



KPMG Taseer Hadi & Co.
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INDEPENDENT AUDITOR'S REPORT

To the members of FINCA Microfinance Bank Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **FINCA Microfinance Bank Limited** ("the Bank"), which comprise the balance sheet as at 31 December 2021, and the profit and loss account, the statement of comprehensive income, the statement of changes in equity, the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

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, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Microfinance Institution Ordinance, 2001, the Companies Act, 2017(XIX of 2017) and the directives issued by the State Bank of Pakistan in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at 31 December 2021 and of the loss, the comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1.1 to the financial statements which indicates that the Bank incurred a net loss of Rs. 1,523 million during the year ended 31 December 2021 and, the Capital Adequacy Ratio of the Bank may possibly breach in the next twelve months. As stated in note 1.1, these events or conditions, along with other matters as set forth in note 1.1 indicate the existence of a material uncertainty that may cast significant doubt on the Bank's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan, the requirements of the Microfinance Institution Ordinance, 2001, the Companies Act, 2017 (XIX of 2017) and the directives issued by the State Bank of Pakistan and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.





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In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures in responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Bank as required by the Companies Act, 2017 (XIX of 2017);
- b) the balance sheet, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes thereon have been drawn up in conformity with the Microfinance Institution Ordinance, 2001, the Companies Act, 2017(XIX of 2017) and the directives issued by the State Bank of Pakistan and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were in accordance with the objects and powers of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank; and
- d) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Fahad Bin Waheed.

Lahore

Date: 09 March 2022

UDIN: AR2021100891hCXxBifv

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants

FINCA MICROFINANCE BANK LIMITED

Balance Sheet

As at 31 December 2021

	Note	2021 Rupees	2020 Rupees
Assets			
Cash and balances with SBP and NBP	7	1,702,585,689	1,572,075,030
Balances with other banks / NBFIs / MFBs	8	278,598,549	2,849,103,430
Investments	9	10,229,997,480	6,448,871,800
Advances - net of provisions	10	18,827,193,888	21,246,108,856
Operating fixed assets	11	1,966,209,373	2,444,958,300
Other assets	12	3,033,007,520	5,171,405,664
Deferred tax assets	13	1,014,865,800	118,358,104
Total assets		37,052,458,299	39,850,881,184
Liabilities			
Deposits and other accounts	14	25,419,127,446	26,082,761,045
Borrowings	15	4,381,378,885	4,710,503,886
Subordinated debt	16	800,000,000	800,000,000
Other liabilities	17	2,714,340,019	3,014,141,411
Total liabilities		33,314,846,350	34,607,406,342
Net assets		3,737,611,949	5,243,474,842
Represented by:			
Share capital	18	6,348,887,110	6,348,887,110
Discount on issue of shares		(4,089,040,293)	(4,089,040,293)
Statutory reserve		868,881,433	868,881,433
Depositors' protection fund		286,448,527	266,156,280
Unappropriated profit		334,322,112	1,848,106,312
		3,749,498,889	5,242,990,842
(Deficit) / surplus on revaluation of assets - net of tax	19	(11,886,940)	184,000
Deferred grants	20	-	300,000
Total capital		3,737,611,949	5,243,474,842
Memorandum / off-balance sheet items	21		

The annexed notes from 1 to 45 form an integral part of these financial statements.

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Chief Executive Officer

Chairman

Director

Director

FINCA MICROFINANCE BANK LIMITED

Profit and Loss Account
For the year ended 31 December 2021

	Note	2021 Rupees	2020 Rupees
Mark-up / return / interest earned	22	5,156,247,103	8,628,539,039
Mark-up / return / interest expensed	23	(2,623,080,542)	(3,038,759,103)
Net mark-up / interest income		2,533,166,561	5,589,779,936
Provision against non-performing advances	10.3	(2,170,226,490)	(1,226,144,968)
Bad debts written off directly	10.4.1	(22,531,552)	(2,227,563)
		(2,192,758,042)	(1,228,372,531)
Net mark-up / interest income after provisions		340,408,519	4,361,407,405
Non mark-up / non interest income			
Fee, commission and brokerage income	24	572,070,672	533,089,979
Other income	25	352,075,784	312,349,970
Total non mark-up / non interest income		924,146,456	845,439,949
		1,264,554,975	5,206,847,354
Non mark-up / non interest expenses			
Administrative expenses	26	(3,554,558,476)	(3,761,042,556)
Other charges	27	(52,228,069)	(29,836,581)
Total non mark-up / non interest expenses		(3,606,786,545)	(3,790,879,137)
(Loss) / profit before taxation		(2,342,231,570)	1,415,968,217
Workers' Welfare Fund (WWF)		-	(33,320,951)
		(2,342,231,570)	1,382,647,266
Taxation - Current year		(76,004,919)	(563,847,527)
- Prior years		900,461	4,841,086
- Deferred		894,812,713	81,022,251
	28	819,708,255	(477,984,190)
(Loss) / profit after taxation		(1,522,523,315)	904,663,076
Unappropriated profit brought forward		1,848,106,312	1,563,709,236
Add: Other comprehensive income		8,739,115	15,899,769
Profit available for appropriation		334,322,112	2,484,272,081
Appropriations:			
Transfer to:			
Statutory reserve		-	(180,932,615)
Capital reserve		-	-
Dividend		-	(410,000,000)
Contribution to depositors' protection fund		-	(45,233,154)
Revenue reserve		-	-
		-	(636,165,769)
Unappropriated profit carried forward		334,322,112	1,848,106,312
(Loss) / earnings per share	32	(2.40)	1.42

The annexed notes from 1 to 45 form an integral part of these financial statements.

Signature

Chief Executive Officer

Chairman

Director

Director

FINCA MICROFINANCE BANK LIMITED

Statement of Comprehensive Income

For the year ended 31 December 2021

	2021 Rupees	2020 Rupees
(Loss) / profit after tax	(1,522,523,315)	904,663,076
<u>Other comprehensive (loss) / income for the period</u>		
<u>Components of comprehensive income for the year transferred to equity:</u>		
<i>Items that will not be reclassified subsequently to profit and loss account</i>		
Remeasurement of post retirement defined benefit obligation	13,444,792	24,461,183
Related tax impact	(4,705,677)	(8,561,414)
	8,739,115	15,899,769
	(1,513,784,200)	920,562,845
<u>Components of comprehensive income for the year not transferred to equity:</u>		
<i>Items that may be reclassified subsequently to profit and loss account</i>		
Net change in fair value of 'available-for-sale' securities	(18,287,600)	184,000
Related tax impact	6,400,660	-
	(11,886,940)	184,000
Total comprehensive (loss) / income for the year	(1,525,671,140)	920,746,845

The annexed notes from 1 to 45 form an integral part of these financial statements.



Chief Executive Officer

Chairman

Director

Director

FINCA MICROFINANCE BANK LIMITED

Statement of Changes In Equity

For the year ended 31 December 2021

	Capital reserves				Revenue reserves	
	Share capital	Discount on issue of shares	Statutory reserve	Depositors' protection fund	Unappropriated profit	Total
	----- Rupees -----					
Balance as at 31 December 2019	6,348,887,110	(4,089,040,293)	687,948,818	203,099,973	1,563,709,236	4,714,604,844
Profit for the year	-	-	-	-	904,663,076	904,663,076
Other comprehensive income	-	-	-	-	15,899,769	15,899,769
Total comprehensive income for the period	-	-	-	-	920,562,845	920,562,845
Transfer to statutory reserve	-	-	180,932,615	-	(180,932,615)	-
Transfer to depositors' protection fund	-	-	-	45,233,154	(45,233,154)	-
Return on depositors' protection fund's investments	-	-	-	17,823,153	-	17,823,153
Transactions with owners:						
- Dividend paid	-	-	-	-	(410,000,000)	(410,000,000)
Balance as at 31 December 2020	6,348,887,110	(4,089,040,293)	868,881,433	266,156,280	1,848,106,312	5,242,990,842
Loss for the year	-	-	-	-	(1,522,523,315)	(1,522,523,315)
Other comprehensive income	-	-	-	-	8,739,115	8,739,115
Total comprehensive loss for the period	-	-	-	-	(1,513,784,200)	(1,513,784,200)
Transfer to statutory reserve	-	-	-	-	-	-
Return on depositors' protection fund's investments	-	-	-	20,292,247	-	20,292,247
Balance as at 31 December 2021	6,348,887,110	(4,089,040,293)	868,881,433	286,448,527	334,322,112	3,749,498,889

The annexed notes from 1 to 45 form an integral part of these financial statements.

Signature

Chief Executive Officer

Chairman

Director

Director

FINCA MICROFINANCE BANK LIMITED

Cash Flow Statement

For the year ended 31 December 2021

	Note	2021 Rupees	2020 Rupees
<u>Cash flow from operating activities</u>			
(Loss) / profit before taxation		(2,342,231,570)	1,415,968,217
<i>Adjustments for non-cash charges:</i>			
Depreciation on property and equipment		213,910,371	246,260,023
Depreciation on right of use assets		234,143,934	240,583,922
Amortization on intangible assets		66,094,350	71,143,277
Notional interest on lease liability		145,383,922	158,107,383
Provision against non-performing advances		2,170,226,490	1,226,144,968
Operating fixed assets written off		8,769,678	1,441,201
Markup earned on investments in government securities		(606,518,488)	(526,818,247)
Loss / (gain) on disposal of operating fixed assets		788,649	(115,588,764)
Loss / (gain) on disposal of government securities		286,156	(55,903,100)
Amortization of deferred grant		(300,000)	(1,854,960)
Gain on termination of lease		(16,509,812)	-
Provision for gratuity		81,704,068	88,504,018
		2,297,979,318	1,332,019,721
		(44,252,252)	2,747,987,938
<i>Decrease / (increase) in operating assets:</i>			
Net investments in held for trading securities		(340,937,651)	6,273,146,791
Advances		248,688,478	(433,449,506)
Others assets		2,268,770,109	(2,708,692,465)
		2,176,520,936	3,131,004,820
<i>(Decrease) / increase in operating liabilities:</i>			
Bills payable		18,930,219	6,996,711
Borrowings from financial institutions		(329,125,001)	(42,349,108)
Deposits		(663,633,599)	2,171,419,217
Other liabilities (excluding current tax, lease liabilities, bills payable and provision for gratuity)		(48,214,256)	(232,909,408)
		(1,022,042,637)	1,903,157,412
		1,110,226,047	7,782,150,170
Gratuity paid		(55,598,583)	(31,615,541)
Income tax paid		(272,321,061)	(249,297,461)
Net cash generated from operating activities		782,306,403	7,501,237,168
<u>Cash flow from investing activities</u>			
Net investments in available for sale securities		(2,832,135,050)	(5,878,378,691)
Purchase of operating fixed assets		(75,137,836)	(74,967,155)
Sale proceeds of operating fixed assets disposed off		20,029,645	289,531,874
Net cash used in investing activities		(2,887,243,241)	(5,663,813,972)
<u>Cash flow from financing activities</u>			
Payment of lease liabilities		(335,057,384)	(244,436,777)
Payment of dividends		-	(410,000,000)
Net cash used in financing activities		(335,057,384)	(654,436,777)
(Decrease) / Increase in cash and cash equivalents		(2,439,994,222)	1,182,986,419
Cash and cash equivalents at beginning of the period		4,421,178,460	3,238,192,041
Cash and cash equivalents at end of the period	34	1,981,184,238	4,421,178,460

The annexed notes from 1 to 45 form an integral part of these financial statements.

Signature

Chief Executive Officer

Chairman

Director

Director

FINCA MICROFINANCE BANK LIMITED

Notes to the Financial Statements

For the year ended 31 December 2021

1 Status and nature of business

FINCA Microfinance Bank Limited, ("the Bank") was incorporated on 26 June 2008 as a public limited company. The Bank obtained the Microfinance banking license from the State Bank of Pakistan ("SBP") on 12 August 2008 under the provisions of Microfinance Institutions Ordinance, 2001 and certificate of commencement of business on 04 September 2008 from Securities and Exchange Commission of Pakistan. The Bank received the certificate of commencement of business from SBP on 27 October 2008.

The Bank's principal business is to provide microfinance services to the poor and under-served segments of the society as envisaged under the Microfinance Institutions Ordinance, 2001. The registered office of the Bank is situated at Building-36 Sector-XX Commercial Zone, Phase III, Khayaban-e-Iqbal, DHA, Lahore, Pakistan. Subsequent to takeover by FINCA International the Bank has changed its name from Kashf Microfinance Bank Limited to FINCA Microfinance Bank Limited with effect from 25 November 2013.

The Bank is licensed to operate nationwide. As at 31 December 2021, the Bank has 130 branches (2020: 130 branches) operating in the provinces of Punjab, Khyber Pakhtunkhwa, Sindh, Gilgit Baltistan and Azad Jammu & Kashmir.

The credit rating company PACRA assigned the long term entity rating of Bank at 'A' and short term rating at 'A1' on 28 April 2021.

The holding company of the Bank is FINCA Microfinance Cooperatief U.A., (a cooperative with exclusion of liability incorporated in the Netherlands). The ultimate holding company of the Bank is FINCA Impact Finance, a not-for-profit corporation incorporated in Washington DC, USA.

1.1 Going concern assumption

The Bank incurred net loss of Rs.1,523 million during the year primarily due to the adverse effects of COVID-19 which significantly affected the obligors ability to repay the advances and resulted in substantial increase in write-offs, provision against non-performing advances along with reduction in markup income and the Capital Adequacy Ratio (CAR). Although, the Bank is in compliance with the regulatory requirements of CAR as at 31 December 2021 however there is a possibility that the threshold could breach in the forthcoming twelve months based on the projected results.

In order to avoid any such situation the Bank's management is in continuous liaison with the Ultimate Parent Company - Finca Impact Finance (FIF) and the State Bank of Pakistan. The management has devised a plan in collaboration with the ultimate parent to seek additional equity injections in the forthcoming twelve months so that the regulatory CAR threshold is not breached. The management believes that the above measures could enable the Bank to avoid potential breach of the regulatory threshold of CAR with timely capital injection by shareholder. Accordingly, these financial statements have been prepared on a going concern basis.

However, the management acknowledges that there remains a material uncertainty pertaining to the timely achievement of plans and incase the plans are not materialized, the Bank may not be able to remain a going concern and realize its assets and discharge its liabilities in the normal course of business.



2 Basis of presentation

These financial statements have been presented in accordance with the requirements of SBP Banking Supervision Department (BSD) Circular No. 11 dated 30 December 2003 and fifth schedule to the Companies Act, 2017.

These financial statements comprise of the balance sheet of the Bank as at 31 December 2021 and the related profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereof for the year ended 31 December 2021.

3 Basis of measurement

These financial statements have been prepared under the historical cost convention except for the following which are stated at fair values / present values:

- Investments in government securities;
- Right of use assets and corresponding lease liabilities; and
- Payable to defined benefit plan.

These financial statements are presented in Pakistani Rupees ("Rs.") which is the Bank's functional currency. All amounts have been rounded to the nearest Rupee, unless otherwise indicated.

4 Statement of compliance

4.1 These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan 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).

Where 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.

4.2 The SBP, vide BSD Circular Letter No. 10, dated 26 August 2002 has deferred the applicability of International Accounting Standard 39 'Financial Instruments: Recognition and Measurement' (IAS 39) and International Accounting Standard 40 'Investment Property' (IAS 40) for banking companies till further instructions. Further, according to a notification of Securities and Exchange Commission of Pakistan (SECP) dated 28 April 2008, International Financial Reporting Standard 7 'Financial Instruments Disclosure' (IFRS 7), has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and disclosed in accordance with the requirements prescribed by SBP through various circulars.

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4.3 Standards, interpretations of and amendments to the published approved accounting standards that are effective in the current year

There are a number of amendments and interpretations that are effective from 01 January 2021 however, these do not have any significant impact on the financial statements of the Bank.

4.4 Standards, interpretations of and amendments to the published approved accounting standards that are not yet effective:

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 01 January 2022 amends IAS 1 by mainly adding paragraphs which clarify what comprise the cost of fulfilling a contract. Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. The amendment is not likely to have an impact on the Bank's financial statements.
- The following annual improvements to IFRS Standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022.
 - IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
 - IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
 - IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 01 January 2022 clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing.

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Due to the fact that final instructions have not yet been issued and the large number of reservations over the draft instructions, the banks are collectively of the opinion that impact on initial application of IFRS 9 cannot be determined as required under IAS 8.

5 Use of accounting estimates and judgements

The preparation of these financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. It also requires the management to exercise its judgment in the process of applying the Bank's accounting policies. Estimates, underlying assumptions and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The areas where various assumptions and estimates are significant to the Bank's financial statements are as follows:

	Note
- Recoverability of deferred tax assets	6.7
- Staff retirement benefits	6.8.2

Other areas where judgement has been exercised in application of accounting policies and are not significant to the financial statements are stated in respective notes.

6 Significant accounting policies

The accounting policies adopted for the preparation of the financial statements are set out below. The accounting policies have been consistently applied to all the years presented.

6.1 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement represent cash in hand and balances held with treasury banks and balances held with other banks in current and deposit accounts with maturities of less than three months and are carried at cost.

6.2 Investments

The investments of the Bank, upon initial recognition, are classified as 'held for trading', 'held to maturity' or 'available for sale', as appropriate.

Investments (other than 'held for trading') are initially measured at cost, being the fair value of consideration paid. 'Held for trading' investments are initially measured at fair value and transaction costs are expensed out in the profit and loss account.

All purchases and sale of investments that require delivery within the time frame established by regulation or market convention are recognized at the trade date which is the date, the Bank commits to purchase or sale the investment.

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An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented. The amendment is not likely to have an impact on the Bank's financial statements.

- Reference to the Conceptual Framework (Amendments to IFRS 3) - Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs 21A, 21B, 21C and 23A to IFRS 3. An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 01 January 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018. The amendment is not likely to have an impact on the Bank's financial statements.
- Classification of liabilities as current or non-current (Amendments to IAS 1) amendments apply retrospectively for the annual periods beginning on or after 01 January 2023. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8. The amendment is not likely to have an impact on the Bank's financial statements.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
 - the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:
 - requiring companies to disclose their material accounting policies rather than their significant accounting policies;
 - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
 - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after 01 January 2023 with earlier application permitted. The amendment is not likely to have an impact on the Bank's financial statements.

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- Definition of Accounting Estimates (Amendments to IAS 8) – The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after 01 January 2023 and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments. The amendment is not likely to have an impact on the Bank's financial statements.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) – The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. The amendments are effective for annual reporting periods beginning on or after 01 January 2023 with earlier application permitted. The amendment is not likely to have an impact on the Bank's financial statements.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review. The amendment is not likely to have an impact on the Bank's financial statements.
- As per State Bank of Pakistan (SBP)' BPRD circular letter no. 24 of 2021, IFRS 9 'Financial Instruments' is applicable to banks/DFIs/MFBs effective 01 January 2022. The aforementioned circular letter contained instructions for quarterly parallel reporting purposes to the SBP only and it was stated that final instructions will be issued based on the results of parallel reporting. However, banks have submitted their reservations on instructions issued for parallel reporting through the Pakistan Banks Association (PBA) and requested that they are addressed in the final instructions to be issued. The reservations are pervasive and points of contention inter alia include, retaining some relaxations given presently in the Prudential Regulations, prescription of macro-economic variables, retaining local regulatory requirements related to IFRS 9 related areas on overseas branches, impact on capital adequacy ratio, adequacy of significant increase in credit risk criteria, future tax impact of any reversals, recording of expected credit loss on local currency dominated Government securities, further clarifications required in certain areas etc.

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Investments are classified as follows:

6.2.1 Held for trading

Securities acquired with the intention to be disposed off within 90 days trade by taking advantage of short-term market / interest rate movement are classified as 'held for trading' investments.

After initial measurement, these are measured at mark-to-market and surplus / deficit arising on revaluation of 'held for trading' investments is recognized in profit and loss account in accordance with the requirements prescribed by the SBP.

6.2.2 Held-to-maturity

Investments with fixed maturity, where management has both the intent and the ability to hold till maturity, are classified as 'held to maturity' and are initially measured at cost.

Subsequent to initial measurement, these are carried at amortized cost, less provision for impairment in value, if any, and amortized cost is calculated taking into account effective yield method. Profit on 'held to maturity' investments is recognized on a time proportion basis taking into account the effective yield on the investments.

Premium or discount on acquisition of 'held to maturity' investments is amortized through profit and loss account over the remaining period till maturity.

6.2.3 Available for sale

Investments that are intended to be held for an undefined period of time but may be sold in response to the need for liquidity or changes in interest rates are classified as 'available for sale'.

Investments classified as 'available for sale' are initially measured at cost, being the fair value of consideration paid. Subsequent to initial recognition at cost, these investments are measured at fair value.

The surplus / (deficit) arising on revaluation of available for sale investments is shown in the balance sheet below equity. The surplus / (deficit) arising on these investments is recognized in the profit and loss account, when actually realized upon disposal.

Provision for impairment in the value of securities is made after considering objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of these investments. A significant or prolonged decline in the value of security is also considered as an objective evidence of impairment. Provision for diminution in the value of debt securities is made as per the prudential regulations.

In the event of impairment of 'available for sale' securities, the cumulative loss that had been recognized directly in surplus on revaluation of securities on the balance sheet shown below equity is therefore adjusted and recognized in the profit and loss account.

accumulated

6.3 Advances

These are stated net of provision for non-performing advances, (if any). The outstanding principal and mark-up of the loans and advances, payments against which are overdue for 30 days or more, are classified as non-performing loans (NPLs). The unrealized interest / mark-up on NPLs is suspended and credited to interest suspense account. Further the NPLs are classified into the following categories as prescribed in Prudential Regulations for Microfinance Banks issued by SBP:

- a) **Other assets especially mentioned (OAEM):** These are advances in arrears (payments / installments overdue) for 30 days or more but less than 60 days.
- b) **Substandard:** These are advances in arrears (payments / installments overdue) for 60 days or more but less than 90 days.
- c) **Doubtful:** These are advances in arrears (payments / installments overdue) for 90 days or more but less than 180 days.
- d) **Loss:** These are advances in arrears (payments / installments overdue) for 180 days or more.

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

In accordance with the regulations, the Bank maintains specific provision of outstanding principal net cash collaterals and gold (ornaments and bullion) realizable without recourse to a court of law at the following rates:

- | | |
|---|--|
| a) Other assets especially mentioned (OAEM): | Nil |
| b) Substandard: | 25% of outstanding principal net of cash collaterals and gold |
| c) Doubtful: | 50% of outstanding principal net of cash collaterals and gold |
| d) Loss: | 100% of outstanding principal net of cash collaterals and gold |

In addition, a general provision is maintained equivalent to 1% (2020:1%) of the net outstanding balance (advances net of specific provisions) for potential loan losses. General provision is not required in cases where loans have been secured against gold or other cash collaterals with appropriate margin.

Specific and general provisions are recognized in profit and loss account for the year.

Non-performing advances are written off one day after the loan is classified as 'Loss' in accordance with the policy of Bank. However, the Bank continues its efforts for recovery of the written off balances.

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6.4 Operating fixed assets

6.4.1 Capital work-in-progress

All expenditure connected with specific assets incurred during installation and development period are carried under capital work-in-progress. These are transferred to specific assets as and when these are available for use. Capital work-in-progress is stated at cost less accumulated impairment losses, if any.

6.4.2 Intangible assets

Expenditure incurred to acquire computer software is capitalized as intangible assets and stated at cost less accumulated amortization and any identified impairment loss. These are amortized using the straight line method over their estimated useful life.

Full month's amortization is charged in the month of addition while no amortization is charged in the month of deletion.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific assets to which it relates.

The residual value, useful life and amortization method is reviewed and adjusted, if appropriate, at each balance sheet date.

6.4.3 Property and equipment

Owned

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any except land which is stated at cost. Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and includes other costs directly attributable to the acquisition or construction, erection and installation.

Land shall be carried at cost and subsequently at revalued amount (if any).

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. Major repairs and improvements are capitalized and the carrying amount of the replaced part is derecognized. All other repair and maintenance are charged to profit and loss account as and when incurred.

Depreciation is calculated using the straight line method so as to write off the property and equipment, over their expected useful lives. Depreciation is calculated at the rates stated in note 11.4. The assets' residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each balance sheet date. The effect of any revision are charged to profit and loss account for the year, when the changes arise. Depreciation on additions to property and equipment is charged from the month in which an asset is acquired or capitalized while no depreciation is charged for the month in which the asset is disposed-off."

Amplified

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are recognized in profit and loss account for the year.

6.4.4 Impairment

The Bank assesses at each balance sheet date whether there is any indication that assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying amounts exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Where an impairment loss is recognized, the depreciation / amortization charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the amount which would have been determined had there been no impairment. Reversal of impairment loss is recognized as income.

6.5 Leases

6.5.1 Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate. The Bank determines its incremental borrowing rate by analyzing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

The lease liability is subsequently measured at amortized cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

6.5.2 Right of use assets

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred.

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The right-of-use assets are subsequently depreciated on a straight line basis over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use assets are reduced by impairment losses, if any, and adjusted for certain remeasurements of lease liability.

The right of use assets is presented in 'Operating Fixed Assets' and the liability is presented in 'Other liabilities'. Also in relation to those leases under IFRS 16, the Bank has recognized depreciation and interest costs.

6.5.3 Short-term leases

The Bank has elected not to recognize right-of-use assets and lease liabilities for some leases having a lease term less than 12 months from the commencement date and do not contain a purchase option. The lease payments associated with these leases are recognized as an expenses on a straight-line basis over the lease term.

6.6 Grants

Grants are initially recognized at fair value in the balance sheet when there is reasonable assurance that the grants will be received and the Bank will comply with all the attached conditions. Grants that compensate the Bank for expenses incurred are recognized as other income in the profit and loss account on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Bank for the cost of an asset are recognized in the profit and loss account as other income on a systematic basis over the useful life of the asset.

6.7 Taxation

Income tax on the profit or loss for the year comprises of current and deferred tax. Income tax is recognized in the profit and loss account, except to the extent that it relates to items recognized in other comprehensive income, in which case it is recognized in other comprehensive income.

Current tax

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for taxation made in previous years arising from assessments framed during the year for such years.

Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

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- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

6.8 Staff retirement benefits

6.8.1 Defined contribution plan - provident fund

The Bank operates an approved defined contribution provident fund scheme for all permanent employees. Equal monthly contributions are made by the Bank and the employees to the fund at the rate of 8.33% of basic salary per month. The contribution of the Bank is charged to profit and loss account.

6.8.2 Defined benefit plan - gratuity scheme

The Bank operates an unapproved non-contributory defined benefit gratuity scheme for all permanent employees with a qualifying period of three years. Eligible employees are entitled to one month's basic salary for each completed year of service upon their departure from the Bank. The latest actuarial valuation was carried out as at 31 December 2021 using Projected Unit Credit Method. Actuarial gains and losses arising from the actuarial valuation are recognized immediately in other comprehensive income.

The Bank determines the net interest expense on the net defined liability for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then - net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit and loss account.

6.9 Deposits

Deposits are recorded at the proceeds received. Markup accrued on these deposits, if any, is recognized separately as part of other liabilities, and is charged to profit and loss account over the period.

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6.10 Borrowings

Loans and borrowing are initially recorded at proceeds received. In subsequent periods, borrowings are stated at amortized cost using the effective interest rate method.

Finance costs are accounted for on an accrual basis and are included in other liabilities to the extent of the amount remaining unpaid.

6.11 Subordinated debt

Sub-ordinated loans are initially recorded at the amount of proceeds received and subsequently measured at amortized cost. Markup accrued on these loans is charged to profit and loss account over the period at effective interest rate.

Finance costs are accounted for on an accrual basis and are included in other liabilities to the extent of the amount remaining unpaid.

6.12 Provisions

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

6.13 Statutory reserve

The Bank is required under the requirements of the Microfinance Institution Ordinance, 2001 and Prudential Regulation, to maintain a statutory reserve to which an appropriation equal to 20% of the annual profit after tax is made until the reserve fund equals the paid up capital of the Bank. Thereafter, a sum not less than 5% of its annual profits after tax is required to be transferred to the said reserve.

6.14 Depositors' protection fund

The Bank is required under the Microfinance Institutions Ordinance, 2001 to contribute 5% of its annual after tax profit and profit earned on the investments of the Depositors' protection fund to the Depositors' protection fund for the purpose of providing security or guarantee to persons depositing money in the Bank.

6.15 Cash reserve requirement

In compliance with the requirements of the Microfinance Institution Ordinance, 2001 and Prudential Regulation, the Bank maintains a cash reserve equivalent to not less than 5% of its deposits (including demand deposits and time deposits with tenure of less than 1 year) in a current account opened with the State Bank of Pakistan (SBP) or its agent.

6.16 Statutory liquidity requirement

In compliance with the requirements of the Prudential Regulation, the Bank maintains liquidity equivalent to at least 10% of its total demand liabilities and time liabilities with tenure of less than one year in the form of liquid assets i.e. cash, gold, unencumbered treasury bills, Pakistan Investment Bonds and Government of Pakistan sukuk bonds. Treasury bills and Pakistan Investment Bonds held under depositors' protection fund are excluded for the purposes of determining liquidity.

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6.17 Revenue recognition

Mark-up / return on performing advances is recognized on a time proportion basis using effective interest rate method at the Bank's prevailing mark-up rates for the loan products. Mark-up / return on advances is collected with loan installments due but unpaid mark-up is accrued on overdue advances for a period up to 29 days. From the 30th day, overdue advances are classified as non-performing advances and further accrual of unpaid mark-up / return ceases. Accrued mark-up on non-performing advances are reversed and credited to suspense account. Mark-up recoverable on non-performing advances and classified advances is recognized on a receipt basis.

Mark-up / return on investments is recognized on time proportion basis using effective interest rate method. Where debt securities are purchased at premium or discount, such premium / discount is amortized through the profit and loss account over the remaining period of maturity. Gain or loss on sale of securities is accounted for in the period in which it occurs.

Return on bank deposits is recognized on an accrual basis using effective interest rate method.

Fee, commission and brokerage income is recognized as services are rendered.

Other income is recognized on a time proportion basis.

6.18 Foreign currency transactions and translation

All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into rupees at the spot rate on the date of transaction. All non-monetary items are translated into rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined (for assets carried at fair value).

Foreign currency differences arising on retranslation are charged to profit and loss account in the period in which they arise.

6.19 Financial instruments

Financial assets and financial liabilities are recognized when the Bank becomes a party to the contractual provisions of the instrument and derecognized when the Bank loses control of the contractual rights that comprise the financial assets and in case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired.

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

6.19.1 Financial assets and financial liabilities

Financial instruments carried on the balance sheet include cash and balances with treasury banks, balances with other banks, lending to financial institutions, investments, advances, other assets, bills payable, borrowings, deposits and other liabilities. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

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6.19.2 Off setting

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the Bank intends to either settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

6.20 Share capital and dividend

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as deduction, net of tax, from the proceeds. Dividend distribution to the shareholders is recognized as liability in the period in which it is declared.

6.21 Earning per share

The Bank presents earnings per share (EPS) for its ordinary shares which is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effect of all dilutive potential ordinary shares (if any).

6.22 Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Bank's accounting policies and disclosures require the measurement of fair values, for both financial and non- financial assets and liabilities.

When one is available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Bank determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

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7	Cash and balances with SBP and NBP	Note	2021 Rupees	2020 Rupees
	Cash in hand	7.1	395,334,434	397,273,014
	Balance with State Bank of Pakistan	7.2	1,123,669,630	1,006,847,600
	Balance with National Bank of Pakistan in:			
	Saving account	7.2	3,915,685	725,909
	Current account	7.2	179,665,940	167,228,507
			<u>1,702,585,689</u>	<u>1,572,075,030</u>

7.1 The cash in hand is held by the Bank to comply with the statutory liquidity requirements as set out under the Prudential Regulations R-3 "Maintenance of cash reserve and liquidity".

7.2 This represents the balance maintained with SBP and NBP to meet the minimum balance requirement equivalent to 5% (2020: 5%) as cash reserve and 10% (2020: 10%) as liquidity reserve of the Bank's time and demand liabilities in accordance with the Prudential Regulations. Saving accounts carry markup at 5.50% to 7.25% (2020: 5.50% to 8.75%) per annum.

8	Balances with other banks / NBFIs / MFBs	Note	2021 Rupees	2020 Rupees
	In Pakistan:			
	Saving accounts	8.1	132,134,051	1,787,325,942
	Deposit accounts		-	900,000,000
	Current accounts		146,464,498	161,777,488
			<u>278,598,549</u>	<u>2,849,103,430</u>

8.1 These accounts carry mark-up ranging from 5.50% to 7.40% (2020: 5.50% to 13.60%) per annum.

9	Investments	Note	2021 Rupees	2020 Rupees
	Federal Govt. Securities:			
	Market treasury bills (Available for sale)	9.1	9,879,609,700	6,448,871,800
	Market treasury bills (Held for trading)	9.1	350,387,780	-
			<u>10,229,997,480</u>	<u>6,448,871,800</u>

9.1 These carry yield rate ranging from 6.39% to 11.40% (2020: 6.39% to 13.48%) per annum and have maturity upto 30 June 2022. These securities have an aggregate face value of Rs. 10,370 million (2020: Rs. 6,500 million). This includes Rs. 286.45 million (2020: Rs. 266.16 million) maintained with SBP under depositors' protection fund to comply with the statutory liquidity requirements as set under the Prudential Regulations.

10 Advances - net of provisions

	Note	2021		2020	
		Number	Rupees	Number	Rupees
Micro credit advances	10.1	200,967	19,615,335,012	223,904	21,418,849,345
Other advances	10.2	1,127	80,394,421	1,384	131,660,566
			<u>19,695,729,433</u>		<u>21,550,509,911</u>
Less: Provisions held:					
Specific	10.3 & 10.4	46,140	720,172,279	10,363	115,534,548
General	10.5		148,363,266		188,866,507
			<u>868,535,545</u>		<u>304,401,055</u>
			<u>18,827,193,888</u>		<u>21,246,108,856</u>

10.1 This includes fully secured advances amounting to Rs. 4,139.23 million (2020: Rs. 2,543.42 million) whereas the remaining advances are secured by personal guarantees.

10.2 These advances are staff loans and carry markup rate between 5% to 10% per annum (2020: 5% to 10%).

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10.3 Particulars of non-performing advances

The total advances of Rs. 2,922.15 million (2020: Rs. 739.18 million) placed under non-performing status includes Rs 55.30 million (2020: Rs 9.60 million) advances, secured against gold:

2021					
	%	Number	Amount outstanding Rupees	Provision required Rupees	Provision held Rupees
OAEM	0	14,450	1,164,616,182	-	-
Sub-standard	25	9,716	644,220,001	156,440,940	156,440,940
Doubtful	50	21,388	1,082,189,547	532,608,423	532,608,423
Loss	100	586	31,122,916	31,122,916	31,122,916
Total		46,140	2,922,148,646	720,172,279	720,172,279

2020					
	%	Number	Amount outstanding Rupees	Provision required Rupees	Provision held Rupees
OAEM	0	5,782	443,605,541	-	-
Sub-standard	25	1,858	124,916,396	30,633,155	30,633,155
Doubtful	50	2,698	168,217,806	82,458,188	82,458,188
Loss	100	25	2,443,205	2,443,205	2,443,205
Total		10,363	739,182,948	115,534,548	115,534,548

10.4 Particulars of non-performing advances

Movement of provision against non-performing advances is as under:

Note	2021			2020		
	Specific Rupees	General Rupees	Total Rupees	Specific Rupees	General Rupees	Total Rupees
Balance as at 01 January	115,534,548	188,866,507	304,401,055	233,320,572	207,891,276	441,211,848
Charge / (reversal) for the year	2,210,729,731	(40,503,241)	2,170,226,490	1,245,169,737	(19,024,769)	1,226,144,968
Advances written off	(1,606,092,000)	-	(1,606,092,000)	(1,362,955,761)	-	(1,362,955,761)
	604,637,731	(40,503,241)	564,134,490	(117,786,024)	(19,024,769)	(136,810,793)
Balance as at 31 December	720,172,279	148,363,266	868,535,545	115,534,548	188,866,507	304,401,055

10.4.1 Particulars of write offs

	2021 Rupees	2020 Rupees
Against provisions	1,606,092,000	1,362,955,761
Directly charged to profit and loss account	22,531,552	2,227,563
	1,628,623,552	1,365,183,324

10.5 This represents general provision equivalent to 1% (2020: 1%) of the outstanding advances net of specific provisions and those against which gold collaterals are taken.

10.6 The coronavirus (COVID-19) has been evolving as a strain to the global economy including that of Pakistan. In order to facilitate MFBs due to COVID-19, SBP issued AC&MFD Circular Letters No. 01, 04 and 07 regarding "Regulatory relief to dampen the effect of COVID-19". The circulars allowed certain relaxations to MFBs. In accordance with the circulars, MFBs, upon written request from borrower received before 30 September 2020, could defer repayment of principal for one year provided borrower continues to service the markup amount in accordance with agreed terms. The said circulars also clarified that the above-mentioned deferment exceeding one year, may be rescheduled / restructured upon their request. If the rescheduling / restructuring is done within 90 days of the loan being overdue, such facilities could continue to be treated as regular and reported in the ECIB accordingly. MFBs could not classify as NPL, the financing facilities of such borrowers who had requested for deferment unless the payment obligations were past due by 90 days. The aforesaid treatment was available for loans which were regular on 31 December 2019 and became non-performing subsequently. In addition to above, each NPL category was extended by 2 months for borrowers who could not avail relief under the scheme. Accordingly, pursuant to the regulatory relief given by SBP, these are 68,492 restructured / deferred loans amounting to Rs. 4,822 million (2020: 95,921 loans amounting to Rs. 7,721 million) outstanding as at 31 December 2021. This facility has expired on 31 March 2021.

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10.7 The SBP issued AC&MFD Circular Letter No. 1 of 2021 to extend the regulatory relief to dampen the effects of Covid-19 by relaxing the criteria for classification of loans and provisioning requirements to the borrowers who availed deferment or restructuring. As per the relaxation, each NPL category was extended by 1 month for borrowers who had availed the earlier relaxation provided by the SBP as mentioned in Note 10.6 This relaxation is available for the deferred / restructured portfolio up till 31 March 2022.

10.8 During the year, the management of the Bank has restructured 29,201 loans amounting to Rs. 2,851 million (2020: Rs. Nil) as per the requirements of "Regulation R - 9" of the "Prudential Regulations for Microfinance Banks" issued by the State Bank of Pakistan.

	Note	2021 Rupees	2020 Rupees
11 Operating fixed assets			
Capital work-in-progress	11.1	27,237,929	43,562,052
Intangible assets	11.2	185,311,071	205,902,382
Right of use assets	11.3	978,078,124	1,222,372,194
Property and equipment	11.4	775,582,249	973,121,672
		<u>1,966,209,373</u>	<u>2,444,958,300</u>

11.1 Capital work-in-progress

Equipment		23,748,226	42,817,046
Advances to suppliers and contractors	11.1.1	3,489,703	745,006
		<u>27,237,929</u>	<u>43,562,052</u>

11.1.1 This represents advances to suppliers given for property and equipment.

11.2 Intangible assets

Note

Computer Software

Cost:

Balance as at 01 January		600,288,488	569,809,339
Additions during the year		45,503,039	30,479,149
Balance as at 31 December		<u>645,791,527</u>	<u>600,288,488</u>

Amortization:

Balance as at 01 January		394,386,106	323,242,829
Charge during the year	26	66,094,350	71,143,277
Balance as at 31 December		<u>460,480,456</u>	<u>394,386,106</u>

Carrying value

	<u>185,311,071</u>	<u>205,902,382</u>
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11.2.1 Cost of intangible assets include cost of fully amortized intangible assets that are still in use amounting to Rs. 276.91 million (2020: Rs. 215.81 million).

	2021	2020
Amortization rate	<u>10% - 20%</u>	<u>10% - 20%</u>

11.3 Right of use assets:

Note

The movement in right of use assets during the period is as follows:

Opening net book value		1,222,372,194	1,490,714,494
Additions during the year		47,652,159	11,268,371
Right of use asset derecognized during the year		(63,391,044)	(39,026,749)
Modification of lease for the year		5,588,749	-
Depreciation charge for the year	26	(234,143,934)	(240,583,922)
Closing net book value		<u>978,078,124</u>	<u>1,222,372,194</u>

as per M/S

11.4 Property and equipment

	2021										Book value as at 31 December 2021	Rate of depreciation %
	Cost				Depreciation							
	As at 01 January 2021	Additions	Disposals	Write offs	As at 31 December 2021	As at 01 January 2021	Charge for the year	Disposals	Write offs	As at 31 December 2021		
	----- Rupees -----											
<u>Owned assets</u>												
Leasehold improvements	703,550,467	1,302,780	-	(14,959,873)	689,893,374	231,977,029	69,465,842	-	(6,190,233)	295,252,638	394,640,736	10%
Furniture and fixtures	221,721,241	4,654,102	(12,471,679)	(3,258,449)	210,645,215	89,299,651	21,435,925	(7,275,870)	(3,258,410)	100,201,296	110,443,919	10%
Computer equipment	553,700,249	38,289,486	(12,238,276)	(245,000)	579,506,459	400,747,908	85,653,551	(10,843,601)	(245,000)	475,312,858	104,193,601	20%-33%
Office equipment	294,542,268	1,712,553	(7,133,729)	(156,426)	288,964,666	105,173,883	28,736,079	(3,781,261)	(156,426)	129,972,275	158,992,391	10%
Vehicles	75,356,880	-	(31,629,000)	(2,966,780)	40,761,100	48,550,962	8,618,974	(20,753,658)	(2,966,780)	33,449,498	7,311,602	25%
	1,848,871,105	45,958,921	(63,472,684)	(21,586,528)	1,809,770,814	875,749,433	213,910,371	(42,654,390)	(12,816,849)	1,034,188,565	775,582,249	

11.4.1 Cost of property and equipment include cost of fully depreciated assets that are still in use amounting to Rs. 333.78 million (2020: Rs. 234.99 million).

	2020										Book value as at 31 December 2021	Rate of depreciation % (per annum)
	Cost					Depreciation						
	As at 01 January 2020	Additions	Disposals	Write offs	As at 31 December 2020	As at 01 January 2020	Charge for the year	Disposals	Write offs	As at 31 December 2020		
	----- Rupees -----											
<u>Owned assets</u>												
Freehold land	144,450,113	-	(144,450,113)	-	-	-	-	-	-	-	-	
Leasehold improvements	667,301,448	40,726,008	-	(4,476,989)	703,550,467	166,974,214	68,164,687	-	(3,161,872)	231,977,029	471,573,438	10%
Furniture and fixtures	219,235,159	2,903,439	(339,001)	(78,356)	221,721,241	68,390,534	21,267,031	(305,772)	(52,142)	89,299,651	132,421,590	10%
Computer equipment	544,977,067	9,203,799	(99,500)	(381,117)	553,700,249	298,422,924	102,750,198	(66,333)	(358,881)	400,747,908	152,952,341	20%-33%
Office equipment	286,903,698	7,998,415	(209,795)	(150,050)	294,542,268	76,317,060	29,089,408	(160,169)	(72,416)	105,173,883	189,368,385	10%
Vehicles	140,308,173	-	(64,951,293)	-	75,356,880	59,136,581	24,988,699	(35,574,318)	-	48,550,962	26,805,918	25%
	2,003,175,658	60,831,661	(210,049,702)	(5,086,512)	1,848,871,105	669,241,313	246,260,023	(36,106,592)	(3,645,311)	875,749,433	973,121,672	

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11.4.2 Details of tangible assets sold and written off:

Deletion of fixed assets with cost exceeding Rs. 1 million or book value exceeding Rs. 0.25 million are as follows:

Particulars of assets	Particulars of buyer	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss)	Relationship with the Bank	Mode of disposal
-----Rupees-----								
Owned assets								
Vehicles								
Honda Br-V	Waqas Bashir	2,333,000	2,041,375	291,625	2,460,910	2,169,285	Third Party	Auction
Honda City	Liaqat Ali	1,924,000	801,660	1,122,340	1,122,340	-	Employee	As per policy
Honda City Aspire	Mohammad Arshad	1,733,000	1,408,056	324,944	324,944	-	Employee	As per policy
Honda City Manual	Abdul Mohsin	1,270,000	873,114	396,886	396,886	-	Employee	As per policy
Honda Civic	Mr.Biall Mohy Ud Din	2,069,000	1,206,912	862,088	862,088	-	Employee	As per policy
Honda Civic	Hamayun Aslam Bhutta	3,038,500	1,582,552	1,455,948	1,455,948	-	Employee	As per policy
Honda Civic	Asif javeed	3,478,500	1,811,720	1,666,780	1,666,780	-	Employee	As per policy
Suzuki Cultus Vxr	Noman Javed Khan	1,245,000	829,984	415,016	415,016	-	Employee	As per policy
Suzuki Swift Dx	Rana Umer Munawar	1,221,000	1,220,999	1	1,182,727	1,182,726	Third Party	Auction
Suzuki Swift Dx	Mr. Gohar Shahzad	1,300,000	947,905	352,095	352,095	-	Employee	As per policy
Suzuki Swift Dx	Mr.Umair khan	845,000	563,334	281,666	281,666	-	Employee	As per policy
Toyota Corolla Xli	Asma Shakil	1,340,000	809,593	530,407	530,407	-	Employee	As per policy
Toyota Hi-Ace	Murtaza Ali Virani	2,900,000	2,899,999	1	2,200,909	2,200,908	Third Party	Auction
Toyota Corolla Altis	Rizwan Qureshi	1,410,000	675,625	734,375	734,375	-	Employee	As per policy
Toyota Corolla Altis	Imran Aslam	2,139,000	846,688	1,292,312	1,292,312	-	Employee	As per policy
Suzuki Mehran Vxr	Asif Rashid	880,000	513,324	366,676	366,676	-	Employee	As per policy
Toyota Fortuner	Muhammad Qaiser	2,503,000	1,720,818	782,182	782,182	-	Employee	As per policy
Generator	FINJA Pvt. Ltd.	1,260,500	514,704	745,796	365,289	(380,507)	Third Party	Auction
Others								
Computer equipment	Various buyers	12,238,276	10,843,601	1,394,675	665,627	(729,048)	Third Party	Auction
Office equipment	Various buyers	5,873,229	3,266,557	2,606,672	1,138,173	(1,468,499)	Third Party	Auction
Furniture and fixtures	Various buyers	12,471,679	7,275,870	5,195,809	1,432,295	(3,763,514)	Third Party	Auction
		63,472,684	42,654,390	20,818,294	20,029,645	(788,649)		
Assets written off		21,586,528	12,816,850	8,769,678	-	(8,769,678)		
2021		85,059,212	55,471,240	29,587,972	20,029,645	(9,558,327)		
2020		215,136,214	39,751,903	175,384,311	289,531,874	114,147,563		

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12	Other assets	Note	2021 Rupees	2020 Rupees
	Income / mark-up accrued on advances	12.1	2,589,642,115	4,580,574,028
	Income / mark-up accrued on balance with banks		361,711	12,410,871
	Prepayments		31,660,105	56,454,546
	Security deposits		9,324,270	10,578,470
	Stationary and stamps on hand		31,855,951	33,539,310
	Advance tax - net		130,371,965	-
	Receivable from SBP against crop insurance		188,280,825	240,091,909
	Others		51,510,578	237,756,530
			3,033,007,520	5,171,405,664

12.1 This is net of markup income suspended amounting to Rs 2,350.86 million (2020: Rs. 244.59 million) on non performing advances of the Bank.

13	Deferred tax asset	Note	2021 Rupees	2020 Rupees
	<i>Deferred tax asset on deductible temporary differences arising in respect of:</i>			
	- Payable to defined benefit plan		93,179,885	88,748,642
	- Provision against non performing advances		469,224,882	54,320,875
	- Turnover tax credits		76,004,919	-
	- Unadjusted tax losses		380,538,766	-
	- Deficit on revaluation of 'available for sale' securities		6,400,660	-
			1,025,349,112	143,069,517
	<i>Deferred tax liability on taxable temporary differences arising in respect of:</i>			
	- Accelerated tax depreciation		(10,483,312)	(24,711,413)
			1,014,865,800	118,358,104

13.1 Movement in deferred tax balances is as follows:

As at 01 January

118,358,104 45,897,267

Recognized in profit and loss account:

- Payable to defined benefit plan
- Provision against non performing advances
- Turnover tax credits
- Unadjusted tax losses
- Accelerated tax depreciation
- Prior year adjustment

9,136,920	19,910,967
414,904,007	54,320,875
76,004,919	-
380,538,766	-
14,228,101	13,205,849
-	(6,415,440)
894,812,713	81,022,251

Recognized in other comprehensive income:

- Remeasurement of staff retirement benefits
- Deficit on revaluation of 'available for sale' securities

(4,705,677)	(8,561,414)
6,400,660	-
1,014,865,800	118,358,104

As at 31 December

13.1 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.

14 Deposits and other accounts

	Note	2021		2020	
		Number of accounts	Amount (Rupees)	Number of accounts	Amount (Rupees)
Fixed deposits	14.1	9,220	13,707,049,478	12,006	14,893,607,123
Saving deposits	14.2	123,712	9,024,669,682	121,963	8,426,673,326
Current deposits		1,575,558	2,687,408,286	1,393,031	2,762,480,596
		1,708,490	25,419,127,446	1,527,000	26,082,761,045

14.1 These represent fixed deposits having tenure of 1 to 60 months carrying profit rates ranging from 7.25% to 14.00% (2020: 6.85% to 14.25%) per annum.

14.2 The saving deposits represent accounts carrying interest rates ranging from 6.50% to 9.50% (2020: 6.50% to 11.50%) per annum.

14.3 Particulars of deposits by ownership

	2021		2020	
	Number of accounts	Amount (Rupees)	Number of accounts	Amount (Rupees)
Individual depositors	1,707,645	20,415,984,736	1,526,110	20,349,643,172
<i>Institutional depositors:</i>				
Corporations, firms and other such entities	780	3,766,187,373	802	3,353,578,104
Banks and financial institutions	65	1,236,955,337	88	2,379,539,769
	1,708,490	25,419,127,446	1,527,000	26,082,761,045

14.4 Deposits include deposits from related parties amounting to Rs. 209.12 million (2020: Rs. 191.12 million).

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15 Borrowings

Borrowings from banks / financial institutions

	Note	2021 Rupees	2020 Rupees
in Pakistan - secured	15.1	1,381,378,885	1,710,503,886
Borrowings from the State Bank of Pakistan - <i>unsecured</i>	15.2	3,000,000,000	3,000,000,000
		4,381,378,885	4,710,503,886

15.1 Details of borrowings from financial institutions - secured

Secured

Running finance - Allied Bank Limited	15.1.1	248,000,105	249,000,105
Running finance - National Bank of Pakistan	15.1.2	499,003,780	499,003,781
Term finance - National Bank of Pakistan	15.1.3	437,500,000	687,500,000
Term finance - Allied Bank Limited	15.1.4	196,875,000	275,000,000
		1,381,378,885	1,710,503,886

15.1.1 This facility has limit aggregating Rs. 250 million (2020: Rs. 250 million). Mark-up is payable quarterly at the rate of 3 months KIBOR plus 50 bps per annum (2020: 3 months KIBOR plus 50 bps per annum). This is secured against first pari-passu hypothecation charge on present and future current assets of the Bank to the extent of Rs. 333.33 million with a 25% margin. This facility is expiring on 30 June 2022.

15.1.2 This facility has limit aggregating Rs. 500 million (2020: Rs. 500 million). Mark-up is payable quarterly at the rate of 3 months KIBOR plus 50 bps per annum (2020: 3 months KIBOR plus 50 bps per annum). This is secured against first pari-passu charge on present and future current assets of the Bank to the extent of Rs. 667 million with a 25% margin. This facility has expired on 31 December 2021. The Bank is in process of negotiation for extension of the facility.

15.1.3 This facility has limit aggregating Rs. 1,000 million (2020: Rs. 1,000 million). Mark-up is payable quarterly at the rate of 3 months KIBOR plus 100 bps per annum (2020: 3 months KIBOR plus 100 bps per annum). The principal will be paid in sixteen equal quarterly installments, the first such installment has been paid on 31 December 2019. This is secured against first pari-passu charge of Rs. 1,333 million on present and future current assets of the Bank with a 25% margin. This facility is expiring on 30 September 2023.

	Note	2021 Rupees	2020 Rupees
15.1.4 Term finance - Allied Bank Limited			
Term Finance - Facility 2	15.1.4.1	75,000,000	125,000,000
Term Finance - Facility 3	15.1.4.2	121,875,000	150,000,000
		196,875,000	275,000,000

15.1.4.1 This facility has limit aggregating Rs. 200 million (2020: Rs. 200 million). Mark-up is payable quarterly at the rate of 3 months KIBOR plus 75 bps per annum (2020: 3 months KIBOR plus 75 bps per annum). The principal will be paid in sixteen equal quarterly installments, the first such installment has been paid on 28 August 2019. This is secured against first pari-passu charge of Rs. 267 million on present and future current assets of the Bank with a 25% margin. This facility is expiring on 28 May 2023. The outstanding term finance liability has become payable on demand due to the fact that the Bank has made defaults in complying covenants associated by the lender with the said term loan. The Bank is in the process of obtaining waiver from the lender for the associated covenant requirements.

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15.1.4.2 This facility has an aggregating limit of Rs. 150 million (2020: 150 million). Mark-up is payable quarterly at the rate of 3 months KIBOR plus 75 bps per annum (2020: 3 months KIBOR plus 75 bps per annum). The principal will be paid in sixteen equal quarterly installments, the first such installment has been paid on 20th June 2021. This is secured against first pari-passu charge of Rs. 200 million on present and future current assets of the Bank with a 25% margin. This facility is expiring on 20 March 2025. The outstanding term finance liability has become payable on demand due to the fact that the Bank has made defaults in complying covenants associated by the lender with the said term loan. The Bank is in the process of obtaining waiver from the lender for the associated covenant requirements.

15.2 This represents unsecured long term borrowing received from SBP under Financial Inclusion Infrastructure Program (FIIP) to provide access to long term market based funding that will enhance lending to microfinance borrowers including micro enterprises and micro housing especially women borrowers. The markup is payable at the rate of 6 months KIBOR minus 100 bps per annum (2020: 6 months KIBOR minus 100 bps per annum). Principal amount will be repaid in last four quarters of 5 years loan period or in bullet form at the end of said tenor.

	Note	2021 Rupees	2020 Rupees
16 Subordinated debt			
Pakistan Microfinance Investment Company (PMIC)	16.1	<u>800,000,000</u>	<u>800,000,000</u>

16.1 This represents an unsecured and subordinated loan facility raised by the Bank during the year 2019, amounting to Rs. 800 million to contribute towards the Bank's Tier II capital. The fund so raised will be utilized in the Bank's business operations. Mark-up is payable half yearly at the rate of 6 months KIBOR plus 300 bps per annum. The instrument is structured to redeem in 6 semi-annual installments in arrears starting from 6th year after the end of grace period of 5 years, as follows:

- 6th Year : 1% of total issue amount payable in 2 equal installments;

- 7th Year : 1% of total issue amount payable in 2 equal installments;

- 8th Year : 98% of total issue amount payable in 2 equal installments.

The instrument is unsecured and subordinated as to payment of principal and profit to all other indebtedness of the Bank, including deposits, and it is not redeemable before maturity without prior approval of SBP.

	Note	2021 Rupees	2020 Rupees
17 Other liabilities			
Markup / return / interest payable	17.1	470,822,428	499,401,721
Bills payable		84,114,587	65,184,368
Accrued expenses		204,765,114	219,131,454
Current tax liability		-	66,844,638
Payable to Finca Microfinance Holding Company LLC	17.2	-	54,203,452
Payable to defined benefit plan	17.3	266,228,242	253,567,549
Withholding tax payable		175,645,573	181,721,990
Sundry creditors		212,225,333	157,214,087
Lease liability against right of use assets		1,267,217,791	1,483,551,201
Workers' Welfare Fund		33,320,951	33,320,951
		<u>2,714,340,019</u>	<u>3,014,141,411</u>

17.1 This includes markup payable on deposits from related parties amounts to Rs. 15.74 million (2020: Rs. 22.53 million).

17.2 This represented amount payable to the Finca Microfinance Holding Company LLC for consultancy, insurance, research and shared service center fee. It is incorporated in United States of America and its registered office is situated at 1201, 15th street NW, 8th floor Washington, DC 20005.

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	Note	2021 Rupees	2020 Rupees
17.3 Payable to defined benefit plan			
Present value of defined benefit obligation	17.3.1	253,730,902	246,845,842
Benefits due but not yet paid		12,497,340	6,721,707
Balance as at 31 December		266,228,242	253,567,549
17.3.1 Changes in present value of defined benefit obligation			
Balance at 01 January		246,845,842	214,227,057
Current		59,547,798	65,178,502
Interest cost		22,156,270	23,325,516
		81,704,068	88,504,018
Benefits due but not yet paid		(10,249,952)	(5,805,862)
Payments made during the year		(51,124,264)	(25,618,188)
		(61,374,216)	(31,424,050)
<u>Included in other comprehensive income</u>			
Actuarial gain / (loss) arising from changes in financial assumptions		1,370,527	(1,375,188)
Actuarial loss arising from experience adjustment		(14,815,319)	(23,085,995)
Present value of defined benefit obligation		253,730,902	246,845,842
17.3.2 Expenses charged to profit and loss account			
Current service cost		59,547,798	65,178,502
Interest cost		22,156,270	23,325,516
		81,704,068	88,504,018
17.3.3 Total remeasurement chargeable in other comprehensive income			
<u>Remeasurement of plan obligation:</u>			
Actuarial gain / (loss) from changes in financial assumptions		1,370,527	(1,375,188)
Experience adjustments		(14,815,319)	(23,085,995)
Total remeasurement chargeable in other comprehensive income		(13,444,792)	(24,461,183)
17.3.4 Changes in net liability		2021 Rupees	2020 Rupees
Balance as at 01 January		253,567,549	221,140,255
Expense chargeable to profit and loss account		81,704,068	88,504,018
Remeasurement chargeable in other comprehensive income		(13,444,792)	(24,461,183)
Benefits paid		(55,598,583)	(31,615,541)
Balance as at 31 December		266,228,242	253,567,549
17.3.5 Significant actuarial assumptions		<u>2021</u>	<u>2020</u>
Discount rate used for interest cost in profit and loss account		10.25%	11.75%
Discount rate used for year end obligation		11.75%	10.25%
Expected rate of increase in salaries		10.75%	9.25%
Mortality rates		SLIC 2001-05 Setback 1 Year	SLIC 2001-05 Setback 1 Year
Withdrawal rate		Age based (as per appendix)	Age based (as per appendix)
Retirement assumption		Age 60 years	Age 60 years

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17.3.6 Expected expense for the next year

The Bank expects to charge Rs 87.04 million to profit and loss account on account of defined benefit plan for the year ending 31 December 2022.

	(Rupees)
Current service cost	59,061,333
Interest cost	27,974,846
Amount chargeable to profit and loss account	87,036,179

17.3.7 Sensitivity analysis

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate and expected rate of salary increase. The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant:

		Impact on defined benefit obligation			
		2021		2020	
		----- Rupees -----			
Change		Increase	Decrease	Increase	Decrease
Discount rate	±100 BPS	35,021,062	13,984,762	28,555,078	19,151,196
Salary growth rate	±100 BPS	35,953,923	14,709,874	29,596,440	19,892,192

Furthermore in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the balance sheet.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

17.3.8 The average duration of the defined benefit obligation is 9.6 years (2020: 10 years).

17.3.8.1 Risk associated with defined benefit obligations

The defined benefit obligations may expose the Bank to actuarial risks such as longevity risk, salary increase risk and withdrawal rate risk as described below;

Longevity risks:

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

Salary increase risk:

The most common type of retirement benefit is one where the final benefit is linked with final salary. The risk arises when the actual increases are higher than expectations and impact the liability accordingly.

Withdrawal Rate:

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

17.3.9 Expected contribution of the Bank to the defined benefit gratuity fund for the year ending 31 December 2022 will be Rs. 31.30 million.

KRM/2021

18	Share Capital	Note	2021	2020	2021	2020
			(Number of shares)		Rupees	Rupees
18.1	Authorized capital					
	Ordinary shares of Rs 10 each		<u>1,500,000,000</u>	<u>1,500,000,000</u>	<u>15,000,000,000</u>	<u>15,000,000,000</u>
18.2	Issued, subscribed and paid-up share capital					
	Ordinary shares of Rs 10 each fully paid in cash	18.3	<u>634,888,711</u>	<u>634,888,711</u>	<u>6,348,887,110</u>	<u>6,348,887,110</u>
18.3	Share capital has been subscribed by the following:					
	Kashf Holdings (Private) Limited	5.22%	33,119,747	33,119,747	331,197,470	331,197,470
	International Finance Corporation	4.85%	30,771,739	30,771,739	307,717,390	307,717,390
	Triodos Fair Share Fund	2.73%	17,368,319	17,368,319	173,683,190	173,683,190
	Acumen Fund	0.81%	5,130,253	5,130,253	51,302,530	51,302,530
	FINCA Microfinance Cooperatief U.A	86.39%	548,498,653	548,498,653	5,484,986,530	5,484,986,530
		100.00%	<u>634,888,711</u>	<u>634,888,711</u>	<u>6,348,887,110</u>	<u>6,348,887,110</u>
19	(Deficit) / surplus on revaluation of assets				2021 Rupees	2020 Rupees
	(Deficit) / surplus on revaluation of securities:					
	Federal government securities - market treasury bills (T-Bills - available for sale)				(18,287,600)	184,000
	Related deferred tax effect				<u>6,400,660</u>	
					<u>(11,886,940)</u>	<u>184,000</u>
19.1	(Deficit) / surplus on revaluation of available for sale investments is charged through statement of comprehensive income in accordance with the Prudential Regulation "R - 11 (c) Treatment of Surplus / (Deficit)".					

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	2021 Rupees	2020 Rupees
20 Deferred Grants		
Balance as at 01 January	300,000	2,154,960
Less: Grant amortized	(300,000)	(1,854,960)
Balance as at 31 December	-	300,000

21 Memorandum / off-balance sheet items

21.1 Contingencies and commitments

21.1.1 Contingencies

- Tax authorities have issued orders under Punjab Sales Tax on Services (withholding) Rules, 2015, for the year 2015 thereby creating arbitrary aggregate demand of Rs. 25,295,245. The Bank's appeals before PRA CIR (Appeals) are pending for adjudication. The management is confident that aforesaid demand will be deleted by appellate authorities and therefore no provision has been made against it.
- The income tax assessments of the Bank have been finalized upto and including tax year 2021. While finalizing income tax assessments for tax year 2020, income tax authorities made certain add backs with aggregate tax impact of Rs. 28,718,147. As a result of appeal filed by the Bank before the Commissioner (Appeals) the matter has been set aside. Pending finalization of set aside proceedings no provision has been made by the Bank in these accounts as the management is confident that the outcome of set aside proceedings will be in favor of the Bank.

21.1.2 Commitments

There are no significant commitments as at 31 December 2021 (2020: Nil).

	2021 Rupees	2020 Rupees
22 Mark-up / return / interest earned		
Interest / mark-up on advances	4,489,276,652	7,970,367,647
Markup earned on investments in government securities	606,518,488	526,818,247
Interest / mark-up on bank accounts	60,451,963	131,353,145
	5,156,247,103	8,628,539,039

23 Mark-up / return / interest expensed

Deposits	2,059,796,091	2,369,953,228
Borrowings	317,255,049	426,549,012
Subordinated loan	100,645,480	84,149,480
Notional interest on lease liability	145,383,922	158,107,383
	2,623,080,542	3,038,759,103

24 Fee, commission and brokerage income

Loan processing fee	459,495,469	418,534,235
Income on cheque book issuance	7,002,202	6,107,671
Over due charges	58,815,155	67,174,824
Early settlement charges	31,370,255	24,784,765
Others	15,387,591	16,488,484
	572,070,672	533,089,979

25 Other income

Grant income	300,000	1,854,960
Recovery against advances previously written off	272,400,420	130,873,466
Net gain on disposal of operating fixed assets	-	115,588,764
Gain on termination of lease	16,509,812	-
Capital gain on disposal of government securities	-	55,903,100
Others	62,865,552	8,129,680
	352,075,784	312,349,970

KRM/GM

26 Administrative expenses	Note	2021 Rupees	2020 Rupees
Staff salaries and other benefits	26.1	1,965,134,388	1,987,165,019
Contribution to employee provident fund		59,320,470	70,067,203
Non-executive directors' fees, allowances and other expenses		4,909,930	2,800,000
Printing, stationery and periodicals		40,803,025	79,675,252
Advertisement		60,878,250	69,679,605
Rent, rates and taxes		14,611,425	27,815,707
Office running expenses		54,853,167	51,249,605
Vehicle running expenses		45,345,415	47,577,864
Insurance		96,938,314	80,560,410
Office security / personnel services		135,045,700	144,545,328
Repairs and maintenance		152,352,377	149,726,814
Communication		101,052,332	118,677,664
Travel and transportation		99,744,826	132,220,542
Utilities		113,828,017	106,420,054
IT expenses		-	28,431,458
Legal and professional charges		73,870,548	85,512,305
Donation	26.2	-	589,720
Auditors' remuneration	26.3	7,060,823	5,813,973
Training and research		9,567,844	10,355,238
Depreciation on property and equipment		213,910,371	246,260,023
Depreciation on right of use assets		234,143,934	240,583,922
Amortization on intangible assets		66,094,350	71,143,277
Others		5,092,970	4,171,573
		3,554,558,476	3,761,042,556

26.1 This includes Rs. 81.70 million (2020: 88.50 million) in respect of staff gratuity expense.

26.2 Donations	Note	2021 Rupees	2020 Rupees
Donation to Prime Minister's COVID-19 Pandemic Relief Fund-2020		-	213,720
Donation to Institute of Public Health for arranging diagnostic COVID-19 kits		-	376,000
		-	589,720

26.3 Auditors' remuneration

Annual audit	2,894,063	2,756,250
Half year review	926,100	840,000
Tax services	1,850,660	1,387,723
Fee for certifications	800,000	250,000
Out of pocket expense	590,000	580,000
	7,060,823	5,813,973

27 Other charges

Penalties imposed by SBP	27.1	1,762,000	2,000
Bank charges		33,258,304	23,288,380
Loss on sale of government securities		286,156	-
Operating fixed assets written off		8,769,678	1,441,201
Loss on disposal of operating fixed assets		788,649	-
Others		7,363,282	5,105,000
		52,228,069	29,836,581

27.1 This represents penalty paid during the year related to non compliance of MIS reporting of ECIB data and other directives issued by the SBP.

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28 Taxation

	2021 Rupees	2020 Rupees
<i>Current:</i>		
For the year	76,004,919	563,847,527
For the prior year	(900,461)	(4,841,086)
	75,104,458	559,006,441
<i>Deferred:</i>		
For the year	(894,812,713)	(87,437,691)
For the prior year	-	6,415,440
	(894,812,713)	(81,022,251)
	(819,708,255)	477,984,190

28.1 Reconciliation of tax

Accounting profit before taxation	(2,342,231,570)	1,415,968,217
Tax rate %	35%	35%
Tax on accounting rate	(819,781,050)	495,588,876
Tax effect of income chargeable to tax at a lower rate	-	(21,305,172)
Prior year tax adjustment	(900,461)	1,574,354
Effect of permanent differences	973,256	132,300
Tax effect of income chargeable to tax at a higher rate	-	1,993,832
	(819,708,255)	477,984,190

29 Number of employees

	2021		
	Credit / Sales staff	Banking / Support staff	Total staff
Permanent	1,190	697	1,887
Contractual	261	254	515
Total	1,451	951	2,402
Average number of employees during the year	1,425	964	2,389
	2020		
	Credit / Sales staff	Banking / Support staff	Total staff
Permanent	1,313	737	2,050
Contractual	93	249	342
Total	1,406	986	2,392
Average number of employees during the year	1,556	1,071	2,627

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30 Number of branches

Branches at the beginning of the year
 Opened during the year
 Less: closed during the year
 Branches at the end of the year

2021		2020	
Branches No.	Sales service centre No.	Branches No.	Sales service centre No.
130	2	130	2
-	-	-	-
130	2	130	2
-	-	-	-
130	2	130	2

31 Remuneration of directors and executives

The aggregate amounts charged in the financial statements for the year in respect of remuneration, including benefits to the Chief Executive, Directors and Executives of the Bank are as follows:

	Chief Executive		Directors		Executives	
	2021	2020	2021	2020	2021	2020
	----- Rupees -----					
Fee	-	-	4,909,930	2,800,000	-	-
Managerial remuneration	12,568,193	19,801,441	-	-	319,998,516	338,194,890
House rent allowance	5,027,276	7,920,576	-	-	127,999,508	136,277,884
Provident fund	1,046,930	1,649,463	-	-	25,349,481	27,782,770
Utilities allowance	-	-	-	-	28,801,219	28,439,011
Medical Allowance	1,256,821	1,980,147	-	-	3,198,637	5,214,064
Conveyance/ car allowance	985,000	1,422,581	-	-	64,081,026	57,380,766
Charge for defined benefit plan	1,046,111	864,201	-	-	21,888,547	17,474,580
Driver allowance	300,000	474,194	-	-	5,951,436	7,076,371
Title allowance	-	-	-	-	4,068,313	3,964,349
	22,230,331	34,102,603	4,909,930	2,800,000	601,336,683	620,804,685
Number of persons	1	1	9	9	329	339

31.1 Executive means employees, other than the chief executive and directors, whose basic salary exceed five hundred thousand rupees in a financial year.

31.2 Aggregate amount charged to profit and loss account for the year in respect of travelling and hotel expenses of directors is Rs. 0.78 million (2020: Rs 0.88 million) and Rs. 1.15 million (2020: 1.50 million) respectively.

31.3 The Bank provided car allowance of Rs. 0.985 million (2020: 1.42 million) per annum to the Chief Executive Officer as part of the remuneration.

31.4 No remuneration and other benefits were paid to directors of the Bank. Non-executive directors were paid meeting fees amounting to Rs. 4,909,930 (2020: Rs. 2,800,000).

32 Earnings per share

32.1 (Loss) / profit for the year

Weighted average number of ordinary shares

Basic and diluted (loss) / profit per share

	2021	2020
Rupees	(1,522,623,315)	904,663,076
Number	634,888,711	634,888,711
Rupees	(2.40)	1.42

32.2 There is no dilutive effect on the basic (loss) / earning per share of the Bank.

Signature

33 Related party transactions

The Bank's related parties comprise of directors, key management personnel, shareholders, associated companies and entities over which the directors are able to exercise significant influence and employee retirement fund. The detail of Bank's shareholders is given in note 18.3 while remuneration of key management personnel is disclosed in note 31 to the financial statements. Transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements, are as follows:

	2021			2020		
	Key management personnel Rupees	Directors Rupees	Kashf foundation provident fund trust Rupees	Key management personnel Rupees	Directors Rupees	Kashf foundation provident fund trust Rupees
<u>Deposits</u>						
Opening balance	11,564,072	14,557,501	165,000,750	5,113,331	14,097,101	130,032,622
Received during the year	50,038,098	24,558,669	205,734,448	72,337,468	12,266,447	341,867,282
Withdrawn during the year	(43,232,102)	(28,393,086)	(190,704,892)	(65,886,727)	(11,806,047)	(306,899,153)
Closing balance	18,370,068	10,723,084	180,030,306	11,564,072	14,557,501	165,000,751
<u>Staff loans</u>						
Opening balance	7,307,383	-	-	12,147,284	-	-
Disbursement during the year	-	-	-	1,000,000	-	-
Repayments during the year	(6,166,025)	-	-	(5,839,901)	-	-
Closing balance	1,141,358	-	-	7,307,383	-	-
<u>Transactions during the year</u>						
Mark-up/return/interest earned	113,262	-	-	400,289	-	-
Mark-up/return/interest expensed	655,162	1,308,193	37,115,751	488,261	2,746,026	36,985,830
Contribution to provident fund	4,421,034	-	-	3,887,509	-	-

34 Cash and cash equivalents

Cash and balances with SBP and NBP
Balances with other banks

Note	2021 Rupees	2020 Rupees
7	1,702,585,689	1,572,075,030
8	278,598,549	2,849,103,430
	1,981,184,238	4,421,178,460

Kashf Foundation

35 Details of business locations

The addresses of the branches and sales service centers of the Bank are as follows:

Sr. No.	Branch Name	Branch address
1	Kasur	Main Railway Road, Opposite Metro Shoes, Near Railway Station, Kasur.
2	College Road	27-17-B1, College Road, Township near Aslam Chowk Lahore.
3	Mazang Chungi	5 Ferozpur Road Mazang Chungi Lahore.
4	Wazirabad	G.T Road Opposite Fire Brigade and Rescue 15, Wazirabad.
5	Gujrat	Faisal Gate, Circular Road, Near First Woman Bank, Gujrat.
6	Sialkot	Shahab Pura Road, Near MCB Shahabpura, City Tower Sialkot.
7	Daska	Khasra # 3180/3058/3027/2834/2757/338, Khewat # 747, Khatoni # 1070, Mouza Daska Kot (Urban), Main Circular Road, Daska.
8	Rawalpindi	39-B-1, Satellite Town, Rawalpindi - 46300.
9	Haripur	Khasra No:1602,1598,1504/12, Naeem Market, Adjacent Total Filling Station, G.T Road Haripur.
10	Chakwal	Khatooni No. 1853, Rawalpindi Road, Opposite Govt Degree College near Sui Gas office, Chakwal.
11	Mansehra	Mohala Chennai, Abbotabad Road, near Habib Bank, Mansehra.
12	Samundri	Khewat No 79/79, Circular Road, Samundari.
13	Abbotabad	Opposite Daewoo Terminal, Mansehra Road, Mandian, Abbottabad.
14	Sahiwal	Khewat No. 355, Khatoni No. 375, Main Liaquat Road, Sahiwal.
15	Allama Iqbal Road	Property No:2 Khatooni No 2123, Allama Iqbal Road, Near Chenab Cross, Opposite Government College University Faisalabad.
16	Abdullah Pur	P-453, Street # 19, Jummra Road, Abdullah Pur, Faisalabad.
17	Sargodha	Azad Road, Block No 15, Opposite HBL, Sargodha.
18	Jhang	Khewat & Khatooni No. 710, Yousaf Shah Road, Near Kachehry Chowk, Jhang.
19	Chiniot	Shop No 486 A-2, A-3, Shahrae Quaid-e-Azam, Chiniot Khewat No. 3188/3178, Sagheer Town Chah Krari wala Faisalabad Road, Chiniot.
20	Pakpattan	College Road Opposite Jamia Masjid Al Oudas Pakpattan.
21	Clifton Karachi	Plot No.BC-13, Block-9, Clifton Karachi.
22	Narowal	Khewat No. 196, Khatooni 367, Circular Road, Siddique Pura, Narowal.
23	Hyderabad	G-916, Guro Nagar, opposite SK Rahim Girls High School, Near New Cloth Market Hyderabad.
24	Nawabshah	CS No 88, Ward -A, Sakrand Road, Nawabshah.
25	Multan	Shops No.112,113&114, Sherry Commercial Centre, Central Jail Morr, Moza Tarf Ravi, Vehari Road, Multan.
26	Khanewal	Block No.8, Opposite GPO, Khanewal.
27	Bahawalnagar	Plot # 08, Nishtar Road, Jinnah Colony, Bahawalnagar.
28	Minchanabad	Corner Plot no 01, Sadiqa Abbasia Street, Circular Road, Minchanabad(old address), Boys High School Road Near Police Station ,Minchanabad.
29	Mian Channu	Ameen Trade Centre, Near Bus Stand, G.T. Road, Mian Channu.
30	Lodhran	Khewat # 541/1, Khatoni # 1125, Saad Plaza, Ground Floor, Jalalpur Morr, Faizabad, Lodhran.
31	Sukker	Property no 631/ 5-A/IB-3, Minara Road near Dolphin Bakery Chowk, Sukkhar.
32	Okara	Link M.A Jinnah Road Mehar Colony Okara.
33	Jaranwala	Khewat No 5396 & 5556, Khatooni No. 7129. Main Faisalabad Road, Muhallah Mahmood Colony opposite Hussain Travels, Jaranwala.
34	Sheikhupura	Khewat # 582, Khatooni # 1071 situated at Mouza Sheikhupura Urban, Near SADAR THANA Lahore Sargodha Road Sheikhupura.
35	Bahawalpur	Plot # 2/A, Muhammad Bin Qasim Road, Model Town "A", Cantt. Bahawalpur.
36	Mandi Bahuddin	Khewat No. 568, Khatooni No. 579, Shayan Plaza, Mandi Bahauddin.
37	New Garden Town - Lahore	28-B, Ali Block, New Garden Town, Lahore.
38	Liaquatpur	Plot No. 3/C-1, 87 Bank Road, Liaquatpur.
39	Bhakkar	Khata No. 191, Khasra No. 1916/380/21, Chisti Road, Bhakkar.
40	Nankana	Khewat No. 56, Khatooni No. 209 BII IS-2, Malji Road, Nankana Sahib.
41	Arifwala	Khewat# 1872, Khatooni#1885, Main Muhammadi Road near Khushhali Bank, Arifwala.
42	Jhelum	Khatooni No. 1931/32355, Session Mohallah No.3, Old G.T Road, Jhelum.

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Sr. No.	Branch Name	Branch address
43	Vehari	Khewat No. 104, 52 - A - Block, Vehari.
44	Barakahu	Khewat No. 192 & 213, Near omania Restaurant, Sardar Abbasi Plaza, Murree Road, Bara Kahu.
45	Raiwind	Khasra # 422 & 423, Khewat # 1453 & 1456, Khatoni # 2355 & 2357, Sunder Road, Near Dar - e Arqam School, Raiwind District Lahore.
46	Pattoki	Khewat No. 887, Lahore Wala Adda, Multan Road, Pattoki.
47	Manga Mandi	Main Multan Road, Near Govt. High School, Manga Mandi, Lahore.
48	Hafizabad	Khasra # 122/124, Khatoni # 169, Model Town, Gujranwala Road, Hafizabad.
49	Kamalia	Plot No. 4169 to 4191, Mohalla Mahtianwala, Near NBP, Kamaliya.
50	Haroonabad	Plot # 207-Copposite Grain Market, Bangla Road Haroonabad.
51	Joherabad	Khet/Ahata 1, Block 2, Market Kameti Chowk near Alfalah Bank, Jouharabad .
52	Gojra	Khewat # 1156, Khatoni # 1167, Chak # 365 JB Urban, near Saifullah House, Main Jhang Road, Tehsil Gojra.
53	Toba Tek Singh	Khewat # 337, Opposite Qaim Center, Shorkot Road baron Ikar Mandi Toba Tek Singh.
54	Fort Abbas	Khewat No. 411/409, Khatooni No. 439, Kachi Mandi, Allama Iqbal Road, Fort Abbas.
55	Burewala	Plot # 26, F - Block, Near Wapda Office, Vehari Bazar, Burewala.
56	Depalpur	Khewat no 274, Khatooni no 277, Pakpattan Road, Near Allied Bank, Depalpur.
57	Attock	Shop # C-99, Block C, Lakki plaza, Near MCB Islamic Bank, Barki Road Attock.
58	Chishtian	Khewat# 583/585, Khatooni# 583, Khawaja Qibla Aalam Road near Qomi Bachat Road Chishtian .
59	Jalalpur Jattan	Khewat # 1729, Khatoni # 2355, Circular Road oppsite MCB Bank near Bank Al-Falah, Jalalpur Jattan district Gujrat.
60	Talagang	Plot No. Kh-3215/203, Chowk Saddiqabad Mian Wali Road, Talagang.
61	Gojar Khan	Property No's B-IV-7-A-B, B-IV-13 & B-IV-25, Near Main Bazar, Tehsil Road, Gujar Khan.
62	Hassanabdal	Property Khewat # 1751, Khata # 2610, Khasra # 1491, Ch. Tariq Plaza, Ground Floor, Dr. Afzaal Road, Adda Lariyan, Hassan Abdal.
63	Sambrial	Khewat# 86, Khatooni# 105, Opposite Makki Masjid, Wazirabad Road, Sambrial.
64	Shujaabad	Khewat No. 315 Jalal Pur Road near KB stand, Shujaabad.
65	Muzafargarh	Khewat # 772, Muhalla Aminabad opposite New General Bus Stand, Shah Jamal Road, Muzafar Garh.
66	Kehror Pakka	Khewat # 27/1041, Khasra # 52-1, Near Admore Petrol Pump, Dunya Pur Road, Kehror Pakka.
67	Hasilpur	Khatooni No. 148, Baldia Raod, Near Imam Bargah, Hasilpur.
68	Dunyapur	Khewat # 41/2660, Khasra # 14-15-5, Railway Road near Post Office, Dunyapur.
69	Khanpur	Plot No. 237, A Block, Ward Area Development Society, Khanpur.
70	Sadiqabad	Property No. 243 Water Supply Road, Sadiqabad.
71	Illahabad	Khewat No. 246, Khatooni No. 450, Kasur Road, Illahabad.
72	Pasroor	Khata no. 344, Khatooni no 633, Class Wala Road near Satrah Chowk, Opposite Bunyad School System, Pasroor.
73	Lala Musa	Khewat No 182, Khatooni No 500, Usman Plaza, Near Nisar Hospital, GT Road, Lala Musa.
74	Haveli Lakha	Khewat # 238, Khatoni # 332, Pakpattan Road near Bank Al-falah, Haveli Lakha.
75	Hyderi Branch - Karachi	Plot # D-6/B , Block-D, North Nazimabad, KDA Scheme # 2, Karachi.
76	Mailsi	Khewat No. 63/61, Khatooni No. 87, Colony Road, Mailsi.
77	Rahim Yar Khan	Plot # 26, Model Town, Near Faysal Bank, Rahim Yar Khan.
78	Chichawatni	Property No. 995 Block No 6, Darass Road Chichawatni, Distt Sahiwal.
79	Tando Allah Yar	Plot No 07, near Wapda Grid station, Main Hyderabad Road, Tando Allah Yar.
80	Main Jhang Road - Sahiwal	Khewat # 1234, Near Shell petrol Pump, Nawa Lok, Main sargodha Jhang Road, Sahiwal District Sargodha.
81	Pindi Bhattian	Khewat No. 168, Khatooni No. 495 & 485, Opposite Siyal Tent Services, Pully Siyal Tent Wali, Hafizabad Road, Pindi Bhattian, District Hafizabad.
82	Jalalpur Peer Wala	Khewat No 22/22, Khatooni No 46, Old Virtual University Campus, Shujaabad Road Near HBL, Dewan Market, Jalalpur Peer Wala, District Lodhran.
83	Kamoki	Khewat No. 276, Opposite Underbypass, Near Old Patha Mandi, Main GT Road, Kamonki, District Gujranwala
84	Jahanian	Plot No. 520 & 522, Near Jahanian bypass Road, Jahanian, District Khanewal.
85	Bhalwal	P.No. 586, Main Ajnala Road Near Satellite town, Bhalwal, District Sargodha.
86	Dinga	Khewat No. 1033/3185, Fawara Chowk, Kharian Road, Dinga Tehsil & District Gujrat.
87	Pano Aqil	Property Jaryan No. 10060, Eid Gah Chowk, Cinema Road, Cantt Road, Panu Aqil, District Sukkur.
88	Khan Bela	Khewat No. 107/106, Opposite Zarai Bank, Khan Bela, Tehsil Liaquatpur, District Rahim Yar Khan.

KAMUJEN

Sr. No.	Branch Name	Branch address
89	Hujra Shah Muqem	Khatooni No. 2193, Near NBP, Circular Road, Hujra Shah Muqem, Tehsil Depalpur, District Okara.
90	Mughal Pura	Khasra # 230/1, 230/3, Sani Road, Mouza Davi Pura, Near Dhobi Ghat Stop, Opposite Shell Petrol Pump, Tehsil Cantt, District Lahore.
91	Syedwala	Khewat No. 129, Jaranwala Road, Syedwala, District Nankana Sahib.
92	Phaliya	Khewat No. 161, Near Masjid Gulzar-e-Madina Plaza, Hilyan Road, Phaliya District Mandi Bahauddin.
93	Shorkot	Khata No. 1875, Mohalla Abbas Pura, Nawan Shehar, Jhang Road, Shorkot District Jhang.
94	Sharaqpur Sharif	Khewat No. 136, Near Muslim Pura Area, Main Lahore-Jaranwala Road, Sharaqpur Sharif District Sheikhpura.
95	Khairpur	Plot No. A-1264-A (Old Plot No. A/4-SI-4/1), Shah Lateef Colony, Near Khaki Shah Pul Station Road, Khairpur Meras.
96	DHA Lahore	House No. 49/A, Block XX, Phase 3C, DHA Lahore.
97	Ahmad Pur East	Khasra No. 107/11, Katchery Road, AhmedPur Sharqia.
98	Dera Ghazi Khan	House # 02 Block A, Bukhari Market Railway Road, Dera Ghazi Khan.
99	Mianwali	Khasra No. 637, Moza Wata Khail, Government High School Road, Mianwali.
100	Abdali Road Multan	Plot No. 01, Survey 156/04, Ghazi Tower, Abdali Road, Multan.
101	Blue Area Islamabad	109-East Jinnah Avenue, Blue Area, Islamabad.
102	Peshawar	University Road Peshawar, near Hotel Grand opposite Metro Station Peshawar.
103	Allama Iqbal Road Mirpur	Plot No 2-A, Sub-Sector B-2, Allama Iqbal Road Mirpur Azad Kashmir.
104	Moza Mandi Kotli	Rawalpindi Road near Kechari Moza Mandi, Kotli, Azad Kashmir.
105	Kot Addu	Ward No 14-Near PSO petrol Pump Kakewala, Main G.T Road Kot Addu.
106	Allama Iqbal Town Lahore	Plot No. 23, Block Gulshan near Dubai Chowk, Allama Iqbal Town, Lahore.
107	Ghotki	Plot No. C/S 890/2, Ward No B, S.K Plaza Devri Sahab Road, Ghotki.
108	Layyah	Chak No.123/B, Khewat #49, Near Mohallah Hafizabad, Main Chobara Road, Layyah.
109	Yazman	Chak No 56/A, Bahawalpur Road Mandi Yazman.
110	Shahrah E Quaid E Azam – Gilgit	Khasra # A3877/188, Azam Khan Plaza, Naeem Block, Near Public School Chowk, Shahrah-e-Quaid-e-Azam, Zulfikarabad Block A, Distt. Gilgit.
111	Mankera Branch	Khata No. 226/220, Khatooni No. 270/1224., Mushtaq Market, Jhang Bhakkar Road, Mankera.
112	Malakwal	Khewat No.431, Khatooni No. 730 to 735, Ahmad Plaza Badshahpur Road, Malakwal.
113	Piplan Branch	Khewat No.1579, Khasra No.1609/01, Ghalla Mandi, Piplan, Distt. Mianwali.
114	Ahmadpur Sial Branch	Khata No.335/318, Khatooni No.1228, Ward No.04, Farooqabad Main Road, Ahmadpur Sial.
115	Quaidabad	Plot No 05, Mandi Town Quaidabad, Sarghoda-Mianwali Road, Near Bus Stand, Distt. Khushab.
116	Rajanpur	Khata # 822, Mouza Rajan Pur # 1, Gulshan-e-Iqbal Colony, Rajan Pur.
117	Mardan	Shop # (3, 4, 5, 6, 7, 8, 13 & 14), Block A, Shaheen Shopping Mall, Main Qazi Bashir Road, Mardan.
118	Khairpur Tamewali	Khasra # 346/8, Khewat # 94, Khatooni # 249, Tehsil Khairpur Tamewali, District Bahawalpur.
119	Jamal Din Wali	Khewat # 6/6, Khatooni # 26 to 70, Sheller Market, Jamal Din Wali Tehsil Sadiqabad.
120	Bander Road Larkana	City Survey # 707 & 708, Ward "A" Opposite First Women Bank, Bank Square, Bander Road, Larkana.
121	Lashari Market Umer Kot	Ward "A" CS No 20/1/1, Lashari Market, Near Kumar Medical Store, Umer Kot Town, Tahuka and Sub-District Umarkot.
122	Mirpur Khas	City Survey # 639, Ward "A" Khari Quarters, Opposite Railway Goods Naka Mirpur Khas, Taluka & District Mirpur Khas.
123	Quetta	Property # 1-26/5 G1330 & 1-26/5 H1331, Manan Chowk, Opposite Meezan Bank Ltd. M. A. Jinnah Road, Quetta.
124	Ali Pur	Khewat # 193, 194, 200, Sadat Colony, Multan Road, Ali Pur.
125	Dera Ismail Khan	Shop # 3675-11, 3675-E, 3675-E, Shumali Circular Road, Janooban Gali, Sarr e Aam, Near Fawara/Kashmir Chowk, Dera Ismail Khan.
126	Muzaffarabad	Khewat # 36, Khasra # 739/130, Jalal Abad, Amaan Arcade, Opposite New DHQ Complex, Secretariat Road, Muzaffarabad.
127	Sialkot II	Property # 408 - 409, Survey # 268/191, Agha Kamal Road, Lane # 1, Sadar Bazar, Sialkot Cantt.
128	Pirmahal	Khewat # 1389, Khatooni # 1390, Plot # 12/12 & 13/13, Near Askari Bank Ltd. Main Rajana Road, Kousar Abad, Pir Mehal.
129	Liaqat Road Rawalpindi	Plot # G-518-519, Near Bank Alfalah Ltd. Opposite MCB Bank Ltd. Main Liaqat Road, Rawalpindi.
130	Gujranwala III	Shop # 9 & 10, Main Sheikhpura Road, Adjacent to Bank Alfalah Limited, Raqba Mouza, Main Sansi Khiali Shah Pur Town, District Gujranwala.
Sr. No.	Sales service center	Sales service center address
1	Uch Sharif	Ahmed Pur Road, opposite MCB bank limited Uch Sharif, Tehsil Ahmed Pur, East District Bahawalpur.
2	Sillan Wali	Khewat # 2583, Khatooni # 2597, Waheed market near gulzar plaza, 46 - Ada Road, Sillanwali

KAMAL JETI

36 Fair value measurement of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Underlying the definition of fair value is the presumption that the Bank is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted price is readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and that price represents actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurement' requires the Bank to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that entity can access at measurement date (Level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (i.e. unobservable) inputs (Level 3)

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

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		31 December 2021						Fair value			
		Carrying amount									
	Note	Held for trading	Held to maturity	Available for sale	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
----- Rupees -----											
On-Balance sheet financial instruments											
<i>Financial assets - measured at fair value</i>											
Investments - net of provisions	9	350,387,780	-	9,879,609,700	-	-	10,229,997,480	-	10,229,997,480	-	10,229,997,480
<i>Financial assets - not measured at fair value</i>											
Cash and cash equivalents	34	-	-	-	1,981,184,238	-	1,981,184,238	-	-	-	-
Advances - net of provisions	10	-	-	-	18,827,193,888	-	18,827,193,888	-	-	-	-
Other assets	12	-	-	-	2,787,608,921	-	2,787,608,921	-	-	-	-
		-	-	-	23,595,987,047	-	23,595,987,047	-	-	-	-
<i>Financial liabilities - not measured at fair value</i>											
Deposits and other accounts	14	-	-	-	-	25,419,127,446	25,419,127,446	-	-	-	-
Borrowings	15	-	-	-	-	4,381,378,885	4,381,378,885	-	-	-	-
Subordinate debt	16	-	-	-	-	800,000,000	800,000,000	-	-	-	-
Other liabilities	17	-	-	-	-	2,538,694,446	2,538,694,446	-	-	-	-
		-	-	-	-	33,139,200,777	33,139,200,777	-	-	-	-
----- Rupees -----											
		31 December 2020						Fair value			
		Carrying amount									
	Note	Held for trading	Held to maturity	Available for sale	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
----- Rupees -----											
On-Balance sheet financial instruments											
<i>Financial assets - measured at fair value</i>											
Investments - net of provisions	9	-	-	6,448,871,800	-	-	6,448,871,800	-	6,448,871,800	-	6,448,871,800
<i>Financial assets - not measured at fair value</i>											
Cash and cash equivalents	34	-	-	-	4,421,178,460	-	4,421,178,460	-	-	-	-
Advances - net of provisions	10	-	-	-	21,246,108,856	-	21,246,108,856	-	-	-	-
Other assets	12	-	-	-	4,843,655,278	-	4,843,655,278	-	-	-	-
		-	-	-	30,510,942,594	-	30,510,942,594	-	-	-	-
<i>Financial liabilities - not measured at fair value</i>											
Deposits and other accounts	14	-	-	-	-	26,082,761,045	26,082,761,045	-	-	-	-
Borrowings	15	-	-	-	-	4,710,503,886	4,710,503,886	-	-	-	-
Subordinate debt	16	-	-	-	-	800,000,000	800,000,000	-	-	-	-
Other liabilities	17	-	-	-	-	2,765,574,783	2,765,574,783	-	-	-	-
		-	-	-	-	34,358,839,714	34,358,839,714	-	-	-	-

36.1 Fair value versus carrying amounts

The Bank has not disclosed the fair values of these financial assets and liabilities as these are for short term or re-priced over short term. Therefore, their carrying amounts are reasonable approximation of fair value.

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37 Financial assets and liabilities

37.1 Interest rate risk management

Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rate. The Bank's interest rate exposure stems mainly from its investments, bank deposits and advances. This risk is managed by regular review of market rates.

	2021											Total
	Interest bearing / exposed to yield / interest risk					Non-Interest bearing / not exposed to yield / interest risk						
	Effective yield / interest rate	Upto one month	Over one month upto six months	Over six months upto one year	Over one year	Sub total	Upto one month	Over one month upto six months	Over six months upto one year	Over one year	Sub total	
	%	----- Rupees -----										
Financial assets												
On balance sheet:												
Cash and balances with SBP and NBP	5.50 - 7.25	3,915,685	-	-	-	3,915,685	1,698,670,004	-	-	-	1,698,670,004	1,702,585,689
Balances with other banks/NBFIs/MFBs	5.50 - 7.40	132,134,051	-	-	-	132,134,051	146,464,498	-	-	-	146,464,498	278,598,549
Investments - net of provisions	6.39 - 11.40	4,061,985,600	6,168,011,880	-	-	10,229,997,480	-	-	-	-	-	10,229,997,480
Advances - net of provisions	5.00 - 51.44	1,105,957,415	8,095,283,543	6,035,211,142	3,590,741,788	18,827,193,888	-	-	-	-	-	18,827,193,888
Other assets	-	-	-	-	-	-	811,019,964	1,668,632,536	262,166,463	45,789,958	2,787,608,921	2,787,608,921
		5,303,992,751	14,263,295,423	6,035,211,142	3,590,741,788	29,193,241,104	2,656,154,466	1,668,632,536	262,166,463	45,789,958	4,632,743,423	33,825,984,527
Off balance sheet												
		-	-	-	-	-	-	-	-	-	-	-
Total		5,303,992,751	14,263,295,423	6,035,211,142	3,590,741,788	29,193,241,104	2,656,154,466	1,668,632,536	262,166,463	45,789,958	4,632,743,423	33,825,984,527
Financial liabilities												
On balance sheet:												
Deposit and other accounts	0.00 - 14.00	10,559,555,783	6,216,723,244	1,308,068,702	4,647,371,431	22,731,719,160	2,687,408,286	-	-	-	2,687,408,286	25,419,127,446
Borrowings including subordinated debt	7.79 - 14.26	943,878,885	125,000,000	125,000,000	3,987,500,000	5,181,378,885	-	-	-	-	-	5,181,378,885
Other liabilities	8.55 - 11.55	15,126,626	81,320,302	111,067,276	1,059,703,587	1,267,217,791	789,836,243	144,312,937	64,459,991	272,867,484	1,271,476,655	2,538,694,446
		11,518,561,294	6,423,043,546	1,544,135,978	9,694,575,018	29,180,315,836	3,477,244,529	144,312,937	64,459,991	272,867,484	3,958,884,941	33,139,200,777
Off balance sheet												
		-	-	-	-	-	-	-	-	-	-	-
Total		11,518,561,294	6,423,043,546	1,544,135,978	9,694,575,018	29,180,315,836	3,477,244,529	144,312,937	64,459,991	272,867,484	3,958,884,941	33,139,200,777
On balance sheet gap		(6,214,568,543)	7,840,251,877	4,491,075,164	(6,103,833,230)	12,925,268	(821,090,063)	1,524,319,599	197,706,472	(227,077,526)	673,858,482	686,783,750
Off balance sheet gap		-	-	-	-	-	-	-	-	-	-	-

AMC/2021

Financial assets and liabilities

2020												
Effective yield / interest rate %	Interest bearing / exposed to yield / interest risk					Non-Interest bearing / not exposed to yield / interest risk					Total	
	Upto one month	Over one month upto six months	Over six months upto one year	Over one year	Sub total	Upto one month	Over one month upto six months	Over six months upto one year	Over one year	Sub total		
	Rupees											
Financial assets												
On balance sheet:												
Cash and balances with SBP and NBP	5.50 - 8.75	725,909	-	-	-	725,909	1,571,349,121	-	-	-	1,571,349,121	1,572,075,030
Balances with other banks/NBFIs/MFBs	5.50 - 13.60	2,687,325,942	-	-	-	2,687,325,942	161,777,488	-	-	-	161,777,488	2,849,103,430
Investments - net of provisions	6.39 - 13.48	2,290,511,600	4,158,360,200	-	-	6,448,871,800	-	-	-	-	-	6,448,871,800
Advances - net of provisions	5.00 - 51.44	1,957,195,046	9,627,852,108	7,836,520,929	1,824,540,773	21,246,108,856	-	-	-	-	-	21,246,108,856
Other assets	-	-	-	-	-	-	2,239,906,198	1,577,647,668	612,508,042	413,593,370	4,843,655,278	4,843,655,278
		6,935,758,497	13,786,212,308	7,836,520,929	1,824,540,773	30,383,032,507	3,973,032,807	1,577,647,668	612,508,042	413,593,370	6,576,781,887	36,959,814,394
Off balance sheet		-	-	-	-	-	-	-	-	-	-	-
Total		6,935,758,497	13,786,212,308	7,836,520,929	1,824,540,773	30,383,032,507	3,973,032,807	1,577,647,668	612,508,042	413,593,370	6,576,781,887	36,959,814,394
Financial liabilities												
On balance sheet:												
Deposits and other accounts	0.00 - 14.25	9,686,172,019	6,443,195,235	2,784,671,512	4,406,241,683	23,320,280,449	2,762,480,596	-	-	-	2,762,480,596	26,082,761,045
Borrowings including subordinated debt	5.95 - 14.94	748,003,886	159,375,000	168,750,000	4,434,375,000	5,510,503,886	-	-	-	-	-	5,510,503,886
Other liabilities	8.55 - 11.55	21,930,028	59,963,856	79,786,431	1,356,102,815	1,517,783,130	725,181,433	159,030,688	71,444,308	292,135,224	1,247,791,653	2,765,574,783
		10,456,105,933	6,662,534,091	3,033,207,943	10,196,719,498	30,348,567,465	3,487,662,029	159,030,688	71,444,308	292,135,224	4,010,272,249	34,358,839,714
Off balance sheet		-	-	-	-	-	-	-	-	-	-	-
Total		10,456,105,933	6,662,534,091	3,033,207,943	10,196,719,498	30,348,567,465	3,487,662,029	159,030,688	71,444,308	292,135,224	4,010,272,249	34,358,839,714
On balance sheet gap		(3,520,347,436)	7,123,678,217	4,803,312,986	(8,372,178,725)	34,465,042	485,370,778	1,418,616,980	541,063,734	121,458,146	2,566,509,638	2,600,974,680
Off balance sheet gap		-	-	-	-	-	-	-	-	-	-	-

2020/12/31

37.2 Credit risk management

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's credit risk is primarily attributable to its advances and balances at banks. The Bank's credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit rating. The Bank has an effective loan disbursement and recovery monitoring system which allows it to evaluate borrowers' credit worthiness and identify potential problem loans. A provision for potential loan losses is maintained as required by the Prudential Regulations. However, the Bank believes that it is not exposed to major concentration of credit risk. Maximum amount of financial assets which are subject to credit risk amount to Rs. 33,430.65 million (2020: Rs. 36,562.54 million).

37.3 Liquidity risk management

Liquidity risk is the risk of being unable to raise funds at a reasonable price to meet commitments when they fall due, or take the advantage of investment opportunities when they rise. The management ensures that funds are available at all times to meet the funding requirements of the Bank. The Bank manages risk by maintaining sufficient liquidity at Head Office and the branches.

38 Capital risk management

38.1 The objective of managing capital is to safeguard the Bank's ability to continue as a going concern, so that it could continue to provide adequate returns and benefits to stakeholders by pricing products and services commensurately with the level of risk and comply with capital requirements set by SBP. It is the policy of the Bank to maintain a strong capital base at a reasonable cost so as to maintain investor, creditor and market confidence, sustain future development of the business and achieve low overall cost of capital with appropriate mix of cost of capital. The impact of the level of capital on shareholders' return is also recognized and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with higher gearing and the advantages and security afforded by a sound capital position.

38.2 The Bank's objectives with when managing its capital are:

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

38.3 Statutory minimum capital requirement and management of capital

As per amendments on Prudential Regulations (R-1) issued vide BPRD Circular No. 10 of 2015 dated 03 June 2015, the minimum paid up capital requirement (MCR), free of losses for Microfinance Banks operating at national level is Rs. 1,000 million as at 31 December 2021. As at 31 December 2021, the paid up share capital net of discount, of the Bank stood at Rs. 2,259.85 million (2020: Rs. 2,259.85 million).

The capital of the Bank is managed keeping in view the minimum CAR (15%) required by the Prudential Regulations for the Microfinance Banks / Institutions. The adequacy of the capital is tested with reference to the risk-weighted assets of the Bank. The calculation of capital adequacy ratio enables the Bank to assess the long-term soundness. As the Bank conducts business on a wide area network basis, it is critical that it is able to continuously monitor the exposure across the entire organization.

The Bank manages its capital structure and makes adjustments to it in light of changes in regulatory and economic conditions. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend paid to shareholders, return capital to shareholders or issue new shares.

As at 31 December 2021, the Bank's capital adequacy ratio (CAR) is appropriately 15.19% (2020: 20.93%) of its risk weighted assets, as against the minimum requirement of 15% prescribed by SBP.

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39 Schedule of maturity distribution of market rate assets and liabilities as at 31 December 2021

	2021				
	Total	Upto one month	Over one month upto six months	Over six months upto one year	Over one year
	----- Rupees -----				
<u>Market rate assets</u>					
Advances	18,827,193,888	1,105,957,415	8,095,283,543	6,035,211,142	3,590,741,788
Investments	10,229,997,480	4,061,985,600	6,168,011,880	-	-
Other earning assets	136,049,736	136,049,736	-	-	-
Total market rate assets	29,193,241,104	5,303,992,751	14,263,295,423	6,035,211,142	3,590,741,788
Other non-earning assets	7,859,217,195	2,753,294,156	1,940,622,178	1,137,679,706	2,027,621,155
Total assets	37,052,458,299	8,057,286,907	16,203,917,601	7,172,890,848	5,618,362,943
<u>Market rate liabilities</u>					
Time deposits of Rs. 100,000 and above	13,607,082,569	1,513,461,379	6,188,428,756	1,289,911,350	4,615,281,084
Time deposits below Rs. 100,000	99,966,909	21,424,722	28,294,488	18,157,352	32,090,347
Borrowings including subordinated debt	5,181,378,885	943,878,885	125,000,000	125,000,000	3,987,500,000
Other cost bearing liabilities	10,291,887,473	9,039,796,308	81,320,302	111,067,276	1,059,703,587
Total market rate liabilities	29,180,315,836	11,518,561,294	6,423,043,546	1,544,135,978	9,694,575,018
Other non-cost bearing liabilities	4,134,530,514	3,652,890,102	144,312,937	64,459,991	272,867,484
Total liabilities	33,314,846,350	15,171,451,396	6,567,356,483	1,608,595,969	9,967,442,502

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2020				
Total	Upto one month	Over one month upto six months	Over six months upto one year	Over one year
----- Rupees -----				

Market rate assets

Advances	21,246,108,856	1,957,195,046	9,627,852,108	7,836,520,929	1,824,540,773
Investments	6,448,871,800	2,290,511,600	4,158,360,200	-	-
Other earning assets	2,688,051,851	2,688,051,851	-	-	-
Total market rate assets	30,383,032,507	6,935,758,497	13,786,212,308	7,836,520,929	1,824,540,773
Other non-earning assets	9,467,848,677	6,942,782,716	258,409,615	240,095,792	2,026,560,554
Total assets	39,850,881,184	13,878,541,213	14,044,621,923	8,076,616,721	3,851,101,327

Market rate liabilities

Time deposits of Rs. 100,000 and above	14,745,525,426	1,223,565,185	6,404,998,546	2,756,211,870	4,360,749,825
Time deposits below Rs. 100,000	148,070,060	35,921,871	38,196,690	28,459,642	45,491,857
Borrowings including subordinated debt	5,510,503,886	748,003,886	159,375,000	168,750,000	4,434,375,000
Other cost bearing liabilities	9,944,456,456	8,448,603,354	59,963,856	79,786,431	1,356,102,815
Total market rate liabilities	30,348,555,828	10,456,094,296	6,662,534,092	3,033,207,943	10,196,719,497
Other non-cost bearing liabilities	4,258,850,514	4,005,282,965	-	25,356,755	228,210,794
Total liabilities	34,607,406,342	14,461,377,261	6,662,534,092	3,058,564,698	10,424,930,291

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40 Reconciliation of movements of liabilities to cash flows arising from financing activities.

	2021		2020	
	Equity	Liabilities	Equity	Liabilities
	Unappropriated profit	Lease liabilities	Unappropriated profit	Lease liabilities
	----- Rupees -----			
Balance as at 01 January 2021	1,848,106,312	1,483,551,201	1,563,709,236	1,598,654,753
<u>Changes from financing cash flows</u>				
Dividends paid	-	-	(410,000,000)	-
Payment of lease liabilities	-	(335,057,384)	-	(244,436,777)
	-	(335,057,384)	(410,000,000)	(244,436,777)
<u>Other changes</u>				
Notional interest on lease liabilities	-	145,383,922	-	158,107,383
Addition in lease liabilities	-	47,652,159	-	10,252,591
Impact of derecognition	-	(63,391,044)	-	(39,026,749)
Impact of modification	-	5,588,749	-	-
Gain on termination of lease	-	(16,509,812)	-	-
Total comprehensive loss for the year	(1,513,784,200)	-	920,562,845	-
Transfer to :				
Statutory reserve	-	-	(180,932,615)	-
Depositors' protection fund	-	-	(45,233,154)	-
	(1,513,784,200)	118,723,974	694,397,076	129,333,225
Balance as at 31 December 2021	334,322,112	1,267,217,791	1,848,106,312	1,483,551,201

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41 Provident fund related disclosure

The Bank operates funded contributory provident fund scheme for all its permanent and eligible employees. The following information is based on latest un-audited financial statements of the fund.

	Note	2021 Rupees Un-audited	2020 Rupees Audited
Size of the fund - total assets		564,803,356	620,370,648
Cost of investments made	41.1	559,266,989	617,064,240
Percentage of investments - (% of total assets)		99%	99%
Fair value of investments made		560,867,534	619,488,022

41.1 Breakup of cost of investments

	2021 Rupees	2020 Rupees	2021 Relative % of size of the fund	2020 Relative % of size of the fund
Mutual fund	135,053	135,053	0.02%	0.02%
Term deposit receipts (TDRs)	-	100,000,000	0.00%	16.21%
Term finance certificates	100,000,000	100,000,000	17.71%	16.21%
Pakistan investment bonds	327,300,000	327,300,000	57.95%	53.04%
Bank balances	93,669,360	26,321,004	16.58%	4.27%
Others	38,162,576	63,308,183	6.76%	10.26%
	<u>559,266,989</u>	<u>617,064,240</u>	<u>100.0%</u>	<u>100.0%</u>

The investments of the provident fund trust are in compliance with the provision of section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

42 Material outsourcing arrangements

In compliance to the BPRD circular no. 06 of 2017 of SBP, the material outsourcing arrangements of the Bank are listed below:

Sr. Number	Name of the service provider	Name of service	Estimated cost of outsourcing 2021 (per annum)
1	Haven Security Services (Pvt) Ltd.	Security guards services	51,963,938
2	Achtung Security Pvt Ltd	Security guards services	66,402,458
3	E-Ocean Pvt Ltd	SMS alerts to clients on transactions	6,517,823
4	Red Communication Art	Digital marketing and advertisement	14,097,972
5	Lotus	Digital marketing and advertisement	4,420,000

43 Complaints management mechanism

The Bank is a customer oriented organization and gives due consideration to the valuable feedback of its customers. Complaints are treated as opportunity to align our products/services and processes to serve the customers in a best possible way. The Bank ensures that resolution of complaints is comprehensive, appropriate and is dealt with agility; keeping customers informed of their complaint status from acknowledgement till the final resolution. An escalation matrix for complaint management has also been put into place internally for effective and efficient resolution of the customer complaints logged in. During the year 11,426 (2020: 13,590) complaints were received by the Bank and were resolved with average resolution time of 2 days (2020: 3 days).

44 General

Where there are no amounts to be disclosed in the account captions as prescribed by BSD Circular No.11 dated 30 December 2003 issued by SBP in respect of forms of financial statements for Microfinance banks, these captions have not been reproduced in these financial statements, except for caption of balance sheet, profit and loss account.

45 Date of authorization

These financial statement were authorized for issue on _____ by the Board of Directors of the Bank.

Ramji

Chief Executive Officer

Chairman

Director

Director