

**U MICROFINANCE BANK LIMITED**  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2017

## AUDITOR'S REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **U Microfinance Bank Limited** (the Bank) as at December 31, 2017 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 the 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 reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by the management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of accounts have been kept by the Bank as required by the Companies Ordinance, 1984 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 the 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, 2017 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 Usher 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 07, 2018  
**Islamabad**



**U MICROFINANCE BANK LIMITED**  
**BALANCE SHEET**  
**AS AT DECEMBER 31, 2017**

	Note	2017 Rupees	2016 Rupees
<b>ASSETS</b>			
Cash and balances with SBP and NBP	6	772,153,529	470,734,405
Balances with other Banks/ NBFIs/ MFBs	7	2,586,898,409	2,391,207,419
Investments	8	1,786,374,826	1,130,131,255
Advances - net of provisions	9	10,554,358,150	5,528,421,228
Operating fixed assets	10	465,355,215	303,027,259
Other assets	11	1,444,876,987	683,128,491
Deferred tax asset	12	20,870,591	85,066,133
<b>Total Assets</b>		<b>17,630,887,707</b>	<b>10,591,716,190</b>

**LIABILITIES**

Deposits	13	11,971,358,214	8,109,923,603
Borrowings	14	3,069,486,748	1,000,000,000
Subordinated debt	15	600,000,000	-
Other liabilities	16	611,042,422	359,326,176
<b>Total Liabilities</b>		<b>16,251,887,384</b>	<b>9,469,249,779</b>

**NET ASSETS**

<b>1,379,000,323</b>	<b>1,122,466,411</b>
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**REPRESENTED BY:**

Share capital	17	1,285,714,290	1,285,714,290
Discount on issue of share capital		(25,714,290)	(25,714,290)
Statutory and other reserve		86,878,972	22,137,467
Accumulated profit/ (loss)		32,149,466	(160,733,099)
		<b>1,379,028,438</b>	<b>1,121,404,368</b>
(Deficit) / surplus on revaluation of assets	8	(28,115)	1,062,043
<b>Total Capital</b>		<b>1,379,000,323</b>	<b>1,122,466,411</b>

**MEMORANDUM / OFF BALANCE SHEET ITEMS**

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The annexed notes from 1 to 38 form an integral part of these financial statements.

  
**PRESIDENT / CHIEF EXECUTIVE**

  
**CHAIRMAN**

  
**DIRECTOR**

  
**DIRECTOR**

**U MICROFINANCE BANK LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Note	2017 Rupees	2016 Rupees
Mark-up / return / interest earned	19	2,644,949,519	1,051,487,448
Mark-up / return / interest expensed	20	(1,152,285,232)	(428,307,584)
Net mark-up / interest income		1,492,664,287	623,179,864
Provision against non-performing advances	9.4	(86,252,023)	(44,490,290)
Net mark-up / interest income after provisions		1,406,412,264	578,689,574
<b>NON MARK-UP / NON INTEREST INCOME</b>			
Fee, commission and brokerage income	21	448,264,770	312,449,856
Other income	22	5,097,590	5,067,159
Gain on sale of investments		4,736,459	1,463,600
Total non-markup / non interest income		458,098,819	318,980,615
		1,864,511,083	897,670,189
<b>NON MARK-UP / NON INTEREST EXPENSES</b>			
Administrative expenses	23	1,446,736,556	800,812,379
Other charges	24	1,851,000	1,130,000
Operating fixed assets written off		-	154,867
		(1,448,587,556)	(802,097,246)
<b>PROFIT BEFORE TAXATION</b>		415,923,527	95,572,943
Worker welfare fund (WWF)		(8,318,471)	(1,911,458)
		407,605,056	93,661,485
<b>TAXATION</b>			
Current		(83,401,162)	(9,232,980)
Deferred		(65,237,875)	(12,075,942)
	25	(148,639,037)	(21,308,922)
<b>PROFIT AFTER TAXATION</b>		258,966,019	72,352,563
<b>Items not to be classified to profit and loss account in subsequent periods - net of tax</b>			
Accumulated loss brought forward		(160,733,099)	(214,997,521)
		98,232,920	(142,644,958)
<b>APPROPRIATIONS:</b>			
<b>Transfer to:</b>			
Statutory reserves		51,793,204	14,470,513
Depositor's Protection Fund		12,948,301	3,617,628
		64,741,505	18,088,141
<b>ACCUMULATED PROFIT / (LOSS) CARRIED FORWARD</b>		33,491,415	(160,733,099)
<b>EARNING PER SHARE</b>	29	2.01	0.56

The annexed notes from 1 to 38 form an integral part of these financial statements

  
**PRESIDENT / CHIEF EXECUTIVE**

  
**CHAIRMAN**

  
**DIRECTOR**

  
**DIRECTOR**



**U MICROFINANCE BANK LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	2017 Rupees	2016 Rupees
Profit after taxation	258,966,019	72,352,563
Other comprehensive income		
Items that will not be reclassified to profit and loss:		
Remeasurement loss on employees' retirement benefits	(1,917,070)	-
Tax effect of remeasurement loss on employees' retirement benefits	575,121	-
	(1,341,949)	-
Comprehensive income for the year transferred to equity	257,624,070	72,352,563
Comprehensive income for the period not transferred to equity:		
Items that may be reclassified to profit and loss:		
Surplus on revaluation of assets	3,179,090	2,940,130
Surplus on revaluation of assets transferred to profit and loss	(4,736,459)	-
Tax Impact	467,211	(882,039)
	(1,090,158)	2,058,091
Total comprehensive income for the year - net of tax	256,533,912	74,410,654

The annexed notes from 1 to 38 form an integral part of these financial statements.

  
 PRESIDENT / CHIEF EXECUTIVE

  
 CHAIRMAN

  
 DIRECTOR

  
 DIRECTOR

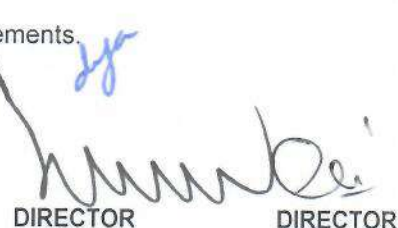
**U MICROFINANCE BANK LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Note	2017 Rupees	2016 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before taxation		407,605,056	93,661,485
Adjustments for:			
Depreciation		59,558,849	48,435,685
Amortization		14,510,192	12,701,495
Provision for gratuity		9,816,656	6,000,000
Provisions against non-performing advances		86,252,023	44,490,290
Gain on disposal		(22,139)	-
Operating fixed assets written off		-	154,867
		170,115,581	111,782,337
		577,720,637	205,443,822
(Increase) in operating assets			
Advances		(5,112,188,945)	(4,660,010,085)
Other assets (excluding advance taxation)		(727,349,373)	(512,102,253)
Increase in operating liabilities			
Deposits		3,861,434,611	7,044,607,990
Other liabilities		249,001,676	203,224,134
		(1,729,102,031)	2,075,719,786
Net cash (used in)/ generated from operations		(1,151,381,394)	2,281,163,608
Gratuity paid		(9,019,156)	(7,448,524)
Income taxes paid		(117,800,285)	(15,242,745)
Net cash (used in)/ generated from operating activities		(1,278,200,835)	2,258,472,339
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Investments in Government securities - net		(657,800,941)	(946,708,200)
Investments in Term Deposits		(750,000,000)	(900,000,000)
Sale proceeds from disposal asset		44,280	-
Investments in operating fixed assets		(236,419,138)	(141,906,544)
Net cash outflow from investing activities		(1,644,175,799)	(1,988,614,744)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Borrowings		2,669,486,748	1,000,000,000
Net cash inflow from financing activities		2,669,486,748	1,000,000,000
Net (decrease)/ increase in cash and cash equivalents		(252,889,886)	1,269,857,595
Cash and cash equivalents at beginning of the year		1,611,941,824	342,084,229
Cash and cash equivalents at end of the year	27	1,359,051,938	1,611,941,824

The annexed notes from 1 to 38 form an integral part of these financial statements.

  
**PRESIDENT / CHIEF EXECUTIVE**

  
**CHAIRMAN**

  
**DIRECTOR**

  
**DIRECTOR**



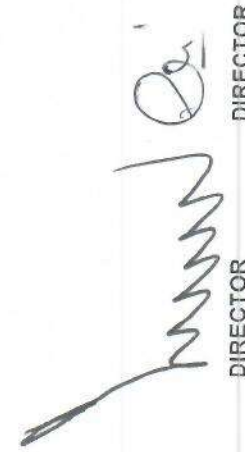
**U MICROFINANCE BANK LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Statutory and other reserves					Total
	Share capital	Discount on issue of share capital	Statutory reserve	Depositors' protection fund	Accumulated profit	
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	-	-	-	-	-	-
<b>Total comprehensive income</b>	-	-	-	-	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
Profit for the year ended December 31, 2017	-	-	-	-	258,966,019	258,966,019
Other comprehensive income	-	-	-	-	(1,341,949)	(1,341,949)
<b>Total comprehensive income</b>	-	-	-	-	257,624,070	257,624,070
Transfer to:						
Statutory reserve	-	-	51,793,204	-	(51,793,204)	-
Depositors' Protection Fund	-	-	-	12,948,301	(12,948,301)	-
Balance as at December 31, 2017	1,285,714,290	(25,714,290)	69,503,178	17,375,794	32,149,466	1,379,028,438

The annexed notes from 1 to 38 form an integral part of these financial statements.

  
PRESIDENT / CHIEF EXECUTIVE

  
CHAIRMAN

  
DIRECTOR

DIRECTOR



**U MICROFINANCE BANK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**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. Request for waiver of Clause – VII of the License has been submitted to the SBP, which is pending.

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 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**

These 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.

The SBP vide BSD Circular No. 10, dated 26 August 2002 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and IAS 40, "Investment Property" for banking companies till further instructions. Further, the SECP vide its SRO 633 (I)/ 2014, dated 10 July 2014 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement", IAS 40, "Investment Property" and International Financial Reporting Standard (IFRS) 7, "Financial Instruments: Disclosures" for banking companies till further instructions. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by SBP through various circulars / regulations.

During the year, the Companies Act, 2017 was enacted on May 30, 2017 and came into force at once. Subsequently, Securities and Exchange Commission of Pakistan has notified through Circular No. 23 of October 04, 2017 the companies whose financial year closes on or before December 31, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984 owing to the difficulties faced by them as well as their auditors to comply with the provisions of the Companies Act, 2017 (Act). However, the companies whose financial year closes after December 31, 2017 shall prepare financial statements in accordance with the provisions of the Act.

**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, 2017

The following standards, amendments and interpretations are effective for the year ended December 31, 2017. 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 IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative	January 1, 2017
Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealized losses	January 1, 2017

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 IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions	January 1, 2018
IFRS 9: 'Financial Instruments', This standard contains the requirements for a) the classification and measurement of financial assets and liabilities, b) impairment methodology, and c) general hedge accounting. This standards will supersede IAS 39 "Financial instrument" recognition and measurement upon its effective date.	Effective from accounting period beginning on or after January 01, 2018. (Securities and Exchange Commission of Pakistan (SECP) has adopted for local application from accounting period beginning on or after July 1, 2018)
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture.	Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted.
IFRS 15: 'Revenue from Contracts with Customers' This standard establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It will supersede the following revenue standards and interpretation upon its effective date: IAS 18 Revenue, IAS 11 Construction contracts, IFRIC 13 customer loyalty programmes, IFRIC 15 agreements for the construction of real estate, IFRIC 18 transfers of assets from customers and SIC 31 Revenue-barter transaction involving advertising services.	Effective from accounting period beginning on or after January 01, 2018 (SECP has adopted for local application from accounting period beginning on or after July 1, 2018).
Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property	Effective from accounting period beginning on or after January 01, 2018. Earlier application is permitted
IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.	Effective from accounting period beginning on or after January 01, 2018. Earlier application is permitted.
IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	Effective from accounting period beginning on or after January 01, 2019

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 14 – Regulatory Deferral Accounts
- IFRS 16 – Leases
- IFRS 17 – Insurance Contracts



## 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 tenure of less than 1 year) in a current account opened with the State Bank of Pakistan (SBP) 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 tenure of less than one year in the form of liquid assets i.e. cash, gold, unencumbered treasury bills, Pakistan Investment Bonds and Government of Pakistan sukuk bonds. Treasury bills and Pakistan Investment Bonds held under 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.

	Note	2017 Rupees	2016 Rupees
<b>6. CASH AND BALANCES WITH SBP and NBP</b>			
Cash in hand			
Local currency		307,915,282	168,238,396
Balances with State Bank of Pakistan (SBP)			
Local currency current accounts	6.1	463,463,399	300,864,479
Balances with National Bank of Pakistan (NBP)			
Local currency current accounts		774,848	1,631,530
		<u>772,153,529</u>	<u>470,734,405</u>

- 6.1 This represents balance held with SBP to meet the requirement of maintaining minimum balance equivalent to 5% (2016: 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. 17,375,794 (2016: Rs. 4,427,493) placed for the Depositors' Protection Fund.



	Note	2017 Rupees	2016 Rupees
<b>7. BALANCES WITH OTHER BANKS/ NBFIs/ MFBs</b>			
In Pakistan - Local currency			
Current accounts	7.1	8,355,616	18,043,051
Savings accounts	7.2	578,542,793	1,123,164,368
Term deposit receipts	7.3	2,000,000,000	1,250,000,000
		<u>2,586,898,409</u>	<u>2,391,207,419</u>

7.1 This includes Rs. 6,365,151 (2016: 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 rates ranging from 3.75% to 7% (2016: 4.5% to 10.30%) per annum.

7.3 Term Deposit Receipts (TDRs) are due to mature within 12 months and carry interest ranging from 8% to 8.55% (2016: 7% to 12%) per annum respectively.

	Note	2017 Rupees	2016 Rupees
<b>8. INVESTMENTS</b>			
<b>Federal Government Securities</b>			
Available for sale			
Pakistan Investment Bonds (PIBs)	8.1	-	336,912,295
Market Treasury Bills (T-Bills)	8.2	1,786,414,991	-
(Deficit) / surplus on revaluation of available for sale securities	8.3	(40,165)	1,517,205
		<u>1,786,374,826</u>	<u>338,429,500</u>
Held to Maturity			
Market treasury bills		-	791,701,755
		-	791,701,755
		<u>1,786,374,826</u>	<u>1,130,131,255</u>

8.1 PIBs carried at market value sold during the period.

8.2 This represents market treasury bills maturing within 3 months and having yield ranging from 5.99% to 6.00% (2016: 5.85% to 6.15%) per annum.

	2017 Rupees	2016 Rupees
<b>8.3 Revaluation of available for sale securities - net of deferred tax</b>		
Market Treasury Bills / Pakistan Investment Bonds (PIBs)	(40,165)	1,517,205
Related deferred tax effect	12,050	(455,162)
	<u>(28,115)</u>	<u>1,062,043</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.



## 9. ADVANCES - NET OF PROVISIONS

Loan type	Note	2017		2016	
		Number of loans outstanding	Amount outstanding Rupees	Number of loans outstanding	Amount outstanding Rupees
Micro credit					
Secured		26,556	2,444,172,827	18,352	1,523,768,670
Unsecured		161,121	8,204,540,105	99,808	4,053,033,421
		187,677	10,648,712,932	118,160	5,576,802,091
Provisions held					
Specific provision		1,461	(13,607,599)	752	(8,172,251)
General provision	9.1	159,660	(80,747,183)	99,056	(40,208,612)
			(94,354,782)		(48,380,863)
Advances - net of provisions		161,121	10,554,358,150	99,808	5,528,421,228

9.1 General provision is maintained at the rate of 1% (2016: 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. 48,443,116 (2016: Rs. 25,632,869) which have been placed under non-performing status. Non-performing loans include Rs. 3,389 million of secured loans on which there is no provision as per regulation.

Category of classification	Provision rate	2017			2016		
		Amount outstanding	Provisions required	Provisions held	Amount outstanding	Provisions required	Provisions held
-----Rupees-----							
OAEM	-	20,209,645	-	-	7,851,101	-	-
Sub-standard	25%	9,663,507	2,316,777	2,316,777	4,628,360	1,150,465	1,150,465
Doubtful	50%	13,347,939	6,335,908	6,335,908	11,865,343	5,733,721	5,733,721
Loss	100%	5,222,025	4,954,914	4,954,914	1,288,065	1,288,065	1,288,065
		48,443,116	13,607,599	13,607,599	25,632,869	8,172,251	8,172,251

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

	2017			2016		
	Specific	General	Total	Specific	General	Total
	-----Rupees-----			-----Rupees-----		
Balance at beginning of the year	8,172,251	40,208,612	48,380,863	497,487	5,982,281	6,479,768
Provision charge for the year	45,713,452	40,538,571	86,252,023	10,263,959	34,226,331	44,490,290
Reversals	-	-	-	-	-	-
Advances written off against provision	(40,278,104)		(40,278,104)	(2,589,195)	-	(2,589,195)
Balance at end of the year	<u>13,607,599</u>	<u>80,747,183</u>	<u>94,354,782</u>	<u>8,172,251</u>	<u>40,208,612</u>	<u>48,380,863</u>

### 9.4 Provision against non-performing advances

	2017 Rupees	2016 Rupees
Charge for the year	<u>86,252,023</u>	<u>44,490,290</u>
	<u>86,252,023</u>	<u>44,490,290</u>

### 9.5 Particulars of write off

	2017 Rupees	2016 Rupees
Against provisions	(40,278,104)	(2,589,195)
Directly charged to profit and loss account	-	-
	<u>(40,278,104)</u>	<u>(2,589,195)</u>

10.	OPERATING FIXED ASSETS	Note	2017 Rupees	2016 Rupees
	Capital work-in-progress	10.1	66,970,480	31,356,529
	Property and equipment	10.2	303,415,567	193,458,870
	Intangible assets	10.3	94,969,168	78,211,860
			<u>465,355,215</u>	<u>303,027,259</u>
10.1	Capital work-in-progress			
	Advances to suppliers / contractors	10.1.1	29,670,038	17,529,551
	Leasehold improvements		<u>37,300,442</u>	<u>13,826,978</u>
			<u>66,970,480</u>	<u>31,356,529</u>

	2017					
	Cost			Depreciation		Rate of depreciation % (per annum)
	As at January 1, 2017	Additions	Deletion	As at December 31, 2017	Charge for the year On deletions As at December 31, 2017	
				Rupees		
Furniture and fixture	43,140,018	39,050,895	-	82,190,913	7,791,761	
Computers	97,332,824	17,003,044	(451,567)	113,884,301	80,598,742	10.00%
Electrical equipment	96,726,728	57,346,905	-	154,073,633	12,482,640	33.33%
Vehicles	23,877,735	3,065,307	-	26,943,042	24,396,433	20.00%
Office improvement	83,138,754	53,071,536	-	136,210,290	5,250,124	20.00%
					11,689,475	
					(429,426)	
					29,812,567	
					106,397,723	
					209,886,612	
					303,415,567	

**10.2.1** The cost of fully depreciated property and equipment that are still in use is Rs. 74,915,671 (2016: Rs 62,614,804).

**10.2.2** Deletion of fixed assets during the year with original cost or Rs. 1,000,000 or Rs. 250,000 respectively (whichever is less) are nil (2016: nil)



### 10.3 Intangible assets

2017

Note	Cost				Amortization			Book value as at December 31, 2017	Rate of amortization % (per annum)
	As at January 1, 2017	Additions	Deletion	As at December 31, 2017	As at January 1, 2017	Charge for the year	On deletions		
-----Rupees-----									
Branchless banking software Licenses 10.3.1 Mail server	102,315,238	31,267,500	-	133,582,738	29,980,000	11,512,508	-	41,492,508	10.00%
	12,394,739	-	-	12,394,739	6,518,117	2,997,684	-	9,515,801	20.00%
	78,378	-	-	78,378	78,378	-	-	78,378	33.33%
	114,788,355	31,267,500	-	146,055,855	36,576,495	14,510,192	-	51,086,687	

2016

	Cost					Amortization			Book value as at December 31, 2016	Rate of amortization % (per annum)	
	As at January 1, 2016	Additions	Deletion	As at December 31, 2016	As at January 1, 2016	Charge for the year	On deletions	As at December 31, 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%
	10.3.1 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	

10.3.1 This includes operating system and microsoft office licenses.

	Note	2017 Rupees	2016 Rupees
<b>11. OTHER ASSETS</b>			
Income / mark-up accrued		1,071,928,727	499,374,126
Advances, deposits and other prepayments	11.1	207,205,466	68,406,924
Advance taxation (payments less provisions)		53,553,650	19,154,527
Inventory of ATM cards & stationery		1,845,436	956,752
Advance to staff		2,042,166	802,636
Receivable from SBP	11.2	103,264,058	90,616,341
Others		5,037,484	3,817,185
		<u>1,444,876,987</u>	<u>683,128,491</u>

11.1 This includes an amount of Rs. 1.6 million (2016: Rs. 3.6 million) paid to PTCL, the parent company, for disaster recovery service.

11.2 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.

	2017 Rupees	2016 Rupees
<b>12. DEFERRED TAX ASSET</b>		
Deferred debits arising in respect of:		
Unused tax losses	-	47,227,004
Unused tax credit	-	25,234,233
Provision against advances	28,306,435	14,514,259
(Deficit) / surplus on revaluation of available for sale securities	12,050	(455,162)
Remeasurement of employees' retirement benefits	930,984	355,863
	<u>29,249,469</u>	<u>86,876,197</u>
Deferred credits arising in respect of:		
Accelerated tax depreciation / amortization	(8,378,878)	(1,810,064)
	<u>20,870,591</u>	<u>85,066,133</u>

	2017		2016	
	Number of accounts	Rupees	Number of accounts	Rupees
<b>13. DEPOSITS</b>				
Fixed deposits	1,684	7,313,252,894	937	5,761,514,618
Saving deposits	9,337	3,524,891,946	8,394	1,706,686,676
Current deposits	424,110	1,133,213,374	308,313	641,722,309
	<u>435,131</u>	<u>11,971,358,214</u>	<u>317,644</u>	<u>8,109,923,603</u>
<b>13.1 Particulars of deposits by ownership</b>				
Individual depositors	434,738	6,590,486,984	317,336	3,834,192,628
Institutional depositors				
Corporation/ firms	333	2,348,577,046	297	3,199,743,785
Banks / financial institutions	60	3,032,294,184	11	1,075,987,190
	<u>435,131</u>	<u>11,971,358,214</u>	<u>317,644</u>	<u>8,109,923,603</u>



14. BOROWINGS	Note	2017 Rupees	2016 Rupees
Borrowings from Banks/ Financial Institutions in Pakistan:			
Pak Oman Investment Co. Ltd	14.1	300,000,000	500,000,000
Bank Alfalah Ltd	14.2	240,000,000	300,000,000
United Bank Ltd	14.3	80,000,000	200,000,000
Allied Bank Ltd	14.4	1,500,000,000	-
Commercial Paper	14.5	949,486,748	-
		<u>3,069,486,748</u>	<u>1,000,000,000</u>

- 14.1** This represents three years term borrowing from PAK Oman Investment Co. Ltd obtained during April 2016. Principal is payable in 5 equal semi-annual installments of Rs. 100 million, started 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 obtained during September 2016. Principal is payable in 5 equal semi-annual installments of Rs. 60 million, started from September 2017. It carries interest rate of 6 Month KIBOR+1.5% payable semi-annually.
- 14.3** This represents term finance of Rs. 100 million (2016 : Rs. 100 million) from United Bank Ltd obtained during December 2016. Repayment of term finance is in 5 equal semi-annual installments of Rs. 20 million each started from December 2017. It carries interest rate of 6 month KIBOR+1.5% payable semi-annually. Bank also has Running finance facility of Rs. 100 million which carries interest rate of 3 Month KIBOR+1.5% payable quarterly. At the end of year, Running finance facility is nil (2016 : Rs. 100 million) at end of year.
- 14.4** This represents a term finance facility of Rs. 1.5 billion under Syndicate Financing through Allied Bank Ltd. The facility tenure is 4 years, with semi annual repayments starting from 2018 and is priced at 6 Month KIBOR + 1.10%.
- 14.5** This represents short term borrowing of Rs. 1 billion issued at discount under Commercial Paper Programme through United Bank Ltd. The facility tenure is 9 months and is priced at 9 month KIBOR + 1.0%.

	2017 Rupees	2016 Rupees
<b>15 SUBORDINATED DEBT</b>		
Term Finance Certificates	<u>600,000,000</u>	-

- 15.1** This represents term finance certificates (TFCs) of Rs. 600 million distributed in 120,000 TFCs of Rs. 5,000 each issued as subordinated loan in June 2017. The facility tenure is 7 years and is priced at 6 Month KIBOR + 3.50%. The instrument is structured to redeem at 0.02% of principal, semiannually, over the first 60 months and remaining principal of 24.95% each of the issue amount respectively, in four equal installments starting from 66th month. The TFCs are subordinated as to the payment of principal and profit to all other indebtedness of the Bank. The rating of these certificates issued by JCR-VIS in March 2017 was BBB+ with a stable outlook.

	Note	2017 Rupees	2016 Rupees
<b>16. OTHER LIABILITIES</b>			
Interest payable on deposits and borrowings		228,050,180	101,620,566
Accrued expenses		198,338,961	105,272,363
Payable to Pak Telecom Mobile Limited (PTML), an associated company		30,322,925	14,314,765
Payable to utility companies for utility bills collection		19,456,086	57,080,735
Uncollected remittances		58,824,313	54,186,536
Provision for gratuity	16.1	3,464,570	750,000
Payable to provident fund	16.2	-	360,334
Sales tax / federal excise duty payable		10,026,840	1,735,786
Bills payable		54,321,998	17,649,298
Others		8,236,549	6,355,793
		<b>611,042,422</b>	<b>359,326,176</b>
<b>16.1 Provision for Gratuity</b>			
<b>Charge for the profit and loss</b>			
Current service cost		10,173,816	5,791,140
Net interest		(357,160)	208,860
		<b>9,816,656</b>	<b>6,000,000</b>
<b>Reconciliation of payable to defined benefit plan</b>			
Present value of defined benefit obligation	16.1.1	29,488,343	19,085,965
Fair value of plan assets	16.1.2	(26,023,773)	(18,335,965)
		<b>3,464,570</b>	<b>750,000</b>
<b>Movement in net liability recognized</b>			
Opening net liability		750,000	2,198,524
(Prepaid cost) / expense			
Current service cost		10,173,816	5,791,140
Net interest		(357,160)	208,860
		<b>9,816,656</b>	<b>6,000,000</b>
Accumulated other comprehensive income		1,917,070	711,897
Benefits paid on behalf of fund		(2,701,713)	(1,461,897)
Contributions to gratuity fund		(6,317,443)	(6,698,524)
Closing net liability		<b>3,464,570</b>	<b>750,000</b>
<b>Actuarial assumptions:</b>			
Valuation discount rate		10.75%	9.50%
Salary increase rate		9.75%	9.50%
<b>16.1.1 Present value of defined benefit obligation</b>			
Present value of obligation - opening		19,085,965	13,411,845
Current service cost		10,173,816	5,791,140
Interest cost		1,684,835	1,386,246
Benefits paid during the year		(2,701,712)	(1,461,897)
Actuarial loss / (gain) on obligation		1,245,439	(41,369)
Present value of obligation - closing		<b>29,488,343</b>	<b>19,085,965</b>



	2017 Rupees	2016 Rupees
<b>16.1.2 Fair value of plan assets</b>		
Total assets of fund - opening	18,335,965	11,213,321
Expected return on plan assets	2,041,995	1,438,300
Contributions to gratuity fund	6,317,443	7,448,524
Benefits paid on behalf of fund	2,701,712	-
Benefits paid	(2,701,712)	(1,461,897)
Actuarial loss on plan assets	(671,630)	(302,283)
Total assets of fund - closing	<u>26,023,773</u>	<u>18,335,965</u>

### 16.1.3 Sensitivity analysis

#### Present value of defined benefit obligation

##### Particulars

Current Liability	29,488,343	19,085,965
+1% Discount rate	24,827,046	15,871,817
-1% Discount rate	35,259,712	23,123,203
+1% Salary increase rate	35,419,984	23,186,613
-1% Salary increase rate	24,637,154	15,774,244

	2017 Rupees (Un-audited)	2016 Rupees (Un-audited)
<b>16.2 Employees provident fund</b>		
Size of the fund	50,816,327	30,218,551
Cost of investments held	50,816,327	30,218,551
Percentage of investments held	100%	100%
Fair value of investments	50,816,327	30,218,551

Investments represent balances held with bank carrying interest at rate of 10% (2016: 10%) 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.

## 17. SHARE CAPITAL

### 17.1 Authorized capital

2017 Number	2016 Number		2017 Rupees	2016 Rupees
<u>300,000,000</u>	<u>140,000,000</u>	Ordinary shares of Rs. 10 each	<u>3,000,000,000</u>	<u>1,400,000,000</u>

### 17.2 Issued, subscribed and paid-up capital

2017 Number	2016 Number		2017 Rupees	2016 Rupees
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
<u>128,571,429</u>	<u>128,571,429</u>		<u>1,285,714,290</u>	<u>1,285,714,290</u>

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

17.4 During the year, the Board of the Bank had approved to offer 100 million additional shares by way of right at par value of Rs.10 per share; which will increase the share capital of the Bank by Rs.1 billion. Pakistan Telecommunication Company Limited (PTCL) being the sole sponsor of the bank had subscribed to the entire rights issue via the Banks EOGM held on Dec 27, 2017. The bank had already received the subscription money against this right issue in January 2018.

**18. MEMORANDUM / OFF BALANCE SHEET ITEMS**

**18.1 CONTINGENCIES**

2017  
Rupees

2016  
Rupees

There are no contingencies except mentioned below:

Standby letter of guarantee 6,365,151 6,365,151

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

**18.2 COMMITMENTS**

Note

2017  
Rupees

2016  
Rupees

Property and equipment 91,954,043 46,146,097  
Intangible assets 9,181,812 19,047,500  
**107,501,006 71,558,748**

**19. MARK-UP / RETURN / INTEREST EARNED**

2017  
Rupees

2016  
Rupees

Mark-up on advances 2,348,006,537 868,605,354  
Interest on investment in government securities 82,003,001 24,410,988  
Interest on deposit accounts/ TDRs with other banks/ financial institutions 214,939,981 158,471,106  
**2,644,949,519 1,051,487,448**

**20. MARK-UP / RETURN / INTEREST EXPENSED**

Mark- up expense on deposits 969,118,389 392,158,070  
Mark- up expense on borrowings from banks/ financial institutions 183,166,843 36,149,514  
**1,152,285,232 428,307,584**

**21. FEE, COMMISSION AND BROKERAGE INCOME**

Loan processing fee 359,647,603 177,779,513  
Other fee income collected from customers 88,617,167 134,670,343  
**448,264,770 312,449,856**

**22. OTHER INCOME**

Recovery against advances written off 4,987,033 1,741,567  
Miscellaneous income 110,557 3,325,592  
**5,097,590 5,067,159**



	Note	2017 Rupees	2016 Rupees
<b>23. ADMINISTRATIVE EXPENSES</b>			
Staff salaries and benefits		789,133,293	439,095,907
Gratuity		9,816,656	6,000,000
Provident fund		11,612,427	7,940,913
Insurance		45,340,463	15,909,333
Rent, rate and taxes		140,967,503	54,594,046
Travelling and conveyance		43,636,246	14,466,544
Postage and courier		6,736,802	4,398,503
Utilities		38,194,494	32,399,065
Repair and maintenance		39,319,214	31,155,788
Depreciation and amortization	10	74,069,041	61,137,180
Software support and maintenance fee		34,582,892	29,655,943
Stationery and printing		26,649,513	18,899,107
Auditors' remuneration	23.1	1,535,000	1,350,000
Legal and professional fee		13,342,554	1,232,302
Security services		69,756,814	39,069,230
Office supplies		7,321,084	7,945,026
Internet and connectivity charges		14,315,356	11,763,720
NADRA verification charges		18,543,476	9,008,116
Bank charges		8,549,191	9,281,034
Marketing expenses		10,806,996	4,580,391
Upaisa expense		40,945,622	-
Miscellaneous expenses		1,561,919	930,231
		<u>1,446,736,556</u>	<u>800,812,379</u>
<b>23.1 Auditors' remuneration</b>			
Half year review		350,000	330,000
Annual audit		600,000	520,000
Other services		485,000	400,000
Out of pocket expenses		100,000	100,000
		<u>1,535,000</u>	<u>1,350,000</u>
<b>24. OTHER CHARGES</b>			
SBP penalty		<u>1,851,000</u>	<u>1,130,000</u>
<b>25. TAXATION</b>			
Current - for the year		(83,401,162)	(15,922,448)
- for prior years		-	6,689,468
		(83,401,162)	(9,232,980)
Deferred - for the year		9,538,002	(13,072,304)
- for prior years		(74,775,877)	996,362
		(65,237,875)	(12,075,942)
		<u>(148,639,037)</u>	<u>(21,308,922)</u>

	2017	2016
<b>25.1 Tax rate reconciliation</b>		
Profit before tax and after WWF (Rupees)	<u>407,605,056</u>	<u>93,661,485</u>
Applicable tax rate	30%	31%
Deferred tax	5.53%	-6.58%
Effect of tax on capital gain on Treasury bills/PIB's	1.16%	0.20%
Effect of change in tax rate	-0.68%	-3.07%
Permanent difference		
SBP Penalty	0.46%	0.01
Average effective tax rate charged to income	<u>36.47%</u>	<u>22.75%</u>

	2017 Rupees	2016 Rupees
<b>26. CASH AND CASH EQUIVALENTS</b>		
Cash and balances with SBP and NBP	772,153,529	470,734,405
Balances with other banks	<u>586,898,409</u>	<u>1,141,207,419</u>
	<u>1,359,051,938</u>	<u>1,611,941,824</u>

	2017 Numbers	2016 Numbers
<b>27. NUMBER OF EMPLOYEES</b>		
Credit sales staff		
Permanent	40	34
Contractual	<u>492</u>	<u>323</u>
	532	357
Banking / support staff		
Permanent	308	263
Contractual	<u>481</u>	<u>319</u>
	789	582
Total number of employees at the end of the year	<u>1,321</u>	<u>939</u>
Average number of employees during the year	<u>1,093</u>	<u>683</u>

<b>28. NUMBER OF BRANCHES</b>		
Branches/Service Centers at beginning of the year	75	38
Opened during the year		
- Branches	25	8
- Service Centers	-	29
Branches / Service Centers at the end of the year	<u>100</u>	<u>75</u>

**29. EARNING PER SHARE**

(a) Basic

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

	2017	2016
Profit attributable to equity holders (Rupees)	<u>258,966,019</u>	<u>72,352,563</u>
Ordinary shares outstanding as at year end	128,571,429	128,571,429
Weighted average number of shares in issue (numbers)	-	-
Total shares (numbers)	<u>128,571,429</u>	<u>128,571,429</u>
Earning per share - basic (Rupees)	<u>2.01</u>	<u>0.56</u>

(b) Diluted

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



### 30. REMUNERATION OF PRESIDENT/CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Dec-17			Dec-16		
	President / Chief Executive	Directors Rupees	Executives	President / Chief Executive	Directors Rupees	Executives
Fee	-	340,000	-	-	80,000	-
Managerial remuneration	4,261,200	-	91,320,138	3,121,183	-	55,884,462
Bonus	2,650,000	-	27,397,330	-	-	-
Gratuity fund	341,850	-	7,610,012	260,099	-	4,657,038
Provident fund	328,176	-	7,029,330	249,695	-	4,410,051
Rent and house maintenance	2,392,950	-	53,066,030	1,820,690	-	32,599,260
Utilities	341,850	-	7,580,813	260,099	-	4,657,038
Medical	211,139	-	3,975,920	149,260	-	2,501,833
Conveyance	660,000	44,136	11,334,167	420,000	-	6,576,000
Others	349,650	-	8,060,462	267,149	-	4,942,138
<b>Total</b>	<b>11,536,815</b>	<b>384,136</b>	<b>217,374,202</b>	<b>6,548,175</b>	<b>80,000</b>	<b>116,227,820</b>
Number of person(s)	1	8	86	1	8	58

- 30.1 Some executives of the Bank were also provided with a Bank maintained car in accordance with the terms of employment.
- 30.2 Executives mean employees, other than the president/chief executive and directors, whose basic salary exceeds five hundred thousand rupees in a financial year.
- 30.3 No remuneration and other benefits were paid to directors of the Bank. An amount of Rs. 384,136 (2016: 80,000) was paid to the directors for attending the Board or sub committee meetings.

### 31. FINANCIAL RISK MANAGEMENT

#### 31.1 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.

### **31.2 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. 14,230 million (2016: Rs. 8,636 million).

### **31.3 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 financing. The facility tenor is 4 years, with semi annual repayments starting from 2018 and is priced at 6 months KIBOR + 1.10% through Allied Bank Limited. Bank also has short term borrowing of Rs. 1 billion issued at discount under Commercial Paper Programme through United Bank Ltd. The facility tenor is 9 months and is priced at 9 months KIBOR + 1.0%.

### **31.4 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 34.

## **32. 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. 1,379 million (2016: Rs. 1,122 million) and 16.16% (2016: 17.63%) respectively, as against the minimum requirement of Rs.1,000 million and 15% prescribed by SBP.



33. SCHEDULE OF MATURITY DISTRIBUTION OF MARKET RATE ASSETS AND LIABILITIES AS AT DECEMBER 31, 2017

	Total	Up to one month	Over one month up to six months	Over six months up to one year	Over one year
-----Rupees-----					
<b>Market rate assets</b>					
Advances	10,554,358,150	488,422,210	3,765,132,325	6,146,619,407	154,184,208
Investments	1,786,374,826	398,876,044	1,387,498,782	-	-
Other earning assets	2,578,542,793	578,542,793	1,000,000,000	1,000,000,000	-
Balances with other banks - deposit accounts	14,919,275,769	1,465,841,047	6,152,631,107	7,146,619,407	154,184,208
<b>Total market rate assets</b>					
<b>Other non-earning assets</b>					
Cash in hand	307,915,282	307,915,282	-	-	-
Balances with SBP and NBP - current accounts	464,238,247	464,238,247	-	-	-
Balances with other banks - current accounts	8,355,616	8,355,616	-	-	-
Operating fixed assets	465,355,215	76,575,620	1,058,996	1,733,255	385,987,344
Other assets	1,444,876,987	1,368,676,388	53,732,808	22,449,198	18,593
Deferred tax asset	20,870,591	-	-	-	20,870,591
<b>Total non-earning assets</b>	2,711,611,938	2,225,761,153	54,791,804	24,182,453	406,876,528
<b>Total assets</b>	<b>17,630,887,707</b>	<b>3,691,602,200</b>	<b>6,207,422,911</b>	<b>7,170,801,860</b>	<b>561,060,736</b>
<b>Market rate liabilities</b>					
Large time deposits above Rs. 100,000	7,150,190,809	736,951,476	2,052,870,403	630,863,000	3,729,505,930
All other time deposits (including fixed rate deposits)	163,062,085	755,000	3,826,000	3,643,850	154,837,235
Other cost bearing deposits	3,524,891,946	3,524,891,946	-	-	-
Borrowings	3,669,486,748	20,120,000	180,120,000	1,359,606,748	2,109,640,000
<b>Total market rate liabilities</b>	14,507,631,588	4,282,718,422	2,236,816,403	1,994,113,598	5,993,983,165
<b>Other non-cost bearing liabilities</b>					
Deposits	1,133,213,374	1,133,213,374	-	-	-
Other liabilities	611,042,422	611,042,422	-	-	-
<b>Total non-cost bearing liabilities</b>	1,744,255,796	1,744,255,796	-	-	-
<b>Total liabilities</b>	<b>16,251,887,384</b>	<b>6,026,974,218</b>	<b>2,236,816,403</b>	<b>1,994,113,598</b>	<b>5,993,983,165</b>
<b>Net assets</b>	<b>1,379,000,323</b>	<b>(2,335,372,018)</b>	<b>3,970,606,508</b>	<b>5,176,688,262</b>	<b>(5,432,922,429)</b>

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

	Total	Up to one month	Over one month up to six months	Over six months up to one year	Over one year
<b>Market rate assets</b>					
Advances	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	2,373,164,368	1,123,164,368	750,000,000	-	500,000,000
Balances with other banks - deposit accounts	9,031,716,851	1,161,228,007	3,620,527,961	3,411,531,383	838,429,500
<b>Total market rate assets</b>					
<b>Other non-earning assets</b>					
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
<b>Total non-earning assets</b>	1,559,999,339	618,463,442	557,456,079	19,710,244	364,369,574
<b>Total assets</b>	<b>10,591,716,190</b>	<b>1,779,691,449</b>	<b>4,177,984,040</b>	<b>3,431,241,627</b>	<b>1,202,799,074</b>
<b>Market rate liabilities</b>					
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
<b>Total market rate liabilities</b>	8,468,201,294	1,931,458,580	2,476,700,219	1,040,466,400	3,019,576,095
<b>Other non-cost bearing liabilities</b>					
Deposits	641,722,309	641,722,309	-	-	-
Other liabilities	359,326,176	330,097,772	23,904,142	5,324,262	-
<b>Total non-cost bearing liabilities</b>	1,001,048,485	971,820,081	23,904,142	5,324,262	-
<b>Total liabilities</b>	<b>9,469,249,779</b>	<b>2,903,278,661</b>	<b>2,500,604,361</b>	<b>1,045,790,662</b>	<b>3,019,576,095</b>
<b>Net assets</b>	<b>1,122,466,411</b>	<b>(1,123,587,212)</b>	<b>1,677,379,679</b>	<b>2,385,450,965</b>	<b>(1,816,777,021)</b>



### 34. 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-----					
2017							
<u>Financial Assets</u>							
Cash and cash equivalents	6 & 7	-	-	-	1,359,051,938	-	1,359,051,938
Investments	7 & 8	-	-	-	2,000,000,000	1,786,374,826	3,786,374,826
Loans and advances to customers	9	-	-	-	10,554,358,150	-	10,554,358,150
Other assets	11	-	-	-	1,389,477,901	-	1,389,477,901
		-	-	-	15,302,887,989	1,786,374,826	17,089,262,815

		Fair value through profit or loss	Amortised Cost	Total carrying amount
-----Rupees-----				
<u>Financial Liabilities</u>				
Deposits from banks	13	-	3,032,294,184	3,032,294,184
Deposits from customers	13	-	8,939,064,030	8,939,064,030
Other liabilities	16	-	401,002,342	401,002,342
Borrowings	14	-	3,069,486,748	3,069,486,748
Subordinated debt	15	-	600,000,000	600,000,000
		-	16,041,847,304	16,041,847,304

	Note	Held for trading	Designated at fair value	Held to maturity	Loans and receivables	Available for sale	Total carrying amount
		-----Rupees-----					
2016							
<u>Financial Assets</u>							
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-----				
<u>Financial Liabilities</u>				
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	16	-	246,948,020	246,948,020
Borrowings	14	-	1,000,000,000	1,000,000,000
		-	9,356,871,623	9,356,871,623

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.

### 35. 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 17. 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 2017 are as follows:

	Dec-17 Rupees	Dec-16 Rupees
<b>Transactions</b>		
Parent Company - PTCL		
Payment for disaster recovery services	3,689,475	11,259,000
Internet, connectivity, utility & rental charges	13,361,030	12,542,965
Utility Bill collected on behalf of PTCL	189,134,991	324,862,698
Utility Bill collection charges	907,020	1,530,981
Interest expense on deposits	83,960,594	33,264,438
Associated Company - PTML		
Payment for administrative costs and fixed assets	11,684,739	10,014,718
Payment against branchless banking and bills collected	105,675,225	15,749,763
Amount received against reimbursement of agent's commission	60,054,067	-
Interest expense on deposits	17,260,480	1,971,313
Deposit incentive	840,710	3,376,181
Employees provident fund		
Contribution to provident fund	11,612,427	7,940,913
Employees gratuity fund		
Payment to gratuity fund	9,019,156	6,000,000
<b>Balances</b>		
Parent Company - PTCL		
Prepaid for disaster recovery services	1,640,870	3,609,866
Payable against utility bills collected	471,578	735,099
Utility bills collection charges receivable	1,210,067	1,000,169
Deposits	1,131,848,919	530,011,012
Interest payable on deposits	8,016,630	352
Associated Company - PTET		
Deposits	500,000,000	-
Interest payable on deposits	13,390,411	-
Associated Company - PTML		
Deposits	18,018,892	11,994,034
Payable against branchless banking and bills collected	30,322,925	14,314,765
Payable to PTML		
Interest payable on deposits	-	256,187
Deposit incentive	840,710	3,376,181
Employees provident fund		
Receivable/ (Payable) to provident fund	580,535	(360,334)
Employees gratuity fund		
Payable to gratuity fund	3,464,570	750,000



36. 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' 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.

2017

Major Categories	Branchless banking	Branch	Grand total	Average Resolution Time
Account Maintenance	222	2	224	13.76 hours
ATM/ Debit Card	2,119	-	2,119	
Over the counter	1	4	5	
Personal loan/ overdraft/ agriloans	-	62	62	
	<b>2,342</b>	<b>68</b>	<b>2,410</b>	

2016

Major Categories	Branchless banking	Branch	Grand total	Resolution Time
Account Maintenance	1,477	-	1,477	12.47 hours
ATM/ Debit Card	3,620	1	3,621	
Over the counter	-	-	-	
Personal loan/ overdraft/ agriloans	-	14	14	
	<b>5,097</b>	<b>15</b>	<b>5,112</b>	

### 37. 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.

### 38. DATE OF APPROVAL

These financial statements were approved by the Board of Directors of the Bank in their meeting held on \_\_\_\_\_.

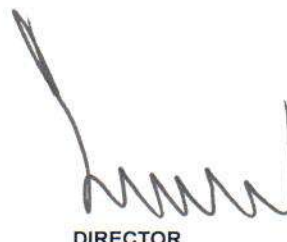
07 FEB 2018



PRESIDENT / CHIEF EXECUTIVE



CHAIRMAN



DIRECTOR



DIRECTOR

*Signature*