,428,436	5,630,369

19 SHARE CAPITAL

19.1 Authorised capital

	June 30, 2023 (Un-audited)	December 31, 2022 (Audited)	
	-----Number-----		
	1,500,000,000	600,000,000	Ordinary shares of Rs. 10 each
	1,500,000,000	600,000,000	15,000,000
			6,000,000

19.2 Issued, subscribed and paid-up capital

	June 30, 2023 (Un-audited)	December 31, 2022 (Audited)	
	-----Number-----		
	170,500,000	170,500,000	Ordinary shares of Rs. 10 each fully paid for consideration other than cash
	170,500,000	170,500,000	1,705,000
			1,705,000

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	339,295	339,295
ASN-NOVIB Microkredlefond	243,568	243,568
MultiConcept Fund Management S.A (former responsibility Management Company S.A)	168,795	168,795
Bank Al Habib Limited	30,000	30,000
	1,705,000	1,705,000

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20 ADVANCE AGAINST SHARE CAPITAL

This represents conversion of Additional Tier I Capital Term Finance Certificates (TFCs) amounting to Rs. 1,500 million into ordinary shares.

During the period, bank's Loss Absorbency Ratio (LAR) fell below the prescribed benchmark and in accordance with Loss Absorbency clause in the TFC Investor Agreements for additional Tier I capital, the Board of Directors and shareholders of the Bank has approved conversion of amounting to Rs. 1,500 million of these sub-ordinated loans (i.e. Additional Tier (ADT)-1) into common equity Tier 1 (CET-1), under a mechanism established pursuant to provisions of Basel-III guidelines issued by SBP. Securities and Exchange Commission of Pakistan has granted approval for the said conversion.

21 MEMORANDUM/ OFF-BALANCE SHEET ITEMS

21.1 Contingencies

There has been no significant change in the status of contingencies, for the period, from those disclosed in the note 22.1 of financial statements for the year ended December 31, 2022.

		June 30, 2023 (Un-audited)	December 31, 2022 (Audited)
	Note	-----Rupees '000-----	-----Rupees '000-----
21.2 Commitments			
Capital expenditure	21.2.1	<u>76,434</u>	<u>62,431</u>

21.2.1 This represents capital commitments relating to IT related services and non-IT related services of Rs. 19 (2022: Rs.41 million) and Rs. 57 million (2022: Rs. 21 million) respectively.

	June 30, 2023 (Un-audited)	June 30, 2022 (Un-audited)
	-----Rupees '000-----	-----Rupees '000-----
22 MARK-UP/ RETURN/ INTEREST EARNED		
Markup/ interest/ gain on:		
Advances	9,733,434	7,173,821
Investment in Federal Government Securities	1,066,634	730,448
Deposits/placements with banks/FI/MFBs/TFC etc	218,735	529,827
	<u>11,018,803</u>	<u>8,434,096</u>

23 MARK-UP/ RETURN/ INTEREST EXPENSED

Financial institutions - inside Pakistan	491,621	413,758
Sub-ordinated debt	319,620	212,536
Interest on deposits	6,800,558	4,538,555
Interest on lease liability	119,953	118,621
	<u>7,731,752</u>	<u>5,283,470</u>

24 FEE AND COMMISSION INCOME

Micro-credit application processing fee	747,936	929,456
Other commission	75,112	68,960
	<u>823,048</u>	<u>998,416</u>

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	June 30, 2023 (Un-audited)	June 30, 2022 (Un-audited)
	------(Rupees in '000)-----	
25 BASIC/ DILUTED LOSS PER SHARE		
Net loss after tax for the period	<u>(1,802,723)</u>	<u>(1,868,828)</u>
	-----Number of shares-----	
Weighted average number of ordinary shares	<u>170,500,000</u>	<u>170,500,000</u>
	-----Rupees-----	
Basic/ diluted loss per share	<u>(10.57)</u>	<u>(10.96)</u>

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

	June 30, 2023 (Un-audited)	June 30, 2022 (Un-audited)
	------(Rupees in '000)-----	
26 OTHER CHARGES		
Penalties imposed by the State Bank of Pakistan	170	10
Workers welfare fund	-	9,000
	<u>170</u>	<u>9,010</u>

	June 30, 2023	June 30, 2022
	------(Rupees in '000)-----	
27 ADJUSTMENTS FOR NON-CASH ITEMS		
Interest expense on borrowings and deposits	7,292,179	4,952,313
Provision against non-performing advances	3,055,425	3,135,595
Bad debts written-off directly	257,035	-
Interest expense on subordinated debt	319,620	212,536
Depreciation of property, plant and equipment	254,861	251,571
Depreciation of right of use asset	223,992	193,484
Interest expense on lease liability	119,953	118,621
Charge for defined benefit plan	83,528	82,138
Amortisation of intangibles	57,053	60,449
Amortisation of deferred grant	1,406	-
(Gain)/ Loss on disposal of operating fixed asset	(24,532)	970
Modification of leases	(132,446)	-
(Reversal) / charge of provision against other assets	(261,443)	75,963
Interest income on investments and deposits	(1,285,369)	(1,260,275)
Mark-up/ return / interest earned	(9,733,434)	(7,173,821)
	<u>227,828</u>	<u>649,544</u>

Review

28 FAIR VALUE MEASUREMENT

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in arms length transactions.

Fair value is determined on the basis of objective evidence at each reporting date. The financial instruments that are not traded in active market are carried at cost and are tested for impairment according to IFRS 09. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

Fair value hierarchy

International Financial Reporting Standard (IFRS) 13, "Fair Value Measurement" requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The different values of the fair value hierarchy have been defined as follows:

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

Level 2: input other than quoted prices included with in Level 1 that are observable for assets and liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

The following table provides the fair value measurement hierarchy of the Bank's assets and liabilities carried at fair value. The valuation was carried at June 30, 2023.

	Rupees '000	Level of hierarchy	Significant unobservable inputs	Inter-relationship between unobservable inputs and fair value
June 30, 2023				
Available for sale investment				
Market treasury bills	476,736	Level 2	-	-
Pakistan investments bonds	12,587,370	Level 2	-	-
December 31, 2022				
Available for sale investment				
Market treasury bills	-	-	-	-
Pakistan investments bonds	11,137,050	Level 2	-	-

Valuation technique used and key inputs

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

Present

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

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

29 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 June 30, 2023 and balances as at that date are as follows:

	June 30, 2023 (Un-audited)	June 30, 2022 (Un-audited)
	------(Rupees in '000)-----	
Transactions during the period		
-with Shareholders		
Investments made during the year	-	495,275
Investments sold during the year	-	2,796,113
Repayment of interest on investment	4,311	2,972
Subordinated debt	-	225,000
Repayment of Borrowings/ Subordinated debt	-	19,316
Branchless banking services of loan portfolio	13,510	11,118
Insurance service payments	3,677	4,713
Cash management services	18,870,056	22,197,692
Remittance services	133,268	312,184
Income		
Interest income on deposit account bank balances	9,137	6,202
Interest income on investments (TFC)	4,311	3,227
Expenses		
Fee, commission and bank charge	8,792	10,380
Branchless banking services commission	219	154
Interest expense on TFC/ Subordinated debt	104,255	33,254
-with Others		
Cost reimbursement received from MSDF	956	17,909
Cost reimbursement claim from MSDF	-	7,577
Remuneration of key management personnel	81,879	85,052
Directors	1,900	2,000
Balances outstanding at the end		
-with Shareholders		
Balances with banks	304,908	229,064
Investments	50,000	50,000
Interest receivable on investments (TFC)	356	255
Interest payable on borrowings and sub-ordinated debt	120,729	13,938
Borrowings and sub-ordinated debt	460,000	685,000

Review

June 30, 2023 June 30, 2022
(Un-audited) (Un-audited)
------(Rupees in '000)-----

-with defined benefit plan		
Balance payable/(receivable) to KMBL employees gratuity fund	47,498	(6,479)
-with key management personnel including President		
Advances - staff loans	132,240	144,533
Deposits	21,202	154,900
-with others		
Receivable from MSDP	564	25,444

30 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were approved by the Board of Directors of the Bank in their meeting held on August, 17, 2023.

31 GENERAL

Figures have been rounded off to the nearest rupee.
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PRESIDENT

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CHAIRMAN