by JCR-VIS Credit Rating Company Limited

Short Term: 'A-1' (A-One)

Medium to Long Term: 'A+' (Single A Plus)

Outlook: 'Stable'



ASSETS	Note	2015 Rupees	2014 Rupees	
Cash and balances with SBP and NBP	7	1,001,222,441	701,035,923	Mark-up/ return/ interest earned
Balances with other Banks/ NBFIs/ MFBs	8	944,008,613	353,300,758	Mark-up/ return/ interest expensed
Lending to financial institutions	9	2,383,352,710	417,604,032	Net mark-up/ interest income
Investments	10	1,847,825,070	836,886,573	Provision against non-performing loans and ac
Advances - net of provisions	11	17,246,531,575	12,105,839,126	Bad debts written off directly Net mark-up/ interest income after provisions
Operating fixed assets	12	548,979,304	322,919,698	NON MARK-UP/ NON INTEREST INCOME
Other assets	13	2,616,868,449	1,871,176,573	Fee, commission and brokerage income
Deferred tax asset	14	107,557,987	83,670,995	Other income
Total Assets		26,696,346,149	16,692,433,678	Total non mark-up/ non interest income
LIABILITIES				NON MARK-UP/ NON INTEREST EXPENSES Administrative expenses Other provisions
Deposits	15	15,583,727,129	8,682,472,759	Other assets written off directly
Borrowings	16	5,890,397,392	3,729,876,872	Other charges
Other liabilities	17	1,270,731,541	993,956,438	Total non-mark-up/ non interest expense
Total Liabilities		22,744,856,062	13,406,306,069	PROFIT BEFORE TAXATION
				TAXATION Current
NET ASSETS		3,951,490,087	3,286,127,609	Prior year
20.000 10.000 20.000				Deferred
REPRESENTED BY: Share capital	18	1,705,000,000	1,705,000,000	PROFIT AFTER TAXATION
Statutory reserve	6.11	586,619,579	421,786,588	Unappropriated profit brought forward
Capital reserve	6.12	24.255.224	24,255,224	Profit available for appropriation
Unappropriated profit	0.12	1,618,313,938	1,134,321,734	APPROPRIATIONS:
Surplus on revaluation of investments		213,840	97,802	Transfer to: Statutory reserve
surplus of revaluation of investments		3,934,402,581	3,285,461,348	Microfinance Social Development Fund
Deferred grants	19	17,087,506	666.261	Depositors' Protection Fund
Total Capital	13	3,951,490,087	3,286,127,609	Risk Mitigation Fund
		3,331,430,067	5,200,127,009	UNAPPROPRIATED PROFIT
MEMORANDUM / OFF BALANCE SHEET ITEMS	20			EARNINGS PER SHARE - BASIC AND DILUT

	Note	2015 Rupees	2014 Rupees	
Mark-up/ return/ interest earned	21	4,406,621,934	3,129,490,001	
Mark-up/ return/ interest expensed	22	1,219,286,901	809,557,429	
Net mark-up/ interest income		3,187,335,033	2,319,932,572	
Provision against non-performing loans and advance	s 11.4	275,014,569	154,534,663	
Bad debts written off directly	11.5	4.085,475	3,151,806	
Net mark-up/ interest income after provisions		2,908,234,989	2,162,246,103	
NON MARK-UP/ NON INTEREST INCOME				
Fee, commission and brokerage income	23	640,438,198	477.886.909	
Other income	24	205,392,767	216,809,967	
Total non mark-up/ non interest income		845,830,965	694,696,876	
		3,754,065,954	2,856,942,979	
NON MARK-UP/ NON INTEREST EXPENSES			100000-080 00000-000	
Administrative expenses	25	2,444,676,042	1,889,831,823	
Other provisions	13	17,137,334	4,876,387	
Other assets written off directly	13.1	85,771,400		
Other charges	26	24,499,597	19,824,946	
Total non-mark-up/ non interest expense		2,572,084,373	1,914,533,156	
PROFIT BEFORE TAXATION		1,181,981,581	942,409,82	
TAXATION				
Current	27	355,121,400	233,789,862	
Prior year	27	21,690,313	(24,697,464)	
Deferred	27	(18,995,089)	30,105,678	
		357,816,624	239,198,076	
PROFIT AFTER TAXATION		824,164,957	703,211,747	
Unappropriated profit brought forward		1,134,321,734	738,853,220	
Profit available for appropriation		1,956,466,091	1,442,004,967	
APPROPRIATIONS:				
Transfer to:		164,832,991	140,642,349	
Statutory reserve	6.11	82,416,496	70.321.175	
Microfinance Social Development Fund Depositors' Protection Fund	6.13	41,208,248	35,160,587	
Depositors: Protection Fund Risk Mitigation Fund	6.13	41,208,248	35,160,587	
nisk ivilugation runu	0.13	329,665,983	281,284,698	
UNAPPROPRIATED PROFIT		1,628,820,708	1,160,780,269	
EARNINGS PER SHARE - BASIC AND DILUTED	33	3.87	3.30	

	Note	2015 Rupees	2014 Rupees
ASH FLOW FROM OPERATING ACTIVITIES			
oss before changes in operating assets / liabilities	28	(1,541,167,037)	(1,075,672,391)
ncrease) / decrease in operating assets			
dvances		(5,415,707,018)	(3,503,478,355)
Other assets		(313,877,427)	(326,443,689)
ncrease / (decrease) in operating liabilities			
leposits		6,901,254,370	1,549,553,520
Other liabilities		(20,113,458)	56,256,613
		1,151,556,467	(2,224,111,911)
ash out flow from operations		(389,610,570)	(3,299,784,302)
Mark-up received on advances		3,827,648,441	2,693,869,463
nterest received on investments and deposit accounts		128,507,125	130,970,232
ndirect cost received from USAID		1,534,130	3,601,122
nterest paid on borrowings and deposits		(1,039,091,337)	(781,382,601)
ontributions to defined benefit plan		(53,366,821)	(37,302,605)
ncome taxes paid		(440,387,600)	(132,388,233)
		2,424,843,938	1,877,367,378
let cash inflow / (outflow) from operating activities		2,035,233,368	(1,422,416,924)
ASH FLOW FROM INVESTING ACTIVITIES			
nvestments in)/encashment of available for sale securitie	s - net	(1,010,770,000)	197,258,400
urchase of operating fixed assets		(375,575,350)	(169,067,890)
ale proceeds against disposal of operating fixed assets		29,037,529	10,585,260
let cash (outflow) / inflow from investing activities		(1,357,307,821)	38,775,770
ASH FLOW FROM FINANCING ACTIVITIES			
Frant from Enclude micro savings project		18,196,984	12
orrowings / (repayments) during the year - net		2,160,520,520	983,770,520
let cash inflow from financing activities		2,178,717,504	983,770,520
let increase / (decrease) in cash and cash equivalents		2,856,643,051	(399,870,634)
ash and cash equivalents at beginning of the year		1,471,940,713	1,871,811,347
ash and cash equivalents at end of the year	29	4,328,583,764	1,471,940,713
he approved notes from 1 to 44 form an integral part	of those fine	uncial statements	

Statement of Comprehensive Income as at December 31, 2015		2015	2014
	Note	Rupees	Rupees
Profit for the year		824,164,957	703,211,747
Other comprehensive income - net of tax			
Items that will not be reclassified subsequently to profit and loss			
Remeasurement loss on post employment benefit obligation		(15,451,132)	(39,191,366)
Tax credit relating to remeasurement loss on post employment benefit obligation	14.1	4,944,362	12,732,831
Other comprehensive income transferred to equity		(10,506,770)	(26,458,535)
Items that may be subsequently reclassified to profit and loss			
Available for sale financial assets			
Surplus / (deficit) on revaluation of available for sale investments		314,470	(3,544,905)
Transfer to profit and loss on disposal of available for sale investments		(145,973)	(1,210,650)
Deferred tax (liability) / asset on surplus for available for sale investment	14.1	(52,459)	1,618,349
	•	116,038	(3,137,206)
		(10,390,732)	(29,595,741)
Other items that may be subsequently reclassified to profit and loss		-	-
Total comprehensive income for the year		813,774,225	673,616,006

The annexed notes from 1 to 44 form an integral part of these financial statements

PRESIDENT

planCon







	Share capital	Statutory reserve	Capital reserve	Surplus on revaluation of investments	Unappropriated profit	Total
			Rupe	es		
Balance as at January 01, 2014	1,705,000,000	281,144,239	24,255,224	3,235,008	738,853,220	2,752,487,691
Total comprehensive income for the year						
Profit for the year	-	-	-	-	703,211,747	703,211,747
Other comprehensive income	-		1	(3,137,206)	(26,458,535)	(29,595,741)
				(3,137,206)	676,753,212	673,616,006
Fransfer to:						
Statutory reserve		140,642,349	17	170	(140,642,349)	ranganean cool
Microfinance Social Development Fund		-	14	140	(70,321,175)	(70,321,175
Risk Mitigation Fund		21	25		(35,160,587)	(35,160,587)
Depositors' Protection Fund				. (4)	(35,160,587)	(35,160,587
Balance as at December 31, 2014	1,705,000,000	421,786,588	24,255,224	97,802	1,134,321,734	3,285,461,348
Total comprehensive income for the year						
Profit for the year	-	-	17	-	824,164,957	824,164,957
Other comprehensive income	-	-	-	116,038	(10,506,770)	(10,390,732)
Transfer to:		-	-	116,038	813,658,187	813,774,225
Statutory reserve		164,832,991	16	140	(164,832,991)	9
Microfinance Social Development Fund					(82,416,496)	(82,416,496
Risk Mitigation Fund	12	2	12	147	(41,208,248)	(41,208,248
Depositors' Protection Fund					(41,208,248)	(41,208,248
Balance as at December 31, 2015	1,705,000,000	586,619,579	24,255,224	213,840	1,618,313,938	3,934,402,581









### AUDITORS' REPORT TO THE MEMBERS

QUL

DIRECTOR

We have audited the annexed balance sheet of Khushhali Bank Limited (the Bank) as at December 31, 2015 and the related profit notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Bank's management to establish and maintain a system of internal control, and prepare and preabove said statements in conformity with the approved accounting standards and the requirements of the Microfinance Institutions audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any materia misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said tatements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our

- in our opinion, proper books of accounts have been kept by the Bank as required by the Companies Ordinance, 1984 and the Microfinance Institutions Ordinance, 2001:
- - have been drawn up in conformity with the requirements of the Microfinance Institutions Ordinance, 2001 and the Companies Ordinance, 1984, and are in agreement with the books of account and are further in account accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank.
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Microfinance Institutions Ordinance, 2001 and the Companies Ordinance, 1984, in the so required and respectively give a true and fair view of the state of the Bank's affairs as at December 31, 2015 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- in our opinion, 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

Bothhami Cn.

DATE: February 25, 2016

CHARTERED ACCOUNTANTS Engagement Partner: Abdul Qa

# Notes to the Financial Statements for the year ended December 31, 2015

2001. Consequently, with the approval of SBP, the Khushhall Bank Limited (the Bank) was incorporated as a public company with Securities and Exchange Commission of Pakistan (SECP) and Certificate of incorporation was issued under the Companies Gordinance, 1980 on February 28, 200.

Of March 18, 2008, 589 sanctioned a scheme for transfer of assets, lisibilities and undertaking of KB into the Bank with effect from April 1, 2008, a microfinance institution licensed under the Microfinance Institution Ordinance, 2001.

In accordance with the scheme of conversion all assets and lisibilities of KB were transferred to the Bank at their respective book values on the audited accounts of KB as of March 31, 2008.

their respective book values on the audited accounts of KB as of March 31, 2008.

On Inter A, 2012, a connortime led by Intel® Balk Limited and commissing ASN-MOVB Microkredierfords. (Ripic Juny B, V), Credit Suise. Microfinance Fund Management Commany (Respondibly), Global Microfinance Fund S. A. SKAS-FS florifor investment Management Commany and ShoreCap I Limited (Equator Capital Partners LLC) acquired 67.4% equity stake in KBL from a selling consortium comprising of eleven state-bolds. In view of the changes in the Martholding, a new microfinance banking license was issued on November 19, 2012 by 58° to the Bank.

The Bank's registered fiftic and principal pace of bisuriess is staked at 58° floro, Ufune Tower, Blue Anay, Islamsbad. The Bank had 128 branches and 1 permanent booth in operation as at December 31, 2015 (Ocember 31, 2014 -118 branches) and is licensed to operate nationvide.

BASS OF PRESENTATION

These financial statements have been presented in accordance with the requirements of format prescribed by the S8P Banking Supervision Department (SBO) Circular number 11 dated December 31, 2003. Additional disclosures have been presented in compliance with Microfinance Consensus Guidelines issued by Consultative Group to Assist the Poor (CGAP) July 2003.

SYATEMENT OF COMPLIANCE

# STATEMENT OF COMPLIANCE

we financial statements have been prepared in accordance with the approved accounting standards as icable in Pakistan, requirements of the Companies Ordinance, 1984 and Microfinance Institutions nance, 2001. Approved accounting standards comprise of such International Financial Reporting dards (FIRS) issued by International Accounting Standard Board (IASB) as are notified under the

Companies Ordinance, 1984, provisions of and directives issued by SECP and the SBP. In case requirements differ, the provisions or the directives of the Companies Ordinance, 1984, Microfinance Institutions Ordinance, 2010 or the requirements of the directives issued by SECP and the SBP shall prevail.

Ordinance, 2001 or the requirements of the directives issued by SECP and the SBP shall prevail. The SBP vide BD Circular letter No. 10, disect August 26, 2002 has deferred the applicability international Accounting Standard 39, Financial Instruments: Recognition and Measurement 1 international Accounting Standard 40, "Investment Property" for barriage, companies till furt instructions. Further, according to the nodification of the SECP issued vide SR04 11(1)/2008 dated April, 2008, IRSD 7, Financial Instruments: Disclosures has not been made applicable for bark. Accordingly, requirements of these standards have not been considered in the preparation of these financial statement between (meetiments but been desirable and valued in accordinate with the requirements of virial control of the standards have not been considered in the preparation of these financial statement the control of the standards have not been considered in the preparation of these financial statement where the standards have not been considered in the preparation of these financial statements the standard of the standards have not been considered in the preparation of these financial statements that the standards have not been considered in the preparation of these financial statements that the standards have not been considered in the preparation of these financial statements that the standards have the standards that the standards that the standards have not the standards that t

Accounting convention
These financial statements have been prepared under the historical cost convention as modified for obligations under employee referement benefits, which are measured at present value and investments available for sale, which are measured at mark-to-market basis.

The peparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the use of certain accounting estimates and judgments in application of accounting policies. The area inching a high deeper of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 6.34.

# NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

ACCOUNTING STANDARDS

Standards or interpretations that are effective in the current year but not relevant to the Bank
The following new standards and interpretations, have been issued by the International Accounting
Standards board 40x89 which have been adopted locally by the Excurities and Schange Commission of
Palistant wide SRO 6230/2014 dated July 10, 2014 with effect from following dates. The Bank has adopted
these accounting standards and interpretations which do not have significant impact on the Bank's
financial statements other than certain disclosure requirement about fair value of financial instruments as
per FRS 13 "Fair Value Measurement".

IFRS 11 Joint Arrangements January 1, 2015 IFRS 12 Disclosure of Interests in Other Entities January 1, 2015 IAS 28 Investments in Associates and Joint Ventures (Revised 2011) January 1, 2015

# 5.2 Amendments that are effective in current year but not relevant to the Bank

110.

DIRECTOR

ne Annual Improvements to IFRSs that are effective for annual periods be 115 are as follows:

2015 are as follows:
Annual Improvements to FRSs (2010 – 2012) Cycle:
FRS 2 Share-based payments
FRS 3 Bouriers Combinations
FRS 3 Cyclearing Segments
FRS 10 Fair Value Measurement
As 16 Property Plant and Equipment
IAS 24 Related Party Disclosures
IAS 38 Intangible Assets
Annual Improvements to FRSs (2011 – 2013) Cycle:
FRS 3 Business Combinations
FRS 13 Fair Value Measurement

IFRS 13 Fair Value Measurement IAS 40 Investment Property

# Amendments not yet effective

Amendments not yet energies. The following amendments and interpretations with respect to the approved accounting standar applicable in Pakistan would be effective from the dates mentioned below against the respective star or interpretation: Effective date (annual periods beginning on or after)

January 01, 2016

IFRS 10 Consolidated Financial Statements - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture and application of the consolidation eventure.

IFRS 11 Joint Arrangements - Amendments regarding the accounting January 01, 2016 for acquisitions of an interest in a joint operation

by JCR-VIS Credit Rating Company Limited

Short Term: 'A-1' (A-One)

Medium to Long Term: 'A+' (Single A Plus)

Outlook: 'Stable'

Effective date (semual beginning on a third)
FRS 12 Disclosure of Interests in Other Entities - Amendments regarding. January 01, 2016
Which I Protentiation of the consolidation exception.
IAs 1 Protentiation of Financial Statements - Amendments resulting. January 01, 2016
from the disclosure initiative
Which Propers, Part and Equipment - Amendments regarding the January 01, 2016
darlification of acceptable methods of depreciation and amendments and amendments bringing bearer plants into the scope of IAs 16.

IAS 27 Separates

Separate Financial Statements (as amended in 2011) Jan -Amendments reinstating the equity method as an accounting option for investments in in subsidiaries, joint ventures and associates in an entity's separate financial statements IAS 27

normal name of the control of the co

IAS 38 Intangible Assets - Amendments regarding the clarification of January 01, 2016 acceptable methods of depreciation and amortisation

IAS 41 Agriculture - Amendments bringing bearer plants into the scope January 01, 2016 of IAS 16

The Annual Improvements to IFRSs that are effective for annual periods beginni 2016 are as follows: Annual Improvements to IFRSs (2012 – 2014) Cycle:

IFRS 5 Non-current Assets Held for Sale and Discontinuing Fire Financial Instruments: Disclosures
IAS 19 Employee Benefits
IAS 34 Interim Financial Reporting

Standards or interpretations not yet effective

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission Standards Board (IASB), which have not been of Pakistan:
IFRS 1 First Time Adoption of International IFRS 9 Financial Instruments
IFRS 14 Regulatory Deferral Accounts
IFRS 15 Revenue from Contracts with Custor

The effects of IFRS 15 - Revenues from Contracts with Customers and IFRS 9 - Financial Instruments are still being assessed, as these new standards may have a significant effect on the Bank's future financial

The Bank expects that the adoption of the other amendments and interpretations of the standards will not have any material impact and therefore will not affect the Bank's financial statements in the period of initial

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the presentation of these financial statements are set out these policies have been consideredly applied to all the years presented, unless otherwise stated.

Cash and cash quivalents

Cash and cash equivalents

Cash and cash equivalents are short term, highly liquid inserties that are enably convertible to k amount of cash and subject to an insignificiant risk of changes in value.

amount of clash and subject to an insignificant risk of changes in value.

Sale and repurchase agreements

Securities sold under repurchase agreement (repo) are relation in the financial statements as investment
and a slability for consideration received is included in borrowings. Conversely, consideration for securities
purchased under resule agreement (verses repo) is included in lending to financial institutions. The
officence between side and repurchase of purchase and resele price is treated respectively, as return
expensed and earned. Repo and reverse repo balances are reflected under borrowings from and lending to
financial institutions respectively.

Investments
All purchases and sale of investments are recognized using Settlement Date Accounting. Settlement date is the date on which investments are delivered to or by the Batik. All investments are deecognized when the right to receive decommends to the settlements have depicted or has been transferred and the Batik has transferred as Sackantally all the risks and inventors of connecting.

vestments are classified as follows

a) Held for trading investments

These represent securities acquired with the intention to trade by taking advantage of short-te market/ interest rate movements. These are measured at mark-to-market and surplus/ (deficit) aris on revaluation of 'held for trading' investments is taken to profit and loss account.

b) Available for sale investments

Investments which may be sold in response to need for liquidity or changes in interest rates, exchangrates or equity prices are classified as available for sale. Available for sale investments are initially reconnized at cost and subsequently measured at mark-to-market basis.

recognized at cost and subsequently measured at mark-to-market basis. The surplas/ (felfoid) analysis of available for sale reastments is carried as "surplus/ (selfoid) on revolutation of assets' through statement of comprehensive income and also shown in the balance sheet below equity. The surplus/ (selfoid) analysis of these investments is taken to the profit and loss account, when actually realized upon disposal. On reclassification of an investment from the available for sale category, the investment is reclassified at its fair value on the date of reclassification. This fair value becomes its new cost or amortized cost, as applicable. For investments with filted mutuity, any gain or loss previously recognized in "surplus' (selfcit) on revaluation of assets' is amortized to profit and loss over the remaining file of the investment using the effective interest method and fill the investment does not these allow flowlays by each or loss using the effective interest method and fill the investment does not have allow flowlays by each or loss when the investment is sold or disposed on the control specific and loss over the remaining the investment is sold or disposed.

previously recognised.

Held to maturity investments.

Held to maturity investments.

Held to maturity investments.

Held to maturity investments.

Held do maturity, where management has both the intent and the ability to held invasturing, are classified as held to maturity. Subsequent to initial recognition at cost, these investment are measured at annotated cost, less provision for impairment in value, if any Annotated cost calculated saking into account reflective interest rate method. Profit on held to maturity investments recognized on a limit proportion basis kings into account the effective yield on the investments.

Premium or discount on acquisition of held to maturity investments are amortized through profit are loss account over the remaining period, using the effective interest rate method.

Advances are stated net of provisions for non-performing advances. Advances that are overdue for 30 days or more are classified as non-performing and disked into following categories: 30 Other Assets Expecially Mentioned (OAEM) Advances and mark-up in arrears for 30 days or more but less than 60 days. b) Substandard.

and mark-up in arrears for 60 days or more but less than 90 days.

Advances and mark-up in arrears for 180 days or more.

Avventoes and mark-up in arreass for 180 days or more. In addition, the Bank maintains a Watch List of all accounts delinquent by 5 - 29 days, However, such accounts are not treated as non-performing for the purpose of clastification/privisioning. In accordance with the Prudential Regulations (the Regulations) for Microfinance Banks issued by SRP, the Bank materialists perfort provision for potential bon losses for all one-performing advances net of cash and gold classes in adult of the provision of the performance of th

In addition, minimum 1% general provision required under the Regulations is calculated on outs advances net of specific provision. However, general provision is not required in cases wherein load been secured against gold or other calculated with appropriate margin. General and specific provisions are charged to the profit and loss account.

In accordance with the Regulations, non-performing advances are written-off one month after the loan is categorized as Loss. However, the Bank continues its efforts for recovery of the written-off balances. categoraced as Loss. However, the Bank continues is efforts for recovery of the written-off balances. Under exceptional circumstances, management resthedakes resymment terms does invest who have so catastrophic events and who appear willing and able to fully repay their banks. The classification may per Regulations for oth ranged due to such rescheduling. The accrued markup till the date of resche is received prior to such rescheduling. Operating fixed assets Capital words-in-progress

Capital work-in-progress are stated at cost less impairment losses (if any) and consist of expenditure incurred, advances made and other costs directly attributable to operating fixed assets in the course of their construction and installation. Cost also includes applicable borrowing costs, if any, Transfers are made to relevant operating fixed assets category as and when assets are available for use intended by the

Property and equipment Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset and the costs of dismantling and removing the items and restoring the step on which they are located, if any.

Depreciation is charged on the straight line basis at rates specified in note 12.2 to the financial statements, so as to write-off the cost of assets over their estimated useful lives. Full month's depreciation is charged in the month of capitalization and no depreciation is charged in the month of capitalization and no depreciation is

Subsequent costs are included in the assets carrying amount when it is probable that future econ benefits associated with the item will flow to the Bank and the cost of the item can be measured reli Carrying amount of the replaced part is derecognized. All other repair and maintenance are charge income during the period.

Intangible assets

An intangible assets is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and that the cost of such asset can also be measured reliably. These are stated at cost less accumulated amortization and impairment lonses, if any intangible assets comprise of computer software and related applications, intangible assets are amortized over their estimated useful fixes at rate specified in note 12.3 in the financial statements. Subsequent over their estimated useful fixes at rate specified in note 12.3 in the financial statements. Subsequent over their estimated useful fixes at rate specified in note 12.3 in the financial statements. Subsequent over their estimated useful fixes at rate and their estimates of their estimates are recognized in profit and fixes account a many fixed in the subsequent and their estimates are recognized in profit and fixes account an include and their estimates are recognized in profit and fixes account a many fixed and their estimates are recognized in profit and fixed sections are subsequently as a subsequent and their estimates are recognized in profit and fixed sections are subsequently as a subsequent and their estimates are recognized in profit and fixed sections are subsequently as a subsequently as a subsequently as a subsequent and their estimates are recognized in profit and fixed accounts are subsequently as a subsequent and their estimates are subsequently as a subsequently as

Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – an

are reviewed for implainment whenever events or furnishing for impairment. Assets that are adject to annotation amount may not be recoverable. An implainment of the increases or shrings in chromatones indices that the comparament of the recoverable. An implainment loss is recognized for the amount, by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset shring value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable can those (cab-quenerally quints). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting day.

Current

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their camping amounts in the financial statements. Deferred income tax is determined using tax retas (and laws) that have been encucted or substantially exacted by the balance sheet date and use operated to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are off-set when there is a legally enforceable right to off-set current tax assets against current tax liabilities where there is an intention to settle the balances on a net basis.

Prior years

Employee benefits

employees of the Bank.

The Bank coperates an approved funded gratuity scheme for all eligible employees completing th minimum qualifying period of one year of service. In accordance with the gratuity scheme eligible saler constitute the basic scale by for the service out IIII July 26, 2004 and gross salary for service thereafter which past to the employees on the basis of period in service. The defined benefit colligation is calculated annual using the projected unit credit method. The present value of defined obligation is determined to discounting the estimated matterly yeld on Government bonds and have terms to maturity approximation to the terms of the relief ability. The Bank has a poly of corriging contractant valuations annually value to the terms of the relief ability. The Bank has a poly of corriging contractant valuations are considered as the contract of the service of the contract of

Mark-up bearing borrowings

In compliance with the requirements of Regulation 4 (2014: Regulation 4), the Bank is required to maintain a statutory reserve to which an appropriation equivalent to 20% of the profit after tax is made till such time the reserve fund equals the paid up capital of the Bank. However, thereafter, the contribution is reduced to 5% of the profit after tax.

Cash reserve requirement
In compliance with the Regulations, the Bank maintains a cash reserve equivalent to not less than 5% of its time and demand liabilities in a current account opened with the State Bank of Pakistan. Statutory liquidity requir

The Bank maintains liquidity equivalent to at least 10% of its time and demand deposits in the form of liquid assets i.e. cash, gold and unencumbered approved securities.

isate the Bank for the cost of an asset are recognized in the profit and loss account as ome on a systematic basis over the useful life of the asset.

The grant related to an asset is recognised in the balance sheet initially as deferred income when there is reasonable assurance that it will be received and that the Bank will comply with the conditions attached to

Male Lay feature on investments is recognised on time procoration basis using effective interest method. Where debt socusities are purchased at premium or discount. Note permium of discounts in a manufacture of through the profit and loss account over the remaining period of maturity.

In come from interbank deposits in saving accounts is recognized in the profit and loss account as it accounts using the effective interest method.

Gains and losses on sale of investments and operating assets are recognised in profit and loss accountry.

Borrowing costs

Borrowings are recorded at the amount of proceeds received The cost of borrowings is recognized on an accrual basis as an expense in the period in which it is incurred.

-- es in which a significant portion of the risks and rewards of ownership are retained by the lessor assified as operating leases. Payments made under operating leases (net of any incentives received the lessor) are charged to the income statement on a straight-line basis over the period of the

we present value of the minimum loase payments.

Each laves payment is allocated between the liability and finance charges. The corresponding retail

Soldsplation, not of finance charges, are included in other long-term payables. The interest element of

the finance cost is charged to the income statement over the lease period so as to produce a constant

periodic rate of interest on the remaining platince of the lability for each period. The property and

equipment acquired under finance leases to depreciated over the shorter of the useful file of the asset

and the lease term.

Financial instruments

Financial assets and liabilities are recognized when the Bank becomes a party to the contractual provisions of the instrument. These are derecognized when the Bank ceases to be the party to the contractual provisions of the instrument.

Financial assets

Financial assets are cash and balances with SBP and NBP, balances with other banks, lend financial institutions, investments, advances and other receivables. Advances are stated at their value as reduced by appropriate provisions against non-performing advances, while other fin assets excluding investments are stated at cost. Investments classified as available for sale are value mark to market base and investments obsisted as held to maturity are stated at anortized cost consistency.

r manoar cranges are accounted for on accrual basis.

Any gain or loss on the recognition and derecognition of the financial assets and liabilities is incluin the net profit and loss for the period in which if arises.

Impairment—financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more eve
have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the opinial intersect rate.

ndividually significant financial assets are tested for impairment on an individual basis. The remaining inancial assets are assessed collectively in groups that share similar credit risk characteristics, All mpairment losses are recognized in profit or loss. in impairment loss is reversed if the reversal can be related objectively to an event occurring after the napairment loss was recognized. For financial assets measured at amortized cost the reversal is cognized in profit and loss account.

Off-setting
Financial seets and liabilities are off-set and the net amount reported in the balance sheet when there
is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a
net basis or realize the asset and settle the liability simultaneously, income and oppress items of such
seasts and liabilities are also off-set and then et amount is reported in the financial statements.

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khushhalibanklimited

tens included in the financial statements of the Bank are measured using the currency of the primary economic revisionment in which the Bank operates (the functional currency) which is Palk Rupees. The financial statements are also presented in Palk Rupees, which is the Bank's presentation currency.

Financial Statements for the year ended December 31, 2015

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are enemoused. Foreign exchange gains and loose resulting from the settlement of soft harasscrions and from the translation at your end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loos account.

oreign exchange gains and losses that relate to borrow presented in the profit and loss account.

presented in the profit and loss account.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analyzed between translation differences resulting from changes in the annotated cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss.

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expressor.

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Bank. They are material items of income or experse that have been shown separately due to the significance of their nature or amount Related party transactions

Transactions involving related parties arising in the normal course of business are conducted, and commercial rates on the same terms and conditions as third party transavaluation modes as admissible.

The Early presents earnings per share (EPS) data for its ordinary shares. Basic EPS 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 period.

Segment reporting
A segment is a distinguishable component of the Bank that is engaged either in providing particle products or services (business segment), or in providing product or services in the products or services (business segment), and is subject to risk and newards that are differ from those of other segments. The Bank has only one reportable segments.

Unter payables Liabilities for other amounts payable are carried at cost which is the fair value of the consi-be paid in the future for the goods and services received, whether or not billed to the Bank Dividend and apportioning to reserves

Dividend and apportioning to reserves are recognized in the financial statements in the period in which these are approved, except apportioning required by law which are recorded in the period to which they pertain.

there are recognized at cost, which is the fair value of the consideration given. An assessment in each talkance sheet date to determine, whether there is an indication that a financial asset country on of instancial assets, may be impaired. If such an indication exists, the estimated reco-ting the country of the state of the difference between the state of the st

contingent lability is disclosed when the Bank has a possible obligation as a result of jost event, desired in which will be conferend only by the occurrence or consocurrence of one or more certain future events not wholly within the control of the Bank or the Bank has a present legal or structure obligation that arises from past events, but it is not probable that an outline? or feasures bodying economic benefits will be required to settle the obligation, or the amount of the obligation not be measured with sufficient rebilishing.

disclosure of, fair value.

The fair value measurement of the Bank's financial and non-financial satests and faibilities utilities market observable injusts and data as fair as possible. Injusts used in determining fair value measurements are categorised into different levels based on two observable the injusts used in the valuation technique utilised are (the fair value hierarchy):

Level 2: Doservable direct or indirect injusts other than Level 1 injusts

Level 3: Doservable eliect or indirect injusts other than Level 1 injusts

Level 3: Doservable eliect or indirect injusts other than Level 1 injusts.

Level 3: Londoservable injusts 6: en ord reinfer from market data).

The dissolitation of an item into the above level is based on the lovest level of the injusts used that has a significant effect on the fair value measurement of the finem and transfers of thems between levels are recognised in the period they cocus.

The financial assets and financial failabilities of the Bank that either require fair value measurements or only fair value disclosures as at December 31, 2015 are disclosed in Note 37.

Critical accounting settimates and judgments

Critical accounting estimates and judgments The presentation of financial statements and objective with approved accounting statement are used to the presentation of financial statements in conformity with approved accounting statement are used to the presentation of the presentation of the presentation of the conformity of the presentation of the presen

assets with a corresponding effect on the depreciation charge. Provision for income taxes: The Bank recognizes tax kiabilities for pending tax assessments using estimates based on expert opinion obtained from taxilegial adviscos. Difference, if any, between the income tax provision and the final tax liability is recorded with early falling to determined. Deferred income tax is calculated at the rates that are expected to apply to the pending of when the difference reverse, based on tax rates that have been encetted or substantively enacted by the balances sheet date.

Islas that have does relaction of subsulmany enables by the country select bias.

O Staff retirement benefits

Actuarial valuation of grastity contributions requires use of certain assumptions related to future
periods including increase in renumeration, expected long-term return on plan assets and the
discount rate used to convert future cash flows to current values. Actuarial gains and loses aringin
from changes in actuarial assumptions are taken in the other comprehense income immediately.

d) Classification of investments

these investments.

Provision against advances

The Bank maintains a provision against advances as per the requirements of the Regulations and assesses the adequacy of provision against definquent portfolio. Any change in the criterializate for provision may affect the carrying amount of the advances with a corresponding effect on the marksuffiretest earned and provision formed and provision formed.

Provision and contingent liabilities

The management exercises judgment in measuring and recognize contingent liabilities related to pending Itigations or other ou necessary in assessing the likelihood that a pending claim will succe quantify the possible range of the financial settlement. Because

	evaluation process, actual losses may be diffe	rent from t	he originally estimated	provision.
7.	CASH AND BALANCES WITH SBP AND NBP	Note	2015 Rupees	2014 Rupees
	Cash in hand Local currency		489,853,139	394,304,188
	Balances with State Bank of Pakistan (SBP) in: Local currency current accounts Balances with National Bank of Pakistan (NBP) in:	7.1	509,603,126	304,933,441
	Local currency current accounts		107,691	1,548,228
	Local currency deposit accounts	7.2	1,658,485	250,066
			1,766,176	1,798,294
			1,001,222,441	701,035,923

esents balance held with SBP to meet the requirement of maintaining a at to 5.00% (2014: 5.00%) of the Bank's time and demand deposits with a in accordance with regulation R- 3A of the Regulations.

BALANCES WITH OTHER BANKS/ NBFis/ MFBs	Note	Rupees	Rupees
In Pakistan			
Local currency current accounts		442,933,423	314,480,500
Local currency deposit accounts	8.1	501,075,190	38,820,258
	-	944.008.613	353,300,758

2014 Rupees 2015 Rupees Repurchase agreement lending (reverse repo) 2.383.352.710 417.604.032

This represents reverse repo carrying interest at the rates ranging from 6.00% to 6.15% per annun (2014: 9.50 % per annum) maturing on January 8, 2016 (2014: January 2, 2015).

by JCR-VIS Credit Rating Company Limited Short Term: 'A-1' (A-One)



	dium to Long Term: 'A+' (Single A Plus)		khushhalibanklimited Financial Statements for the year ended December 31, 2015
9.1.1	Securities held as collateral against lending to financial institutions - reverse repo are as follows:  2015 2014	11.8	Loan loss allowance 2015 2014 Rupees Rupees
	Held by Bank Further given as collateral Total Held by Bank Further given as collateral Total		2015   2014   14.1 Reconciliation of deferred tax
	Rupees         Rupees         Rupees           Market Treasury Bills 2,457,000,000         -         2,457,000,000         432,000,000         -         432,000,000		Share of Rupees Share of Rupees total Rupees Share of Rupees S
9.2	The balance at the year end held as clean lending amounts to Nil. In the year 2014 amount previously		Normal loans Provision against advances and other assets 28,664,804 10,314,186 Provision against advances and other assets 28,664,804 (2,314,186)
2420	placed with Innovative Investment Bank Limited - IIBL (formerly Innovative Housing Finance Limited (IHFL) and Crescent Standard Investment Bank Limited) was written-off against provision created in		Current 97.2% 16897/46,587 - 98.69% 12,053,287.48 - Provision against Wilders Welfare Fund 7,174,338 12,451,442 1-29 days title 0.9% 153,888,125 - 0.5% 57,000,036 - Unused serious (9.5%) 57,0
	prior years. IIBL defaulted its repayment due to liquidity problems and was also unable to meet equity requirements as per NBFC's Regulations 2008 after which the SECP filed its winding-up petition in the		30 - 99 days late 1.1% 183,316,758 - 0.5% 57,834,069 - Charge to profit and loss account 19,587,322 (30,105,678) 60 - 89 days late 0.3% 99,513,191 19.1% 13,955,715 0.2% 19,968,762 15.3% 4466,411 Charge to other comprehensive income
	Honorable Lahore High Court (LHC). The LHC appointed official liquidator of IIBL which has undertaken the process of liquidation and distribution of the assets in accordance with the law.		90 - 179 days late 20 40 68,390.912 44.3% 32,323.247 0.2% 19,903,004 32.3% 9,040,091 Deferred tax revolutation of available for sale investments (52,499) 1,618,349 More than 179 days late 20 42,771,972 36.6% 36,659,555 0.1% 15,267,128 52,4% 15,250,567 Deferred tax on remeasurement of post employment benefits obligation 4,352,129 12,732,831
	2015 2014		Balance at the end of the year         107,557,987         83,670,995
10	INVESTMENTS Note Rupees Rupees		Curent 0.0% 14.2 The deferred tax asset recognized in the financial statements represents the management's best estimated the potentials benefit which is expected to be realized in future years in the form of reduced
	Available for sale securities Federal Government securities		30 - 59 days late 0.0% differences.
	Market Treasury Bills (Fbills) 10.1 1,047,510,600 836,740,600 Other investments		60 - 89 days late 0.0% Management has prepared strategic development plan of the Bank for five years using assumptions 90 - 179 days late 0.0% which are linked to various variable factors such as the economic outlook of the country, investment
	Mutual funds 10.2 300,000,000 - Held to maturity		Move than 179 days tate 0.0% growth, interest rate movements, expansion in depositors / advances portfolio etc.
	Term deposit receipts (TDRs) 10.3 500,000,000 -	11.9	This includes general purpose loans to employees of the Bank carrying interest at the rate of 10% DEPOSITS 2015 2014
	1,847,510,600   836,740,600   Net surplus on revaluation of available for sale securities   10.4   314,470   145,973		(2014: 10%) per annum and long-term housing loans to eligible employees of the Bank for the period ranging from 5 to 20 years carrying interest at the rate of average cost of funds plus 50 bps (2014: Nil)  Note  No of Amount Rupees  Amount Rupees
10.1	1,847,825,070         836,886,573           This represents T-bills ranging from 84 days to 182 days (2014: 84 days to 85 days) carrying interest at		per annum. General purpose loans and long-term housing loans are secured against employees' accrued terminal benefits and equitable mortgage over unencumbered property, respectively. Fixed deposits 152 6,661 7,632,933,625 2,947 2,933,858,431
	the rates ranging from 6.31% to 6.45% (2014: 9.88% to 9.96%) per annum.		Swing deposits   15.3   32,986   4,556,0991   2,42,88   3,23,348,176     2015   2014   Current deposits   1,089,254   3,941,164,13   872,346   2,455,176,129     Note Rupees Rupees   1,128,091   1,588,372,7129   900,081   8,682,472,799
10.2	This represents units held in Faysal Money Market Fund, UBL Liquidity Plus Fund and NAFA Money Market Fund as tabulated below:	12	OPERATING FIXED ASSETS 15.1 Particulars of deposits by ownership
	Faysal Money UBL Liquidity NAFA Money Market Fund Plus Fund Market Fund		Capital venti-in-progress 12.1 61,403,196 29,107,497  Roperly and equipment 12.2 45,882,006 270,450,223 Individual depositors 1,126,811 9,091,840,377 898,385 5,787,168,598
	Units purchased 963,763 969,251 9,889,632		Intangible assets         12.3         29,694,102 548,979,304         23,361,978 322,919,698         Institutional depositors Corporation/Firms         2,064 2,064         5,364,045,088 5,364,045,088         1,685
	Bonus units Units held at year end 963,763 969,251 9,889,632	12.1	Capital work-in-propress Opening Addition: Transformed Closing
	Purchase price per unit 103.76 103.17 10.11 Market price per unit at year end 103.92 103.20 10.13	.2.1	Rupees at the rates ranging from 6.25% to 14.00% (2014; 6.00% to 14.00%) per annum. This includes the
10.3	This represents investment in short term deposits receipts (TDRs) of scheduled bank and maturing on		Advances to supplies- software modules Advances to supplies- operating fixed assets Advances to supplies- operating to Rs. 34.92 million (2014: Rs. 31.95 million) on which lier is marked against advances to supplies operating to Rs. 34.92 million (2014: Rs. 31.95 million) on which lier is marked against advances to supplies operating to Rs. 34.92 million (2014: Rs. 31.95 million) on the Advances to Supplies operating to Rs. 34.92 million (2014: Rs. 31.95 million) on the Advances to Supplies on Rs. 34.92 million
10.4	January 14, 2016 and carries mark-up at the rate of 7.75% (2014: Nil) per annum.  In accordance with Regulation R-11C, available for sale securities have been valued on mark-to-market		December 31, 2015         29, 107,497         299,652,180         265,252         83,207,828         61,403,195         15.3         This represents savings accounts carrying interest at the rates ranging from 5,00% to 10,25% (2014).           December 31, 2014         15,849,803         96,465,522         (83,207,828)         29,107,497         6,00% to 10,85%) per armum. This includes saving deposits amounting to 8x, 287.39 million (2014).
10.4	basis and the resulting surplus/ (deficit) is kept in a separate account titled 'Surplus on revaluation of	12.1.1	Rs Nil) on which lien is marked against advances to borrowers.
	investments' and is charged through statement of comprehensive income in accordance with the R -11(c) "Treatment of Surplus/(deficit)" of the Prudential Regulations (PR) for Microfinance Banks dated June 10, 2014 issued by the State Bank of Pakistan.		operating fixed assets. Note Rupes Rupes Rupes
10.5	The investment includes securities which are held by the Bank to comply with the statutory liquidity	12.2	Property and equipment
	requirements as set out under Regulations - Risk Management R-3 "Maintenance of cash reserve and liquidity".		Furniture and Betriculated Corporator Whicks Total Unsecured Because Section 16.1 2,845,397,392 2,182,376,872  Cost Supers Secured Unsecured Inspection from Francial Institutions outside Pallotten 16.1 2,845,397,392 2,182,376,872
11	ADVANCES - NET OF PROVISIONS		Balance as at January 1, 2014 160,743.997 195,067.673 181,976.899 150,7561,48 688,544,057 Borrowings from financial institutions in Pakistan 16.2 3,045,000,000 1,547,500,000 Additions 13,912,525 62,357,318 52,616.892 19,443,976 148,330,311 5,800,300 1,547,500,000 1,54
	2015 2014		Deposits 9,516,559 (7,907,702) 698,250 (12,98,898) (29,92,250) (12,98,898) (29,92,250) (12,98,998) (29,92,250) (12,98,998) (29,92,250) (12,98,998) (29,92,250) (12,98,998) (29,92,250) (12,98,998) (29,92,250) (12,98,998) (29,92,250) (29
	Loan type Note Note Outstanding Outstanding Outstanding Outstanding Outstanding Outstanding Outstanding		Belience is at lansary 1, 2015         166,139,268         259,117.289         233,615,041         157,410,444         807,282,042         Asian Development Bank         16.1.1         1,818,647,392         2,182,376,872           Additions         94,739,177         107,879,700         38,388,518         78,339,352         390,346,747         ECO Trade & Development Bank (TF-l)         16.1.2         507,250,000
	Rupoes         Rupoes         Rupoes           Micro credit         44,800         3,426,195,066         40,679         2,847,567,254		Diposals (18,579,871) (7,94,7%8) (4,994,39%) (9,97,96,88) (81,169,712) ECO Trade & Development Barix (1F4) (16,12) 571,250,000 - 232,298,574 390,053,231 267,077,164 185,040,108 1,055,469,077 ECO Trade & Development Barix (1F4) (16,12) 571,250,000 - 28,845,397,393 22,182,376,872
	Secured 475,717 13,963,441,359 427,690 9,377,754,493 Unsecured 11.1 520,517 17,389,636,425 468,369 12,225,321,747		Depreciation  Polynomia 1 2014 77 306 111 119 774 564 147 177 302 122 27 076 471 071 902 16.1.1 This represents receipts/ reimbursements up to eighty percent (80%) of outreach loan disbursements
	Less: Provisions held		Depression charge
	Specific provision         4,356         (72,938,517)         4,972         (29,121,069)           General provision         11.2         484,910         (147,413,178)         428,962         (103,291,964)           (220,351,695)         (123,241,3034)         (132,241,3034)         (132,241,3034)		Balance as at December 31, 2014         81,921/79         146,501/28         179,198,477         129,219,845         586,818,819         Microfinance Sector Development Project, Loan #1806 between Asian Development Bank (ADB) and Islamic Republic of Pakistan.           8siance as at Innary 1, 2015         81,921/79         146,501/78         179,198,477         129,219,845         58,841,819         Islamic Republic of Pakistan.
	Microcredit advances - net of provisions 17,169,284,730 12,092,908,713		Depreciation charge 18,128,100 45,879,428 53,274,691 15,202,705 115,484,924 71 4 The Bank is liable to repay the principal amount of the loan to GoP, over a period of 20 years including Discosilis (12,520,259 (15,12824) 40,124,21) 40,954,107 (47,395,771) a represented in 64, waster, promisering from May 1 (2,700) structure from 1 (2,700) struct
	Staff loans - secured         11.9         226         77,246,845         269         12,930,413           Advances - net of provision         520,743         17,246,531,575         468,638         12,105,839,126		Basince at December 31, 2015  87,479,000  184,786,000  2015,900,004  97,586,045  97,586,04
11:1	This includes 2,256 micro-enterprise clients (2014: 46) having aggregate amount of Rs. 511.76 million (2014: Rs. 9.88 million) backed by USAID guarantee of 50% of outstanding principal for qualifying		2014 84,217.509 103,615.551 54,816.564 28,190,999 270,450,223 while the GoP shall bear the foreign eixhange risk. 2015 144,888,974 165,284,950 57,516,417 90,211,665 467,882,006 The interest is being paid on bi-annual basis charged at the rate equal to weighted average cost of
	borrowers.		Rates of depreciation per annum 10.00% 20.00% 33.33% 25.00% rates used for the bi-annual payment clustering the year were determined to be 5.11% and 6.27% (2014;
11.2	General provision is maintained at the rate of 1.00% (2014: 1.08%) of micro-credit advances other than those secured against gold and other cash collateral, net of specific provision. This includes	12.2.1	Cost of the assets as at December 31, 2015 includes Rs. 40.44 million (2014: Rs. 81.58 million) in respect 6.53% and 6.64%) per annum.
	provision amounting to Rs. Nil (2014; Rs. 7.00 million) against unsecured micro-credit advances in addition to the minimum requirements of Prudential Regulations to prudently manage credit risk of the Bank.	12.2.2	of assets acquired against grants received.  16.1.2 This represents borrowing from ECO Trade and Development Bank amounting to USD 5 million. This loan has a graze period of two years and principal amount to be repaid as bullet on maturity. The term of the troub ISD 1800 of this as a graze period of two years and principal amount to be repaid as bullet on maturity. The term of the troub ISD 1800 of this as created of the plan is known was to be found and the plan of the most bullet on maturity. The term of the troub ISD 1800 of this as created of the plan is known was to be found to be repaid as bullet on maturity. The term of the promotion of the plan is th
11.3	Particulars of non-performing advances	12.2.3	Rs. 329.29 million). 2.5% per 360 days.
	Advances include principal amount of Rs. 337.99 million and interest /mark-up of Rs. 90.59 million (2014; principal amount of Rs. 113.00 million and interest /mark-up Rs. 23.00 million) which, as	12.2.3	Detail of property and equipment disposed with the original cost or book value in excess of Rs. 1 million or Rs. 250,000 respectively, whichever is less, are as under:  The Bank has entered into a cross currency SWAP agreement with United Bank Limited for the borrowing. Under such arrangement USD 5 million were translated at the exchange rate of Rs. 101.45
	detailed below, have been placed under non-performing status.  2015 2014		Perticulars Cost Book value Sale Proceed Mode of particulars of disposal at the rate of Sx months (MBOs plus a spread of 15% and payable sarian annually commencing from date at the rate of Sx months (MBOs plus a spread of 15% and payable sarian annually commencing from date
	Category of Classification Amount Provisions Provisions Amount Provisions Provisions Outstanding required held outstanding required held		Nupres of disbursement per 365 days.  Vehicles: 2015 34,375,343 107,590 19,578,601 Auctor Various 16.1.3 This represents borrowing from ECO Trade and Development Bank amounting to USD 5 million. This
	Rupees Rupees		Vehicles 3,406,144 6 2,120,000 Auction Various insulteness of USO one million, each commencing from the twenty fourth month after the first
	OAEM         232,641,155         -         68,929,174         -         -         68,929,174         -         <		Websites         600,224         501,895         650,000         Insurance claim Address Insurance         disbussement. The loans term is four years. The loan carries markup at the rate of six month USD LIBOR plus a spread of 2,9% per 360 days.
	Loss 35,53,392 26,695,555 26,699,555 19,843,739 15,250,567 428,587,106 72,938,517 72,938,517 136,018,424 29,121,069 29,121,069		2015 2014 The Bank has entered into a cross currency SWAP agreement with JS Bank Limited for the borrowing.
11.4	Particulars of provisions against non-performing advances	12.3	Intangible assets  loan will be repaid into 0.5 equal instalments of Rs. 103.90 million each to be made semi-annually commencing from whenty fourth month from the date of the first distuncement. Further, under this
	2015 2014  Specific General Total Specific General Total		Computer software arrangement, the interests paid is fixed at 10.47% per 365 days, semi-annually commencing from the date of disbursement.
	Rupees Rupees		Balance as at January 1, 2014 115,584,295 108,104,410 2015 2014
	Provision charge for the year 230,893,356 44,121,213 275,014,569 133,945,938 20,588,725 154,534,663		Additions 33,932,904 7,479,885 16.2 Borrowings from financial institutions in Pakistan: Note Rupees Rupees Balance as at December 31, 2015 149,517,199 115,584,295 Secured
	Balance at end of the year 72,986,517 147,413,178 220,951,695 29,121,069 103,291,965 132,413,034		Amortization Pakistan Poverty Alleviation Fund (TF-4) 16.2.1 1,060,000,000 560,000,000
11.5	Particulars of write-offs Note Rupees Rupees		Amortization charge (27,600,780) (26,312,796) Pak Oman Investment Company Limited (IT-II) 16.2.3 500,000,000
	Against provisions Related to rescheduled advances - 298,500		Balance as at December 31, 2015         (119,823,097)         (92,222,317)         United Bank Limited (FF-I)         16.24         40,000,000         500,000,000           Carrying amount         29,694,102         23,361,978         Aduat Bank Limited (FF-I)         16.25         360,000,000
	Related to other classified advances 187,075,908 124,332,958 187,075,908 124,631,458		Asset Bank Limited (1F-V) 162.25 360,000,000 Soneti Bank Limited (1F-V) 162.26 300,000,000 -
	Bad debts written off directly 11.5.1 4,085,475 3,151,806 191,161,383 127,783,264	12.3.1	asset is available for use. Askari Bank Limited) 16.2.7 100,000,000 -
11.5.1	This represents write offs against secured micro credit advances which were not recovered through	12.3.2	Cost of the intangibles as at December 31, 2015 includes Rs. 25.48 million (2014: Rs 25.48 million) in United Bank Limited (RF) 16.28
	sale of its collaterals in case of default loans.	12.3.3	The cost of fully amortized intangible assets that are still in use is Rs. 38.31 million (2014: Rs. 35.29 million).  3,045,000,000 1,547,500,000 million).
11.6	Portfolio quality report  The Bank's main measure of loan delinquency is an aged portfolio-at-risk ratio. Loans are separated		2015 2014 16.2.1 This represents borrowings from the Pakistan Poverty Alleviation Fund (PPAF) and carries interest at the
	into classes depending on the number of days they are over-due. For each of such class of loan, the outstanding principal balance of such loan class is divided by the outstanding principal balance of the	13	OTHER ASSETS  Note Rupees Rupees rales ranging from 6.05% to 11,11% (2014; 9.11% to 11.68%) ger annum. PPAF extended 8s. 1,500 milles ranging from 6.05% to 11,11% (2014; 9.11% to 11.68%) ger annum. PPAF extended 8s. 1,500 milles ranging from 6.05% to 11,11% (2014; 9.11% to 11.68%) ger annum. PPAF extended 8s. 1,500 milles ranging from 6.05% to 11,11% (2014; 9.11% to 11.68%) ger annum. PPAF extended 8s. 1,500 milles ranging from 6.05% to 11,11% (2014; 9.11% to 11.68%) ger annum. PPAF extended 8s. 1,500 milles ranging from 6.05% to 11,11% (2014; 9.11% to 11.68%) ger annum. PPAF extended 8s. 1,500 milles ranging from 6.05% to 11,11% (2014; 9.11% to 11.68%) ger annum. PPAF extended 8s. 1,500 milles ranging from 6.05% to 11,11% (2014; 9.11% to 11.68%) ger annum. PPAF extended 8s. 1,500 milles ranging from 6.05% to 11.11% (2014; 9.11% to 11.68%) ger annum. PPAF extended 8s. 1,500 milles ranging from 6.05% to 11.11% (2014; 9.11% to 11.68%) ger annum. PPAF extended 8s. 1,500 milles ranging from 6.05% to 11.11% (2014; 9.11% to 11.11% to 11.11% to 11.11% to 11.11% to 11.11% to 11.11% (2014; 9.11% to 11.11% to
	oursainting principal adentee of such told uses a divided by the dustaining principal adentee of the gross loan portfolio before deducting allowance for non-performing advances. Loans are considered overdue if any payment has fallen due and remained unpaid. Loan payments are applied first to any		Mark-up accrued 1,739,411,253 1,221,563,193 the hypothecation charge is not registered with SECP. The Bank is liable to repay the principal amount to PPAF in 5 equal quarterly installents after the expiry of one year as groze period. The Bank his support.
	interest due, then to any instalment of principal that is due but unpaid, beginning with the earliest such instalment. The number of days of delay is based on the due date of the earliest loan instalment		1,648,817,003 1,198,517,332 drawn Rs. 1,500 million (2014: Rs. 600 million) up to December 31, 2015.
	that has not been fully paid. Late payment surcharge/ penalty on overdue advances is not added to principal.		Indicate the restriction of the
	2015 2014		Empoyees 83,239,617 /9J/79/24 charge over current and future assets of Rs. 650 million. Suppliers 11,281,483 9,908,511
	Normal loans Amount Portfolio at risk Amount Portfolio at risk Rupees Rupees		94,50,100 88,988,235 form draw down date and carries interest at the rates ranging 8,26% to 9,64% (2014. Nil) per annum and repayable in 8 semi annual equal instillments. These borrowings are secured against charge over
	Rupees         Rupees           Current         16,897,745,437         - 12,055,28,748           1 - 29 days late         153,898,125         0.88%         57,020,036         0.47%		Prepayments 97,907,980 92,823,701 current and future scale (claim tilson times. These bottomings are secure against charge over
	30 - 59 days late 183,316,758 1.05% 57,834,069 0.47% 60 - 89 days late 59,513,191 0.34% 19,968,762 0.16%		Receivable from Microfinance Social Development Fund 13.1 516,144,118 371,788,936 16.2.4 Inis represents intercoans money market corrowings nor three years with the grace period of six months from the date of first disbursement and carries interest at the rates ranging from 8.12% to 11.6.9% from the date of first disbursement and carries interest at the rates ranging from 8.12% to 11.6.9%
	90 - 179 days late 68,390,942 0.39% 19,903,004 0.16% More than 179 days late 26,771,972 0.15% 15,267,128 0.12%		Sales tax / federal excise duty receivable 13.2 120,490,531 74,401,684 against 40% partial Microfinance Credit Guarantee Facility (MCGF) by SBP and charge over current
	Total 17,389,636,425 2.81% 12,225,321,747 1.38%		Other receivables 13.3 133,237,795 35,266,892 and future micro loans/advances of Rs. 400 million.  2,641,903,252 1,889,851,039 16.2.5 This represents interbank money market borrowings for three years with the grace period of six months
	Rescheduled loans		Provisors against doubtful receivables from draw down date and carries interest at the rates ranging from 8.10% to 10.03% (2014: NB) per Balance at the beginning of the vear 18,674.466   13,798.079   annum and repayable in 10 equal quarterly instalments. These borrowings are secured against 40%
	Current		Proxision charge for the year 17,137,334 4,876,387 partial Microfinance Credit Guarantee Facility (MCGF) by S8P and charge over current and future assets of 8s. 320 million.
	30 - 59 days late		Palance at the end of the year

2.81%

13.2 13.3

Current reco	Current recovery ratio		
2015	2014		
159.7%	141.6%		
183.9%	172.6%		
187.9%	144.9%		
173.2%	164.6%		
175.2%	159.5%		
	2015 159.7% 183.9% 187.9% 173.2%		

11.7.1 Annual loss rate for the year is 0% (2014: 0%) computed using the following formula. The actual loss rate is below 0% due to early repayments of principal outstanding.

 $ALR = (1 - CR) / T \times 2$ 

ALR is the annual loss rate
CR is the collection rate in decimal form
T is the loan term expressed in years

This represents amount receivable from Microfinance Social Development Fund (MSDF) against cost reimbursed to service providers, ARL's own cost reimbursement against contramular producing services and the services of the contramular producing the fund. During the year amount of Rs. 65.77 million services and the services of the contramular producing the contramular producing and provided direct the years from 2012, to 2014, against XRL's own cost interfundational against community mobilishing limiting. This visit of the services are contramular producing the services are serviced as a service of the contramular producing limiting the services of the service

16.2.8

16.3	Quarterly average borrowing	2015 Rupees	2014 Rupees
	1st Quarter	4,534,398,438	2,894,356,885
	2nd Quarter	4,785,883,604	3,137,269,745
	3rd Quarter	5,709,999,418	3,888,734,412
	4th Quarter	6,002,685,506	3,817,165,119
16.4	Loan repayment schedule		
	Balance at the beginning of the year	3,729,876,872	3,729,876,872
	Availed during the year	6,666,960,013	3,158,500,000
	Repayments during the year	(4,506,439,493)	(2,174,729,480)
	Balance at the end of the year	5,890,397,392	3,729,876,872

# CREDIT RATING by JCR-VIS Credit Rating Company Limited

Short Term: 'A-1' (A-One)

Medium to Long Term: 'A+' (Single A Plus)



Ou	tlook: 'Stable'							Fina	ncial Statements for the year ended December 31, 2015
17	OTHER LIABILITIES Note	2015 2014 Rupees Rupees		77	Note	2015 Rupees	2014 Rupees	28	LOSS BEFORE CHANGES IN OPERATING ASSETS / LIABILITIES Note Rupees Rupees
	Interest payable on borrowings	117,970,586 78,281,377		Grant from USAID	19.2	98,374,901	98,374,901		Profit before taxation 1,181,981,581 942,409,823 Adjustments for:
	Markup / return /interest payable on deposits Accrued expenses	286,780,711 146,274,356 223,679,852 151,496,351		Accumulated amortization At the beginning of year Amortization for the year		(97,860,252) (327,990)	(97,282,378) (577,874)		Depreciation and amortization         143,085,705         115,659,494           Amortization of deferred grant         (1,775,739)         (5,724,040)
	Bills payable Payable to defined benefit plan - gratuity 17.1	42,080,689 63,102,779 80,568,150 65,132,259		At the end of the year		(98,188,242)	(97,860,252) 514,649		Provision against non-performing advances         275,014,569         154,534,663           Gain on disposal of operating fixed assets         (22,607,489)         (4,912,806)           Mark-up on advances         (4,277,947,717)         (3,005,187,175)
	Contribution payable to: - Microfinance Social Development Fund 6.13	82,416,496 70,321,175		Grant from Enclude Received during the year	19.3 19.3	25,484,337 18,196,984	25,484,337		Mark-up on advances (4,277,947,717) (3,005,187,175) Interest on investments and deposit accounts (128,674,217) Indirect cost charged to USAID (19,549) (1,120,103)
	- Risk Mitigation Fund 6.13	41,208,248 35,160,587		Accumulated amortization		43,681,321	25,484,337		Interest expense on borrowings and deposits 1,219,286,901 809,557,429 Provision against other assets 17,137,334 4,876,387
	- Depositors' Protection Fund 6.13 Taxes payable - net 17.2	41,208,248 35,160,587 135,039,618 198,615,505		At the beginning of year Amortization for the year At the end of the year		(25,484,337) (1,361,580)	(20,529,071) (4,955,266)		Charge for defined benefit plan 53,351,580 38,536,763 (2,723,148,618) (2,018,082,214)
	Payable to service providers Payable to suppliers 17.3	29,788,200 26,405,600 92,001,096 46,879,190		At the end of the year		(26,845,917) 16,835,404 17,087,506	(25,484,337)	29	(1,541,167,037) (1,075,672,391)  CASH AND CASH EQUIVALENTS
	Provision for Workers' Welfare Fund Withholding tax payable	61,330,561 37,690,929 13,071,142 3,009,969	19.1	This represents grant from GoP for assets acqui	uired for inst	itutional strengthening	of the Bank, under		Cash and balances with SBP and NBP         7         1,001,222,441         701,035,923           Balances with other banks         8         944,008,613         353,300,758
	Other payables	23,587,944 36,425,774 1,270,731,541 993,956,438		the Subsidiary Loan and Grant Agreement (SLG (Special Operations) - Microfinance Sector Dev and Islamic Republic of Pakistan. MSDP comple	velopment P	roject (MSDP), Loan #	of Loan Agreement 1806 between ADB		Lending to financial institutions 9 2,383,352,710 417,604,032 4,328,583,764 1,471,940,713
17.1	Payable to defined benefit plan - gratuity	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	19.2	This represents grant received from USAID on S non-bankable territories for financial services".			ogram "Developing		2015 2014 Number Number
	General description  The scheme provides for terminal benefits for all its permanent of the scheme provides for terminal benefits for all its permanent of the scheme provides for terminal benefits for all its permanent of the scheme provides for terminal benefits for all its permanent of the scheme provides for terminal benefits for all its permanent of the scheme provides for terminal benefits for all its permanent of the scheme provides for terminal benefits for all its permanent of the scheme provides for terminal benefits for all its permanent of the scheme provides for terminal benefits for all its permanent of the scheme provides for terminal benefits for all its permanent of the scheme provides for terminal benefits for all its permanent of the scheme provides for terminal benefits for all its permanent of the scheme provides for terminal benefits for all its permanent of the scheme provides for th	employees who attain the minimum	19.3	On September 24, 2010, the Bank entered into	to a two yea	ar grant agreement wi	th Enclude (formerly	30	NUMBER OF EMPLOYEES  Credit sales staff
	qualifying period at varying percentages of last drawn basic sali number of service years with the Bank. Annual charge is based or	lary. The percentage depends on the		Shore Bank International (SBI) to improve the ca effectively, profitably and at an enhanced scale, in the form of grant to the Bank, in order to c	. Enclude pro	ovided financial assista	nce of USD 300,000		Permanent 1,221 905 Banking / support staff
	December 31, 2015 using the Projected Unit Credit Method.  The Bank faces the following risks on account of gratuity:			Bank Essential (BE). In the year 2015, a further of International (SBI) to promote Alternative Deliv	ivery Chann	el (ADC) marketing o	ampaign in order to		Permanent         1,045         858           Contractual         803         859
	Final salary risk - The risk that the final salary at the time of cest the Company has assumed. Since the benefit is calculated on	sation of service is greater than what the final salary, the benefit amount		create client awareness and build uptake of Ban grant agreement is May 31, 2016.		ess banking services. T	he new expiry of the		Total number of employees at the end of the year         1,848         1,717           3,069         2,622
	would also increase proportionately.  Asset volatility - Most assets are invested in risk free investment	nts i.e. Government Bonds / Treasury	20.1	MEMORANDUM/ OFF BALANCE SHEET ITEL CONTIGENCIES	MS			31	AVERAGE NUMBER OF EMPLOYEES
	bills. However, investments in equity instruments is subject to adve in the market price.		a)	For the period January 2008 to December 2010, amounting to Rs. 65.231 million on grants rece	eived by the	Bank and non-withho	lding of sales tax on		Credit soles staff         1,116         759           Banking / Support staff
	Discount rate fluctuation - The plan liabilities are calculated usi to Government bond yields. A decrease in Government bond although this will be partially offset by an increase in the value of	d yields will increase plan liabilities,		taxable purchases from suppliers not registered petition filed by the bank is currently pending with the order of Honourable Islamabad High Cour	ith the Hono	ourable Supreme Cour	t of Pakistan, against		Permanent 975 818 Contractual 886 884
	Investment risks - The risk of the investment underperforming liabilities. This risk is mitigated by closely monitoring the perform	and not being sufficient to meet the		Related to this matter, payment of Rs. 34.226 m authorities as reflected in note 13.2 to the finar	nillion under	protest is carried as re-	eivable from taxable		Average number of employees during the year         1,861         1,702           2,977         2,461
	Risk of insufficiency of assets - This is managed by making advised by the actuary.		b)	For the period January 2011 to December 2013 Commissioner of Inland Revenue for non-paym	nent of FED	of Rs. 40.641 million of	n grants received by	32	NUMBER OF BRANCHES
	Disclosures related to employees gratuity fund are given below:	2015 2014		the Bank and Rs. 2.778 million on non-withhol not registered in LTU. The Bank preferred an app 2011 and 2012 which were remanded back by	peal before	CIR (Appeals) against t	he alleged orders for		Total branches at beginning of the year         118         110           Opened during the year         8         10         10           Branches         10         10         10
a)	Amounts recognized in the balance sheet	Rupees Rupees		contains legal and factual infirmities.  Based on the decision of CIR(A) in case of alleg					Booth
	Fair value of plan assets	312,016,937 251,545,592 (231,448,787) (186,413,333)		Bank is confident of a favorable outcome of the therefore the management believes that no pro	e cases for the	he period January 200	3 to December 2010	33	Total branches at the end of the year         129         118           EARNINGS PER SHARE
b)	Balance sheet liability  Movement in net liability	80,568,150 65,132,259				2015	2014	33	Basic
	Opening net liability Net expense recognized in profit or loss Remanusement losses recognized in OCI	65,132,259 24,706,735 53,351,580 38,536,763 15,451,132 39,191,366	20.2	COMMITMENTS Capital expenditure	Note	49,204,928	Rupees 32,720,212		Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Bank and held as treasury shares.
	Remeasurement losses recognized in OCI Contributions Closing net liability	15,451,132 39,191,366 (53,366,821) (37,302,605) 80,568,150 65,132,259	21	MARK-UP/ RETURN/INTEREST EARNED  Mark-up/interest on advances		4,277,947,717	3,005,187,175		2015 2014
c)	Changes in present value of defined benefit obligation			Interest on investment in Federal Government securities Interest/gain on deposit accounts/ placements with	h	62,278,225	75,147,327		Rupees         Rupees           Profit for the year after taxation         824,164,957         703,211,747
	Opening defined benefit obligation Current service cost Interest expense	251,545,592 197,631,664 48,583,868 38,089,903 26,328,273 22,927,101	, in the second	other banks/ financial institutions/on mutual funds		66,395,992 4,406,621,934	49,155,499 3,129,490,001		Microfinance Social Development Fund (82,416,496) (70,321,175) Depositors' Protection Fund (41,208,248) (35,160,587)
	Benefits due but not paid (payables) Benefits paid	(8,840,518) (5,236,098) (26,192,476) (37,302,605)	22	MARK-UP/ RETURN/ INTEREST EXPENSED Interest on borrowings from:					Risk Mitigation Fund (41,208,248) (35,160,587) (164,832,992) (140,642,349)
	Remeasurements - experience losses Closing defined benefit obligation	20,592,198 35,435,627 312,016,937 251,545,592		Financial institutions - Outside Pakistan Financial institutions - Inside Pakistan		170,018,855 236,034,318 406,053,173	158,804,888 106,101,908 264,906,796		Profit attributable to equity holders 659,331,965 562,569,398
d)	Changes in fair value of plan assets Opening fair value of plan assets	186,413,333 172,924,929		Interest on deposits		813,233,728 1,219,286,901	544,650,633 809,557,429		Weighted average number of ordinary shares (Numbers)         170,500,000         170,500,000           Earnings per share - basic (Rupees)         3.87         3.30
	Interest income Contributions	21,560,561 22,480,241 53,366,821 37,302,605 (26,192,476) (37,302,605)	23	FEE, COMMISSION AND BROKERAGE INCOM Micro-credit application processing fee	ME	575,848,380	447,944,565		Diluted
	Benefits paid Benefits due but not paid Return on plan assets, excluding interest income	(8,840,518) (5,236,098) 5,141,066 (3,755,739)		Other commission		64,589,818 640,438,198	29,942,344 477,886,909		There is no dilutive effect on the basic earnings per share of the Bank. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion
e)	Closing fair value of plan assets  Amounts recognized in the profit and loss account	231,448,787 186,413,333	24	OTHER INCOME Amortization of deferred grant		1,775,739	5,724,040		of all dilutive potential ordinary shares. The Bank has no dilutive equity instruments.
200	Current service cost Interest cost on defined benefit obligation	48,583,868 38,089,903 26,328,273 22,927,101		Indirect cost charged to USAID Recoveries from MSDF	24.1 24.2	19,545 129,391,600	1,120,103 159,546,400	34	REMUNERATION PAID TO PRESIDENT, DIRECTORS AND EXECUTIVES  The aggregate amount charged in the financial statements for remuneration, including all benefits to
	Interest income on plan assets	(21,560,561) (22,480,241) 53,351,580 38,536,763		Indirect cost charged to Incofin Gain on disposal of fixed assets Recoveries against advances written off	24.3	971,415 22,607,489 40,690,480	4,912,806 39,598,007		President /Chief Executive, Directors and Executives of the Company is as follows:
n	Amounts recognized in other comprehensive income Remeasurement losses for the year Experience adustments in present value of defined benefit obligation	20.592.198 35.435.627		Others		9,936,499	5,908,611 216,809,967		President Directors EXMPs Other President Directors EXMPs Other
	Return on plan assets, excluding interest income	20,592,198 35,435,627 (5,141,066) 3,755,739 15,451,132 39,191,366	24.1	This represents indirect cost charged to USAII Program (TWEIP) @ 1.755% of total direct cost	ID for Tube	well Efficiency Improv	ement Replacement		Rupees   R
	2015 Rupees Percenta	2014	24.2	This represents claims lodged by the Bank wit recover the new client acquisition cost incurre	ith Microfina	ance Social Developm	ent Fund (MSDF) to		Vallagini entrifereteleri Vallagini entrifereteleri 1965 - 4291.31 10,665,371 853,075 - 3525,588 8188,765 Rent and house maintenance allowance 3213,672 15018,293 33,702,281 2,733,750 - 12990,391 2,596,407
g)	Major categories of plan assets	age Rupees Percentage 03% 6,791,223 3.64%		Operations) - Microfinance Sector Developme Republic of Pakistan.					Utilities allowance 1,228,300 - 6,674,792 14,991,908 1,275,000 - 5,774,240 11,536,188 Medical allowance 71,154 - 3,337,390 7,491,061 621,000 - 2,932,28 5,867,575 Conveyance allowance 305,939 - 5,688,227 28,465,815 429,977 - 5,736,846 25,178,705
	Cash at bank 29,429,668 12.: National Saving Centre - Bonds 183,021,000 79.0	.72% 1,837,208 0.99% 08% 183,021,000 98.18%	24.3	This represents amounts received against capa Capital Plus Exchange/SBBN Exchange for long	a-term techn	nical assistance compr	ising of building the		Bonus 4,000,000 - 13,542,793 12,035,537 3,500,000 - 6,81,032 7,778,926 Others 1,607,501 9,789,758 336,552 6,613,918 1,129,911 7,065,660 1,773,666 100,93,97 Iotal 19,393,022 9,789,758 82,746,63 188,472,375 16,558,513 7,065,660 67,883,903 152,168,357
h)	Less: Payables to out-going employees         (8,840,518)         -3.4           231,448,787         100.8           The latest actuarial valuation was carried out as at December 31			MSME base, cash flow based lending, sele department, strengthening credit risk, human pilot testing. Incofin's share to the activity amou	capital supp	port for MSME, produ	ct development and	201	Number of person(s) 1 7 11 90 1 7 9 74  The President is also provided with Bank maintained cars.
",	used for actuarial valuation are as follows:	2015 2014	25	the budgeted amount.  ADMINISTRATIVE EXPENSES		2015	2014	34.1 34.2	The President is also provided with Bank maintained cars.  Executives mean employees, other than the Chief Executive and directors, whose basic salary exceeds five hundred thousand runees in a financial year.
	Discount rate - per annum Salary increase rate - per annum	10.00% 11.25% 9.00% 10.25%	25	Salaries, wages and benefits	Note	Rupees 1,086,610,223	Rupees 833,683,518	34.3	Key Management Personnel (KMP) means persons having authority and responsibility for planning,
i)	Sensitivity analysis	SLIC 2001-05 SLIC 2001-05		Charge for defined benefit plan Contract/ seconded staff expenses Consultancies	17.1	53,351,580 221,525,923 8,089,957	38,536,763 187,378,481 19,915,678	35	Cor non-executive) of the board.  SCHEDULE OF MATURITY DISTRIBUTION OF MARKET RATE ASSETS AND LIABILITIES AS AT
	Change in assumption as	npact on defined benefit obligation increase in Decrease in assumption assumption		Recruitment and development Training		16,246,686 43,991,427	9,793,564 18,670,384	-	DECEMBER 31, 2015    Total   Up to   Over one month   Up to six months   Up to one month   Up to six months   Up to one year   Over one year
	Discount rate 1% (	Rupees (33.106.305) 40.163.776		Rent and rates Insurance Utilities		180,945,689 58,397,621 69.194.077	149,483,717 44,916,672 70.810.708		Market rate assets Rupees
		41,775,596 (34,942,210)		Legal and professional charges Communication		3,803,873 79,194,179	2,904,130 57,639,268		Advances 17,246,531,575 1,237,893,208 8,507,408,998 7,155,889,922 1,847,825,070 500,000,000 1,347,825,070 1,347,82
	assumptions constant. In practice, this is unlikely to occur, and o may be correlated. When calculating the sensitivity of defined ben	changes in some of the assumptions nefit obligation to significant actuarial		Repairs and maintenance Printing, stationery and office supplies Advertisement		131,982,981 79,825,808 30,893,352	58,280,703 71,105,538 30,717,564		Balances with SBP and NBP - deposit accounts - 1,658,485 1,658,485 - Balances with other banks -
	assumptions the same method (present value of the defined be projected unit credit method at the end of the reporting period) if the gratuity liability recognised within the statement of financial	has been applied as when calculating		Auditors' remuneration Depreciation	25.1 12.2	1,626,500 115,484,925	1,481,915 89,346,698		ofspost accounts
D	The weighted average duration of the defined benefit obligation Expected contribution of the Bank to the defined benefit gratuity	n is 12 years.		Amortization Vehicles up keep and maintenance Travelling and conveyance	12.3	27,600,780 105,456,018 14,819,054	26,312,796 102,955,709 18,250,098		Other non-earning assets Cash in hand 489.853.139 489.853.139
k)	31, 2016 will be Rs. 66.86 million.  Comparison for five years	, , our crowing December		Meetings and conferences Security charges		29,391,916 46,527,838	24,976,284 12,818,452		Balances with SBP and NBP - current accounts 593,710,817 593,710,817 - Sulances with other banks - current accounts 442,933,423 425,211,971 -
		2013 2012 2011 Rupees		Bank and financial charges Newspapers and subscriptions Miscellaneous		33,191,601 3,077,736 3,446,298	14,254,037 2,693,462 2,905,684		Operating freed assets 548,979,904 24,199,903 99,905,394 77,771,642 347,502,965 Other assets 2,616,868,449 276,351,420 1,490,285,720 739,054,399 111,177,201
	Present value of defined benefits obligations at year end 312,016,937 251,545,592 19	97,631,664 162,305,721 138,970,494	25.1	Auditors' remuneration		2,444,676,042	1,889,831,823		Deferred tax asset 107.557.987 - 107.557.987 - 107.557.987 - 107.557.987 - 107.557.987 - 107.557.987 - 107.557.987 - 107.557.987 - 107.557.987 - 107.557.987 - 107.557.987 - 107.557.987 - 107.557.987 - 107.557.987 - 107.577.987
	Fair value of plan assets at year end (231,448,787) (186,413,333) (172 80,568,150 65,132,259 2	24,706,735 (1,273,201) 4,458,181		Audit fee Out of pocket expenses		1,149,500 477,000	1,045,000 436,915		Market rate liabilities Large time deposits above 7,403.731.217 673,293.400 2,139.989.567 3,083.442.978 1,507.005.272
17.2	Note Taxes payable - net	2015 2014 Rupees Rupees	25.2	Administrative expenses are net of Rs. Nil (20	014: Rs. 7.7	1,626,500	1,481,915		All other time deposits (including fixed rate deposits) 229,202,408 8,882,166 62,106,000 63,501,242 94,713,000 Other cost bearing deposits 4 556,629,091 1,822,651,636 1,822,651,636 911,325,519
	Opening balance Payments/adjustments during the year (	198,615,505 121,911,340 (418,697,287) (157,085,697)	202	projects implemented by the Bank.		2015	2014		Borrowings 5,890,397,392 - 684,364,740 821,150,455 4,384,882,197 Total market rate liabilities 18,079,960,108 2,504,827,202 4,709,111,943 4,879,420,494 5,986,600,469
	Provision for the year 27 Closing balance	355,121,400 233,789,862 135,039,618 198,615,505	26	OTHER CHARGES	Note	Rupees	Rupees		Other non-cost bearing liabilities         3,394,164,413         1,357,665,765         13,376,657,765         678,832,883         1193,702,29           Other liabilies         1,270,731,541         180,788,624         66,943,031         283,299,637         195,702,29           Total non-cost bearing liabilities         4,664,859,591         185,788,643         200,000,000,705         920,202,500         195,702,29
17.3	This includes sum payable to insurance companies amounting to livestock insurance premium.	to Rs. 34.27 million against crop and		Penalties Workers' welfare fund Professional tax		436,000 23,639,632 423,965	776,750 18,848,196 200,000		Total non-cost bearing liabilities
18	SHARE CAPITAL		27	TAXATION		24,499,597	19,824,946		SCHEDULE OF MATURITY DISTRIBUTION OF MARKET RATE ASSETS AND LIABILITIES AS AT DECEMBER 31, 2014
		2015 2014 Rupees Rupees		Current Prior year		355,121,400	233,789,862		Total Up to one month one month up to six months up to one year one year
18.1	Authorized capital 600,000,000 Crdinary shares of Rs. 10 each	6,000,000,000 6,000,000,000		Other Super tax	27.1 27.2	21,690,313 376,811,713	(24,697,464)		Market rate assets         Ruppers           Advances         12,105,839,126         543,043,062         5,516,188,427         6,022,792,649         23,814,988           Investments         836,886,573         299,188,817         537,697,756         -         -         -
18.2	Issued, subscribed and paid up capital			Deferred		(18,995,089) 357,816,624	30,105,678 239,198,076		Other earning assets Balances with SBP and NBP - depost accounts 250,066 250,066
	Ordinary shares of Rs.	1,705,000,000 1,705,000,000	27.1	The comparative figures represent the different return filed subsequent to that provision.	nce between	the prior year's tax p	rovision and the tax		Balances with other banks - deposit accounts - 38,820,258 38,820,258
	than cash	1,703,000,000	27.2	The Finance Act 2015 has introduced certain an As per these amendments, the Bank's income	from divide	and and capital gains a	re now taxed at the		Total market rate assets 13,399,400,055 1,298,906,235 6,053,886,183 6,022,792,649 23,814,988 Other non-caming assets Cash in-band 304,904,188 394,304,188
18.2.1	The Shareholders of the Bank are as follows: United Bank Limited Burglamente Fred U.S. A. SICAL SIS	506,285,280 506,285,280		normal tax rates instead of previously applicable rate of 4 percent of the taxable income has also for the tax year 2015, i.e. year ended Decemb	o been levied ber 31, 2014	<ul> <li>d. These amendments</li> <li>4. The effects of above</li> </ul>	apply retrospectively amendments have		Balances with SBP and NBP - 306.481.669 306.481.669
	Rural Impulse Fund II S.A., SICAV-FIS ShoreCap II Limited ASN-NOVIB Microkredietfonds	417,056,630 298,496,310 243,568,080 243,568,080 168,795,020 168,795,020		been incorporated in these financial statements been recognised as prior year tax charge.	ts and an an	nount of Rs. 21.690 m	illion (2014: Nil) has		Balances with other banks - current accounts 314,480,500 314,480,500 Containing the state of the same
	Credit Suisse Microfinance Fund Management Company Bank Al Habib Limited	339,294,990 132,855,310 30,000,000 30,000,000	27.3	Tax charge reconciliation		2015 Rupees	2014 Rupees		Deferred tax asset 83,670,995 83,670,995  Total non-earning assets 3,293,033,623 1,141,294,363 1,100,320,939 719,323,119 332,095,202
	Habib Bank Limited Soneri Bank Limited	- 300,000,000 - 25,000,000 1,705,000,000		Profit before tax (Rupees)		1,181,981,581	942,409,823		Total assets 16,692,433,678 2,440,200,596 7,154,207,122 6,742,115,768 355,910,190  Market rate Rabilities  Large time deposits above
18.2.2	During the year Habib Bank Limited and Soneri Bank Limited have	e sold its shares to Rural Impulse Fund		Applicable tax rate		% 32.00	% 33.00		Rs 100,000 2,838,098,198 454,551,000 874,125,657 794,013,541 715,408,000 All other time deposits (including fixed rate deposits) 95,760,233 3,396,000 18,914,500 38,300,733 35,149,000
19	II S.A. SICAV - FIS and Credit Suisse Microfinance Fund Manager  DEFERRED GRANTS Note	2015 2014		Deferred tax relating to prior periods Temporary difference		0.98	0.61		two date deposits         95,102.23         3,396,000         189/43,000         38,900,733         53,129,003           Other cost bearing deposits         3,239,348,176         1317,375,270         1317,375,270         658,687,650         58,687,650         2,703,647,392           Borrowings         372,9876,872         -         -         341,864,240         69,867,600         2,703,647,392           Total market rate liabilities         995,173,479         1,775,322,270         2,552,280,167         2,175,366,690         3,454,204,392
15	5.0000000000000000000000000000000000000	Rupees Rupees 251,589,232 251,589,232		Income tax relating to prior period Permanent difference Rate change		1.84 (4.55)	(2.62) (5.02) (0.59)		Other non-cost bearing liabilities Denosits 2,455 176 152 2,455 176 152
	At the beginning of year Amortization for the year	(251,437,620) (251,246,720) (86,169) (190,900)	27.4	Average effective tax rate charged to income	m 330/ +- 3	30.27	20.87		Other labilities         993,956,438         162,105,961         496,236,984         220,050,338         113,553,105           Total non-cost bearing liabilities         3,449,132,590         2,617,282,113         498,236,984         220,050,338         113,553,105           Total liabilities         13,466,306,069         4392,604,383         3,050,517,151         2,395,417,038         3,567,767,497
	At the end of the year	(251,523,789) (251,437,620) 65,443 151,612	27.4	The applicable income tax rate was reduced fror made to Income Tax Ordinance, 2001 through	the Finance	Act, 2015.	ount or the changes		Net assets 3,286,127,609 (1,952,403,785) 4,103,689,971 4,346,698,730 (3,211,857,307)
									Page 4

by JCR-VIS Credit Rating Company Limited

Short Term: 'A-1' (A-One)

Medium to Long Term: 'A+' (Single A Plus)

Outlook: 'Stable'

### FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Description	Maturity up to one year	Maturity after one year & up to two years	Maturity after two years & up to three years	Maturity after three years & up to four years	Maturity after four years & up to five years	Maturity after five years	Sub total	NON INTEREST BEARING Total	Total	Interest rate
95 9690 9550		Ruj	pees					Rupees	Rupees	
Financial assets:		Unitable	CONSTRUCTION OF THE PARTY OF TH					N402111000	300-00000	
Cash and balances in current and other accounts					14			1,442,497,379	1,442,497,379	
Balance in deposit accounts	502,733,675				14		502,733,675	-	502,733,675	4.00% to 6.259
Lending to financial institutions	2,383,352,710	393	-		1.0	-	2,383,352,710	-	2,383,352,710	6.0 % to 6.15 9
Investments	1,847,825,070	360			14	-	1,847,825,070		1,847,825,070	6.31 % to 7.75 9
Advances	16.901,192,118	345,339,457				-	17,246,531,575	-	17.246.531.575	8.5 % to 32%
Other assets	-	-	-		-		-	3,248,312,249	3,248,312,249	
	21,635,103,573	345,339,457	5				21,980,443,030	4,690,809,628	26,671,252,658	
Financial liabilities:										
Deposits and other accounts	10,587,844,444	367,861,000	1,233,857,272				12,189,562,716	3,394,164,413	15,583,727,129	5.0 % to 14
Borrowings	1,505,515,195	2,318,450,908	915,100,908	725,100,909	426,229,472	-	5,890,397,392	-	5,890,397,392	5.11 % to 11.94
Other liabilities	-	-	-	-	-	-	-	1,270,731,541	1,270,731,541	
	12,093,359,639	2,686,311,908	2,148,958,180	725,100,909	426,229,472		18,079,960,108	4,664,895,954	22,744,856,062	
On balance sheet gap Unrecognized:	9,541,743,934	(2,340,972,451)	(2,148,958,180)	(725,100,909)	(426,229,472)		3,900,482,922	25,913,674	3,926,396,596	
Commitments			12				1.0	(49.204,928)	(49,204,928)	
Off balance sheet gap	9.541.743.934	(2.340.972.451)	(2,148,958,180)	(725.100.909)	(426.229,472)		3,900,482,922	(23,291,254)	3.877.191.668	

Financial assets:
Cash and balances in current and other account
Balance in deposit accounts
Lending to financial institutions
Investments

Balance in deposit accounts	
Lending to financial institutions	
Investments	
Advances	65
Other assets	
	-
Financial liabilities:	
Deposits and other accounts	Г

Financial liabilities:										
Deposits and other accounts	5,476,739,607	450,557,000	300,000,000	-	-	-	6,227,296,607	2,455,176,152	8,682,472,759	6.00 % to 14.00%
Borrowings	1,026,229,480	1,048,729,480	563,729,480	363,729,480	363,729,480	363,729,472	3,729,876,872		3,729,876,872	6.53 % to 11.96%
Other liabilities		-	-	-			-	993,956,438	993,956,438	
	6,502,969,087	1,499,286,480	863,729,480	363,729,480	363,729,480	363,729,472	9,957,173,479	3,449,132,590	13,406,306,069	
On balance sheet gap	6,872,615,980	(1,475,471,492)	(863,729,480)	(363,729,480)	(363,729,480)	(363,729,472)	3,442,226,576	(156,098,967)	3,286,127,609	
Unrecognized:										
Commitments	-							(32,720,212)	(32,720,212)	
Off balance sheet gap	6,872,615,980	(1,475,471,492)	(863,729,480)	(363,729,480)	(363,729,480)	(363,729,472)	3,442,226,576	(188,819,179)	3,253,407,397	
The state of the s										8 10 10000 10

36.2

Market risk
Market price of it is the risk that the fair value of a financial instrument will fluctuate due to change in the prices of individual securiose. The Bank's investments comprises of available for sale (AVS) per price of individual securiose. The Bank's investments comprises of available for sale (AVS) porticle is maintained with a medium term view of sarring both capital gains and dividend income. Individual price in a manual sha here been developed to provide guidelines on the objectives and policies, risks and misgates, limits and controls for the equity portrolios of the Bank; Individual price in the Bank's interest are exposure comprises those originating from investing and lending activities. The Assets and Liability Management Committee of the Bank send in the profitability of the Bank.

Concentration of credit risk.

Concentration of credit risk.

Concentration of credit risk.

The Bank seeks to manage the credit risk by attempting to diversify the lending activities. The Bank seeks to manage the credit risk by attempting to diversify the lending activities to avoid undue concentration of risks with customers in specific locations or activities. The Bank control this risk through recit appraisable, assessing the credit vorthness of customers. A provision for potential loan losses is maintained as required by the Regulations. Further, the community organizations are surcusted in a way to exert social pressure on the borrovers to perform their obligations.

urrency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate cause of changes in foreign exchange rates. Currency risk arise in financial instruments that are nominated in foreign currencies i.e. in a currency other then the functional currency in which they emeasured.

are measured.

During the year the Bank obtained foreign currency borrowings from ECO Trade and Development
Bank and hedged its foreign currency exposure by entering into cross currency SWAP agreements with
United Bank Limited and IS Bank Limited.

### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates, Interest rate risk is monitored and managed by performing periodic gap analysis, sensitivity analysis and stress testing and taking appropriate actions where

TO COMPANY INSTITUTION IN THE COMPANY IN THE COMPAN

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Bank for similar

Operational risk (
Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The risk department is spirately responsible for the oversight of operational risk management across the Bank. The operational risk management framework of the Bank is governed by the operational risk management system and designated operational risk management system and designated operational risk management system and designated operational risk management system is provided by the result of the result of the risk management system and designated operational betty practice, fitting the risk management system and designated operational risk coordinates within different units across the Bank. The frameworks in line with international best practice, fitting the couple of implement is stages and permits the overall approach to evolve in response to organizational learning and future requirements.

equaments. So distinct through a well defined program, is evaluated and processes are reviewed for improvements in mitigation techniques. Periodic workshops are conducted for fisit & Control Self-sessoment and key first deposures are destined and assessed against existing controls to evaluate improvement opportunities. Yorks indicators are also defined for monitoring of risk exposures. The products, systems, activities and processes, are subject to comprehensive operation fisit assessments, the subject of the processes of

before impermentation.

Business Continuity Plans have been implemented across the Bank, clearly defining the role responsibilities of respective stakeholders, and covering recovery strategy, IT and structural bascenario and impact analyses and testing directives. The outsourcing policy has also been augmt to address risks associated with such arrangements.

# FAIR VALUE MEASUREMENT

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and fair value estimated.

Underlying the definition of fair value is the presumption that the Bank is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction

Financial assets which are traded in an open market are revalued at the market prices prevailing at the close of trading on the reporting date. The estimated fair value of all other financial assets and liabilities is not considered to be significantly different from book values as the items are either short-term in nature or periodically repriced.

Set out below is a comparison by category of carrying amounts and fair values of the Bank's assets and liabilities, that are carried in the statement of the financial position:

	2015	2014	2015	2014	
Assets	Rupe	es	Rupees		
Available for sale securities Investments (note 10)	1,347,825,070	836,886,573	1,347,825,070	836,886,573	

# Fair value hierarchy

rair value nierarchy
International Financial Reporting Standard (FRS) 13, "Fair Value Measurement" requires the Fund 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:

uses in making the measurements. The fair value hierarchy has the following levels:

The Bank uses the following hierarchy determining and disclosing the fair value of the assets and liabilities by valuation method:

Level 1: based on quoted francipicated) prices in active markets for identical assets of labilities.

Level 2: based on valuation schröniques whereby all inputs having a significant effect on the fair value are observable, efficient effect, or indirectly and includer squoted prices for identical or similar assets or labilities in markets that are not so much actively traded.

863,729,480) (363,729,480) (363,729,480) (363,729,472) 3,442,226,576 (188,819,179) 3,253,407,397 Level 3: based on valuation techniques whereby all inputs having a significant effect on the fair valua are not observable market data.

The following table provides the fair value measurement hierarchy of the Bank's assets and liabilities The valuation was carried at December 31, 2015.

13,399,400,05

6.00 % to 8.00 % 9.1 9.68% to 9.96% 10% to 32%

	2015 Rupees	Level of hierarchy	Significant unobservable inputs	"Inter-relationship between unobservable inputs and fair value
Assets				
Investments (note 10)				
Mutual Funds	300,329,820	Level 1	Not applicable	Not applicable
Market Treasury Bills	1,047,495,250	Level 2		Note *

borated sources such as indices and yield curves; and

### Valuation technique used & key inputs

Revaluation rates for T-bills are contributed by money market brokers on daily basis and NAV/daily prices announcement by mutual funds association of Pakistan. During the reporting period there were no transfers into and out of level 3.

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

Cross currency was a generents entered using the year have not been revoluted at fair value as the 58P vide 85D circular letter No. 10, deted August 26, 2002 has deferred the applicability of international Accounting Sandarda 39, faminated instruments. Recognition and Measurement. International Control, 15 Planta in the second property of the propert

The reconciliation of the opening and closing fair value balance of level 1 and 2 financial instrum is provided below:

	Rupees	Rupees
Opening balance	836,886,573	1,038,900,528
Additions during the year	3,370,361,700	2,802,684,800
Unrealised fair value gain included in other comprehensive income	168,497	(4,755,555)
Impairment loss for the year		00 0 0
Disposals during the year	(2,859,591,700)	(2,999,943,200)
Closing balance	1,347,825,070	836,886,573

# RELATED PARTY TRANSACTIONS

The Bank's related parties comprise of president, directors, e the directors are able to exercise significant influence and et shareholders is given in note 18.2.1 while remuneration disclosed in note 34 to the financial statements. Detail of contamination with the warr and are as follows:

	Rupees	Rupees
Transactions during the year		
- with shareholders		
Lending to financial institutions	5,971,000,000	8,443,000,000
Repayment of lending to financial institutions	6,403,000,000	8,582,949,098
Investments made during the year	911,000,000	1,806,000,000
Borrowings	832,250,000	2,271,000,000
Repayment of borrowings	425,000,000	1,771,000,000
Investments sold during the year		200,000,000
Income		
Interest income on deposit account bank balances	1,301,516	1,260,673
Interest income on lending to financial institutions	3,465,578	7,124,224
Grant received	971,415	.,,
Expenses		
Interest expense on borrowings	86,150,190	15,809,922
Bank charges	67,355	530,365
Branchless banking service commission	168,256,646	8,896,959
ATM services payments	8,100,624	5,659,753
Branchless banking service commission	6,629,230	3,033,733
-27ACD NO NO NO NO	0,023,230	
- with defined benefit plan		
Contribution to gratuity fund	53,351,580	38,536,763
with others		
Receipts from MSDF	-	825,000
Income charged to MSDF	129,391,600	159,546,400
Balance written off	85,771,400	-
Balances outstanding at the year end		
with shareholders		
Balances with banks	75,126,413	193,978,492
Lending to financial institutions	1.71	432,000,000
Investments		-
Interest receivable on lending to financial institutions		108.648
Branchless banking services commission payable	1,852,382	
Borrowings	907,250,000	500,000,000
Interest payable on borrowings	25,440,756	14,892,740
- with defined benefit plan		
Balance payable to gratuity fund	80,568,150	65,132,259
with key management personnel inlcuding President		
Advances - staff loans	41,211,906	749,940
Other assets - loans and advances to employees	9,826,019	13,638,762
Deposits	12,153,398	
- with others		
Receivable from MSDF	516,144,118	371,788,936
CADITAL DICK MANAGEMENT		

# CAPITAL RISK MANAGEMENT

- To safeguard the Bank's ability to continue as a going concern so that it can continue to preturns for shareholders and benefits for other stakeholders; and
- c) To maintain a strong capital base to support the development of its business

Capital requirements applicable to the Bank are set out under the Regulations. These requirement put in aliest or everus sofficient solderny reagings. The Bank reasons so capital requirement assessing its capital structure appliest required capital level on regular basis. Currently, the Bank has use capital of 8s. 7 15 Illians. The minimum paid us capital requirement applicable to the Bank is Rs. billion. The Bank has minimum capital adequary ratio in accordance with Regulation No. 1 vi states that the Bank shall mariation capital passweller to a less 15% of its risk-veroptived assets.

# <u> فوشد الى سنگ لم شُ ڈ</u> khushhalibanklimited Financial Statements for the year ended December 31, 2015

	financial ratios.	THE STATE OF THE S	statements to racinto	to the concordion of
		Note	2015	2014
	Offices	Note	2015	2014
	Total branches of the Bank		129	118
	lotal branches of the bank		12.5	110
	Micro-credit cases			
	Number of active cases at year end		520,517	468,369
	Number of loans disbursed during the year		572.393	512,773
	Average number of active borrowers for the year		494,443	438,690
			2015	2014
	Microcredit portfolio		Rupees	Rupees
	Microcredit advances receivable - Gross		17,389,636,425	12,225,321,747
	Total disbursements for the year		20,391,506,234	14,507,439,552
			0.00	
	Portfolio Quality			
	Portfolio at risk		337,992,863	169,992,999
	Portfolio written off		191,161,383	127,783,264
	Loan loss reserve		220,351,695	132,413,034
	Average loan sizes			
	Average outstanding loan size		33,408	26,102
	Average gross loan portfolio		14,807,479,086	10,533,506,981
	Information about the Bank's assets/ liabilities			
	Total assets		26,696,346,149	16,692,433,678
	Current assets		25,583,292,200	16,194,707,314
	Fixed assets		548,979,304	322,919,698
	Average total assets Current liabilities		21,694,389,914 16,598,515,344	14,991,045,110
	Bank's equity		3,934,402,581	9,838,538,572 3,285,461,348
	bank's equity		3,334,402,301	3,203,401,340
41	FINANCIAL RATIOS			
	Sustainability/ Profitability			
	Return on equity	41.1	20.24%	18.51%
	Adjusted return on equity	41.2	18.24%	14.93%
	Return on assets	41.3	3.37%	3.73%
	Adjusted return on assets	41.4	3.03%	3.01%
	Operational self sufficiency	41.5	127.80%	126.65%
	Financial self sufficiency	41.6	126.00%	123.00%
	Profit margin	41.7	21.75%	21.04%
		Note	2015	2014
		Note	2015	2014
	Asset / Liability Management		1000	10.0000
	Current ratio	41.8	1.54 29.74%	1.65
	Yield on gross loan portfolio	41.10	29.74% 12.41%	29.83% 9.92%
	Yield gap Funding-expense ratio	41.10	8.21%	7.67%
	Cost-of-funds ratio	41.12	7.20%	7.26%
	COST-OI-IOI IOS TAUD	41.12	7.2070	7.2070
	Portfolio Quality			
	Portfolio at risk	41.13		
	from 1 - 29 days		0.88%	0.47%
	from 30 - 59 days		1.05%	0.47%
	from 60 - 89 days		0.34%	0.16%
	from 90 - 179 days		0.39%	0.16%
	over 179 days		0.15%	0.12%
	Write-off ratio	41.14	1.29%	1.21%
	Risk coverage ratio	41.15	65.19%	77.89%
	Efficiency / Productivity			
	Operating expense ratio	41.16	16.62%	18,10%
	Cost per borrower (Rupees)	41.17	4,991	4,351
	Personnel productivity	41.18	170	179
	Loan officer productivity	41.19	426	518
	Average disbursed loan size (Rupees)	41.20	35,625	28,292
	Average outstanding loan size (Rupees)	41.21	33,408	26,102

- 41.1
- Return on equity (RoE) calculates the rate of return on the average equity for the year. RoE calculations are not operating income less tisses divided by average equity for the year. Adjusted return on equity is calculated on an adjusted below to address the effects of subdiels, provision against non-performing advances and other items that are not in the Bank's net operating income.
- Return on assets (RoA) measures how well the Bank uses its total assets to generate returns, Roa calculations are net operating income less taxes divided by average assets during the year.
- 41.4 Adjusted return on assets is calculated on an adjusted basis to address the effects of subsidies, provision against non-performing advances and other items that are not included in the Bank's nel
- Operational self sufficiency measures how well the Bank covers its costs through operating revenues. In addition to operating expenses, financial expenses and loan loss provision expense are also included in the calculation.
- in the calculation.

  Financial self sufficiency measures how well the Bank covers its costs, taking into account a number of adjustments to operating revenues and expertees. The purpose of these adjustments is to mode how with the Bank covers its costs if its operations were unsubsidized and was funding its expansion with commercial cost liabilities.

  Profit margin measures the percentage operating revenue that remains after all financial, loan loss provision and operating expertees are paid.
- Current ratio measures how well the Bank matches the maturities of its assess and liabilities
- Luteria racio messuare netri viera in resume non ensuritario di socio socio attoribi.

  Videl on giuno sia ne protiforia indicate le grossi cara porticilos ability to generate cashi financiali videl on giuno sia protiforia principi del grossi protiforia di protiforia d 41.9
- 41.11 Funding-expense ratio shows the blended interest rate the Bank is paying to fund its financial assets. This ratio can be compared with yield on the gross microcredit advances to determine the interest
- margin.

  Cost-of-funds ratio gives a blended interest rate for all of the Bank's funding liabilities, Funding liabilities of not include interest papable or interest on loans to finance fixed axets.

  Portfolio at risk ratio is the most accepted measure of portfolio quality, Portfolio at risk risk is the ouststanding amount of all bans that have one or more installments of principal past due by certain unitsed or days. Reverbeduel loans are also included in the acclusation, if any;

  Write-off ratio represents the procretage of the Bank's microcredit advances that have been removed from the balance of the gos microcredit advances beause they are unlikely to be regaid.
- Risk coverage ratio shows how much of the portfolio at risk is covered by the Bank's provision against non-performing advances. It is an indicator of how prepared the Bank is to absorb loan losses in the worst case sce
- Operating expense ratio is the most commonly used efficiency indicator for Microfinance Banks. It includes all administrative and personnel expenses.

  Cost per borrower provides a meaningful measure of efficiency for the Bank, by determining the average cost of maintaining an active borrower. 41.16
- Personnel productivity measures the overall productivity of total Bank's human resources in managing clients who have an outstanding loan balance and are thereby contributing to the financial revenue of the Bank. 41.18
  - Loan officer productivity measures the average case load of each loan officer.
- Average disbursed loan size measures the average loan size that is disbursed to clients 41,21
  - Average outstanding loan size measures the average loan set min of adopted ordered.

    Average outstanding loan size measures the average outstanding microcredit balance by client, which may be significantly less than the average disbursed loan size.

    CORRESPONDING FIGURES

These financial statements were approved by the Board of Directors of the Bank in their meeting held on February 25, 2016.

Account captions as prescribed by BSD circular No. 11 dated December 30, 2003 which have nil balances, have not been reproduced in these financial statements.

Figures have been rounded off to the nearest rupee.







