

**U MICROFINANCE BANK LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
DECEMBER 31, 2014**

**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of U Microfinance Bank Limited (the Bank) as at December 31, 2014 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Bank's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Microfinance Institutions Ordinance, 2001 and the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

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

- a) In our opinion, proper books of accounts have been kept by the Bank as required by the Companies Ordinance, 1984;
- b) in our opinion -
  - i) the balance sheet, profit and loss account and statement of comprehensive income together with the notes thereon 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 accordance with accounting policies consistently applied;
  - ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, 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 manner so required and respectively give a true and fair view of the state of the Bank's affairs as at December 31, 2014 and of the loss, its cash flows and changes in equity for the year then ended; and
- d) 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.



Chartered Accountants  
Islamabad: February 11, 2015

Engagement partner: S. Haider Abbas

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U MICROFINANCE BANK LIMITED  
BALANCE SHEET  
AS AT DECEMBER 31, 2014

	Note	2014 Rupees	2013 Rupees
<b>ASSETS</b>			
Cash and balances with SBP and NBP	6	74,142,780	25,739,898
Balances with other Banks/ NBFIs/ MFBs	7	452,986,322	704,613,132
Investments	8	517,956,219	294,736,071
Advances - net of provisions	9	344,127,634	41,039,268
Operating fixed assets	10	220,570,455	198,884,378
Other assets	11	128,883,296	57,603,293
Deferred tax asset	12	93,341,897	58,894,148
<b>Total Assets</b>		<b>1,832,008,603</b>	<b>1,381,510,188</b>

**LIABILITIES**


Deposits	13	702,578,635	205,178,232
Other liabilities	14	172,681,284	137,514,717
<b>Total Liabilities</b>		<b>875,259,919</b>	<b>342,692,949</b>
<b>NET ASSETS</b>		<b>956,748,684</b>	<b>1,038,817,239</b>


**REPRESENTED BY:**

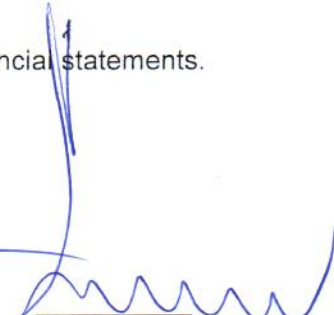
Share capital	15	1,185,714,290	1,185,714,290
Discount on issue of share capital		(25,714,290)	(25,714,290)
Statutory and other reserve		2,041,825	2,041,825
Accumulated loss		(220,189,679)	(123,224,586)
Surplus on revaluation of assets		14,896,538	-
<b>Total Capital</b>		<b>956,748,684</b>	<b>1,038,817,239</b>


**MEMORANDUM / OFF BALANCE SHEET ITEMS** 16

The annexed notes from 1 to 32 form an integral part of these financial statements.

  
 PRESIDENT / CHIEF EXECUTIVE

  
 CHAIRMAN

  
 DIRECTOR

  
 DIRECTOR

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U MICROFINANCE BANK LIMITED  
 PROFIT AND LOSS ACCOUNT  
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Note	2014 Rupees	2013 Rupees
Mark-up/ return/ interest earned	17	144,577,745	97,194,171
Mark-up/ return/ interest expensed	18	(16,533,434)	(1,305,617)
Net mark-up/ interest income		128,044,311	95,888,554
Provision against non-performing advances	9.4	(2,045,940)	(362,721)
Net mark-up/ interest income after provisions		125,998,371	95,525,833
<b>NON MARK-UP/ NON INTEREST INCOME</b>			
Fee, commission and brokerage income	19	135,227,496	19,565,357
Other income	20	1,053,033	508,707
Total non-markup/ non interest income		136,280,529	20,074,064
		262,278,900	115,599,897
<b>NON MARK-UP/ NON INTEREST EXPENSES</b>			
Administrative expenses	21	398,322,320	218,388,468
Operating fixed assets written off		396,789	-
Other charges	22	195,793	-
		398,914,902	218,388,468
<b>LOSS BEFORE TAXATION</b>		(136,636,002)	(102,788,571)
<b>TAXATION</b>			
Current		(2,798,052)	(1,167,595)
Deferred		42,468,961	58,894,148
	23	39,670,909	57,726,553
<b>LOSS AFTER TAXATION</b>		(96,965,093)	(45,062,018)
Accumulated loss brought forward		(123,224,586)	(78,162,568)
		(220,189,679)	(123,224,586)
<b>APPROPRIATIONS:</b>			
<b>Transfer to:</b>			
Statutory reserve		-	-
Depositors' Protection Fund		-	-
		-	-
<b>ACCUMULATED LOSS CARRIED FORWARD</b>		(220,189,679)	(123,224,586)
<b>LOSS PER SHARE</b>	27	(0.82)	(0.38)

The annexed notes from 1 to 32 form an integral part of these financial statements.

  
 PRESIDENT / CHIEF EXECUTIVE

  
 CHAIRMAN


  
 DIRECTOR


  
 DIRECTOR

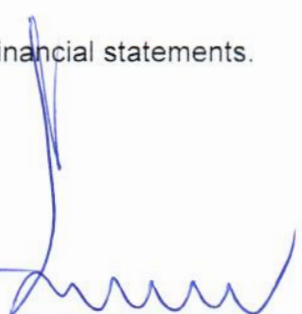
U MICROFINANCE BANK LIMITED  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2014


	2014 Rupees	2013 Rupees
Loss for the year	(96,965,093)	(45,062,018)
<b>Other comprehensive income</b>		
Surplus on revaluation of assets	22,917,750	-
Tax impact	(8,021,212)	-
	14,896,538	-
Total comprehensive loss for the year	<u>(82,068,555)</u>	<u>(45,062,018)</u>

The annexed notes from 1 to 32 form an integral part of these financial statements.

  
 PRESIDENT / CHIEF EXECUTIVE

  
 CHAIRMAN

  
 DIRECTOR

  
 DIRECTOR

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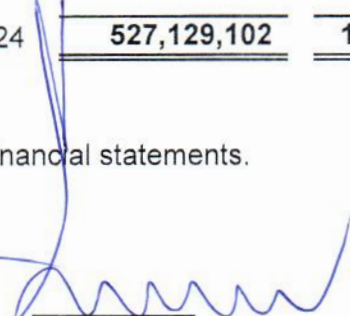
U MICROFINANCE BANK LIMITED  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED DECEMBER 31, 2014

	Note	2014 Rupees	2013 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Loss before taxation		(136,636,002)	(102,788,571)
Adjustments for:			
Depreciation		36,075,554	17,511,076
Amortization		9,064,174	3,118,750
Provision for gratuity		5,623,263	3,837,695
Provisions against non-performing advances		2,045,940	362,721
Operating fixed assets written off		396,789	-
		53,205,720	24,830,242
		(83,430,282)	(77,958,329)
(Increase) in operating assets			
Advances		(305,134,306)	(40,958,466)
Other assets (excluding advance taxation)		(66,109,371)	(34,427,380)
Increase/ (decrease) in operating liabilities			
Deposits		497,400,403	199,604,479
Other liabilities		29,543,304	110,412,001
		155,700,030	234,630,634
Cash generated from operations		72,269,748	156,672,305
Gratuity paid		-	(364,535)
Taxes paid		(7,968,684)	(10,872,628)
Net cash generated from operating activities		64,301,064	145,435,142
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Investments in operating fixed assets		(67,222,594)	(169,180,734)
Investments in Government Securities		(495,038,469)	-
Net cash outflow from investing activities		(562,261,063)	(169,180,734)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Net cash flow from financing activities		-	-
Net (decrease) in cash and cash equivalents		(497,959,999)	(23,745,592)
Cash and cash equivalents at beginning of the year		1,025,089,101	1,048,834,693
Cash and cash equivalents at end of the year	24	<u>527,129,102</u>	<u>1,025,089,101</u>

The annexed notes from 1 to 32 form an integral part of these financial statements.

  
PRESIDENT / CHIEF-EXECUTIVE

  
CHAIRMAN

  
DIRECTOR

  
DIRECTOR



U MICROFINANCE BANK LIMITED  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2014

	Statutory and other reserves					Total
	Share capital	Discount on issue of share capital	Statutory reserve	Depositors' protection fund	Accumulated loss	
	Rupees					
Balance as at January 1, 2013	1,185,714,290	(25,714,290)	1,633,460	408,365	(78,162,568)	1,083,879,257
Loss for the year ended December 31, 2013	-	-	-	-	(45,062,018)	(45,062,018)
Transfer to:						
Statutory reserve	-	-	-	-	-	-
Depositors' Protection Fund	-	-	-	-	-	-
Balance as at December 31, 2013	1,185,714,290	(25,714,290)	1,633,460	408,365	(123,224,586)	1,038,817,239
Loss for the year ended December 31, 2014	-	-	-	-	(96,965,093)	(96,965,093)
Surplus on revaluation of securities	-	-	-	-	14,896,538	14,896,538
Transfer to:						
Statutory reserve	-	-	-	-	-	-
Depositors' Protection Fund	-	-	-	-	-	-
Balance as at December 31, 2014	1,185,714,290	(25,714,290)	1,633,460	408,365	(220,189,679)	956,748,684

The annexed notes from 1 to 32 form an integral part of these financial statements.

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PRESIDENT/ CHIEF EXECUTIVE

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CHAIRMAN

*[Signature]*  
DIRECTOR

*[Signature]*  
DIRECTOR

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**U MICROFINANCE BANK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

**1. STATUS AND NATURE OF BUSINESS**

Rozgar Microfinance Bank Limited (RMBL) was incorporated in Karachi on October 29, 2003 under the Companies Ordinance, 1984. On September 14, 2004 RMBL was granted license No. MFI-004 by State Bank of Pakistan (SBP) for commencement of business in the district of Karachi. It commenced the commercial operations with effect from April 8, 2005.

On August 30, 2012, Pakistan Telecommunication Company Limited (PTCL) acquired 100% share holding of RMBL and its name was changed to U Microfinance Bank Limited (the Bank) with effect from December 7, 2012. On January 31, 2013, the Bank was granted license No. MFI-014 by SBP for commencement of nationwide microfinance banking operations. Under the terms and conditions of the nationwide license, PTCL would reduce its shareholding in the Bank to 51% within a period of three years.

On July 11, 2013, approval for the nationwide commercial launch of Branchless Banking Services (BBS) was received from SBP. The Bank commenced commercial operations of BBS on July 23, 2013.

The Bank's principal business is to assist in stimulating progress, prosperity and social peace in society through creation of income generating opportunities for the small entrepreneur under the Microfinance Institutions Ordinance, 2001. The Bank also provides branchless banking services. The Bank's head office and the principal place of business is located at the Razia Sharif Plaza, Jinnah Avenue, Blue Area, Islamabad, Pakistan.

**2. BASIS OF PRESENTATION**

These financial statements have been presented in accordance with the requirements of format prescribed by SBP Banking Supervision Department (BSD) Circular number 11 dated December 30, 2003.

**3. STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with the directives issued by SBP, the requirements of the Microfinance Institutions Ordinance 2001 (the MFI Ordinance), the Companies Ordinance, 1984 (the Companies Ordinance) and the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and interpretations issued by the Standards Interpretation Committee of IASB as adopted in Pakistan. In case where provisions of directives issued by the SBP, the MFI Ordinance and the Companies Ordinance differ with the requirements of these standards, such provisions of SBP directive, the MFI Ordinance and the Companies Ordinance shall take precedence.

SBP vide BSD Circular no. 10 dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, "Financial Instruments: Recognition and Measurement" and International Accounting Standard 40, till further instructions. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been measured in accordance with the requirements of SBP BSD Circular no. 11 dated December 30, 2003 and Prudential Regulations for Microfinance Banks (the Regulations). Further, the SECP vide its S.R.O. No. 411 (I) / 2008 dated April 28, 2008 has deferred the applicability of International Financial Reporting Standards (IFRS) 7 'Financial Instruments' till further orders, which is applicable for annual years beginning on or after July 1, 2008.





#### 4. Basis of measurement

##### 4.1 Accounting convention

These financial statements have been prepared under the historical cost convention except for available for sale investments which are measured at fair value.

###### *(a) New and amended standards adopted during the year by the Bank*

The Bank has adopted the following new and amended IFRSs, which became effective during the year, however the adaptation of these standards and amendments did not have any material effect on the financial statements.

	Effective date (years beginning on or after)
IFRS 10 - Consolidated financial statements	January 1, 2014
IFRS 12 - Disclosure of interest in other entities	January 1, 2014
IAS 27 - Separate financial statements (Amendments)	January 1, 2014
IAS 36 - Impairment of assets (Amendments)	January 1, 2014
IFRIC 21 - Levies	January 1, 2014

###### *(b) New standards, amendments and interpretations issued but not yet effective and not early adopted by the Bank*

The management anticipates that the adaption of the following standards, amendments and interpretations in future years, will have no material impact on the Bank's financial statements.

	Effective date (years beginning on or after)
IFRS 2 Share-based Payments (Amendments)	July 1, 2014
IFRS 3 Business Combination (Amendments)	July 1, 2014
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (Amendments)	January 1, 2016
IFRS 8 Operating Segments (Amendments)	July 1, 2014
IFRS 10 Consolidated Financial Statements (Amendments)	January 1, 2016
IFRS 11 Joint Arrangements (Amendments)	January 1, 2016
IFRS 12 Disclosure of Interests in Other Entities (Amendments)	January 1, 2016
IFRS 13 Fair Value Measurements (Amendments)	July 1, 2014
IFRS 14 Regulatory Deferral Accounts	January 1, 2016
IFRS 15 Revenue from Contracts with Customers	January 1, 2017
IAS 1 Presentation of Financial Statements (Amendments)	January 1, 2016
IAS-16 Property, Plant and Equipment (Amendments)	July 1, 2014 & January 1, 2016
IAS-19 Employee Benefits (Amendments)	July 1, 2014 & January 1, 2016
IAS-24 Related Party Disclosures (Amendments)	July 1, 2014
IAS-27 Separate Financial Statements (Amendments)	January 1, 2016
IAS-28 Investments in Associates and Joint Ventures (Amendments)	January 1, 2016
IAS-34 Interim Financial Reporting (Amendments)	January 1, 2016
IAS-38 Intangible Assets (Amendments)	July 1, 2014 & January 1, 2016
IAS-40 Investment Property (Amendments)	July 1, 2014
IAS-41 Agriculture (Amendments)	January 1, 2016



#### 4.2 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain accounting estimates and assumptions. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where assumptions and estimates are significant to the Bank's financial statements or where judgment is exercised in application of accounting policies are as follows:

a) *Operating fixed assets*

The Bank reviews useful life and residual value of operating fixed assets on regular basis. Any change in estimates may affect the carrying amounts of the respective items of operating fixed assets with a corresponding effect on the depreciation / amortization charge.

b) *Provision for income taxes*

The Bank recognizes tax liabilities for pending tax assessments using estimates based on expert opinion obtained from tax / legal advisors. Differences, if any, between the income tax provision and the final tax liability is recorded when such liability is determined. Deferred income tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

c) *Classification of investments*

The classification of investments between different categories depends upon management's intentions to hold those investments. Any change in the classification of investments may affect their carrying amounts with a corresponding effect on the return and unrealized surplus / (deficit) on these investments.

d) *Provision against advances*

The Bank maintains a provision against advances as per the requirements of the Regulations and assesses the adequacy of provision against delinquent portfolio. Any change in the criteria / rate for provision may affect the carrying amount of the advances with a corresponding effect on the markup/interest earned and provision charge.

e) *Provision and contingent liabilities*


The management exercises judgment in measuring and recognizing provisions and exposures to contingent liabilities related to pending litigations or other outstanding claims. Judgment is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement. Because of inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provision.

#### 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below:

##### 5.1 Cash and cash equivalents

Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amount of cash and subject to an insignificant risk of changes in value.





## 5.2 Sale and repurchase agreements

Securities sold under repurchase agreement (repo) are retained in the financial statements as investments and a liability for consideration received is included in borrowings. Conversely, consideration for securities purchased under resale agreement (reverse repo) is included in lending to financial institutions. The difference between sale and repurchase / purchase and resale price is recognized as return / markup expensed and earned respectively. Repo and reverse repo balances are reflected under borrowings from and lending to financial institutions respectively.

## 5.3 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 Bank. All investments are derecognized when the right to receive economic benefits from the investments has expired, or has been transferred and the Bank has transferred substantially all the risks and rewards of ownership.

### **Investments are classified as follows:**

#### Held for trading

These represent securities acquired with the intention to trade by taking advantage of short-term market/ interest rate movements. These securities are disposed off within 90 days from the date of their acquisition. These are measured in accordance with the requirements prescribed by SBP in the Regulations R-11.

#### Held to maturity investments

These are investments with fixed or determinable payments and fixed maturity and the Bank has positive intent and ability to hold the investment till maturity subsequent to initial recognition at cost, investments are measured at amortized cost, less provision for impairment in value, if any.

#### Available for sale investments

These are investments which do not fall under the held for trading and held to maturity categories. Such investments are initially recognized at cost and subsequently measured at market value. The surplus / (deficit) arising on revaluation is kept in a separate account titled 'Surplus/deficit on Revaluation of Securities' through statement of comprehensive income, which is taken to profit and loss account when realized upon disposal. Impairment in the value of these investments is provided by charging it to the profit and loss account.

## 5.4 Advances

Advances are stated net of provisions for non-performing advances. The outstanding principal and mark-up of the loans and advances, payments against which are overdue for 30 days or more, shall be classified as Non- Performing Loans (NPLs). The unrealized interest / profit / mark-up / service charges on NPLs shall be suspended and credited to interest suspense account. Further the NPLs shall be divided into following categories:

### a) Other Assets Especially Mentioned (OAEM)

Loans (principal/mark-up) is overdue for 30 days or more but less than 60 days

### b) Substandard

Loans (principal/mark-up) is overdue for 60 days or more but less than 90 days.





c) Doubtful

Loans (principal/mark-up) is overdue for 90 days or more but less than 180 days.

d) Loss

Loans (principal/mark-up) is overdue for 180 days or more.

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

In accordance with the Regulations, the Bank maintains specific provision of outstanding principal net of cash collaterals and Gold (ornaments and bullion) realizable without recourse to a Court of Law at the following rates:

OAEM:	Nil
Substandard:	25%
Doubtful:	50%
Loss:	100%

The bank maintains a general provision equivalent to 1% of the net outstanding advances (advances net of specific provisions). However, general provision shall not be required in cases where loans have been secured against gold or other cash collateral with appropriate margin.

General and specific provisions for the period 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.

## 5.5 Operating fixed assets

### Capital work-in-progress

Capital work-in-progress is stated at cost less impairment loss (if any). Cost includes expenditure that is directly attributable to the acquisition of the asset.

### Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment loss, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. Depreciation is charged in the profit and loss account over estimated useful life of the related assets on straight line method at rates given in note 10 to these financial statements. Full month's depreciation is charged in the month of capitalization and no depreciation is charged in the month of disposal.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. Carrying amount of the replaced part is derecognized. All other repairs and maintenance are recognized in profit and loss account during the period in which these are incurred. Gains and losses on disposal of fixed assets are taken to profit and loss account for the period.

### Intangible assets

Intangible assets are capitalized at cost and stated at cost less accumulated amortization and accumulated impairment loss (if any).



Intangible assets comprise of computer software and related applications. Intangible assets are amortized over their estimated useful lives at rate specified in note 10.3 to the financial statements. Subsequent expenditure is capitalized only when it increases the future economic benefit embodied in the specific asset to which it relates. All other expenditure is recognized in profit and loss account as incurred.

#### **5.6 Impairment of non-financial assets**

The carrying value of the Bank's assets is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets are written down to their recoverable amount and the impairment losses are recognized in the profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

#### **5.7 Mark-up bearing borrowings**

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

#### **5.8 Grants**

The grant related to an asset is recognized in the balance sheet initially as deferred income when grant is received or there is reasonable assurance that it will be received and that the Bank will comply with the conditions attached to it. Grants that compensate the Bank for expenses incurred are recognized as revenue in the profit and loss account on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Bank for the cost of an asset are recognized in the profit and loss account as other operating income on a systematic basis over the useful life of the asset.

#### **5.9 Taxation**


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

##### **Current**

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account available tax credits and rebates, if any, or one percent of turnover, whichever is higher.

##### **Deferred**

Deferred tax is provided using the balance sheet liability method on all major temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and amount used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profit will be available and the credits can be utilized.





## **5.10 Revenue recognition**

Mark-up / return on investment is recognized on accrual basis.

Mark-up/ return on advances is recognized on accrual/ time proportion basis, except for income, if any, which warrants suspension in compliance with the Regulations. Mark-up recoverable on non-performing advances is recognized on a receipt basis in accordance with the requirements of the Regulations. Loan processing fee is recognized as income at the time of disbursement of loan.

Income from interbank deposits in saving accounts is recognized in the profit and loss account as it accrues using the flat interest rate.

Fee, commission and other income is recognized when earned.

## **5.11 Financial Instruments**

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

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

### **Financial assets**

Financial assets are cash and balances with SBP and NBP, balances with other banks, investments, advances and other receivables. Advances are stated at their nominal value as reduced by appropriate provisions against non-performing advances, while other financial assets excluding investments are stated at cost. Investments are classified as available for sale, and are measured at fair value.

### **Financial liabilities**

Financial liabilities are classified according to the substance of the contractual arrangement entered into. Financial liabilities include other liabilities which are stated at their nominal value. Financial charges are accounted for on accrual basis.

Any gain or loss on the recognition and de-recognition of the financial assets and liabilities is included in the profit and loss for the period in which it arises.

## **5.12 Impairment of financial assets**

A financial asset is considered to be impaired if objective evidence indicates that one or more events 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 original interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in profit and loss account.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.





### **5.13 Offsetting of financial assets and financial liabilities**

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Bank has legally enforceable right to set off the recognized amount and intend either to settle on a net basis or to realize the asset and settle the liability simultaneously.

### **5.14 Staff retirement benefits**

#### **a) Gratuity**

The Bank operates an unfunded defined benefit gratuity scheme for all its regular employees. Gratuity equivalent to one month basic salary for each completed year of service is paid to entitled employees, if the period of their service is three years or above.

#### **b) Provident fund**

The Bank operates a funded provident fund scheme for all its regular employees for which equal monthly contributions are made both by the Bank and employee at the rate of 8% of the basic salary of the employee. The Bank's contribution is charged to profit and loss account.

### **5.15 Deposits**

Deposits are initially recorded at the amounts of proceeds received. Mark-up accrued on deposits is recognized separately as part of other liabilities and is charged to the profit and loss account over the period.

### **5.16 Statutory reserve**

In compliance with the requirements of the Regulation 4, the Bank maintains 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.

### **5.17 Contributions**

In compliance with the requirements of section 19 of the Microfinance Institutions Ordinance 2001, the Bank contributes 5% of annual profit after tax to the Depositor's Protection Fund.

### **5.18 Cash reserve**

In compliance with the requirements of the Regulation 3A, the Bank maintains a cash reserve equivalent to not less than 5% of its deposits (including demand deposits and time deposits with tenor of less than 1 year) in a current account opened with the State Bank or its agent.

### **5.19 Statutory liquidity requirement**

In compliance with the requirements of the Regulation 3B, the Bank maintains liquidity equivalent to at least 10% of its total demand liabilities and time liabilities with tenor of less than one year in the form of liquid assets i.e. cash, gold, unencumbered treasury bills, Pakistan Investment Bonds and Government of Pakistan sukuk bonds. Treasury bills and Pakistan Investment Bonds held under depositor protection fund are excluded for the purposes of determining liquidity.

### **5.20 Provisions**

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 expense.



	2014 Rupees	2013 Rupees
<b>6. CASH AND BALANCES WITH SBP and NBP</b>		
Cash in hand		
Local currency	24,624,804	13,738,775
Balance with State Bank of Pakistan (SBP) - note 6.1	48,517,976	12,001,123
Balance with National Bank of Pakistan in		
Local currency current account	1,000,000	-
	<u>74,142,780</u>	<u>25,739,898</u>

- 6.1** This includes balance held with SBP in a current account to meet the requirement of maintaining minimum balance equivalent to 5% (2013: 5%) of the Bank's demand deposits and time deposits with tenor of less than one year, in accordance with regulation R-3A of the Regulations and Rs 408,365 (2013: Rs 408,365) placed for the Depositors' Protection Fund.

	2014 Rupees	2013 Rupees
<b>7. BALANCES WITH OTHER BANKS/ NBFIs/ MFBs</b>		
In Pakistan - local currency		
Current accounts - note 7.1	12,516,383	7,831,592
Savings accounts - note 7.2	440,469,939	446,781,540
Term deposit receipts	-	250,000,000
	<u>452,986,322</u>	<u>704,613,132</u>

- 7.1** This includes Rs 6,365,151 held as deposit under lien in respect of standby letter of guarantee issued to Union Pay International.

- 7.2** Savings accounts carried interest at rates ranging from 7% to 10.25% (2013: 6.5% to 10.85%) per annum.

	2014 Rupees	2013 Rupees
<b>8. INVESTMENTS</b>		
Federal Government securities		
Held to maturity		
Market Treasury Bills (T-Bills)	-	294,736,071
Available for Sale		
Pakistan Investment Bonds (PIBs) - note 8.1	495,038,469	-
Surplus on revaluation of available for		
sale securities - note 8.2	22,917,750	-
	<u>517,956,219</u>	<u>-</u>
	<u>517,956,219</u>	<u>294,736,071</u>

- 8.1** This represents PIBs carried at market value maturing between July 18, 2016 to July 17, 2017 carrying interest at the rate of 11.25% per annum.

- 8.2** In accordance with Regulation R-11, available for sale securities have been valued at market value and the resulting surplus/(deficit) is kept in a separate account titled 'surplus on revaluation of securities' through statement of comprehensive income.



## 9. ADVANCES - NET OF PROVISIONS

	2014		2013	
	Number of loans outstanding	Amount outstanding Rupees	Number of loans outstanding	Amount outstanding Rupees
Micro credit				
Secured	1,616	111,465,614	122	8,310,384
Unsecured	7,170	235,027,571	1,094	33,048,495
Micro lease	-	-	4	21,968
	<u>8,786</u>	<u>346,493,185</u>	<u>1,220</u>	<u>41,380,847</u>
Provisions held				
Specific provision	5	(15,430)	4	(10,984)
General provision - note 9.1	7,170	(2,350,121)	1,094	(330,595)
		<u>(2,365,551)</u>		<u>(341,579)</u>
Advances - net of provisions		<u>344,127,634</u>		<u>41,039,268</u>

9.1 General provision is maintained at the rate of 1% (2013: 1%) of unsecured micro credit balance net of specific provision in accordance with the Regulations.

## 9.2 Particulars of non-performing advances

Advances include Rs. 267,357 (2013: Rs. 21,968) which have been placed under non-performing status.

Category of classification	2014				2013			
	Amount outstanding	Provisions required	Provisions held		Amount outstanding	Provisions required	Provisions held	
OAEM	226,126	-	-		-	-	-	
Sub-standard	20,743	5,186	5,186		-	-	-	
Doubtful	20,488	10,244	10,244		21,968	10,984	10,984	
Loss	-	-	-		-	-	-	
	<u>267,357</u>	<u>15,430</u>	<u>15,430</u>		<u>21,968</u>	<u>10,984</u>	<u>10,984</u>	

Rupees-----

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### 9.3 Particulars of provisions against non-performing advances

	2014		2013			
	Specific	General	Total	Specific	General	Total
				Rupees		
Balance at beginning of the year	10,984	330,595	341,579	313,001	6,783	319,784
Provision charge for the year	26,414	2,019,526	2,045,940	38,909	323,812	362,721
Reversals	-	-	-	-	-	-
Advances written off against provision	(21,968)	-	(21,968)	(340,926)	-	(340,926)
Balance at end of the year	15,430	2,350,121	2,365,551	10,984	330,595	341,579

### 9.4 Provision against non-performing advances

	2014	2013
	Rupees	Rupees
Charge for the year	2,045,940	362,721
Reversal	-	-
	2,045,940	362,721

### 9.5 Particulars of write off

Against provisions	(21,968)	(340,926)
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	2014 Rupees	2013 Rupees
	14,446,732	42,171,870
	119,753,845	96,868,288
	86,369,878	59,844,220
	<u>220,570,455</u>	<u>198,884,378</u>
	7,904,680	20,060,280
	6,542,052	22,111,590
	<u>14,446,732</u>	<u>42,171,870</u>

# 10 OPERATING FIXED ASSETS

Capital work-in-progress - note 10.1  
Property and equipment - note 10.2  
Intangible assets - note 10.3

## 10.1 Capital work-in-progress

Advances to suppliers/ contractors - 10.1.1  
Leasehold improvements

10.1.1 This represents advance given for softwares and operating fixed assets.

## 10.2 Property and equipment

2014

	Cost			Depreciation		Book value as at December 31, 2014	Rate of depreciation % (per annum)
	As at January 1, 2014	Additions	Deletion	As at December 31, 2014	Charge for the year	On deletions	
				As at January 1, 2014		As at December 31, 2014	
				Rupees			
Furniture and fixture	9,373,945	7,156,361	-	16,530,306	1,318,033	-	10.00%
Computers	63,323,009	9,551,067	(297,946)	72,576,130	22,749,489	(111,990)	33.33%
Electrical equipment	14,542,747	28,463,103	(230,000)	42,775,850	6,820,748	(19,167)	20.00%
Vehicle	9,074,179	-	-	9,074,179	1,814,836	-	20.00%
Office improvement	20,361,421	14,187,369	-	34,548,790	3,372,448	-	10.00%
	<u>116,675,301</u>	<u>59,357,900</u>	<u>(527,946)</u>	<u>175,505,255</u>	<u>36,075,554</u>	<u>(131,157)</u>	
				19,807,013		55,751,410	
				2013			
				As at January 1, 2013		As at December 31, 2013	
				Rupees			
Furniture and fixture	883,421	8,490,524	-	9,373,945	472,542	-	10.00%
Computers	2,551,377	60,771,632	-	63,323,009	12,944,716	-	33.33%
Electrical equipment	2,682,100	11,860,647	-	14,542,747	1,607,396	-	20.00%
Vehicle	55,500	9,018,679	-	9,074,179	1,053,139	-	20.00%
Office improvement	7,342,517	13,018,904	-	20,361,421	1,433,283	-	10.00%
	<u>13,514,915</u>	<u>103,160,386</u>	<u>-</u>	<u>116,675,301</u>	<u>17,511,076</u>	<u>-</u>	
				2,295,937		19,807,013	

2013

	Cost			Depreciation		Book value as at December 31, 2013	Rate of depreciation % (per annum)
	As at January 1, 2013	Additions	Deletion	As at December 31, 2013	Charge for the year	On deletions	
				As at January 1, 2013		As at December 31, 2013	
				Rupees			
Furniture and fixture	883,421	8,490,524	-	9,373,945	472,542	-	10.00%
Computers	2,551,377	60,771,632	-	63,323,009	12,944,716	-	33.33%
Electrical equipment	2,682,100	11,860,647	-	14,542,747	1,607,396	-	20.00%
Vehicle	55,500	9,018,679	-	9,074,179	1,053,139	-	20.00%
Office improvement	7,342,517	13,018,904	-	20,361,421	1,433,283	-	10.00%
	<u>13,514,915</u>	<u>103,160,386</u>	<u>-</u>	<u>116,675,301</u>	<u>17,511,076</u>	<u>-</u>	
				2,295,937		19,807,013	

10.2.1 The cost of fully depreciated property and equipment that are still in use is Rs 2,043,515 (2013: Rs 2,024,345).

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### 10.3 Intangible assets

	2014								
	Cost			Amortization			Book value	Rate of	
	As at January 1, 2014	Additions	Deletion	As at December 31, 2014	As at January 1, 2014	Charge for the Year	On deletions	as at December 31, 2014	amortization % (per annum)
	-----Rupees-----								
Branchless banking software	56,535,577	32,124,590	-	88,660,167	2,796,949	7,537,255	-	78,325,963	10.00%
Licenses	6,349,015	3,465,242	-	9,814,257	317,451	1,500,819	-	7,995,987	20.00%
Mail server	78,378	-	-	78,378	4,350	26,100	-	47,928	33.33%
	<u>62,962,970</u>	<u>35,589,832</u>	<u>-</u>	<u>98,552,802</u>	<u>3,118,750</u>	<u>9,064,174</u>	<u>-</u>	<u>86,369,878</u>	
	-----Rupees-----								
	2013								
	Cost			Amortization			Book value	Rate of	
	As at January 1, 2013	Additions	Deletion	As at December 31, 2013	As at January 1, 2013	Charge for the year	On deletions	as at December 31, 2013	amortization % (per annum)
	-----Rupees-----								
Branchless banking software	-	56,535,577	-	56,535,577	-	2,796,949	-	53,738,628	10.00%
Licenses	-	6,349,015	-	6,349,015	-	317,451	-	6,031,564	20.00%
Mail server	-	78,378	-	78,378	-	4,350	-	74,028	33.33%
	<u>-</u>	<u>62,962,970</u>	<u>-</u>	<u>62,962,970</u>	<u>-</u>	<u>3,118,750</u>	<u>-</u>	<u>59,844,220</u>	

10.3.1 The cost of fully amortized intangible assets that are still in use is nil (2013: nil).

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	2014 Rupees	2013 Rupees
<b>11. OTHER ASSETS</b>		
Income/ mark-up accrued	53,528,270	9,944,103
Advances, deposits and other prepayments - note 11.1	53,109,619	32,397,042
Advance taxation (payments less provisions)	18,541,701	13,371,069
Inventory of ATM cards & stationery	3,317,025	1,392,355
Advances to staff - note 11.2	346,183	-
Others	40,498	498,724
	<u>128,883,296</u>	<u>57,603,293</u>

11.1 This includes Rs 7.548 million (2013: Rs 9.517 million) in respect of outstanding prepaid disaster recovery site fee to PTCL, the parent company.

11.2 This represents loans to staff and executives of the Bank at markup of flat 3% per annum (2013: nil) for a maximum period of 18 months. These are secured against the retirement benefits of employees.

	2014 Rupees	2013 Rupees
<b>12. DEFERRED TAX ASSET</b>		
Deferred debits arising in respect of:		
Unused tax losses	105,470,427	65,452,833
Unused tax credit	4,223,932	1,425,880
Provision against advances	827,943	116,137
	<u>110,522,302</u>	<u>66,994,850</u>
Deferred credits arising in respect of:		
Surplus on revaluation of available for sale securities	(8,021,212)	-
Accelerated tax depreciation / amortization	(9,159,193)	(8,100,702)
	<u>93,341,897</u>	<u>58,894,148</u>

12.1 The deferred tax asset recognised in the financial statements represents the management's best estimate of the potential benefit which is expected to be realized in future years in the form of reduced tax liability as the Bank would be able to set off the profits earned in those years against unused tax losses of prior years.

Deferred tax asset is recognised in view of projected taxable profits as per the Bank's five year business plan 2015 - 2019 approved by the board of directors using assumptions which are linked to various variable factors such as the economic outlook of the country, investment growth, interest rate movement, expansion in depositors / advances portfolio, other initiatives and increased branchless banking operations.

The Bank did not recognise deferred income tax asset of Rs. 6.578 million against unused tax losses of Rs 18.795 million, since future taxable income is not expected to be available in 2015 when such losses will lapse.

	2014		2013	
	Number of accounts	Rupees	Number of accounts	Rupees
<b>13. DEPOSITS</b>				
Fixed deposits	51	123,438,337	9	7,575,000
Saving deposits	2,279	312,461,257	1,520	70,821,593
Current deposits	52,129	266,679,041	19,083	126,781,639
	<u>54,459</u>	<u>702,578,635</u>	<u>20,612</u>	<u>205,178,232</u>
<b>13.1 Particulars of deposits by ownership</b>				
Individual depositors	54,376	541,660,804	20,437	180,114,060
Institutional depositors				
Corporation/ firms	83	160,917,831	175	25,064,172
Banks/ financial institutions	-	-	-	-
	<u>54,459</u>	<u>702,578,635</u>	<u>20,612</u>	<u>205,178,232</u>

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	2014 Rupees	2013 Rupees
<b>14. OTHER LIABILITIES</b>		
Interest payable on deposits	3,287,728	451,424
Accrued expenses	43,468,296	26,017,970
Payable to Pak Telecom Mobile Limited (PTML), an associated company - note 14.1	37,150,374	49,341,251
Payable to Pakistan Telecommunication Company Limited (PTCL), parent company - note 14.2	690,510	-
Payable to utility companies for bills collection	3,869,015	20,492,046
Uncollected remittances	33,367,885	8,494,291
Payable to provident fund	-	532,040
Provision for gratuity - note 14.3	10,367,889	4,744,626
Payable / accruals for capital expenditure	3,728,124	24,991,296
Sales tax / federal excise duty	8,788,686	1,823,403
Bills payable	16,369,142	129,665
Others	11,593,635	496,705
	<u>172,681,284</u>	<u>137,514,717</u>

**14.1** This represents amount payable to PTML, an associated company, related to share of branchless banking income, prepaid and postpay bill collected and expenditure incurred by PTML on behalf of the Bank.

**14.2** This represents amount payable to PTCL, parent company, related to utility bills collected by the Bank on behalf of PTCL.

	2014 Rupees	2013 Rupees
<b>14.3 Provision for gratuity</b>		
Opening balance	4,744,626	1,271,466
Payment during the year	-	(364,535)
Charge for the year	5,623,263	3,837,695
Closing balance	<u>10,367,889</u>	<u>4,744,626</u>

**14.4 Employees provident fund**

Size of the fund (total assets)	15,811,900	4,495,381
Cost of investments held	15,811,900	4,495,381
Percentage of investments held	100%	100%
Fair value of investments	15,811,900	4,495,381

Investment represents balances held with banks.

Investments out of the provident fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.



15. SHARE CAPITAL

15.1 Authorized capital

2014 Number	2013 Number		2014 Rupees	2013 Rupees
<u>125,000,000</u>	<u>125,000,000</u>	Ordinary shares of Rs. 10 each	<u>1,250,000,000</u>	<u>1,250,000,000</u>

15.2 Issued, subscribed and paid-up capital

10,000,000	10,000,000	Ordinary shares of Rs. 10 each fully paid in cash	100,000,000	100,000,000
8,571,429	8,571,429	Fully paid shares of Rs. 10 each issued as right shares at discounted rate of Rs. 7 each	85,714,290	85,714,290
100,000,000	100,000,000	Fully paid ordinary shares of Rs. 10 each in cash issued as right shares at par	1,000,000,000	1,000,000,000
<u>118,571,429</u>	<u>118,571,429</u>		<u>1,185,714,290</u>	<u>1,185,714,290</u>

15.3 Pakistan Telecommunication Company Limited (PTCL), parent company, holds 100% shares of the Bank.

15.4 The Bank is required to maintain a minimum paid up capital (free of losses) of not less than Rs.one billion in accordance with the requirement R-1 of the Regulations. As at December 31, 2014, the Bank has a shortfall of Rs.60.189 million against the required minimum capital. The additional capital will be injected by PTCL, the parent company, by February 28, 2015.

16. MEMORANDUM/ OFF BALANCE SHEET ITEMS

CONTINGENCIES

There were no material known contingencies at year end.

COMMITMENTS

	2014 Rupees	2013 Rupees
Standby Letter of Guarantee - note 16.1	6,365,151	5,425,975
Property and equipment	37,858,281	14,906,960
Intangible assets	8,162,000	18,440,733
	<u>52,385,432</u>	<u>38,773,668</u>

16.1 This represents letter of guarantee issued by the Bank to UnionPay International Company Limited for interbank settlement.



	2014 Rupees	2013 Rupees
<b>17. MARK-UP/ RETURN/ INTEREST EARNED</b>		
Mark-up on advances	49,245,196	1,766,303
Interest on investment in Government securities	39,583,002	28,411,432
Interest on deposit accounts/ placements with other banks/ financial institutions/ mutual funds	55,745,396	67,016,436
Others	4,151	-
	<u>144,577,745</u>	<u>97,194,171</u>
<b>18. MARK-UP/ RETURN/ INTEREST EXPENSED</b>		
This represents interest expense on deposits.		
<b>19. FEE, COMMISSION &amp; BROKERAGE INCOME</b>		
Fee from branchless banking	119,801,625	17,879,879
Other charges collected from customers - note 19.1	15,425,871	1,685,478
	<u>135,227,496</u>	<u>19,565,357</u>
<b>19.1</b> This includes fee on loan processing and cheque book issuance collected from customers.		
<b>20. OTHER INCOME</b>		
Recovery against advances written off	688,130	501,096
Insurance claim	349,703	-
Miscellaneous income	15,200	7,611
	<u>1,053,033</u>	<u>508,707</u>
<b>21. ADMINISTRATIVE EXPENSES</b>		
Staff salaries and benefits	167,856,150	104,068,376
Salaries of contracted/ outsourced employees	19,127,415	9,051,198
Gratuity	5,623,263	3,837,695
Provident fund	5,294,457	2,308,191
Insurance	3,824,082	5,782,778
Rent, rate and taxes	45,705,852	28,032,516
Travelling and conveyance	6,123,055	6,185,843
Postage and courier	2,468,062	845,960
Utilities	14,710,075	6,112,826
Repair and maintenance	16,586,227	3,242,029
Depreciation and amortization	45,139,728	20,629,826
Software support and maintenance fee	22,863,208	6,732,496
Stationery and printing	12,228,350	9,493,241
Auditors' remuneration - note 21.1	1,701,640	946,000
Legal and professional fee	641,985	1,123,226
Security services	10,024,140	2,395,666
Office supplies	2,972,377	2,355,458
Internet and connectivity charges	5,940,176	1,277,140
Verification charges	2,406,346	899,616
Bank charges	6,229,502	1,560,177
Miscellaneous expenses	856,230	1,508,210
	<u>398,322,320</u>	<u>218,388,468</u>



	2014 Rupees	2013 Rupees
<b>21.1 Auditors' remuneration</b>		
Annual audit and half year review	850,000	650,000
Tax services	751,640	231,000
Out of pocket expenses	100,000	65,000
	<u>1,701,640</u>	<u>946,000</u>
<b>22. Other charges</b>		
Penalty imposed by SBP	30,000	-
Worker's welfare fund - note 22.1	165,793	-
	<u>195,793</u>	<u>-</u>
<b>22.1</b> This represents charge for prior periods.		
<b>23. TAXATION</b>		
Current - for the year	(2,798,052)	(1,167,595)
Deferred - for the year	47,878,033	36,115,710
- for prior year	(5,409,072)	22,778,438
	42,468,961	58,894,148
	<u>39,670,909</u>	<u>57,726,553</u>
<b>23.1 Tax charge reconciliation</b>		
Loss before tax (Rupees)	<u>136,636,002</u>	<u>102,788,571</u>
Applicable tax rate	33.00%	34.00%
Deferred tax relating to prior years	-3.96%	22.16%
Expenses not deductible	-0.01%	-
Average effective tax rate	<u>29.03%</u>	<u>56.16%</u>
<b>24. CASH AND CASH EQUIVALENTS</b>		
Cash and balances with SBP and NBP	74,142,780	25,739,898
Balances with other banks	452,986,322	704,613,132
Investments	-	294,736,071
	<u>527,129,102</u>	<u>1,025,089,101</u>
<b>25. NUMBER OF EMPLOYEES</b>		
Credit sales staff		
Permanent	45	28
Contractual	6	3
	<u>51</u>	<u>31</u>
Banking/ support staff		
Permanent	195	138
Contractual	1	4
Outsourced	91	77
	<u>287</u>	<u>219</u>
Total number of employees at end of the year	<u>338</u>	<u>250</u>
Average number of employees during the year	<u>294</u>	<u>145</u>
<b>26. NUMBER OF BRANCHES</b>		
Branches at beginning of the year	15	2
Opened during the year	10	13
Closed/ merged during the year	-	-
Branches at end of the year	<u>25</u>	<u>15</u>

**27. LOSS PER SHARE**

(a) Basic

Basic (loss)/ earning per share is calculated by dividing the (loss)/ profit attributable to equity holders of the Bank by the weighted average number of ordinary shares outstanding during the year.

	2014	2013
(Loss)/ profit attributable to equity holders (Rupees)	(96,965,093)	(45,062,018)
Weighted average number of ordinary shares outstanding during the year (numbers)	118,571,429	118,571,429
(Loss)/ earning per share - basic (Rupees)	(0.82)	(0.38)

(b) Diluted

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

**28. REMUNERATION OF PRESIDENT / CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

	2014		2013	
	President / Chief Executive	Executives	President / Chief Executive	Executives
	Rupees		Rupees	
Managerial remuneration	11,240,000	34,098,195	9,600,000	25,695,431
Gratuity fund	720,000	2,629,619	600,000	1,805,640
Provident fund	691,200	2,524,434	576,000	1,507,002
Rent and house maintenance	5,040,000	18,214,841	4,200,000	12,514,992
Utilities	720,000	2,602,122	600,000	1,787,855
Medical	166,007	1,627,683	90,197	1,070,369
Conveyance	660,000	5,135,000	660,000	3,725,000
Others	720,000	2,629,619	600,000	1,805,640
Total	19,957,207	69,461,513	16,926,197	49,911,929
Number of person(s)	1	33	1	25

- 28.1 The President / Chief executive is also provided with a Bank maintained car in accordance with the terms of employment.
- 28.2 Executives mean employees, other than the President / Chief executive and directors, whose basic salary exceeds five hundred thousand rupees in a financial year.
- 28.3 No remuneration and other benefits were paid to directors of the Bank. Further, no fees was paid to the directors for attending the Board or sub committee meetings.



29. SCHEDULE OF MATURITY DISTRIBUTION OF MARKET RATE ASSETS AND LIABILITIES AS AT DECEMBER 31, 2014

	Total	Up to one month	Over one month up to six months	Over six months up to one year	Over one year
<b>Market rate assets</b>					
Advances	344,127,634	9,340,813	143,550,909	191,024,896	211,016
Investments	517,956,219	5,933,219	-	-	512,023,000
Other earning assets	440,469,939	440,469,939	-	-	-
Balances with other banks - deposit accounts	1,302,553,792	455,743,971	143,550,909	191,024,896	512,234,016
<b>Total market rate assets</b>					
<b>Other non-earning assets</b>					
Cash in hand	24,624,804	24,624,804	-	-	-
Balances with SBP and NBP - current accounts	49,517,976	49,517,976	-	-	-
Balances with other banks - current accounts	12,516,383	12,516,383	-	-	-
Operating fixed assets	220,570,455	5,380,363	26,901,815	32,282,178	156,006,099
Other assets	128,883,296	33,163,772	37,055,271	47,365,184	11,299,069
Deferred tax asset	93,341,897	-	-	-	93,341,897
<b>Total non-earning assets</b>	529,454,811	125,203,298	63,957,086	79,647,362	260,647,065
<b>Total assets</b>	<b>1,832,008,603</b>	<b>580,947,269</b>	<b>207,507,995</b>	<b>270,672,258</b>	<b>772,881,081</b>
<b>Market rate liabilities</b>					
Large time deposits above Rs. 100,000	122,303,337	26,886,349	83,095,978	8,321,010	4,000,000
All other time deposits (including fixed rate deposits)	1,135,000	50,000	985,000	100,000	-
Other cost bearing deposits	312,461,257	312,461,257	-	-	-
<b>Total market rate liabilities</b>	435,899,594	339,397,606	84,080,978	8,421,010	4,000,000
<b>Other non-cost bearing liabilities</b>					
Deposits	266,679,041	266,679,041	-	-	-
Other liabilities	172,681,284	159,046,126	820,223	2,447,046	10,367,889
<b>Total non-cost bearing liabilities</b>	439,360,325	425,725,167	820,223	2,447,046	10,367,889
<b>Total liabilities</b>	<b>875,259,919</b>	<b>765,122,773</b>	<b>84,901,201</b>	<b>10,868,056</b>	<b>14,367,889</b>
<b>Net assets</b>	<b>956,748,684</b>	<b>(184,175,504)</b>	<b>122,606,794</b>	<b>259,804,202</b>	<b>758,513,191</b>

*App*

### 30. RELATED PARTIES TRANSACTIONS

Related parties of the Bank comprise of parent company, associated company, directors, key management personnel and employees retirement benefit funds. The detail of Bank's shareholders is given in note 15.3 while remuneration of key employee personnel is disclosed in note 28 to the financial statements. PTCL, the parent company, holds 100% shares of the Bank, therefore, all subsidiaries and associated undertakings of PTCL are related parties of the Bank. Also, the Bank has related party relationships with its directors, key management personnel, entities over which the directors are able to exercise significant influence and employees retirement benefit funds. Detail of transactions during the year and balances outstanding as at the year ended December 31, 2014 are as follows:

Transactions	2014 Rupees	2013 Rupees
Parent Company - PTCL		
Payment for disaster recovery services fee	14,142,800	9,845,000
Internet, connectivity and utility charges paid	3,435,730	1,236,080
Utility bills collected on behalf of PTCL	418,473,632	-
Utility bills collection charges received	1,772,605	-
Associated Company - PTML		
Administrative expenses incurred on behalf of the Bank	-	13,731,187
Fixed assets transferred from PTML	-	7,634,727
Payment for fixed assets and administrative costs	41,196,970	10,976,965
Payment against bills collected and branchless banking income net of commission	125,342,419	4,119,132
Interest expense on deposits paid	1,826,733	198,167
Employees provident fund		
Contribution to provident fund	5,294,457	2,308,191
<b>Balances</b>		
Parent Company - PTCL		
Prepaid for disaster recovery services	7,547,838	9,516,834
Payable against utility bills collected	690,510	-
Utility bills collection charges receivable	343,960	-
Associated Company - PTML		
Deposits	64,064,777	17,100,461
Payable to PTML		
Administrative expenses incurred on behalf of the Bank	-	14,838,591
Fixed assets transferred from PTML	-	16,146,763
Payable against branchless banking and bills collected	37,150,374	18,355,897
Interest on deposits	281,790	50,330
Employees provident fund		
Payable to provident fund	-	532,040

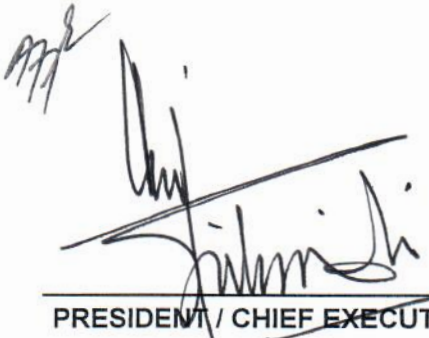



**31. GENERAL**


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.


**32. DATE OF APPROVAL**

These financial statements were approved by the Board of Directors of the Bank in their meeting held on February 04, 2015.

  
\_\_\_\_\_  
PRESIDENT / CHIEF EXECUTIVE

  
\_\_\_\_\_  
CHAIRMAN

  
\_\_\_\_\_  
DIRECTOR

  
\_\_\_\_\_  
DIRECTOR

