



Rising to the Challenge

Annual Report 2016

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At U Microfinance Bank, we firmly believe that access to microfinance services contribute significantly towards building a more inclusive society leading to bringing underserved population in to banking net as well as help document the informal economy.

Loans

5.5 Bn

Deposits

8.1 Bn

*Lives
Impacted*

118,160

Nelum Valley, AJK, Pakistan



As of December, 2016

About U Microfinance Bank

U Microfinance Bank Ltd. (U Bank) is a wholly owned subsidiary of Pakistan Telecommunication Company Limited (PTCL) - Etisalat Company. The bank has a network of 75 touch points, across 70 cities and rural areas in Pakistan and offers a wide range of microfinance loans, deposit products and branchless banking solutions. U Bank's branchless banking offers services under the banner of U Paisa in collaboration with Ufone (Pak Telecom Mobile Limited). The service is offered at nearly 45,000 agent locations across Pakistan.

U Microfinance Bank is proud to be at the front line of fighting poverty in Pakistan and is dedicated to play its critical part in the implementation of National Financial Inclusion Strategy 2020 that aims to bring 50% of Pakistan's adult population in to banking net.

At U Microfinance Bank, we firmly believe that access to microfinance services contribute significantly towards building a more inclusive society leading to bringing underserved population in to banking net as well as help document the informal economy. Our product portfolio is designed to continuously create livelihoods for the underserved population of Pakistan and bring betterment to their lives.

Year 2016 has been the year of remarkable turnaround with exceptional performance. U Microfinance Bank's loan customer portfolio grew from 22,254 customers in 2015 to 118,160 in 2016, 30% of our customers are women. Our customer deposits grew from PKR 1.1 billion to PKR 8.1 billion, while our loan portfolio grew from PKR 913 million to PKR 5.5 billion. Most significantly, our network grew from 38 touch points to 75 and our staff increased from 403 employees in 2015 to 939 in 2016.

U Microfinance Bank is looking forward to another landmark year of service and performance.





Building Stronger Foundation

Our Vision

Driven by the passion for disruptive innovation and the desire for financial inclusion, we aim to become the problem solver and enabler to Pakistani microfinance ecosystem.

Our Core Values

- Merit
- Commitment
- Innovation
- Ethics
- Transparency



At a Glance

Credit Rating

A-/A-2

JCR-VIS

Loan Portfolio

5.5

Billion

Loans Disbursed

6.8

Billion

Total Deposits

8.1

Billion

Recovered
Portfolio

2.21

Billion

Locations

75

Total Staff

939

Lives Impacted

118,160

Tirich Mir, KPK



A red tractor pulling a wooden trailer in a field at sunset. The tractor is red with large black tires and is pulling a wooden trailer. The background is a vast field under a dramatic sky with orange and blue hues. The text "Empowering Society for Prosperous Tomorrow" is overlaid on a dark blue rectangular background in the upper right.

Empowering Society for Prosperous Tomorrow

Meet our customers



“

A little help changed everything
for me and my family.

”



Naseem Imran

Lahore

Naseem Imran is 35 year old mother of three who lives near Faisal Park Imania Lahore. Naseem has been working for last 10 years and owns a small business of making file covers. She needed investment in her business to buy more sewing machines.

Her financial situation did not allow her to make the investment needed to produce high quality products in larger quantities. A PKR 40,000 loan from U Microfinance Bank has allowed her to expand her business and upgrade the product quality enabling her to earn more money.

Abdullah Ahsan Gujranwala

Abdullah Ahsan is a 48 year old father of 5 living in Gujranwala. Abdualah owns a motor cycle repair and spare part sale shop since last nine years. Abdullah needed a loan to grow his business.

A loan of PKR 40,000/- from U Bank extended the help Abdullah needed to grow his business allowing him not just to serve more customers but also helped him to set up another shop which is now run by his eldest son. One loan has allowed the family to increase its income by many fold.





“
As the year progressed and
my profit grew, I am now able to
provide a better life for my family.
”



“

The business needed investment
to become sustainable.

”



Mehmooda Bibi

Lahore

Mehmooda Bibi is a 58 year old, mother of four living in Bhutto colony in the out skirts of Lahore. Mehmooda has had a tough life but her resilience has helped her overcome dire poverty. Her husband's income has not been sufficient to feed the family of eight. She ran a home based small business of selling glass bangles, parandas and henna since last few years.

The business needed investment to allow her to bring in more products for her customers. The loan from the bank allowed her to bring in new products, resulting in more customers and more income.

Bilawal Ali

Gujrat

29 year old Bilawal Ali is a carpenter and owned a small furniture shop in Gujrat. Capital has been a constraint that did not allow him to meet his capacity and produce higher quality products. The daily struggle of feeding his family did not leave any room to make much needed investment in better tools and raw material.

A small loan from U Microfinance made all the difference and allowed him to expand his business and produce higher quality product.





“

A little help from the bank helped
us change our situation.

”

Rising to the Challenge





A depth of
experience

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Branch
Network

Company Information

Board of Directors

Mr. Rainer Rathgeber	Chairman
Mr. Hamid Farooq	Director
Mr. Amjad Ali Arbab	Director
Mr. Mohamed Essa Mohamed Ali Al-Taheri	Director
Mr. Muhammad Amir Siddiqui	Director
Mr. Muhammad Nadeem Khan	Director
Mr. Moqeen Ul Haque	Director
Mr. Syed Umar Viqar	President & CEO

Chief Financial Officer

Muhammad Rizwan Ikram (Acting CFO)

Company Secretary

Ateeq Ur Rehman

Auditors

M. Yousuf Adil Saleem & Co. (MYASCO) - Deloitte Pakistan

Legal Advisor

Ali & Ali

Principal/Registered Office

2nd Floor, 13-B, Jinnah Super Market F-7, Islamabad

Website

www.ubank.com.pk

Board Committees

Risk Management Committee

Mr. Amjad Ali Arbab	Chairman
Mr. Mohamed Essa Mohamed Ali Al-Taheri	Member

Audit Committee

Mr. Amjad Ali Arbab	Chairman
Mr. M. Nadeem Khan	Member
Mr. M. Amir Siddique	Member
Mr. Mohamed Essa Mohamed Ali Al-Taheri	Member

Branchless Banking Steering Committee

Mr. Mohamed Essa Mohamed Ali Al-Taheri	Chairman
Mr. Amjad Ali Arbab	Member
Mr. Hamid Farooq	Member
Mr. Moqeen Ul Haque	Member

Human Resource Committee

Mr. Muhammad Nadeem Khan	Chairman
Mr. Muhammad Amir Siddique	Member

Board of Directors



Rainer Rathgeber
Chairman



Amjad Ali Arbab
Independent
Director



Hamid Farooq
Director



M. Nadeem Khan
Director



M. Amir Siddiqui
Director



Moqem ul Haque
Director



M. Essa M. Ali Al-Taheri
Director



S. Umar Viqar
President & CEO

Management Team



Ambreen Malik

Head Of Branchless Banking,
Product Development & Marketing

Ms. Malik is a graduate of London School of Economics and Political Science and holds degrees in Business, Development and Urban policy. She has nearly 15 years of work experience spanning Pakistan, UK and The Philippines. She has worked in Retail and Priority banking and Trade Finance with AMB AMRO Pakistan, Dubai Islamic Bank Pakistan and HBL, UK respectively. Ms. Malik brings an incredibly diverse experience to U Microfinance Bank.

A shift in career took her to the likes of Habitat for Humanity International, The Asia Foundation and Senate of Philippines. She has also taught at National University of Science & Technology - Islamabad. Currently she serves at U Microfinance Bank as Head of Branchless Banking, Product Development & Marketing.



Ateeq Ur Rehman

Head of Legal & Company Secretary

Mr. Rehman has nearly 22 years of work experience to his title. Mr. Rehman started his career as a CSS Officer in 1995 and has served in the provincial governments of Baluchistan and KPK as an Assistant Commissioner and later at the Federal level as Deputy Director in the Ministry of Interior as well as at National Highways Authority.

After serving a decade in the public service a change in career took him to corporate sector landing him at Engro Pakistan as head of Public Affairs and later at Monsanto Pakistan as head of Corporate Affairs. He has been trained at the prestigious Civil Services Academy Lahore and holds certification in Sustainable Business Practices from the Asian Institute of Technology and United Nations University.



Kabeer Naqvi

Chief Operating Officer

Mr. Kabeer Naqvi represents a small percentage of professionals who has risen to the very top of Microfinance Banking industry in Pakistan at a remarkable pace. He has nearly 15 years of work experience to his name.

Mr. Naqvi has extensive work experience in External Audit, Corporate Finance, Internal Audit and Taxation and has served at Ernst & Young Saudi Arabia, TPL Pakistan, House of Habib and Tameer Microfinance Bank. He served as the Chief of Staff & Chief Financial Officer at Tameer Microfinance Bank where his glorious career spanned over 9 years.

Mr. Naqvi is a trained accountant and a distinguished member of ACCA - the Association of Chartered Certified Accountants.



Mubashir Shahani

Head of Audit

Mr. Shahani is a Chartered Accountant by profession and an associate member of the Institute of Chartered Accountants of Pakistan. He has around 12 years of work experience in external as well as internal audit.

Prior to joining U Microfinance Bank, he had worked with Tameer Microfinance Bank where he was actively involved in development of Internal Audit function and successfully designed and implemented risk based audit methodology for the Bank's branchless banking business (easypaisa). He had also worked with KPMG Pakistan and KPMG Lower Gulf Limited and was involved in audit of clients in financial services, manufacturing and service industry.



Muhammad Javed

Head of Compliance

Mr. Javed brings nearly 18 years of diversified experience to the table with more than 13 years with microfinance banks in Pakistan. He has served in various capacities in the areas of internal control, compliance risk management and fraud risk management and currently serves as the Head of Compliance at U Microfinance Bank. Mr. Javed has been part of the founding team of U Microfinance bank and has played a critical role in setting up U Microfinance Bank in 2012.

Mr. Javed has worked for the likes of Khushaali Bank, Waseela Bank and Sapphire Fibers. He holds a post grad certification in management accounting as well as a Master in Business Administration.



Muhammad Rizwan Ikram

Head Credit & Risk Management & Acting CFO

Mr. Ikram has more than 18 years of experience in Commercial as well as in Microfinance Banking. He has worked in the field of Risk Management, Credit Underwriting, Banking Operations, Finance, Compliance and Training with the likes of MCB Bank Ltd, Khushhali Microfinance Bank Ltd and Mobilink Microfinance bank Ltd and has served at senior positions. He has been a member of the core team responsible for launching Mobilink Bank as well as U Microfinance Banks.

Mr. Ikram is CFA & ACCA qualified and holds DAIPB from Institute of Bankers, Pakistan.



Muhammad Tayyab Khan

Head Of Operations & Technology

Mr. Tayyab Khan has more than 24 years of work experience under his belt and has been associated with the Banking sector since last 10 years. In his association with banking, his core area of expertise is development of operational infrastructure and financial solutions related to Alternative Delivery Channel (ADC) and Branchless Banking. Previously Mr. Khan has been associated with the field of Life Insurance in its sales operations and technology functions.

His 20 years of career took him to the likes of AIG insurance and Tameer Microfinance Bank where he has been instrumental in building these institutions. Currently, he serves as the Head of Operations and Technology at U Microfinance Bank. Mr. Khan holds a Master's degree in Banking and Finance.



Shumaila Azhar

Head Of Human Resources

Ms. Azhar currently serves as Head of Human Resources and has 12 years of work experience to her credit. She has worked for organizations like Alandick Pakistan, Alandick Bangladesh, Pearl Continental Hotels and Zong – China Mobile Pakistan and brings a diverse experience to U Bank. Ms. Azhar holds a master's MBA degree in HR from COMSATS Institute of Information Technology and is also a Certified Trainer and a coach.

She has worked extensively in the areas of Talent Management, Organization Development, Culture & Change Management and Strategic HR Management.



Syed Umar Viqar
President & CEO

Mr. Viqar has nearly 22 years of banking experience in Pakistan and UAE. He has served with the likes of ANZ Grindlays, Standard Chartered Bank, Dubai Islamic Bank, Waseela Bank and Summit Bank at various positions. His forte has been Branch and Branchless Banking Sales & Operations where he has served at senior positions.

Mr. Viqar has been instrumental in setting up of U Microfinance Bank and has been associated with the bank since its inception.



A full-page background image featuring a night sky with the Milky Way galaxy visible as a bright, diagonal band of stars and nebulae. The colors range from deep blue and purple at the top to green and yellow near the horizon. At the bottom, the dark silhouettes of evergreen trees are visible against the lighter part of the sky.

The power to perform

Message from the Chairman



As a Microfinance Bank we are aware of the impact our work creates for our customers. As a national company we are fully committed to doing our share in fighting poverty and proudly serve the national agenda of bringing financial Inclusion to the underserved population.

As the Chairman of the Board I am delighted to share the turnaround story of U Microfinance Bank. 2016 has been a year of immense challenges as well as of rewards. I congratulate the bank's employees and the management team for raising the bar and delivering a remarkable year.

U Microfinance Bank has showed strong growth in 2016 and the trend will continue in 2017. Of particular note bank's network expansion and investment in the bank's technology platform up gradation will help us deliver more value to our customers. As we know that growth comes with its own challenges. The board has worked closely with the management team as well as with the regulator to ensure that risk management is addressed in preemptive and prudent fashion. We are committed to making investments in risk management, compliance and quality human resource that will make us stronger, resilient and better equipped to deal with changing nature of our risk. Our capital base remains strong as we grow at a sustainable pace.

For us, 2017 is the year of achieving cost leadership, operational excellence and sustainable profitability. Our aim is to build operational efficiency in our daily lives while ensuring sustainable growth and profitability. Business wise this year will see a firm focus on leveraging our strength as a Branchless Banking player. A strength that allows us to go to last mile while banking on our country wide communication network by enabling us to serve geographically diverse customers.

As a Microfinance Bank we are aware of the impact our work creates for our customers. As a national company we are fully committed to doing our share in fighting poverty and proudly serve the national agenda of bringing financial Inclusion to the underserved population.

The coming year will be an important one for all of us. We continue to have great confidence in the long-term success of the bank as the strategy is sound and management is focused. We look forward to working closely with the management team and fully support their efforts as they capitalize on new opportunities and ensure the bank is positioned for the future.

I would like to thank all of our stakeholder for their continuing confidence in the Board and the management team. As the chairman of the board, it has been a privilege serving you.

Message from the Management



Standing (From Left to Right): Muhammad Javed (Head of Compliance), Muhammad Rizwan Ikram (Head of Credit & Risk & Acting CFO), Ateeq Ur Rehman (Company Secretary), Muhammad Tayyab Khan (Head of Operations & Technology), Mubashir Shahani (Head of Internal Audit)

Sitting: (From Left to Right): Shumaila Azhar (Head of Human Resources), Syed Umar Viqar (President & CEO), Kabeer Naqvi (Chief Operating Officer), Ambreen Malik (Head of Branchless Banking, Product Development & Marketing)

Our focus is not just to serve the under served but also improve our customer's ability to build better livelihoods, develop business linkages and improve the quality of lives of their families.

Dear Friends of U Bank

2016 was an incredible journey of self-discovery, team building, learning and unlearning that allowed us to grow our business, become profitable, improve our competitiveness, and create value for our shareholders. Led by a renewed vision to become a problem solver and enabler in Pakistani microfinance, we remained focused on implementing our critical strategic objectives. Guided by our core values, our aim was to build a strong balance sheet, increase outreach while serving our customers better, and invest in and train our greatest asset – our people.

U Microfinance Bank's loan customer portfolio grew from 22,254 customers in 2015 to 118,160 in 2016. 30% of our customers are women. Our customer deposits grew from PKR 1.065 billion to PKR 8.1 billion, while our loan portfolio grew from PKR 913 million to PKR 5.5 billion. Most significantly, our network grew from 38 touch points to 75 and our staff increased from 403 employees in 2015 to 939 in 2016.

Now, in 2017 we find ourselves at the crossroad of potential and promise. Pakistan Microfinance Network estimates nearly 27 Million unbanked customers in Pakistan. While the conventional narrative refers to this group as 'the poor,' we choose to call them underserved. Our focus is not just to serve this market but also improve their ability to build better livelihoods, develop business linkages and improve the quality of lives of their families.

2017 will be a year of operational excellence, where internal efficiencies, process reengineering, and cost rationalization are our prime focus. We will continue to develop in four areas of ambition: increase in revenue, operational excellence, sustainable funding, and social impact. These ambitions have defined and guided U Bank's business model in 2016 and will continue to do so this year.

A diverse workforce that blends different cultural backgrounds and work experiences has played a critical role in our success. We are dedicated to investing at a grass roots level to impart skills, training, and knowledge to our staff, so as to ensure that we deliver quality services to our customers. Being a double bottom-lined company, we are conscious of the impact we create as we engage with more women customers as well as we bring more women in our workforce. We are deeply committed to gender equality and empowerment, both within our company and among our customer base. Together these two segments have the capability to change Pakistan, something we are deeply committed to and feel passionate about. We are proud to be serve Pakistan by being at the forefront of implementing National Financial Inclusion Strategy 2020 and play our essential part in eliminating poverty in our country.

As we commit to delivering more value to our customers, stakeholders, and society, we want to thank our employees for their dedication and contribution to our story. We would also like to express our appreciation to our supervisory bodies for their valuable advice, as well as to our shareholders for their continued trust and support. And finally, we thank our customers for their confidence in our bank.

The U Bank team is fully committed to its strategic plan and targets, and is excited to deliver another landmark year of performance.





The Outlook for Growth

Director's Report to the Shareholders

We are pleased to present the Directors' Report and audited financial statements of U Microfinance Bank Limited ('The Bank') for the year ended December 31, 2016. The Bank has shown admirable progress on all fronts as compared to the preceding year and is on the right track to achieve its mission to be the best Microfinance Bank.

The Bank has increased its balance sheet footing by 366% from Rs.2.271 billion last year to Rs.10.592 billion in the current year, mainly due to a remarkable growth in advances, registering growth of 505%. Net advances grew from Rs.0.913 billion last year to Rs.5.528 billion during this year with PAR 30 at 0.46%. This led towards building a foundation of strong earnings base while keeping the asset quality in check.

The Bank posted robust liquidity indicators as deposit book increased by 661% from Rs.1.065 billion to Rs.8.109 billion during the current year. The Bank also established new strategic funding alliances which helped diversify its funding base. Investments and balance with other banks stood at Rs.3.521 billion as compared with Rs.0.736 billion of last year.

The Bank also bolstered its hub and spoke model by increasing its touch points in a single year to 75 locations as compared to 38 locations as of last year.

Financial Results

Profit before taxation
Less: WWF
Less: Taxation - Current
 -Deferred

Profit after taxation

Earnings per share (Rupees)

2016	2015
----- (Rupees in '000) -----	
95,573	29,920
(1,911)	598
(9,233)	(17,169)
(12,076)	(4,122)
72,353	8,030
0.56	0.06

Transfer to Reserves

As per the requirements of Microfinance Institution Ordinance, 2001 and the Prudential Regulations for Microfinance Banks issued by the State Bank of Pakistan, the Bank has transferred an amount equivalent to 20% of profit after tax to the statutory reserve (Rs. 14.471 million) and 5% of profit after tax to the Depositors' Protection Fund (Rs. 3.618 million) during 2016.

Capital Adequacy Ratio

As of the balance sheet date, the Bank's net equity and Capital Adequacy Ratio stood at Rs.1,122 million (2015: Rs.1,048 million) and 17.63% (2015: 88.04%) respectively, as against the minimum requirement of Rs.1,000 million and 15% of its Risk Weighted Assets, as prescribed by SBP.

Change in Composition in Board of Directors

Casual vacancies occurred during the year 2016 due to resignations/demise of the directors, which were replaced as follows:

(Outgoing Directors)

Mr. Abdul Aziz
Mr. Asher Yaqub
Mr. Wazir Ali Khoja

(Incoming Directors)

Mr. Rainer Rathgeber
Mr. Moqeen ul Haque
Will be filled in due course

Holding Company

On August 30, 2012, Pakistan Telecommunication Company Limited (PTCL) acquired 100% shareholding of Rozgar Microfinance Bank Limited, incorporated in Karachi on October 29, 2003 under the Companies Ordinance, 1984, 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 by SBP for commencement of nationwide operations.

On July 11, 2013, approval for the nationwide commercial launch of Branchless Banking Services (BBS) was received from SBP.

Corporate Governance

The Board of Directors of the Bank is responsible to the shareholders for the governance of the Bank. It acknowledges the responsibility for the system of sound internal controls and is committed to uphold the highest standard of Corporate Governance.

Statement of Corporate governance

The Directors are pleased to state that:

- a) The financial statements, prepared by the management of the Bank present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- b) Proper books of account of the Bank have been maintained.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d) International Financial Reporting Standards, as applicable in Pakistan and adopted by the State Bank of Pakistan, have been followed in preparation of the Bank's financial statements, and departures, if any, have been adequately disclosed; and
- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- f) There are no significant doubts upon the bank's ability to continue as a going concern.
- g) During the year, five board meetings were held. These meetings were attended by the directors as under:

Name of Directors	Designation	Number of meetings	
		Held during the year 2016	Attended
Mr. Abdul Aziz **	Chairman	5	0
Mr. Rainer Rathgeber	Chairman	5	3
Mr. Hamid Farooq	Director	5	5
Mr. Amjad Ali Arbab	Director	5	5
Mr. Asher Yaqub**	Director	5	0
Mr. Nadeem Khan	Director	5	5
Mr. Amir Siddiqui	Director	5	5
Mr. Mohamed Essa-Mohamed Ali Taheri	Director	5	3
Mr. Wazir Ali Khoja***	Director	5	2
Mr. Moqeen ul Haque	Director	5	2

** These directors resigned during the year before 1st meeting of the Board.

*** Mr. Wazir Ali Khoja expired on September 17, 2016.

The following changes have taken place in the Board of Directors during the year ended December 31, 2016:

- Resignation of Mr. Abdul Aziz-Chairman was approved in the BOD meeting dated 18 March 2016. Further, resignation of Mr. Asher Yaqub was approved in BOD meeting held on April 12, 2016. Mr. Rainer Rethgeber was appointed as Director and Chairman on the board in meeting held on July 12, 2016. Mr. Moqeen ul Haque was appointed on the board in meeting held on October 19, 2016. Mr. Wazir Ali Khoja expired on September 17, 2016.
- h) The key information as to operating and financial data of the bank is available in this annual report. The categories and pattern of shareholding as required by the Companies Ordinance, 1984 are also detailed below.
- i) Directors of the Bank hold qualification share and no director has acquired any share in the Bank during the year.

Audit Committee

The Audit Committee consists of Three Non-executive directors and one Independent Director. Non-executive are Mr. Nadeem Khan, Mr. Amir Siddiqui, Mr. Mohamed Essa-Mohamed Ali Taheri while Mr. Amjad Ali Arbab is the Chairman of the Audit Committee is independent director.

Credit Rating

Based on the results for the year ended December 31, 2016, the credit rating company JCR VIS has reaffirmed the long-term entity rating of U Microfinance Bank Limited (UMBL) to "A-" while maintaining the short-term rating at "A-2".

Auditors

The present auditor Messrs. Deloitte Yousuf Adil. Chartered Accountants (Deloitte) retire and, being eligible, have offered themselves for re-appointment. The Audit Committee of the Board has recommended the re-appointment of Deloitte for the next term. Based on the Board of Directors recommendation the Auditors has been re-appointed for 2017 during the AGM.

Events after Balance Sheet Date

There have not been any material events that occurred subsequent to the date of the Balance Sheet that require adjustments to the enclosed financial statements, except those which have already been made or disclosed.

Pattern of Shareholding

The pattern of Shareholding as at December 31, 2016.

S. No.	No Shares	Distinctive No	Held by
1	9	1 to 9	(Individuals) Directors)
2	128,571,420	10 to 128,571,429	PTCL

Earnings Per Share

Earnings per share of the bank for the year ended 2016 is 0.56 compared to 0.06 for the year 2015.

Appreciation & Acknowledgment

We take this opportunity to express our gratitude to our customers and business partners for their continued support and trust. We offer sincere appreciation to the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan for their guidance and cooperation extended to the bank. Finally, we are also thankful to our associates, Bank's management and staff for their committed services provided to our valued customers.



Rainer Rathgeber
Chairman

Place: Islamabad

Dated : February 01, 2017

آڈٹ کمیٹی

”آڈٹ کمیٹی“ تین غیر عامل (Non-Executive) ڈائریکٹرز پر مشتمل ہے جبکہ خود مختار/بااختیار/عامل (Executed) ڈائریکٹرز میں جناب ندیم خان، جناب عامر صدیقی، جناب محمد عیسیٰ محمد علی الطاہری اور جناب امجد علی ارباب شامل ہیں۔ ”آڈٹ کمیٹی“ کے ڈائریکٹرز خود مختار و بااختیار (بغیر دباؤ) آزاد حیثیت میں خدمات انجام دیتے ہیں۔

کریڈٹ رینٹنگ

اختتامی (مالی) سال برائے 31 جولائی 2016ء کے نتائج کے مطابق کریڈٹ رینٹنگ کمپنی میسرز JCR VIS نے دوبارہ یو مائیکرو فنانس بینک لمیٹڈ (UMBL) کی طویل المدتی باڈی/پونٹ رینٹنگ (Entity Rating) کی ”A-“ ہونے سے متعلق تصدیق کی/ واضح کیا/ قبول کیا۔ جبکہ قلیل المدت رینٹنگ ”A-2“ پر برقرار رہنے کو Reaffirm (تصدیق) کیا۔

آڈیٹرز

موجودہ آڈیٹر ”میسرز Delloitte یوسف عادل، چارٹرڈ اکاؤنٹنٹس (Delloitte) کی میعاد ختم ہو جانے پر اور اہل جانتے ہوئے خود کو دوبارہ تقرری کے لیے پیش کیا۔ جس کی تقرری کی تجویز کو بورڈ کی آڈٹ کمیٹی نے تجویز کیا۔ چنانچہ بورڈ آف ڈائریکٹرز کی تجویز پر آڈیٹرز کو سال 2017 کے لئے سالانہ جنرل میٹنگ میں آڈٹ کے لئے مقرر کیا گیا

بیلنس شیٹ ڈیٹ کے بعد کے معاملات/اقدامات

منسلکہ مالی بیانیے (Financial Statment) میں آئندہ ڈیٹ آف بیلنس شیٹ کیلئے ایسی کوئی چیزیں/معلومات/حقوق/نکات (بینک) معاملات سے متعلق وقوع پذیر نہیں ہوئے جن کی بناء پر (کسی) تبدیلی/تصحیح/ترمیم کی ضرورت محسوس ہوتی ہو۔ سوائے ان (امور/معاملات) کے جو پہلے سے ہی طے اور ظاہر/بیان شدہ ہیں۔

ترتیب/انتظامات برائے شیئر ہولڈنگ

31 دسمبر 2016ء میں شیئر ہولڈنگ کے (لئے) ترتیبات:

فی شیئر آمدنی

سال 2015ء کے اختتام پر فی شیئر آمدنی 0.06 کے مقابلے میں سال 2016ء کے اختتام پر بینک کی فی شیئر آمدنی 0.56 رہی۔

تحسین و اعتراف

اس موقع پر ہم اپنے معزز کسٹمرز اور کاروباری شراکت داروں کا ان کی مسلسل حمایت اور اعتماد کے لئے شکریہ ادا کرتے ہیں۔ ساتھ ہی اسٹیٹ بینک آف پاکستان اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جانب سے (بینک کیلئے) رہنمائی اور مکمل تعاون کرنے کے عمل کو قابل تحسین سمجھتے ہیں۔ ہم اپنے شراکت داروں (Associates)، اسٹاف اور کولیکٹرز کے بھی اپنے معزز کسٹمرز کو بہتر سے بہت خدمات فراہم کرنے کیلئے شکر گزار ہیں۔

ریزرو تھ گیبر

چیرمین

مقام: اسلام آباد

مورخہ: 01 فروری 2017

(د) (بینک کا) نگرانی / جانچ کا بین الاقوامی نظام اپنی بہترین ہیئت / حالت میں موجود ہے اور موثر طور پر نافذ العمل اور مانیٹر (دیکھ بھال) کیا جاتا ہے۔

(ڈ) بینک کی اہلیت / صلاحیت / استعداد کار سے متعلق ایسے کوئی اہم / با معنی / در پردہ شکوک و شبہات نہیں ہیں جو کہ (بینک کے) معاملات کو جاری رکھنے کے لئے تشویش کا باعث ہوں۔

(ذ) مالی سال کے دوران پانچ بورڈز میٹنگ منعقد کی گئیں جن میں درج ذیل ڈائریکٹرز نے شرکت کی:

نام ڈائریکٹر	عہدہ	میٹنگز کی تعداد (مالی سال / مدت کے درمیان منعقد ہوئیں شرکت کی)
جناب عبدالعزیز**	چیئر مین	05
جناب ریزر مہتمم گہر	چیئر مین	05
جناب حامد فاروق	ڈائریکٹر	05
جناب امجد علی ارباب	ڈائریکٹر	05
جناب اشعر یعقوب**	ڈائریکٹر	05
جناب ندیم خان	ڈائریکٹر	05
جناب عامر صدیقی	ڈائریکٹر	05
جناب محمد عیسیٰ الطاہری	ڈائریکٹر	05
جناب وزیر علی خوجہ***	ڈائریکٹر	05
جناب مقیم الحق	ڈائریکٹر	05

** ان ڈائریکٹر حضرات نے بورڈ کی پہلی میٹنگ سے قبل استعفیٰ دے دیا تھا۔

*** جناب وزیر علی خوجہ مورخہ 17 ستمبر 2016ء کو انتقال کر گئے تھے۔

31 دسمبر 2016ء کے اختتامی (مالی سال کے دوران "بورڈ آف ڈائریکٹرز" میں درج ذیل تبدیلیاں کی گئیں:

* بورڈ آف ڈائریکٹرز کی میٹنگ منعقدہ مورخہ 18 مارچ 2016ء کے دوران چیئر مین عبدالعزیز صاحب کا استعفیٰ منظور کیا گیا۔ مزید مورخہ 12 اپریل 2016ء میں بورڈ آف ڈائریکٹرز کی میٹنگ کے دوران اشعر یعقوب صاحب کا استعفیٰ منظور کیا گیا۔ جبکہ مورخہ 12 جولائی 2016ء کو جناب جناب رائنر ریتھ گہر (Mr. Rainer Retgeber) کی بحیثیت "ڈائریکٹر اور چیئر مین" تقرری عمل میں آئی۔ اسی طرح مقیم الحق صاحب 19 اکتوبر 2016ء کو منعقد ہونے والی میٹنگ میں تقرر (Appointment) کیا گیا۔ جناب وزیر علی خوجہ مورخہ 17 ستمبر 2016ء کو انتقال کر گئے تھے۔

(ر) بینک کے جملہ (آپریٹنگ) امور اور مالی مواد (Financial Data) سے متعلق بنیادی معلومات "سالانہ رپورٹ" میں دستیاب ہیں جبکہ شیئر ہولڈنگ کے شعبہ جات اور طریق کار جو کہ "مکینیز آرڈیننس 1984ء کی طلب / ضروریات کے مطابق ہیں، بھی "سالانہ رپورٹ" میں شامل ہیں۔

(ز) بینک کے ڈائریکٹرز "اہلیت کا منافع / حصہ" (کحق) محفوظ رکھتے ہیں اور کسی بھی ڈائریکٹر نے (مالی سال کے دوران کسی قسم کا "منافع / حصہ" (Share) حاصل نہیں کیا۔

بورڈ آف ڈائریکٹرز کی ساخت/ ہیئت میں تبدیلی:

سال 2016ء کے دوران ڈائریکٹرز کے استعفوں کے باعث اتفاقی/عارضی اسامیاں وقوع پذیر ہوئیں، جن کو مندرجہ ذیل مستعفی ڈائریکٹرز کے قائم مقام مقرر/بھرتی کیا گیا۔

مستعفی ڈائریکٹر	نئے مقررہ (Appointed) ڈائریکٹر
جناب عبدالعزیز	جناب ریزر-تھ گبر (Riner Rathgeber)
جناب اشعر ایوب	جناب مقیم الحق
جناب وزیر اعلیٰ خوجہ	مناسب وقت اور طریقہ کار کے مطابق بھرتی کیا جائیگا

اُچارہ/حصہ کمپنی

30 اگست 2012ء کو پاکستان ٹیلی کمیونیکیشن کمپنی لمیٹڈ (PTCL) نے روزگار مانیکر و فنانس بینک لمیٹڈ کے 100 فیصد شیئر ہولڈنگ حاصل کئے جو کہ کراچی 29 اکتوبر 2003ء میں کمپنیز آرڈیننس 1984ء کے تحت شامل (incorporated) ہوا اور 7 دسمبر 2012ء سے اس کا نام ”U Microfinance Bank Limited“ سے تبدیل کیا گیا۔ (بینک) 31 جنوری 2013ء کو اسٹیٹ بینک آف پاکستان کی جانب سے اسے ملک بھر میں خدمات کی فراہمی شروع کرنے کے لئے لائسنس کا اجراء کیا گیا۔ 11 جولائی 2013ء کو اسٹیٹ بینک کی جانب سے ملک بھر میں تجارتی (Commercial) بنیادوں پر اسے برانچ لیس سروسز (BBS) شروع کرنے کے لئے اجازت نامہ (Approval) موصول ہوا۔ جس کے بعد مورخہ 23 جولائی 2013ء سے (یو مائیکرو فنانس بینک لمیٹڈ) نے اپنی کمرشل خدمات فراہم کرنا شروع کر دیں۔

باہمی/مشترکہ اختیارات/انتظام/نظم و ضبط

بینک ہذا کا ”بورڈ آف ڈائریکٹرز“ اس بات کا پابند/ذمہ دار ہے کہ وہ شیئر ہولڈرز کے لئے بینک کے انتظامی امور/معاملات ترتیب دے۔ ساتھ ہی (بورڈ آف ڈائریکٹرز) اپنی ذمہ داری قبول کرتا ہے کہ وہ بینک کے اندرونی نظام کو جانچ/نظم و ضبط میں رکھے/نگرانی کرے اور پر عزم ہے کہ وہ مشترکہ اختیارات/انتظام/نظم و ضبط کے بلند/اعلیٰ معیار کو قائم/برقرار رکھے۔

باہمی/مشترکہ اختیارات کا بیانیہ/اظہار

”ڈائریکٹرز“ انتہائی مسرت کے ساتھ بیان کرتے ہیں کہ:

(الف) بینک کی انتظامیہ کی جانب سے جو ”فنانشل اسٹیٹمنٹ/بیانیہ“ ترتیب دیا گیا ہے وہ مناسب طور پر/ٹھیک ٹھیک/انصاف سے/کافی/کامل طور پر اپنے امور/طریق عمل، بینک کے آپریشنز/اقدامات کے نتائج، کیش فلو اور اصول معدلت (جن سے قانون کی کوتاہی دور کی جاتی ہے) کے معاملات کو پیش کرتا ہے۔

(ب) مناسب/معقول/موزوں طور پر بینک کی ”بکس آف اماؤنٹ“ (Maintained Books of amount) (برقرار) ہیں۔

(پ) ”لین دین کی مناسب پالیسیاں“ (Appropriate Accounting Policies)، فنانشل اسٹیٹمنٹ اور اکاؤنٹنگ اسٹیٹمنٹ (لین دین کا تفصیل نامہ/لاگت کا تخمینہ حساب/موازنہ/اندازہ/جانچ) کو ترتیب دینے کے لئے یکساں طور پر لاگو ہوتی ہیں جو کہ معقول طور پر/واقع کے مطابق/مناسب طور پر اور پر حکمت/دانا/احتیاط فیصلوں پر مشتمل ہوتی ہیں۔

(ج) بینک کے فنانشل اسٹیٹمنٹس کی ترتیب/تیاری کے لئے ”بین الاقوامی فنانشل رپورٹنگ کے معیارات“ جو کہ پاکستان میں لاگو ہیں اور جن کو اسٹیٹ بینک آف پاکستان نے بھی اختیار/منظور کیا ہوا ہے، پر عمل کیا جاتا ہے۔ اور گریز/رخصت/تجاوز وغیرہ (اگر کوئی ہوں) تو ان کو مناسب/ٹھیک طور پر ظاہر/دکھاتا/بیان کرتا ہے۔ اور.....

ڈائریکٹر رپورٹ

ہم یو مائیکرو فنانس بینک لمیٹڈ (بینک) کے ڈائریکٹر کی رپورٹ اور آڈیٹڈ فنانشل اسٹیٹمنٹ برائے سال 31 دسمبر 2016ء پیش کرتے ہوئے انتہائی مسرت محسوس کرتے ہیں۔ بینک نے تمام شعبوں میں گزشتہ سال کے مقابلے میں قابل ستائش کارکردگی دکھائی ہے۔

بینک نے گزشتہ سال اپنی بیلنس شیٹ میں مچاسی/ بنیادوں سے 366 فیصد پر رہتے ہوئے 2.271 بلین اور موجودہ سال کیلئے 10.592 روپے اضافہ کیا۔ خصوصاً (خالص) قابل وصول اثاثہ جات کے سلسلے میں قابل ذکر اضافے کی وجہ سے 505 فیصد اضافہ نوٹ کیا گیا۔ گزشتہ سال کے خالص ایڈوانس اضافہ 0.913 بلین سے 5.528 بلین روپے اس سال کے دوران PAR 30 کے ساتھ 0.46 فیصد پر رہا۔ یہ (امر) مضبوط منافع/ آمدنی کے حصول کیلئے ایک مضبوط عمارت کی تعمیر اور اثاثہ جات کے معیار کے تعین کے لئے بنیاد فراہم کرتی ہے۔

رواں سال کے دوران بینک کے ڈیپوزٹ بک میں 661 فیصد کے ساتھ 1.065 بلین روپے سے 8.109 بلین روپے کا مستحکم اضافہ اس کا مظہر ہے۔ مزید بینک نے نئے تزیرواتی (Strategic) تعاون/ معاہدے تشکیل دیئے ہیں جو بینک کی فنڈنگ بنیادوں کو مزید وسعت عطا کرتے ہیں۔ دیگر بینکوں کے ساتھ پچھلے سال کے 0.736 بلین روپے کے مقابلے میں سرمایہ کاری اور بقیہ رقم 3.521 بلین رہی۔

گزشتہ سال کے 38 مقامات کے مقابلے میں (صرف) ایک سال میں 75 مقامات تک پہنچنے سے بینک کے مرکز اور بیانے کے اظہار کو تقویت حاصل ہوتی ہے۔

مالی نتائج: (FINANCIAL RESULTS)

31 دسمبر 2016ء	31 دسمبر 2015ء	تفصیل
95,573 (1,911)	29,920 (598)	قبل از ادائیگی ٹیکس منافع کم/ بغیر WWF
(9,233) (12,076)	(17,169) (4,122)	کم/ بغیر ٹیکسیشن/ موجودہ بقایا/ تاخیری/ ملتی شدہ/ قابل ادا
72.353	8,030	بعد از ادائیگی ٹیکس منافع
0.56	0.06	فی شیئر آمدنی (روپوں میں)

ذخائر/ سرمایہ/ اثاثہ جات کی منتقلی: (Transfer to Reserve)

سال 2016 کے دوران مائیکرو فنانس اسٹیٹوشن آرڈیننس، 2001ء کی ضروریات اور اسٹیٹ بینک آف پاکستان کی جانب سے مائیکرو فنانس بینک کے لئے پر حکمت ضابطہ/ شرائط/ قواعد کے اجراء کے مطابق (مائیکرو فنانس بینک) نے 20 فیصد کے مساوی منافع کی ایک رقم/ اماؤنٹ بعد از ادائیگی ٹیکس ٹرانسفر کی قانونی، پس انداز کے (14.471 بلین روپے)۔ اور 05 فیصد منافع (3.618 روپے) بعد از ادائیگی ٹیکس ڈیپوزیٹر پروٹیکشن فنڈ کے لئے مختص کئے۔

قابل انحصار سرمایہ کا اوسط:

اسٹیٹ بینک کی کم از کم ضرورت، 1,000 بلین روپے اور 15 فیصد 'Risk Weighted Assets' کے طے/ بیان/ منظور کردہ اصول اور بیلنس شیٹ کے مطابق بینک کا خالص مبنی برانصاف انحصار اوسط علی الترتیب 1,122 بلین روپے (2015ء میں 1,048 بلین) اور 17.63 فیصد (2015 میں 88.04 فیصد) رہا۔



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AUDITOR'S REPORT TO THE MEMBERS

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We have audited the annexed balance sheet of U Microfinance Bank Limited (the Bank) as at December 31, 2016 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 Companies Ordinance, 1984, Microfinance Institution Ordinance, 2001 and the directives issued by State Bank of Pakistan. Our responsibility is to express an opinion on these statements based on our 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 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 and Microfinance Institution Ordinance, 2001.
- (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 requirement of the Companies Ordinance, 1984, Microfinance Institution Ordinance, 2001 and the directives issued by State Bank of Pakistan, 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 the 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 Companies Ordinance, 1984 and Microfinance Institution Ordinance, 2001 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, 2016 and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and

- (d) in our opinion, Zakat deductible at source under the Zakat and Ushar 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

Engagement Partner
Shahzad Ali

Date: February 01, 2017
Islamabad

Balance Sheet

As At 31 December 2016

	Note	2016 Rupees	2015 Rupees
ASSETS			
Cash and balances with SBP and NBP	6	470,734,405	136,676,155
Balances with other Banks/ NBFIs/ MFBs	7	2,391,207,419	555,408,074
Investments	8	1,130,131,255	180,482,925
Advances - net of provisions	9	5,528,421,228	912,901,433
Operating fixed assets	10	303,027,259	222,412,762
Other assets	11	683,128,491	165,016,473
Deferred tax asset	12	85,066,133	98,024,114
Total Assets		10,591,716,190	2,270,921,936
LIABILITIES			
Deposits	13	8,109,923,603	1,065,315,613
Borrowings	14	1,000,000,000	-
Other liabilities	15	359,326,176	157,550,566
Total Liabilities		9,469,249,779	1,222,866,179
NET ASSETS		1,122,466,411	1,048,055,757
REPRESENTED BY:			
Share capital	16	1,285,714,290	1,285,714,290
Discount on issue of share capital		(25,714,290)	(25,714,290)
Statutory and other reserve		22,137,467	4,049,326
Accumulated loss		(160,733,099)	(214,997,521)
		1,121,404,368	1,049,051,805
Surplus/ (Deficit) on revaluation of assets	8.2	1,062,043	(996,048)
Total Capital		1,122,466,411	1,048,055,757
MEMORANDUM / OFF BALANCE SHEET ITEMS	17		

The annexed notes from 1 to 36 form an integral part of these financial statements.



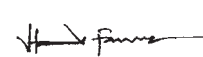
President &
Chief Executive Officer



Chairman



Director







Director

Profit And Loss Account

For The Year Ended 31 December 2016

	Note	2016 Rupees	2015 Rupees
Mark-up / return / interest earned	18	1,051,487,448	236,598,470
Mark-up / return / interest expensed	19	(428,307,584)	(53,889,637)
Net mark-up / interest income		623,179,864	182,708,833
Provision against non-performing advances	9.4	(44,490,290)	(4,957,366)
Net mark-up / interest income after provisions		578,689,574	177,751,467
NON MARK-UP / NON INTEREST INCOME			
Fee, commission and brokerage income	20	312,449,856	282,773,470
Other income	21	5,067,159	755,970
Gain on sale of investments		1,463,600	37,424,225
Total non-markup / non interest income		318,980,615	320,953,665
		897,670,189	498,705,132
NON MARK-UP / NON INTEREST EXPENSES			
Administrative expenses	22	801,942,379	468,366,192
Operating fixed assets written off		154,867	419,337
		802,097,246	468,785,529
PROFIT BEFORE TAXATION		95,572,943	29,919,603
Worker welfare fund		1,911,458	598,392
		93,661,485	29,321,211
TAXATION			
Current		(9,232,980)	(17,169,471)
Deferred		(12,075,942)	(4,121,735)
	23	(21,308,922)	(21,291,206)
PROFIT AFTER TAXATION		72,352,563	8,030,005
Items not to be classified to profit and loss account in subsequent periods - net of tax		-	(830,346)
Accumulated loss brought forward		(214,997,521)	(220,189,679)
		(142,644,958)	(212,990,020)
APPROPRIATIONS:			
Transfer to:			
Statutory reserves		14,470,513	1,606,001
Depositor's Protection Fund		3,617,628	401,500
		18,088,141	2,007,501
ACCUMULATED LOSS CARRIED FORWARD		(160,733,099)	(214,997,521)
EARNING PER SHARE	27	0.56	0.06

The annexed notes from 1 to 36 form an integral part of these financial statements.


 President & Chief Executive Officer	 Chairman	 Director	 Director
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Statement of Comprehensive Income


For The Year Ended 31 December 2016

	Note	2016 Rupees	2015 Rupees
Profit after taxation		72,352,563	8,030,005
Other comprehensive income			
Items that will not be reclassified to profit and loss:			
Remeasurement loss on employees' retirement benefits		-	(1,186,209)
Tax effect of remeasurement loss on employees' retirement benefits		-	355,863
		-	(830,346)
Comprehensive income (loss) for the year transferred to equity		72,352,563	7,199,659
Comprehensive income for the period not transferred to equity:			
Items that may be reclassified to profit and loss:			
Surplus on revaluation of assets		2,940,130	13,083,550
Surplus on revaluation of assets transferred to profit and loss		-	(14,506,475)
Tax Impact		(882,039)	426,877
		2,058,091	(996,048)
Total comprehensive income for the year - net of tax		74,410,654	6,203,611

The annexed notes from 1 to 36 form an integral part of these financial statements.


 President &
 Chief Executive Officer


 Chairman


 Director



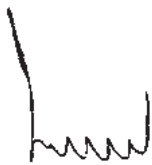


 Director

Cash Flow Statement

For The Year Ended 31 December 2016

	Note	2016 Rupees	2015 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		93,661,485	29,321,211
Adjustments for:			
Depreciation		48,435,685	47,399,996
Amortization		12,701,495	11,692,076
Provision for gratuity		6,000,000	4,449,170
Provisions against non-performing advances		44,490,290	4,957,366
Operating fixed assets written off		154,867	489,765
		111,782,337	68,988,373
		205,443,822	98,309,584
(Increase) in operating assets			
Advances		(4,660,010,085)	(573,731,165)
Other assets (excluding advance taxation)		(512,102,253)	(35,596,896)
Increase / (decrease) in operating liabilities			
Deposits		7,044,607,990	362,736,978
Other liabilities		203,224,134	(6,961,353)
		2,075,719,786	(253,552,436)
Net cash generated from/ (used in) operations		2,281,163,608	(155,242,852)
Gratuity paid		(7,448,524)	(13,804,744)
Income taxes paid		(15,242,745)	(11,772,533)
Net cash generated from / (used in) operating activities		2,258,472,339	(180,820,129)
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in Government securities - net		(946,708,200)	307,199,400
Investments in Term Deposits		(900,000,000)	(350,000,000)
Investments in operating fixed assets		(141,906,544)	(61,424,144)
Net cash outflow from investing activities		(1,988,614,744)	(104,224,744)
CASH FLOW FROM FINANCING ACTIVITIES			
Borrowings		1,000,000,000	-
Issuance of shares		-	100,000,000
Net cash inflow from financing activities		1,000,000,000	100,000,000
Net increase / (decrease) in cash and cash equivalents		1,269,857,595	(185,044,873)
Cash and cash equivalents at beginning of the year		342,084,229	527,129,102
Cash and cash equivalents at end of the year	24.	1,611,941,824	342,084,229

The annexed notes from 1 to 36 form an integral part of these financial statements.

 President & Chief Executive Officer	 Chairman	 Director	 Director
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Statement Of Changes In Equity

For The Year Ended 31 December 2016

	Statutory and other reserves					
	Share capital	Discount on issue of share capital	Statutory reserve	Depositors' Protection Fund	Accumulated profit	Total
	----- (Rupees) -----					
Balance as at December 31, 2014	1,185,714,290	(25,714,290)	1,633,460	408,365	(220,189,679)	941,852,146
Profit for the year ended December 31, 2015	-	-	-	-	8,030,005	8,030,005
Other Comprehensive income	-	-	-	-	(830,346)	(830,346)
Total comprehensive income	-	-	-	-	7,199,659	7,199,659
Transaction with equity holders						
Issue of share capital	100,000,000	-	-	-	-	100,000,000
Transfer to:						
Statutory reserve	-	-	1,606,001	-	(1,606,001)	-
Depositors' Protection Fund	-	-	-	401,500	(401,500)	-
Balance as at December 31, 2015	1,285,714,290	(25,714,290)	3,239,461	809,865	(214,997,521)	1,049,051,805
Profit for the year ended December 31, 2016	-	-	-	-	72,352,563	72,352,563
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	72,352,563	72,352,563
Transfer to:						
Statutory reserve	-	-	14,470,513	-	(14,470,513)	-
Depositors' Protection Fund	-	-	-	3,617,628	(3,617,628)	-
Balance as at December 31, 2016	1,285,714,290	(25,714,290)	17,709,974	4,427,493	(160,733,099)	1,121,404,368

The annexed notes from 1 to 36 form an integral part of these financial statements.



President &
Chief Executive Officer



Chairman



Director



Director

Notes To The Financial Statements

For The Year Ended 31 December 2016

1. STATUS AND NATURE OF BUSINESS

On August 30, 2012, Pakistan Telecommunication Company Limited (PTCL) acquired 100% shareholding of Rozgar Microfinance Bank Limited, incorporated in Karachi on October 29, 2003 under the Companies Ordinance, 1984, 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 banking license 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 plot no. 13-B, 2nd Floor, Jinnah Super Market, F-7 Markaz, Islamabad, Pakistan.

2. BASIS OF PRESENTATION

The financial information has 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

This financial information has 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, 2009.

4. Basis of measurement

4.1 Accounting convention

These financial statements has been prepared under the historical cost convention except for available for sale investments which are measured at fair value and the recognition of employee's gratuity benefit on the basis of actuarial assumptions.

4.1.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended December 31, 2016

The following standards, amendments and interpretations are effective for the year ended December 31, 2016. These standards, interpretations and the amendments are either not relevant to the Bank's operations or are not expected to have significant impact on the Bank's financial statements other than certain additional disclosures.

	Effective date (years beginning on or after)
Amendments to IFRS 11 - Accounting for acquisitions of interests in joint operations	January 1, 2016
Amendments to IAS 1 - Disclosure initiative	January 1, 2016
Amendments to IAS 16 and IAS 38 Clarification of acceptable methods of depreciation and amortization	January 1, 2016
Amendments to IAS 16 and IAS 41 Agriculture: Bearer plants	January 1, 2016
Amendments to IAS 27 - Equity method in separate financial statements	January 1, 2016
Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the consolidation exception	January 1, 2016

Certain annual improvements have also been made to a number of IFRSs.

4.1.2 New accounting standards / amendments and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Bank's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

**Effective date
(years beginning on or after)**

Amendments to IAS 7 - Disclosure initiative	January 1, 2017
Amendments to IAS 12 - Recognition of deferred tax assets for unrealised losses	January 1, 2017
Amendments to IAS 40 - Clarification regarding transfers of property to, or from, investment property	January 1, 2018

Certain annual improvements have also been made to a number of IFRSs.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers
- IFRS 16 – Leases

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.

4.3 Fair value measurements

Historical cost is generally based on the fair value of the consideration given in exchange for goods and orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, Share-based Payment, leasing transactions that are within the scope of International Accounting Standards IAS 17, Leases, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2, Inventories, or value in use in IAS 36, Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorized into Levels 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 — Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 — Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly.

Level 3 — Level 3 inputs are unobservable inputs for the asset or liability.

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 arising on revaluation is kept in a separate account titled 'Surplus on Revaluation of assets' 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 Regulation R-8, 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 year charged to the profit and loss account.

In accordance with the Regulation R-10, 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 - Owned

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 year in which these are incurred. Gains and losses on disposal of fixed assets are taken to profit and loss account for the period.

Property and equipment - Leased

Leases in terms of which the Bank assumes substantially all the risks and rewards of ownership are classified as assets subject to finance lease. These are stated at amounts equal to the lower of their fair value and the present value of minimum lease payments at inception of the lease, less accumulated depreciation and impairment (if any). Financial charges are allocated over the period of the lease term so as to provide a constant periodic rate of financial charge on the outstanding liability. Depreciation is charged on the basis similar to owned assets.

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. 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 year 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, using effective interest rate, 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 IRR.

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 year 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 a funded 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 R-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 R-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 R-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.

6. CASH AND BALANCES WITH SBP and NBP

	Note	2016 Rupees	2015 Rupees
Cash in hand			
Local currency		168,238,396	46,417,854
Balances with State Bank of Pakistan (SBP)			
Local currency current accounts	6.1	300,864,479	89,258,301
Balances with National Bank of Pakistan (NBP)			
Local currency current accounts		1,631,530	1,000,000
		470,734,405	136,676,155

- 6.1** This represents balance held with SBP to meet the requirement of maintaining minimum balance equivalent to 5% (2015: 5%) of the Bank's time and demand deposits with a tenure of less than one year, in accordance with regulation R-3A of the Regulations. This includes Rs. 4,427,493 (2015: Rs. 809,865) placed for the Depositors' Protection Fund.

7. BALANCES WITH OTHER BANKS/ NBFIs/ MFBs

	Note	2016 Rupees	2015 Rupees
In Pakistan - Local currency			
Current accounts	7.1	18,043,051	9,473,224
Savings accounts	7.2	1,123,164,368	195,934,850
Term deposit receipts	7.3	1,250,000,000	350,000,000
		2,391,207,419	555,408,074

- 7.1** This includes Rs 6,365,151 (2015: 6,365,151) held as deposit under lien in respect of standby letter of guarantee issued to Union Pay International.
- 7.2** Savings accounts carry interest at rates ranging from 4.5% to 10.3% (2015: 4.5% to 10.30%) per annum.
- 7.3** Term Deposit Receipts (TDR) are due to mature within 12 months and carry interest at the rate of 7% to 12% (2015: 11.10% to 11.15%) per annum respectively.

8. INVESTMENTS

	Note	2016 Rupees	2015 Rupees
Federal Government securities			
Available for sale			
Pakistan Investment Bonds (PIBs)	8.1	336,912,295	181,905,850
Surplus / (deficit) on revaluation of available for sale securities	8.2	1,517,205	(1,422,925)
		338,429,500	180,482,925
Held to Maturity			
Market Treasury Bills (T-Bills)	8.3	791,701,755	-
		791,701,755	-
		1,130,131,255	180,482,925

- 8.1** This represents PIB carried at market value maturing on April 19, 2019, March 26, 2020 and April 21, 2021 carrying an average interest rates of 7.75% (2015: 9.25% per annum).

8.2 Surplus / (deficit) on revaluation of available for sale securities

	Note	2016 Rupees	2015 Rupees
Pakistan Investment Bonds (PIBs)		1,517,205	(1,422,925)
Related deferred tax (liability)/ asset		(455,162)	426,877
		<u>1,062,043</u>	<u>(996,048)</u>

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

- 8.3** This represents market treasury bills maturing within 6 months and having yield ranging from 5.85% to 6.15% (2015: NIL).

9. ADVANCES - NET OF PROVISIONS

	Note	2016 Number of loans outstanding Amount outstanding Rupees		2015 Number of loans outstanding Amount outstanding Rupees	
		----- (Rupees) -----		----- (Rupees) -----	
Loan type					
Micro credit					
Secured		18,352	1,523,768,670	4,523	320,655,569
Unsecured		99,808	4,053,033,421	17,731	598,725,632
		<u>118,160</u>	<u>5,576,802,091</u>	<u>22,254</u>	<u>919,381,201</u>
Provisions held					
Specific provision		752	(8,172,251)	50	(497,487)
General provision	9.1	99,808	(40,208,612)	17,731	(5,982,281)
			(48,380,863)		(6,479,768)
Advances - net of provisions			<u>5,528,421,228</u>		<u>912,901,433</u>

- 9.1** General provision is maintained at the rate of 1% (2015: 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. 25,632,869 (2015: Rs. 4,229,668) which have been placed under non-performing status.

	Provision rate	2016			2015		
		Amount outstanding	Provisions required	Provisions held	Amount outstanding	Provisions required	Provisions held
		(Rupees)			(Rupees)		
OAEM	-	7,851,101	-	-	2,916,979	-	-
Sub-standard	25%	4,628,360	1,150,465	1,150,465	576,562	113,548	113,548
Doubtful	50%	11,865,343	5,733,721	5,733,721	239,581	37,393	37,393
Loss	100%	1,288,065	1,288,065	1,288,065	496,546	346,546	346,546
		25,632,869	8,172,251	8,172,251	4,229,668	497,487	497,487

9.3 Particulars of provisions against non-performing advances

	2016			2015		
	Specific	General	Total	Specific	General	Total
	(Rupees)			(Rupees)		
Balance at beginning of the year	497,487	5,982,281	6,479,768	15,430	2,350,121	2,365,551
Provision charge for the year	10,263,959	34,226,331	44,490,290	1,325,206	3,632,160	4,957,366
Reversals	-	-	-	-	-	-
Advances written off against provision	(2,589,195)	-	(2,589,195)	(843,149)	-	(843,149)
Balance at end of the year	8,172,251	40,208,612	48,380,863	497,487	5,982,281	6,479,768

9.4 Provision against non-performing advances

	2016 Rupees	2015 Rupees
Charge for the year	44,490,290	4,957,366
	<u>44,490,290</u>	<u>4,957,366</u>

9.5 Particulars of write off

Against provisions	(2,589,195)	(843,149)
Directly charged to profit and loss account	-	-
	<u>(2,589,195)</u>	<u>(843,149)</u>

10. OPERATING FIXED ASSETS

	Note	2016 Rupees	2015 Rupees
Capital work-in-progress	10.1	31,356,529	9,711,052
Property and equipment	10.2	193,458,870	125,736,720
Intangible assets	10.3	78,211,860	86,964,990
		<u>303,027,259</u>	<u>222,412,762</u>

10.1 Capital work-in-progress

	Note	2016 Rupees	2015 Rupees
Equipments		-	-
Advances to suppliers / contractors	10.1.1	17,529,551	9,236,365
Advances to suppliers for Branchless Banking System		-	-
Leasehold improvements		13,826,978	474,687
		31,356,529	9,711,052

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

10.2 Property and equipment

	2016									
	Cost				Depreciation				Book value	Rate of
	As at 1 January 2016	Additions	Deletion	As at 31 December 2016	As at 1 January 2016	Charge / (reversals)	On deletions	As at 31 December 2016	As at 31 December 2016	depreciation per annum
	(Rupees)									
Furniture and fixture	22,721,902	20,418,116	-	43,140,018	4,119,068	3,672,693	-	7,791,761	35,348,257	10.00%
Computers	81,630,317	16,011,268	(308,761)	97,332,824	63,281,307	17,597,825	(280,390)	80,598,742	16,734,082	33.33%
Electrical equipment	59,060,158	37,896,570	(230,000)	96,726,728	19,987,382	16,451,891	(103,504)	36,335,769	60,390,959	20.00%
Vehicles	9,074,179	14,803,556	-	23,877,735	4,692,450	3,215,375	-	7,907,825	15,969,910	20.00%
Office improvement	55,955,562	27,183,192	-	83,138,754	10,625,191	7,497,901	-	18,123,092	65,015,662	10.00%
	228,442,118	116,312,702	(538,761)	344,216,059	102,705,398	48,435,685	(383,894)	150,757,189	193,458,870	

	2015									
	Cost				Depreciation				Book value	Rate of
	As at 1 January 2015	Additions	Deletion	As at 31 December 2015	As at 1 January 2015	Charge / (reversals)	On deletions	As at 31 December 2015	As at 31 December 2015	depreciation per annum
	(Rupees)									
Furniture and fixture	16,530,306	6,191,596	-	22,721,902	1,885,955	2,233,113	-	4,119,068	18,602,834	10.00%
Computers	72,576,130	9,547,960	(493,773)	81,630,317	37,450,506	26,198,109	(367,308)	63,281,307	18,349,010	33.33%
Electrical equipment	42,775,850	16,726,308	(442,000)	59,060,158	8,507,184	11,558,898	(78,700)	19,987,382	39,072,776	20.00%
Vehicles	9,074,179	-	-	9,074,179	2,877,616	1,814,834	-	4,692,450	4,381,729	20.00%
Office improvement	34,548,790	21,406,772	-	55,955,562	5,030,149	5,595,042	-	10,625,191	45,330,371	10.00%
	175,505,255	53,872,636	(935,773)	228,442,118	55,751,410	47,399,996	(446,008)	102,705,398	125,736,720	

10.2.1 The cost of fully depreciated property and equipment that are still in use is Rs. 62,614,804 (2015: Rs 3,023,215).

10.2.2 Deletion of fixed assets during the year with original cost or book value is excess of Rs. 1,000,000 or Rs. 250,000 respectively (whichever is less) are nil (2015: nil)

10.3 Intangible assets

	2016									
	Cost				Amortization				Book value	Rate of depreciation per annum
	As at 1 January 2016	Additions	Deletion	As at 31 December 2016	As at 1 January 2016	Charge / (reversals)	On deletions	As at 31 December 2016	As at 31 December 2016	
	(Rupees)									
Branchless										
banking software	98,366,873	3,948,365	-	102,315,238	19,779,281	10,200,719	-	29,980,000	72,335,238	10.00%
Licenses	12,394,739	-	-	12,394,739	4,039,169	2,478,948	-	6,518,117	5,876,622	20.00%
Mail server	78,378	-	-	78,378	56,550	21,828	-	78,378	-	33.33%
	110,839,990	3,948,365	-	114,788,355	23,875,000	12,701,495	-	36,576,495	78,211,860	

	2015									
	Cost				Depreciation				Book value	Rate of depreciation per annum
	As at 1 January 2015	Additions	Deletion	As at 31 December 2015	As at 1 January 2015	Charge / (reversals)	On deletions	As at 31 December 2015	As at 31 December 2015	
	(Rupees)									
Branchless										
banking software	88,660,167	9,706,706	-	98,366,873	10,334,204	9,445,077	-	19,779,281	78,587,592	10.00%
Licenses	9,814,257	2,580,482	-	12,394,739	1,818,270	2,220,899	-	4,039,169	8,355,570	20.00%
Mail server	78,378	-	-	78,378	30,450	26,100	-	56,550	21,828	33.33%
	98,552,802	12,287,188	-	110,839,990	12,182,924	11,692,076	-	23,875,000	86,964,990	

10.3.1 This includes operating system and microsoft office licenses.

11. OTHER ASSETS

	Note	2016	2015
		Rupees	Rupees
Income / mark-up accrued		499,374,126	93,168,291
Advances, deposits and other prepayments	11.1	68,406,924	36,622,592
Advance taxation (payments less provisions)		19,154,527	13,144,762
Receivable from Pak Telecom Mobile Limited (PTML), an associated company	11.2	-	6,444,146
Inventory of ATM cards & stationery		956,752	989,318
Advance to staff		802,636	1,066,517
Receivable from SBP	11.3	90,616,341	13,580,847
Others		3,817,185	-
		683,128,491	165,016,473

- 11.1** This includes an amount of Rs. 3.6 million (2015: Rs. 5.6 million) paid to PTCL, the parent company, for disaster recovery service.
- 11.2** This represents net amount receivable from PTML, an associated company, related share of branchless banking income, prepaid and postpay bill collected and expenditure incurred by the Bank on behalf of PTML. Please refer to note 33 for detailed breakup.
- 11.3** This represents the amount receivable from SBP in respect of insurance premium paid by Ubank for livestock and crop loans under AC&MFD circular no. 01 of 2013 dated November 01, 2013.

12. DEFERRED TAX ASSET

	Note	2016 Rupees	2015 Rupees
Deferred debits arising in respect of:			
Unused tax losses		47,227,004	89,415,210
Unused tax credit		25,234,233	9,382,430
Provision against advances		14,514,259	1,943,930
Surplus / (deficit) on revaluation of available for sale securities		(455,162)	426,877
Remeasurement of employees' retirement benefits		355,863	355,863
		86,876,197	101,524,310
Deferred credits arising in respect of:			
Accelerated tax depreciation / amortization		(1,810,064)	(3,500,196)
		85,066,133	98,024,114

- 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 2016 - 2020 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.

13. DEPOSITS

	2016		2015	
	Number of accounts	Rupees	Number of accounts	Rupees
Fixed deposits	937	5,761,514,618	72	114,008,197
Saving deposits	8,394	1,706,686,676	3,303	548,248,877
Current deposits	308,313	641,722,309	149,664	403,058,539
	317,644	8,109,923,603	153,039	1,065,315,613

13.1 Particulars of deposits by ownership

Individual depositors	317,336	3,834,192,628	152,852	920,716,012
Institutional depositors				
Corporation/ firms	297	3,199,743,785	185	136,890,166
Banks / financial institutions	11	1,075,987,190	2	7,709,435
	317,644	8,109,923,603	153,039	1,065,315,613

14. BOROWINGS

		2016	2015
	Note	Rupees	Rupees
Borrowings from Banks/ Financial Institutions in Pakistan:			
Borrowings from Pak Oman Investment Co. Ltd	14.1	500,000,000	-
Borrowings from Bank Alfalah Ltd	14.2	300,000,000	-
Borrowings from United Bank Ltd	14.3	200,000,000	-
		1,000,000,000	-

- 14.1** This represents three years term borrowing from PAK Oman Investment Co. Ltd during April 2016. Principal will be repaid in 5 equal semi-annual installments of Rs. 100 million each starting from April 2017. It carries interest rate of 6 Month KIBOR+ 2% payable semi-annually.
- 14.2** This represents five years term borrowing from Bank Alfalah Ltd during September 2016. Principal will be repaid in 5 equal semi-annual installments of Rs. 60 million each starting from September 2017. It carries interest rate of 6 Month KIBOR+1.5% payable semi-annually.
- 14.3** This represents term finance and running finance each of Rs. 100 million from United Bank Ltd during December 2016. Repayment of term finance shall be in 5 equal semi-annual installments of Rs. 20 million each starting from December 2017. It carries interest rate of 6 month KIBOR+1.5% payable semi-annually. Running finance carries interest rate of 3 Month KIBOR+1.5% payable quarterly.
- 14.4** Bank has also arranged a term financial facility of Rs. 1.5 billion under Syndicate Financing through Allied Bank Ltd. The facility is un-utilized as at balance sheet date; and has tenure of 4 years and interest rate of 6 month KIBOR + 1.10%

15. OTHER LIABILITIES

		2016	2015
	Note	Rupees	Rupees
Interest payable on deposits and borrowings		101,620,566	6,036,118
Accrued expenses		105,272,363	35,287,184
Payable to Pak Telecom Mobile Limited (PTML), an associated company		14,314,765	-
Payable to utility companies for utility bills collection		57,080,735	4,124,688
Uncollected remittances		54,186,536	52,980,204
Provision for gratuity	15.1	750,000	2,198,524
Payable to provident fund	15.2	360,334	2,176
Payable for capital expenditure		-	1,571,135
Sales tax / federal excise duty payable		1,735,786	11,929,657
Bills payable		17,649,298	7,125,397
Others		6,355,793	36,295,483
		359,326,176	157,550,566

15.1 Provision for Gratuity

	Note	2016 Rupees	2015 Rupees
(Income) / Charge for the profit and loss			
Current service cost		5,791,140	5,460,393
Net interest		208,860	538,375
		6,000,000	5,998,768
Reconciliation of payable to / (receivable from) defined benefit plan			
Present value of defined benefit obligation	15.1.1	19,085,965	13,411,845
Fair value of plan assets	15.1.2	(18,335,965)	(11,213,321)
		750,000	2,198,524
Movement in net liability / (asset) recognized			
Opening net (asset) / liability		2,198,524	9,292,603
(Prepaid cost) / expense			
Current service cost		5,791,140	5,460,393
Net interest		208,860	538,375
		6,000,000	5,998,768
Accumulated other comprehensive income		711,897	711,897
Benefits paid on behalf of fund		(1,461,897)	(2,846,340)
Contributions to gratuity fund		(6,698,524)	(10,958,404)
Closing net (asset) / liability		750,000	2,198,524
Actuarial assumptions:			
Valuation discount rate		9.50%	11.00%
Salary increase rate		9.50%	11.00%

15.1.1 Present value of defined benefit obligation

Present value of obligation - opening	13,411,845	9,292,603
Current service cost	5,791,140	5,460,393
Interest cost	1,386,246	924,658
Benefits paid during the year	(1,461,897)	(2,846,340)
Actuarial (gain) / loss on obligation	(41,369)	580,531
Present value of obligation - closing	19,085,965	13,411,845

15.1.2 Fair value of plan assets

Total assets of fund - opening	11,213,321	-
Expected return on plan assets	1,438,300	386,284
Contributions to gratuity fund	7,448,524	10,958,404
Benefits paid on behalf of fund	-	2,846,340
Benefits paid	(1,461,897)	(2,846,340)
Actuarial / (gain) or loss on Asset	(302,283)	(131,367)
Total assets of fund - closing	18,335,965	11,213,321

15.1.3 Sensitivity analysis

	Note	2016 Rupees	2015 Rupees
Particulars		Present value of defined benefit obligation	
Current Liability		19,085,965	13,411,845
+1% Discount rate		15,871,817	11,153,240
-1% Discount rate		23,123,203	16,248,841
+1% Salary increase rate		23,186,613	16,293,400
-1% Salary increase rate		15,774,244	11,084,675

15.2 Employees provident fund

Size of the fund (total assets)	30,218,551	21,496,054
Cost of investments held	30,218,551	21,496,054
Percentage of investments held	100%	100%
Fair value of investments	30,218,551	21,496,054

Investments represent balances held with bank carrying interest at rate of 10% (2015: 6.5) per annum.

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.

16. SHARE CAPITAL**16.1 Authorized capital**

2016 (Number of shares in '000)	2015		2016 Rupees	2015 Rupees
140,000,000	140,000,000	Ordinary shares of Rs. 10 each	1,400,000,000	1,400,000,000

16.2 Issued, subscribed and paid-up capital

20,000,000	20,000,000	Ordinary shares of Rs. 10 each fully paid in cash	200,000,000	200,000,000
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
128,571,429	128,571,429		1,285,714,290	1,285,714,290

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

17. MEMORANDUM / OFF BALANCE SHEET ITEMS

CONTINGENCIES

There were no material known contingencies at year end. (2015: nil)

COMMITMENTS

	Note	2016 Rupees	2015 Rupees
Standby letter of guarantee	17.1	6,365,151	6,365,151
Property and equipment		46,146,097	3,097,623
Intangible assets		19,047,500	2,736,020
		<u>71,558,748</u>	<u>12,198,794</u>

17.1 This represents letter of guarantee issued by the Bank to Union Pay International Company Limited for interbank settlements.

18. MARK-UP / RETURN / INTEREST EARNED

	Note	2016 Rupees	2015 Rupees
Mark-up on advances		868,605,354	138,126,856
Interest on investment in Government securities		24,410,988	45,022,643
Interest on deposit accounts/ placements with other banks/ financial institutions		158,471,106	53,448,971
		<u>1,051,487,448</u>	<u>236,598,470</u>

19. MARK-UP / RETURN / INTEREST EXPENSED

This represents interest expense on deposits and borrowings.

20. FEE, COMMISSION AND BROKERAGE INCOME

Fee from branchless banking		130,988,692	248,374,980
Other charges collected from customers	20.1	181,461,164	34,398,490
		<u>312,449,856</u>	<u>282,773,470</u>

20.1 This includes fee on loan processing and cheque book issuance collected from customers.

	2016 Rupees	2015 Rupees
Recovery against advances written off	1,741,567	314,561
Miscellaneous income	3,325,592	441,409
	<u>5,067,159</u>	<u>755,970</u>

21. OTHER INCOME

22. ADMINISTRATIVE EXPENSES

	Note	2016 Rupees	2015 Rupees
Staff salaries and benefits		439,095,907	202,523,467
Salaries of contracted / outsourced employees		-	10,176,668
Gratuity		6,000,000	4,449,170
Provident fund		7,940,913	6,000,219
Insurance		15,909,333	4,716,897
Rent, rate and taxes		54,594,046	49,364,481
Travelling and conveyance		14,466,544	5,337,053
Postage and courier		4,398,503	2,338,360
Utilities		32,399,065	18,846,218
Repair and maintenance		31,155,788	24,951,274
Depreciation and amortization	10	61,137,180	59,092,072
Software support and maintenance fee		29,655,943	31,060,398
Stationery and printing		18,899,107	7,362,917
Auditors' remuneration	22.1	1,350,000	950,000
Legal and professional fee		1,232,302	1,951,337
Security services		39,069,230	16,740,292
Office supplies		7,945,026	3,175,613
Internet and connectivity charges		11,763,720	6,921,303
NADRA verification charges		9,008,116	1,804,847
Bank charges		9,281,034	7,512,175
SBP penalty		1,130,000	120,000
Marketing expenses		4,580,391	-
Miscellaneous expenses		930,231	2,971,431
		801,942,379	468,366,192

22.1 Auditors' remuneration

Half year review	330,000	330,000
Annual audit	520,000	520,000
Other services	400,000	-
Out of pocket expenses	100,000	100,000
	1,350,000	950,000

23. TAXATION**Current - for the year**

- for prior years

(15,922,448)	(17,169,471)
6,689,468	-
(9,232,980)	(17,169,471)

Deferred - for the year

- for prior years

(13,072,304)	5,352,616
996,362	(9,474,351)
(12,075,942)	(4,121,735)
(21,308,922)	(21,291,206)

23.1 Tax rate reconciliation

Profit before tax (Rupees)

Applicable tax rate
Deferred tax
Effect of tax on capital gain on PIB's
Effect of change in tax rate
Average effective tax rate charged to income

2016	2015
Rupees	Rupees
93,661,485	29,321,211
31%	32%
-44.11%	8.45%
0.47%	40.84%
-16.66%	(8.68%)
-29.30%	72.61%

24. CASH AND CASH EQUIVALENTS

Cash and balances with SBP and NBP
Balances with other banks

2016	2015
Rupees	Rupees
470,734,405	136,676,155
1,141,207,419	205,408,074
1,611,941,824	342,084,229

25. NUMBER OF EMPLOYEES

Credit sales staff
Permanent
Contractual

Banking / support staff
Permanent
Contractual
Outsourced

Total number of employees at the end of the year

Average number of employees during the year

2016	2015
----- (Number) -----	
34	57
323	59
357	116
263	209
319	78
-	-
582	287
939	403
683	371

26. NUMBER OF BRANCHES

Branches at beginning of the year
Opened during the year
- Branches
- Service Centers
Branches / Service Centers at the end of the year

38	25
8	2
29	11
75	38

27. EARNING PER SHARE**(a) Basic**

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

	2016	2015
	Rupees	Rupees
Profit attributable to equity holders (Rupees)	72,352,563	8,030,005
Ordinary shares outstanding as at year end	128,571,429	118,571,429
Weighted average number of shares in issue (numbers)	-	7,300,000
Total shares (numbers)	128,571,429	125,871,429
Earning per share - basic (Rupees)	0.56	0.06

(b) Diluted

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

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

	December - 2016			December - 2015		
	President / Chief Executive	Directors	Executives	President / Chief Executive	Directors	Executives
	(Rupees)			(Rupees)		
Fee	-	319,998	-	-	-	-
Managerial remuneration	3,121,183	-	55,884,462	5,760,000	-	38,016,887
Gratuity fund	260,099	-	4,657,038	480,000	-	2,968,074
Provident fund	249,695	-	4,410,051	460,800	-	2,667,973
Rent and house maintenance	1,820,690	-	32,599,260	3,360,000	-	20,776,399
Utilities	260,099	-	4,657,038	480,003	-	2,968,512
Medical	149,260	-	2,501,833	170,807	-	1,727,861
Conveyance	420,000	-	6,576,000	440,000	-	5,503,708
Others	267,149	-	4,942,138	483,200	-	3,113,274
Total	6,548,175	319,998	116,227,820	11,634,810		77,742,688
Number of person(s)	1	8	58	1	8	37

28.1 Some executives of the bank were also provided with a Bank maintained car in accordance with the terms of employments.

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.

29. FINANCIAL RISK MANAGEMENT

29.1 Interest/ mark-up rate risk

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates.

The Bank interest rate exposure is low due to the short-term nature of the majority of business transactions. Interest rate risk is also controlled through flexible credit pricing mechanism and variable deposit rates. Optimization of yield is achieved through the Bank's investment strategy which aims on attaining a balance between yield and liquidity under the strategic guidance of Assets and Liability Committee of Management.

29.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Bank's credit risk is primarily attributable to its advances, balances at banks and investments. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The Bank has an effective loan disbursement and recovery monitoring system which allows it to evaluate borrowers' credit worthiness and identify potential problem loans. A provision for loan losses is maintained as required by the Prudential Regulations. Investments are mainly in the government securities or other securities having good credit rating. Maximum amount of financial assets which are subject to credit risk amount to Rs. 8,636 million (2015: Rs. 1,621 million).

29.3 Liquidity risk

Liquidity risk is the risk that the Bank will not be able to raise funds to meet its commitments. At present the bank is not exposed to this risk as there is sufficient cash placed with various commercial banks at the year end. Bank has also arranged a term finance facility of Rs. 1.5 billion under Syndicate Finance through Allied Bank Ltd. The facility is un-utilized as at balance sheet date; and has tenure of 4 years and interest rate of 6 month KIBOR + 1.10%

29.4 Fair value of financial Instruments

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair value. For further details please refer to note 32.

30. CAPITAL MANAGEMENT

The Bank's key objectives when managing its capital are:

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

As of the balance sheet date, the Bank's net equity and Capital Adequacy Ratio stood at Rs. 1,122million (2015: Rs. 1,048 million) and 17.63% (2015: 88.04%) respectively, as against the minimum requirement of Rs.1,000 million and 15% prescribed by SBP.

31. SCHEDULE OF MATURITY DISTRIBUTION OF MARKET RATE ASSETS AND LIABILITIES AS AT DECEMBER 31, 2016

	2016				
	Total	Upto one Month	Over one month upto six months	Over six months upto one year	Over one year
(Rupees)					
Market rate assets					
Advances	5,528,421,228	38,063,639	2,078,826,206	3,411,531,383	-
Investments	1,130,131,255	-	791,701,755	-	338,429,500
Other earning assets					-
Balances with other banks - deposit accounts	2,373,164,368	1,123,164,368	750,000,000	-	500,000,000
Total market rate assets	9,031,716,851	1,161,228,007	3,620,527,961	3,411,531,383	838,429,500
Other non-earning assets					
Cash in hand	168,238,396	168,238,396	-	-	-
Balances with SBP and NBP - current accounts	302,496,009	302,496,009	-	-	-
Balances with other banks - current accounts	18,043,051	18,043,051	-	-	-
Operating fixed assets	303,027,259	32,577,099	5,711,000	8,341,213	256,397,947
Other assets	683,128,491	97,108,887	551,745,079	11,369,031	22,905,494
Deferred tax asset	85,066,133	-	-	-	85,066,133
Total non-earning assets	1,559,999,339	618,463,442	557,456,079	19,710,244	364,369,574
Total assets	10,591,716,190	1,779,691,449	4,177,984,040	3,431,241,627	1,202,799,074
Market rate liabilities					
Large time deposits above Rs. 100,000	5,636,924,528	224,771,904	2,373,408,219	753,146,800	2,285,597,605
All other time deposits (including fixed rate deposits)	124,590,090	-	3,292,000	7,319,600	113,978,490
Other cost bearing deposits	1,706,686,676	1,706,686,676	-	-	-
Borrowings	1,000,000,000	-	100,000,000	280,000,000	620,000,000
Total market rate liabilities	8,468,201,294	1,931,458,580	2,476,700,219	1,040,466,400	3,019,576,095
Other non-cost bearing liabilities					
Deposits	641,722,309	641,722,309	-	-	-
Other liabilities	359,326,176	330,097,772	23,904,142	5,324,262	-
Total non-cost bearing liabilities	1,001,048,485	971,820,081	23,904,142	5,324,262	-
Total liabilities	9,469,249,779	2,903,278,661	2,500,604,361	1,045,790,662	3,019,576,095
Net assets	1,122,466,411	(1,123,587,212)	1,677,379,679	2,385,450,965	(1,816,777,021)

SCHEDULE OF MATURITY DISTRIBUTION OF MARKET RATE ASSETS AND LIABILITIES AS AT DECEMBER 31, 2015

	2015				
	Total	Upto one Month	Over one month upto six months	Over six months upto one year	Over one year
(Rupees)					
Market rate assets					
Advances	912,901,433	22,449,346	280,492,624	609,685,663	273,800
Investments	180,482,925	-	-	-	180,482,925
Other earning assets					-
Balances with other banks - deposit accounts	545,934,850	195,934,850	-	350,000,000	-
Total market rate assets	1,639,319,208	218,384,196	280,492,624	959,685,663	180,756,725
Other non-earning assets					
Cash in hand	46,417,854	46,417,854	-	-	-
Balances with SBP and NBP - current accounts	90,258,301	90,258,301	-	-	-
Balances with other banks - current accounts	9,473,224	9,473,224	-	-	-
Operating fixed assets	222,412,762	5,032,602	25,163,010	30,195,611	162,021,539
Other assets	165,016,473	98,201,464	37,117,981	8,676,986	21,020,042
Deferred tax asset	98,024,114	-	-	-	98,024,114
Total non-earning assets	631,602,728	249,383,445	62,280,991	38,872,597	281,065,695
Total assets	2,270,921,936	467,767,641	342,773,615	998,558,260	461,822,420
Market rate liabilities					
Large time deposits above Rs. 100,000	112,381,197	33,397,044	59,118,493	12,165,660	7,700,000
All other time deposits (including fixed rate deposits)	1,627,000	100,000	1,122,000	405,000	-
Other cost bearing deposits	548,248,877	548,248,877	-	-	-
Total market rate liabilities	662,257,074	581,745,921	60,240,493	12,570,660	7,700,000
Other non-cost bearing liabilities					
Deposits	403,058,539	403,058,539	-	-	-
Other liabilities	157,550,566	152,582,464	650,008	3,958,254	359,840
Total non-cost bearing liabilities	560,609,105	555,641,003	650,008	3,958,254	359,840
Total liabilities	1,222,866,179	1,137,386,924	60,890,501	16,528,914	8,059,840
Net assets	1,048,055,757	(669,619,283)	281,883,114	982,029,346	453,762,580

32. FINANCIAL ASSETS AND LIABILITIES

Accounting classifications and fair values

The table below sets out the Bank's classification of each class of financial assets and liabilities, and their fair values (excluding accrued interest).

		Fair value through profit or loss					
	Note	Held for trading	Designated at fair value	Held to maturity	Loans and receivables	Available for sale	Total carrying amount
----- (Rupees 000) -----							
2016							
Financial Assets							
Cash and cash equivalents	6 & 7	-	-	-	1,611,941,824	-	1,611,941,824
Investments	7 & 8	-	-	791,701,755	1,250,000,000	338,429,500	2,380,131,255
Loans and advances to customers	9	-	-	-	5,528,421,228	-	5,528,421,228
Other assets	11	-	-	-	663,017,212	-	663,017,212
		-	-	791,701,755	9,053,380,264	338,429,500	10,183,511,519

		Fair value through profit or loss	Amortised Cost	Total carrying amount
(Rupees 000)				
Financial Liabilities				
Deposits from banks	13	-	1,075,987,190	1,075,987,190
Deposits from customers	13	-	7,033,936,413	7,033,936,413
Other liabilities	15	-	341,676,878	341,676,878
		-	8,451,600,481	8,451,600,481

		Fair value through profit or loss					
		Held for trading	Designated at fair value	Held to maturity	Loans and receivables	Available for sale	Total carrying amount
		(Rupees 000)					
2015							
Financial Assets							
Cash and cash equivalents	6 & 7	-	-	-	342,084,229	-	342,084,229
Investments	7 & 8	-	-	-	350,000,000	180,482,925	530,482,925
Loans and advances to customers	9	-	-	-	912,901,433	-	912,901,433
Other assets	11	-	-	-	150,882,393	-	150,882,393
		-	-	-	1,755,868,055	180,482,925	1,936,350,980

		Fair value through profit or loss	Amortised Cost	Total carrying amount
(Rupees 000)				
Financial Liabilities				
Deposits from banks	13	-	7,709,435	7,709,435
Deposits from customers	13	-	1,057,606,178	1,057,606,178
Other liabilities	15	-	150,425,169	150,425,169
		-	1,215,740,782	1,215,740,782

The carrying amounts approximate fair values as mostly the assets and liabilities have short maturities and are expected to be recovered/ settled at their carrying amounts.

33. 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 16.3. 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 period and balances outstanding as at the period ended 31 Dec 2016 are as follows:

	Dec-2016 Rupees	Dec-2015 Rupees
Transactions		
Parent Company - PTCL		
Issue of share capital to PTCL	-	100,000,000
Payment for disaster recovery services	11,259,000	8,311,952
Internet, connectivity, utility & rental charges	12,542,965	4,403,433
Utility Bill collected on behalf of PTCL	324,862,698	396,184,660
Utility Bill collection charges	1,530,981	2,242,827
Interest expense on deposits	33,264,438	-
Associated Company - PTML		
Payment for administrative costs and fixed assets	10,014,718	10,527,526
Payment against branchless banking and bills collected	-	33,669,665
Amount received against reimbursement of agent's commission	-	81,626,482
Interest expense on deposits	1,971,313	1,572,348
Deposit incentive	3,376,181	360,754
Employees provident fund		
Contribution to provident fund	7,940,913	6,000,219
Employees gratuity fund		
Payment to gratuity fund	6,000,000	13,804,744
Balances		
Parent Company - PTCL		
Prepaid for disaster recovery services	3,609,866	5,578,862
Payable against utility bills collected	735,099	837,450
Utility bills collection charges receivable	1,000,169	178,743
Deposits	530,011,012	-
Interest payable on deposits	352	-
Associated Company - PTML		
Deposits	11,994,034	39,398,718
Receivable / (Payable) against branchless banking and bills collected	(14,314,765)	6,444,146
Payable to PTML		
Interest payable on deposits	256,187	162,902
Deposit incentive	3,376,181	360,754
Employees provident fund		
Payable to provident fund	360,334	2,176
Employees gratuity fund		
Payable to gratuity fund	750,000	2,198,524

34. U Microfinance bank is a customer oriented organization and gives due consideration to the valuable feedback of its customers. Complaints are treated as opportunity to align our products/services and processes to serve the customers in a best possible way. A Complaints Resolution Unit (CRU) has been established in the Bank in line with applicable regulatory requirement and Bank's own policy drive. The Unit is equipped with Complaints Management System (CMS) to record, escalate and resolve complaints received through available channels. All calls/complaints are recorded in Complaints Management System against a unique ticket number and acknowledged to the customer for tracking its resolution. Scenario based work codes are embedded in the system with the escalation matrix. Periodic reviews are also conducted and results are shared with the management for their information. Duly approved Complaints Resolution and Financial Consumer Protection Policies are in place to protect the rights and interests of the customers.

Following initiatives were taken to resolve customer complaints during the year 2016:

Revision in Complaints Management Policy in line with emerging regulatory requirements.

Analysis and revision of turned around time of complaint / service ticket based on improvement in technology.

Necessary enhancements in Complaints Management Systems

Training of Call center staff on Bank's products and processes





	Branchless Banking	Branch	Grand Total	Average Resolution Time
Account Maintenance	1,477	-	1,477	12.47 hours
ATM/ Debit Card	3,620	1	3,621	
Personal loan/ overdraft/ agriloans		14	14	
	5,097	15	5,112	

35. GENERAL

Corresponding figures have been rearranged and reclassified where necessary for more appropriate presentation of transactions and balances. 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.

36. DATE OF APPROVAL

These financial statements were approved by the Board of Directors of the Bank in their meeting held on 01-02-2017 .

 President & Chief Executive Officer	 Chairman	 Director	 Director
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Branch Network

Head Office - Islamabad

2nd floor, 13 B, Jinnah Super Market Islamabad

Sindh

Karachi DHA

20-C, Ittehad Lane-12, Phase-2 Extension,
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Gulshan e Iqbal

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Shahra e Faisal Karachi

Park Avenue, Opposit Jason Trade Center,
Shahra e Faisal, Karachi
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Hyderabad

Bhurgury Road, Hirabad, Hyderabad
Ph: 022-2633383

Tando Muhammad Khan

Phuleli road, Tando Muhammmad Khan
Ph:

Tando Allahyar

Near Grid Station Mohalla Main
Hyderabad Road, Tando Allahyar
Ph:

Mirpurkhas

PTCL Office Near GPO Post Chaar
Minar Chowk Mirpurkhas
Ph:

Digri

Mirwah Road digri Taluka Digri,
District Mirpurkhas
Ph: 023-3869345-6

Nawabshah

Samar Palace Hospital Road
Nawab Shah
Ph: 024-4362123-4

Ghotki

Near Faisal Bank, Dewari Road, Ghotki
Ph: 072-3662503-4

Pannu Aqil

Baiji Road Tehsil Panuu Aqil Disrict Sukkur
Ph: 071-5690365

Khairpur

Kachehry Road, Opposite ZTBL,
Khairpur Mirus
Ph: 024-3714924-18

Ranipur

PTCL Exchange Shahi Bazar Ranipur
Ph: 024-3730260

Sukkur

PTCL Old CTO Compound building , Neem
Ki Chari Minara Road , Sukkur
Ph: 071-5626690-1

Punjab

Rawalpindi

PTCL Exchange, OSS Hall, Kashmir Road,
Saddar, Rawalpindi
Ph: 051-5111153

Bhakkar

Club Road Mandi town Bhakkar
Ph: 0453-511133 - 510133

Darya Khan

Near Govt. College of Commerce Railway
Road Darya Khan District Bhakkar
Ph: 0453-252029

Lodhran

Near Jalalpur Mor, Opposite Ahl-e-Hadis
Masjid, Multan Bahawalpur Road Lodhran
Ph: 0608-361600-1-2

Kehror Pakka

Dunyapur Road Near Railway Phatak,
Zafarabad Tehsil Kahrora Pacca,
District Lodhran
Ph: 0608-340298 - 340400

Shujabad

Near ZTBL, Jalalpur road, Shujabad, District
Multan
Ph: 061 - 4397855

Rajanpur

Kamran Market Indus Highway, Near
Khushali Bank, Rajanpur
Ph:

Jalalpur Pirwala

Mouza jalalpur pirwala, District Multan
Ph: 061-4420124-125

Layyah

Near Paracha Petrol Pump Chobara Road,
Near TDA Chowk Layyah
Ph: 0606-411125-4

Keror Lal Essan

Near PTCL Exchange Fateh Pur Road,
Tehsil KarorLal Essan District Layyah
Ph: 0606-810375

Chowk Azam

China plaza, Near Khushhali Bank Ltd,
Fatehpur road, Chowk Azam
Ph: 0606-372125

Lahore

Chowk yateem Khana, Multan Road,
Lahore
Ph: 0423-7505140

Shahdrah

GT road, Saeed Park Had Bast Moza
Fateh puri Tehsil Lahore. Shahdra
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Rahim Yar Khan

Khanpur Minicipal Committee,
Tehsil Khanpur District RYK
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Sadiqabad

Nishtar road, Mehrabad Colony, Nehar
Kinara, District Sadiqabad
Ph: 068-5803333

Sahiwal

Kachehri Road Sahiwal
Ph: 040-4221051-2-3

Chichawatni

Fazal Plaza, Begum Shahnaz Road,
Chichawatni
Ph: 072-3662503-4

Branch Network

Bahawalpur

Ihata Sinda Ram, Stadium Road Farid Gate
Bahawalpur
Ph: 0622-880152-1-3

Ahmedpur East

Near Rohi Autos, Kachahry Road, Ahmedpur
East, District Bahawalpur
Ph: 062-2272053

Uch Sharif

Sohail Trade Centre, Near ZTBL, Ahmedpur
East Road, Uch sharif
Ph: 062-2551230

Dunyapur

Near Khawaja Asim & Qasim Company,
Railway Road Dunyapur
Ph: 060-8304135-4-6

Multan

Bosan Road Punjab Nursery Gulgasht
Colony, Multan
Ph: 061-6223626

Khanewal

Purana Khanewal, Haibat Road, Khanewal
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Chishtian

Tal Plaza Near Melaad Chowk, College Road,
Chistian Dsitric, Bahawalnagar.
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Hasil Pur

Altaj Plaza, Railway Road, Hasilpur,
District Bahawalpur
Ph: 062-244110 - 244110

Pakpattan

Khatoni No. 2928, College Road Pakpattan
Ph: 045-7371023

Arifwala

Lakar Mandi, Arifwala Pakpattan
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Faisalabad

London Plaza, Ground Floor, Adjacent Ideal
Bakers, Satiyana Road, Faisalabad
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Ghulam Mohammadabad

Adam chowk, Ghulam Muhammadabad
Faisalabad
Ph: 041-2691092

Jaranwala

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GT Road, Gujranwala
Ph:

Gujranwala

Kamran Market Indus Highway, Near
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Ph: 055-3842536

QilaDidar Singh

Near Jamiyah Muhammadia, Hafizabad
Road QilaDidar Singh
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Alipur Chattah

Gujranwala Road, Alipur Chatta
Ph: 055-6332713

Muridke

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Muridke
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Wazirabad

Circular road, Opposite Govt. Public High
School for Boys, Wazirabad
Ph: 055-6602268

Mankera

Near Asghar Filling Station Jhang Road
Mankera District Bhakkar
Ph: 045-3410255

Kot Addu

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Okara

Sahi Manzil, College Road, Opposite
Municipal Corporation, Okara.
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Basirpur

Mauza Baseerpur, Tehsil Depalpur
District Okara
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Hujra Shah Muqeem

Hujra Shah Muqeem, Attari Road,
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Depalpur

Hujra road, Deepalpur Opposite
Lari Adda
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Renala Khurd

Hussain Arcade, Androon Hadud
Committee, Renala District Okara
Renala Khurd
Ph: 044-2621150-1

Kasur

Kasur Beroon (Jadeed Urban), Tehsil
& District Kasur
Ph: 049-2727845

Khudian

Near Lari Adda Tehsil & District
Kasur
Ph: 049-2790070

Kot Radha Kishan

Hisa Mantiqila # 132/25550 Kot
Radha Kishan
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Raiwand

Waqai Moza Raiwind Road.
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Ellahabad

Chunnian road, Ellahabad, Tehsil &
Distt Kasur.
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Hafizabad

Gujranwala Road Near MCB Hafizabad
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Branch Network

Jalalpur Bhattian

Vanikay road, Jalalpur Bhattian
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Pindi Bhattian

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Phaliya

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Choungy, Phaliya
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KPK

Abbottabad

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Peshawar

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Peshawar
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Fedral Capital

Islamabad

Blue Area Branch
Ph:

AJK

Muzaffarabad

Bilal Shopping Complex, Upper Adda,
Muzaffarabad
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