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# ANNUAL REPORT

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# 2019



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**21.88** Billion  
**Loans**

**23.29** Billion  
**Deposits**

**200<sup>+</sup>**  
**Branch Network**



# About U 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 more than 200 branches, across 183 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 UPaisa 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 stand 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 2023 that aims to bring 50% of Pakistan's adult population into the banking net.

At U Microfinance Bank, we firmly believe that access to microfinance services contribute significantly towards building a more inclusive society by bringing the underserved population into the banking net as well as to 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.

## 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 the Pakistani microfinance ecosystem.

## Our Core Values

- Merit
- Commitment
- Innovation
- Ethics
- Transparency



# Performance Highlights

## Number of Customers

<u>153,039</u>	<u>317,644</u>	<u>435,131</u>	<u>621,248</u>	<u>839,509</u>
2015	2016	2017	2018	2019

## Customer Deposit Volume

<u>1.1 Bn</u>	<u>8.11 Bn</u>	<u>11.97 Bn</u>	<u>20.53 Bn</u>	<u>23.29 Bn</u>
2015	2016	2017	2018	2019

## Volume/ GLP

<u>0.919 Bn</u>	<u>5.57 Bn</u>	<u>10.64 Bn</u>	<u>17.22 Bn</u>	<u>21.88 Bn</u>
2015	2016	2017	2018	2019

## Credit Rating\*

<u>A-1</u>	<u>A-1</u>
2018	2019

\* Short Term





# Serving the **Underserved**







## Fulfilling Dreams

### *Saima Izfar*

Saima Izfar who hails from Rawalpindi, wanted to fulfill her lifelong dream of founding a school system. The help that she needed arrived in form of a loan from U Microfinance Bank. Before the loan, the financial barriers always acted as a roadblock for Saima.

Always passionate about giving back to the society, Saima started “Islamia Model School” five years ago and hasn’t looked back since. What started as a playgroup only institute, has now gone on to include classes up to the eighth grade and made education accessible by charging an affordable fee of 800 Pakistani rupees only. For Saima, this is only the beginning. Her dream is to shift this three-roomed school into a custom made school building that will provide the right environment for her students.

This School has become a family endeavor with Saima’s father, Zafar Ali, running an evening school program for students who can’t attend classes in the mornings. Currently Saima is in her fourth loan cycle with U Bank and intends for this banking relationship to grow with her business.



## From a Dhaba to a Restaurant

### *Muhammad Shoaib's Journey*

If it hadn't been for U Bank's microenterprise loan, Muhammad Shoaib's entrepreneurial ambitions would never have become a reality. Currently in his third loan cycle with U Bank, Shoaib has been running a Dhabba in Haripur for nearly five years now.

While he had all the other ingredients in place, Shoaib had been strapped for cash to use as working capital and purchase the basic equipment and furniture necessary to turn his small restaurant into a success. It was this need that brought Shoaib to U Bank.

The sole breadwinner for his household, Shoaib has been able to overcome his financial difficulties and can provide for his family as his business grew with the help of U Bank financing facility. Today, the small dhaba has become a restaurant and has bigger plans for the future.



## A Businesswoman in Her Own Right

### *Aziz-un-Nisa*

Aziz-un-Nisa who lived in factory quarters in Rawalpindi, decided to set up an in-house snack shop seven years ago. Financial challenges landed her at U Bank's branch to avail a loan.

Now in her fourth loan cycle, Aziz-un-Nisa has been able to grow her business by receiving the right help at the right time. Her decent daily profits allows her to fulfill her dream of affording quality education for her sons.

While it was her family's dire financial circumstances that led Aziz-un-Nisa to become economically active and support her husband in providing for the family, her entrepreneurial ambitions now knows no bound. Her ambition is to venture in to clothing business.



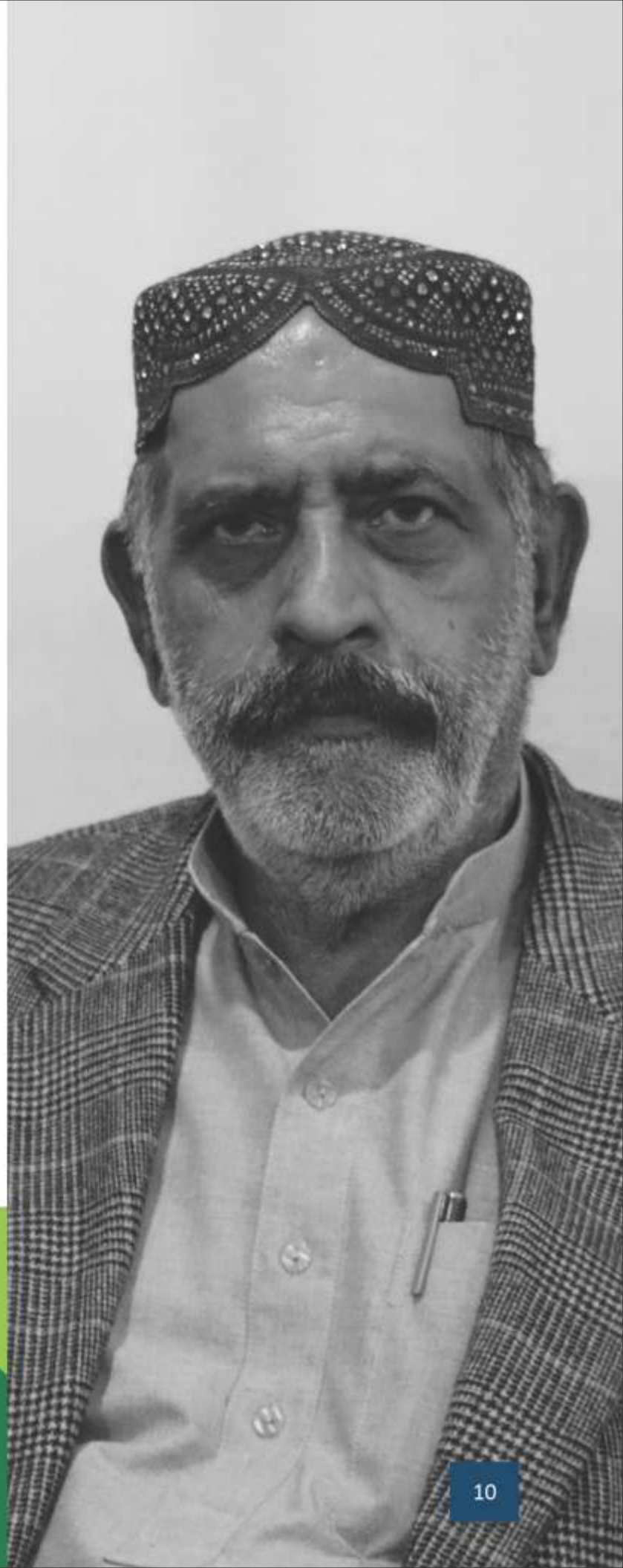
## Investing in a Brighter Future

### *Zafar Iqbal Bhatti*

Zafar Iqbal Bhatti, a resident of Rawalpindi has been the bank's deposit customer since 2014.

Formerly a government employee, Zafar decided to invest his retirement fund with U Bank. His savings account not only brought in a steady income for him but also helped him cover his monthly expenses as well as finance his daughter's education.

Utilizing his earned profits prudently, Zafar has been able to launch and expand a successful construction business.



## U Bank surveyed **2023 loan customers** across **35 locations** in Pakistan in Punjab, Sindh and KPK

### Demographics



About 25% of customers are female & 75% are male



An average customer is between 24 to 32 years old

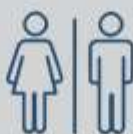


Average household size is 6 individuals

### Savings Behavior



97% of respondents save informally, only 3% save with a formal institution



18% of female respondents save compared to 57% of the male respondents



82% said that they did not think about going to another bank (after becoming U Bank customers)

### Healthcare



91% have access to hospitals; remaining 9% either face affordability or access issues  
20% have been able to afford better healthcare for their children & 16% for themselves

### Educational Achievement



~ 46% of respondents are illiterate; ~ 32% have completed middle school



70% of respondents have children & approx. half of them send their children to school



Only 5% of respondents have withdrawn children from school in the past year

### Repayment



~ 86% of respondents said they don't face repayment problems



Of the 13% that faced repayment problems, 35% were in the livestock business

# IMPACT MEASUREMENT & BASELINE

In 2019, U Bank launched its flagship Impact Measurement & Baseline report. This first-of-its-kind research in the Pakistani ecosystem, is an effort by U Bank to engage in deeper reflection and introspection when it comes to customer needs and the impact of our product and services on our customers. The results have already led to improvements in our processes and helped us identify the things that required attention. Conducting this research biennially, will help the bank ensure better product and service design with the aim of fulfilling microfinance's dual promise of financial sustainability and creating social impact.

Our report looks at data across five main categories of impact – household, livelihood, health and nutrition, business and the bank's product and service quality. The methodology used was a blended research approach – combining elements of experimental and Acumen's lean data approaches – to put forth a new way of measuring impact from the costly and time and labor intensive RCTs that have been traditionally favored to assess impact.

The results of our report confirmed that our loans play a key role in helping our customers overcome shocks such as illness, death, crop failures and natural disasters. Furthermore, one of the biggest values our customer attribute towards the loan is the resulting gains in quality of life and how it helps smooth household consumption. 75% of the respondents indicated that the loan has led to a positive impact on their business income and a majority of them agreed that the loan was critical for the health and quality of their businesses. The report also digs deeper into the data-set and combines it with qualitative information collected via focus groups, to provide a fresh and in-depth analysis of microfinance customers and pulls out some very interesting insights. For more details, you can access the full report at U Bank's website.



## People, Planet & Profit – U Bank's Triple Bottom Line

At U Microfinance Bank we are led by the triple bottom line ambition of keeping People, Planet and Profit at the center of all our work. While we continue to invest in our people, including employees and customers alike, we are also cognizant of the impact of our work on our planet and its climate. As a result we have been committed to reducing our carbon and waste footprint.

We have been working closely with Saaf Suthra Sheher, an environmental management startup, for the second year in a row to recycle all of our waste. This year U Bank recycled a total of 1053 kg of waste, a majority of which was paper. Furthermore, the bank has continued to digitize more of its processes to also reduce paper related waste with the roll out of our Digital Loan Acquisition application, making the loan application process paperless.

Keeping up with the tradition from past years, the bank continued with a companywide tree plantation campaign to contribute to the National 10 Billion Trees Tsunami Campaign. As we move forward we will also keep embodying the spirit of a truly Green Microfinance institution, by introducing more services and products geared towards environmental sustainability.

## U Microfinance Bank Saved



**17**  
Trees



**26,050 L**  
Water



**4 MW**  
Electricity





**1053 KG**  
recycled in 2019

**983 KG**

Paper

**58 KG**

Plastic

**9 KG**

Metal

**2 KG**

Glass

**1 KG**

Tetra Pack

savings are calculated using international research standards

## Network of

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## Company Information

### Board of Directors

**Mr. Mohammad Nadeem Khan** – Acting Chairman/Director

**Mr. Kabeer Naqvi** – President & CEO / Director

**Mr. Sahibzada Mansoor Ali** – Independent Director

**Mr. Muhammad Amir Siddiqi** – Director

**Mr. Mohamed Essa Al-Taheri** – Director

**Mr. Moqeen ul Haque** – Director

**Mr. Javed Iqbal** – Independent Director

### Chief Financial Officer

Mr. Ghulam Qadir

### Company Secretary

Ms. Palwasha Qazi

### Auditors

KPMG Taseer Hadi & Co. Chartered Accountants Islamabad

### Legal Advisor

Ali & Ali Barristers and Corporate Consultants

### Principal Registered Office

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

### Website

[www.ubank.com.pk](http://www.ubank.com.pk)



## Board Committees

### Risk Management Committee

**Mr. Sahibzada Mansoor Ali** – Chairman

**Mr. Muhammad Amir Siddiqi** – Member

**Mr. Moqeen ul Haque** – Member

**Mr. Javed Iqbal** – Member

### Audit Committee

**Mr. Javed Iqbal** – Chairman

**Mr. Mohamed Essa-Al-Taheri** – Member

**Mr. Muhammad Amir Siddiqi** – Member

**Mr. Sahibzada Mansoor Ali** – Member

### IT Committee

**Mr. Sahibzada Mansoor Ali** – Chairman

**Mr. Javed Iqbal** – Member

**Mr. Mohamed Essa-Al-Taheri** – Member

### Human Resource Committee

**Mr. Moqeen ul Haque** – Chairman

**Mr. Sahibzada Mansoor Ali** – Member

**Mr. Javed Iqbal** – Member

**Mr. Mohamed Essa-Al-Taheri** – Member

### Finance Committee

**Mr. Muhammad Amir Siddiqi** – Chairman

**Mr. Javed Iqbal** – Member

**Mr. Mohamed Essa-Al-Taheri** – Member

**Mr. Sahibzada Mansoor Ali** – Member

## Board of Directors



Mr. Sahibzada Mansoor Ali  
Independent Director



Mr. Mohamed Essa Al Taheri  
Director



Mr. Moqeen ul Haque  
Director



Mr. Kabeer Naqvi  
President & CEO / Director



Mr. Mohammad Nadeem Khan  
Acting Chairman/Director



Mr. Muhammad Amir Siddiqi  
Director



Mr. Javed Iqbal  
Independent Director



# Management Team







### **Kabeer Naqvi**

*President & CEO*

Mr. Naqvi has 20 years of work experience to his name and has been with U Microfinance Bank since Sep 2015.

He 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 career spanned over 9 years. Mr. Naqvi is a trained accountant and a distinguished member of ACCA – the Association of Chartered Certified Accountants. He is a part of the board of directors at Pakistan Microfinance Network and also chairs its audit committee.



### **Ambreen Malik**

*Chief Digital and Strategy Officer*

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 20 years of work experience spanning Pakistan, UK and The Philippines. She has worked in Retail, Priority banking and Trade Finance with ABN AMRO Pakistan, Dubai Islamic Bank Pakistan and HBL, UK respectively. She has been with U Microfinance Bank since Oct, 2015.

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.



### **Amra Mubashir**

*Chief Human Resource Officer*

Ms. Amra has more than 15 years of work experience spanning in multiple industries within FMCG and Telecommunication. She has led multi-cultural HR teams at the likes British American Tobacco and PepsiCo International.

Amra holds bachelor's in Computer Sciences from University of Engineering and Technology, Lahore and Master's in Engineering Business Management from Warwick University, UK. She holds D&I certification from INSEAD business school.

She has extensive experience in talent management, engagement, diversity and inclusion.



### **Ghulam Qadir**

*Chief Financial Officer*

Mr. Qadir brings 28 years of work experience to the table including 19 years of banking experience of working in Pakistan and Canada. He has served with Tangerine Bank in Canada which is a pioneer in Branchless Banking in North America. He has served at Bank Alfalah Limited Pakistan in various capacities for over 11 years and has also worked with Deloitte Pakistan.

Mr. Qadir is a fellow member of Institute of Chartered Accountants of Pakistan and Institute of Cost and Management Accountants of Pakistan. He is also a member of Chartered Professional Accountants of Ontario, Canada and holds an honours bachelor degree from Laurentian University, Canada.



### **Haidar Ali**

*Chief Credit Officer*

Mr. Haidar Ali is an experienced banker with more than 16 years of Banking experience prior to joining U Bank. He started his career as Management Trainee with Bank Alfalah and served at various key positions across different areas of banking spanning over Branch Banking, Credit/Compliance and Risk Management both in Pakistan and overseas. His last assignment as Head Risk Management at FINCA Microfinance Bank Limited where he played a vital role in establishing the Risk Management function of the bank.

Mr. Haidar Ali has done his Masters in Business Administration from the University of Peshawar.



### **Mariam Zeeshan**

*Chief of Sales*

Ms. Mariam brings with her 15 years of experience in corporate and commercial banking. She has an MBA degree from Bahria University Islamabad. Her expertise include corporate finance, liability management, product design, cash management and transaction banking.

She has previously worked with MCB Bank where her last held position was Head of Transaction Banking North and has extensive experience in establishing relationships with very diverse clientele.





### **Mehvish Muneera Ismail**

*Chief Legal Officer*

Ms. Ismail brings with her nearly 10 years of diversified legal experience, with an expertise in corporate and commercial advisory, including regulatory & legal compliance, corporate governance, company and banking law. Her career trajectory has exposed her to multiple legal jurisdictions ranging from Qatar, UK, US & Pakistan.

Ms. Ismail holds a B.A./LL.B from LUMS and an LL.M. from the University of Cambridge, UK, where she was a recipient of the Cambridge Commonwealth Trust Award, and the Noon Educational Foundation Award.



### **Mubashar Shahani**

*Head of Internal Audit*

Mr. Shahani is a Chartered Accountant by profession and an associate member of the Institute of Chartered Accountants of Pakistan. He has 15 years of work experience in external as well as internal audit.

Prior to joining U Microfinance Bank, he had worked with Telenor 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 Adnan Siddiqui**

*Chief Information Officer, IT*

Mr. Siddiqui brings over 21 years of experience in the field of Information Technology. In his last role at a commercial bank, he was part of the strategic team for the development and deployment of key technological projects relating to Core Banking Upgrade & ADC products. Prior to Banking, he has served in UNDP, System 77 (Melbourne) and NADRA with diversified roles in Development, System Design, Account Management & Project Management.

Mr. Siddiqui holds a Graduate Diploma in Information Technology & Bachelor of Computer Science from RMIT, Australia.



### **Muhammad Javed**

*Chief Compliance Officer*

Mr. Javed brings nearly 21 years of diversified experience to the table with more than 17 years with microfinance banks in Pakistan. He has served in various capacities in the areas of Finance, Compliance, Internal controls, Risk management and fraud Investigations. 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 Khushhali Microfinance Bank, Mobilink Microfinance and Sapphire Fibers Ltd.

Mr. Javed holds a post grad certification in management accounting as well as a Master in Business Administration.



### **Palwasha Qazi**

*Company Secretary & Head of Corporate Affairs*

Ms. Palwasha Qazi has over 12 years of experience in Corporate Affairs, Corporate and Strategic Communication, Regulatory Affairs, Governance, Policies and Procedures, Public Relation and Outreach.

Prior to joining U Microfinance bank Limited, she served at various organizations including Universal Service Fund – USF (Ministry of Information Technology and Telecom), Midas Communication, Online International News Network (Magnates Communication).

Ms. Qazi is a Law Graduate and holds a Masters in International relations from Quaid-e-Azam University, Islamabad.



### **Sarmad Pretu**

*Chief Risk Officer*

Mr. Sarmad Pretu carries a experience in banking and finance spanning over 18 years. He started his career with Askari Bank Limited in 2002 and worked with the likes of ABN AMRO Bank Pakistan Limited, Faysal Bank Limited and The Bank of Punjab. He also worked at various levels at Pakistan Credit Rating Agency (PACRA) and JCR VIS Credit Rating Company Limited. He has worked on infrastructure project financing, corporate finance, commercial credits, investment banking, trade finance, risk management etc. He has also led various trainings at Institute of Bankers Pakistan Limited.

Mr. Sarmad Pretu holds a MBA from Bahria University and a Master of Applied Finance from University of Western Sydney – Australia.





### **Sharmeen Niaz**

*Chief Business Support Officer*

Ms. Niaz brings more than 20 years of diverse work experience in running global support operations for Multinationals. In her last role, Ms. Niaz worked as Director International Operations with 360training.com – a US based firm. Her areas of expertise include Operational Excellence in Support functions and has successfully managed Business Process Outsourcing in Pakistan and Philippines. She has also managed 24/7 International Call Centre.

Ms. Niaz holds an MBA degree and is a trained Six Sigma Green Belt and ISO Internal Audit professional.



### **Sultan Muhammad**

*Chief of Operations*


Mr. Muhammad is a seasoned professional with 15 years of experience within the banking sector. He has worked for banking institutions such as Bank Al Habib Ltd. and Mobilink Microfinance Bank Ltd. He has been part of the core teams responsible for establishing bank operations at both Mobilink Microfinance Bank Ltd and U Microfinance Bank. He brings with him a strong skill-set in branch, branchless and digital banking as well as of operational risk, regulatory compliance and policy.

Sultan has a MBA with a postgraduate degree in Economics. He also holds a JAIBP qualification from the Institute of Bankers of Pakistan.



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## Message from the Acting Chairman



U Bank has been on a remarkable journey and has established a stronghold within the microfinance sector. As the Chairman of the board it gives me immense pleasure to report that the bank has continued to perform well while striving to create meaningful impact in the lives of our customers. Thanks to the dedication and hard work of the management and team.

Our ambition in 2019 was to continue to grow and bring our services and products to the most marginalized customers in terms of banking services. U Microfinance Bank today has the largest branch network with over 200 full menu branches. The bank continues to create more employment within the country with the bank's staff having grown from 1,980 to nearly 2,600 people.

I would like to commend the management and staff of U Bank for their continued commitment to performance with the focus on financial sustainability and social impact, even in the face of the challenging macroeconomic environment in the country.

Over the past year, U Bank has been taking significant strides forward in ensuring that we keep catering to our customers' changing needs and prepare to service future needs of our customers. That focus has helped us to initiate our journey towards digital transformation. This ambition includes digital loan acquiring, ATM network and U Bank Mobile Banking App and Internet Banking.

As we begin 2020, we have our challenges lined up as the country continues to undergo economic correction measures. This year, bank's focus will be to achieve greater operational efficiency, leverage technology and focus on digitization while keeping innovation and agility at the heart of all our efforts. I have no doubt that U Bank's team is primed to take on the challenges and overcome them.

I would like to thank all our stakeholders for continuing to put their trust in the Board and management team. As the Chairman of the board I look forward to delivering another promising year.

**Yours truly,**  
**Mr. Mohammad Nadeem Khan**





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## Message from the President & CEO

Dear Friends of U Bank,

I pen this letter with a great sense of pride in U Bank's people and our collective accomplishments over the last year. Despite challenging economic conditions, we have come together as a team and have continued being one of the fastest growing institutions in the country. U Microfinance Bank now boasts the largest network of full menu branches in the country, with 200+ branches across 183 rural and urban locations in Pakistan. Our geographic expansion is a proof of our commitment to continue reaching the financially excluded and underserved segments of society and those at the last mile.

U Bank has impacted the lives of over 800,000 customers through its products and services. During 2019 our deposit portfolio grew to PKR 23.29 billion, while our loan portfolio has increased to PKR 21.88 billion. Our growth has resulted in the creation of more jobs for our compatriots, whereby the team has grown from 1,980 to 2,600 people.

Our people are U Bank's greatest asset and over the last year we've engaged in a number of initiatives for career development as well as have worked towards preparing the next layer of young leaders within the bank. In year 2020, we will be focusing on more job specific trainings and skills development as well as increased mentoring.

Our goal for 2020 is to continue to grow and create more employment opportunities. Keeping in mind the industry challenges and evolving needs of our customers, we are embarking on a new journey with a

focus on achieving greater operational efficiency, digitization, leveraging technology, agility through product innovation and organizational development to substantially improve customer experience. A digital future for the bank is already shaping up with the introduction of internet and mobile banking, deployment of ATMs and the launch of digital loan acquisition across our network. The New Year will see us put digital transformation and innovation at the center of all our efforts as we initiate projects and form partnerships that will take U Bank forward into the future.

Climate change is a new reality of the world we live in, and at U Bank we are very cognizant of the impact of our work on the environment. As a result, for the second year in a row, U Bank has continued to recycle and reduce its waste. We are committed to reducing our carbon footprint and contributed to the national 10 Billion Tree Tsunami project through a companywide tree plantation drive.

We want to thank our employees for their continued dedication and commitment to our values and our story of change. 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 U Bank.

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

**Yours sincerely,  
Kabeer Naqvi**

## Directors' 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, 2019. The Bank has shown progress in continuation of the preceding year and is on the right track to achieve its vision to be driven by the passion for disruptive innovation and the desire for financial inclusion, we aim to become the problem solver and enabler to Pakistan microfinance ecosystem.

### Activities, Performance and Development:

Principal activity of the Bank is to provide microfinance lending to the poor and unbanked segment of the society. This year the Bank posted profit before taxation of Rs. 310.713 million as against Rs. 800.292 million last year. Profit after tax was reported at Rs. 253.648 million as against Rs. 547.057 million last year. The Bank has achieved remarkable growth during the year by disbursing more than Rs.23.19 billion of loans thus increasing its loan book by 27% from Rs.17.225 billion last year to Rs.21.882 billion in the current year. The Bank has increased its balance sheet footing significantly by 15% from Rs.34.791 billion last year to Rs. 40.090 billion in the current year.

The Bank posted robust liquidity indicators as deposit book increased by 13.42% from Rs.20.535 billion to Rs.23.290 billion during the current year. The Bank also strengthened its strategic funding alliances which helped diversify its funding base and supported its growth trajectory. Investments and balances with other banks stood at Rs.9.989 billion as compared to Rs.12.995 billion of last year.

Year 2019 was a tough year for Pakistan's economy and it had also impacted Microfinance sector. Major crop of the country namely sugar, cotton and wheat faced declined yields impacting borrowers' capacity to timely repay their loans. Beside this increase in discount rate, USD rate fluctuation and prevailing inflation also compressed bank's bottom line resulting in lower profitability as compared to previous year.

Continuing with the banks vision of disruptive innovation and financial inclusion, digital future of the bank is shaping up with introduction of internet & mobile banking, deployment of ATMs and digital loan application project. Internet banking is facilitating urban customers, giving them more control over their money round the clock. Mobile Wallet app is intended to promote easy and convenient form of mobile banking for everyone. Bank's own ATM Network facilitates it's customers further by taking banking beyond the banking hours in Urban & Rural areas of Pakistan. Digital Loan Acquisition is facilitating in acquiring customer data digitally through tabs by eliminating use of paper and bringing banking services to the customer in least amount on time.

The Bank also bolstered its branch network by increasing its branch footprints to 201 branches as compared to 141 branches as of last year in order to maximize its services along length and breadth of the country.



## Financial Results

Financial Results	December 31, 2019 (Rs'000)	December 31, 2018 (Rs'000)
Profit Before taxation	310,713	800,292
Less: WWF	(6,214)	(16,005)
Less: Taxation-Current	(81,448)	(261,029)
- Prior year	(1,318)	4,096
- Deferred	31,915	19,703
Profit after taxation	253,648	547,057
Earnings per share (Rupees)	1.11	2.49

## Transfer to Reserve

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. 50.729 million and 5% of profit after tax to the Depositors' Protection Fund Rs. 12.682 million during 2019.

## Capital Adequacy Ratio

As of the balance sheet date, the Bank's equity for capital adequacy purpose and Capital Adequacy Ratio stood at Rs. 3,939 million and 16.67% respectively, as against the minimum requirement of Rs.1,000 million and, 15% as prescribed by SBP.

## Number of Directors and remuneration

The Bank has total nine directors including the President & CEO, six Non-Executive Directors and two Independent Directors. Detail of remuneration paid to Directors and disclosed in note 34 of the Banks Annual Audited Financial Statements.

## Change in Composition of Board of Directors

There were two casual vacancies in 2019 and two new directors were appointed on the board of UMBL in 2019.

S.No	Outgoing Directors	Incoming Directors
1.	Dr. Daniel Ritz	Mr. Burak Sevilengul
2.	Mr. Amjad Ali Arbab	Mr. Muhammad Aqueel Abbas Malik

## 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 are responsible to the shareholders for the governance of the Bank. The Board concedes the responsibility for the system of sound internal controls and is committed to uphold the highest standard of Corporate Governance in accordance with the rules applicable for time to time.

### Statements of Compliance with the code 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;
- e) The system on 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:

Board Member	Designation	Total No of meetings	Meetings Attended
Dr. Daniel Ritz (Resigned on April 12, 2019)	Chairman	01	01
Mr. Mohammad Nadeem Khan	Acting Chairman	05	05
Mr. Muhammad Amir Siddiqi	Director	05	04
Mr. Mohamed Essa Al Taheri	Director	05	03
Mr. Moqeen ul Haque	Director	05	04
Mr. Sahibzada Mansoor Ali	Director	05	05
Mr. Javed Iqbal	Director	05	05
Mr. Burak Sevilengul	Director	-	-
Mr. Muhammad Aqueel Abbas Malik	Director	-	-
Mr. Kabeer Naqvi	President & CEO/Director	05	05

Following are the changes that took place in the Board of Directors composition during the year ended December 31, 2019:

- Mr. Daniel Ritz attended 1(one) Board of Directors Meeting and his resignation was approved in the 86<sup>th</sup> Board of Directors Meeting held on April 12, 2019.
  - \*Mr. Burak Sevilengul was appointed as director on the Board on November 15, 2019.
  - \*Mr. Muhammad Aqueel Abbas Malik was appointed as director on the Board on November 15, 2019.
- \*Both appointments are subject to SBP FPT approval.

- h) Directors of the Bank hold qualification share and no director has acquired any share in the Bank during the year.

### Payment of Debts:

The Bank remains solvent with regards to its debt obligation and there has been no single instance of delay in discharging its legal obligations.

### Internal Audit

The Bank has an independent Internal Audit Department with experienced professionals having industry exposure. The Head of Internal Audit reports directly to the Audit Committee of the Board. However, the Head of Internal Audit administratively reports to the President & CEO.



## Audit Committee

The Audit Committee consists of two Non-Executive Directors namely Mr. Muhammad Amir Siddiqi & Mr. Mohamed Essa Al Taheri and two Independent Directors namely Sahibzada Mansoor Ali & Mr. Javed Iqbal. Mr. Javed Iqbal is the Chairman of the committee.

## Credit Rating

JCR-VIS Credit Rating Company Limited, based on the Bank's financial position, has assigned the entity rating to 'A' (Single A) for the long-term and 'A-1' (A One) for the short-term, with outlook assigned as 'Stable'.

## Principal Risk and uncertainties

Banking industry is one of the highly regulated industry in Pakistan. State Bank of Pakistan (SBP) does not only keep a regular eye on each and every unit of the industry by frequently inspecting affairs of the banks but has also put various stress indicator such as Minimum Capital Requirement (MCR), Capital Adequacy Ratio (CAR), Cash Reserve Requirement (CRR) and Statutory Liquidity Reserve (SLR).

During the year, the Bank remained compliant with all the regulatory requirements. In addition, the Bank also maintained high quality of its asset portfolio including investments and maintained industry standard liquidity, stress and delinquency ratios.

## External Auditors

The present auditors, Messrs. KPMG Taseer Hadi & Co. Chartered Accountants (KPMG), will be retiring in the upcoming Annual General Meeting and being eligible, have offered themselves for re-appointment. The Audit Committee of the board has recommended the reappointment of KPMG for next year. Accordingly, the Board of Directors endorses the recommendation of the Audit Committee for appointment of KPMG, as the statutory auditors of the Bank for the next year at fee agreed. The external auditor's re-appointment shall be subject to approval in the forthcoming Annual General Meeting.

## Related Party Transactions

Related parties of the Bank comprises 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 of the Bank's Annual Audited Financial Statements. Pakistan Telecommunication Company Limited (PTCL), the parent company, holds 100% shares of the Bank, therefore, all subsidiaries and associated undertakings of Pakistan Telecommunication Company Limited (PTCL) are related parties of the Bank. Also the Bank has related party relationship with its directors, key management personnel, entities over which the directors are able to exercise significant influence and employees retirement benefit funds. Transactions with related parties were carried out in the ordinary course of business. Detail of transactions during the period and balances outstanding as at the period ended 31<sup>st</sup> Dec 2019 are disclosed in note 36 of the Bank's Annual Audited Financial Statements.

## 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<sup>st</sup>, 2019

S.No.	No Shares	Distinctive No	Held by
1	9	1 to 9	Directors (Qualifying Shares)
2	228,571,420	10 to 228,571,429	PTCL

## Earning Per share

Earnings per share of the Bank for the year ended 2019 is Rs.1.11 compared to Rs.2.49 as at end of year 2018.

## 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 (SBP), Securities Exchange Commission of Pakistan (SECP) and Central Depository Company (CDC) for their guidance and cooperation extended to the Bank. Finally, we are also thankful to our associates, the Bank's management and staff for their committed services provided to our valued customers.



**President and Chief Executive Officer**  
Islamabad  
31 January 2020



**Acting Chairman**

## ایکسٹرنل آڈیٹرز

موجودہ آڈیٹرز میسرز KPMG تاثیر بادی اینڈ کمپنی آئینہ سالانہ اجلاس عام تک ریٹائر ہو جائیں گے اور اہلیت کی بنا پر انہوں نے دوبارہ تقرری کے لئے درخواست دی ہے۔ بورڈ کی آڈٹ کمیٹی نے انہیں دوبارہ مقرر کرنے کی سفارش کی ہے۔ بورڈ آف ڈائریکٹرز نے بھی طے شدہ فیس پر ان کی دوبارہ تقرری کو منظور کیا ہے۔ مذکورہ آڈیٹر کو سالانہ اجلاس عام کی منظوری کے بعد مقرر کر دیا جائے گا۔

## متعلقہ پارٹی ٹرانزیکشنز

سرپرست کمیٹی، ماحقہ کمپنیز، ڈائریکٹرز، اہم انتظامی عہدے اور ایمپلائرز ریٹائرمنٹ فنڈ بینک کی متعلقہ پارٹیز میں شامل ہیں۔ بینک کے شیئر ہولڈرز کی تفصیل سالانہ آڈٹ فنانشل سٹیٹمنٹ کے نوٹ نمبر 17 میں دی ہوئی ہے۔ پاکستان ٹیلی کمیونیکیشن کمپنی لمیٹڈ (پی ٹی سی ایل) کے پاس بینک کے 100% شیئرز ہیں لہذا اس کے اقرار نامے اور سب سڈی بھی بینک کی متعلقہ پارٹی میں شامل ہیں۔ اس کے علاوہ ماحقہ کمپنیز، ڈائریکٹرز، اہم انتظامی عہدے اور ایمپلائرز ریٹائرمنٹ فنڈ بینک کی متعلقہ پارٹیز میں شامل ہیں اور تفصیل سالانہ آڈٹ فنانشل سٹیٹمنٹ کے نوٹ نمبر 17 میں دی ہوئی ہے۔

## بیلنس شیٹ ڈیٹ کے بعد کے واقعات

بیلنس شیٹ ڈیٹ کے بعد کے واقعات میں قابل ذکر تبدیلی نہیں ماسوائے ان کے جن کا ذکر پہلے ہو چکا ہے۔

## شیئر ہولڈنگ کا نمونہ

31 دسمبر 2019ء تک شیئر ہولڈنگ کا نمونہ درج ذیل ہے۔

S.No.	No Shares	Distinctive No	Held by
1	9	1 to 9	Directors (Qualifying Shares)
2	228,571,420	10 to 228,571,429	PTCL

## فی شیئر انرینگ

2019ء کے آخر تک فی شیئر انرینگ 1.11 روپے تھی جو کہ 2018ء میں 2.49 روپے تھی۔

## قدر و اعتراف

ہم اپنے صارفین اور بزنس پارٹنرز کے مسلسل اعتبار اور تعاون پر ان کے شکر گزار ہیں۔ ہم راہنمائی اور تعاون پر سٹیٹ بینک آف پاکستان، سکیورٹی اینڈ ایکسچینج کمیشن آف پاکستان اور سنٹرل ڈپازٹری کے بھی شکر گزار ہیں اور آخر یہ ہم اپنے معزز اور پر عزم رفقاء، بینک انتظامیہ اور سٹاف اور ان کی سروسز کے شکر گزار ہیں۔



دستخط پریذیڈنٹ اینڈ چیف ایگزیکٹو آفیسر

اسلام آباد

31 جنوری 2020



دستخط ایکنگ چیئرمین



Board Member	Designation	Total No of meetings	Meetings Attended
Dr. Daniel Ritz (Resigned on April 12, 2019)	Chairman	01	01
Mr. Mohammad Nadeem Khan	Acting Chairman	05	05
Mr. Muhammad Amir Siddiqi	Director	05	04
Mr. Mohamed Essa Al Taheri	Director	05	03
Mr. Moqem ul Haque	Director	05	04
Mr. Sahibzada Mansoor Ali	Director	05	05
Mr. Javed Iqbal	Director	05	05
Mr. Burak Sevilengul	Director	-	-
Mr. Muhammad Aqueel Abbas Malik	Director	-	-
Mr. Kabeer Naqvi	President & CEO/Director	05	05

31 دسمبر 2019 سال کے دوران بورڈ آف ڈائریکٹرز کی تشکیل میں رونما ہونے والی تبدیلیاں درج ذیل ہیں

- مسٹر ڈینیئل رٹز نے بورڈ آف ڈائریکٹرز کی ایک میٹنگ میں شرکت کی جبکہ ان کا استعفیٰ 12 اپریل 2019 کو منعقد ہونے والی 86 ویں بورڈ آف ڈائریکٹرز کی میٹنگ میں منظور کیا گیا۔
- \* مسٹر بوراک سیویلینگول کو 15 نومبر 2019 کو بطور بورڈ آف ڈائریکٹرز تعینات کیا گیا۔
- \* مسٹر محمد عقیل عباس ملک کو 15 نومبر 2019 کو بطور بورڈ آف ڈائریکٹرز تعینات کیا گیا۔
- \* تقرری SBP کے FPT سے مشروط ہے۔

(ذ) بینک کے ڈائریکٹرز قابلیت میں اپنا شیئر رکھتے ہیں سال کے دوران کسی ڈائریکٹر نے بھی بینک کا کوئی شیئر حاصل نہیں کیا۔

## قرضوں کی ادائیگی

قرض ادا کرنے میں بینک کی کارکردگی اچھی رہی اور اس قانونی قرض کو پورا کرنے میں کوئی تاخیر نہیں ہوئی۔

## انٹرنل آڈٹ

بینک کا اپنا انٹرنل آڈٹ ڈیپارٹمنٹ ہے جس کا اسٹاف انڈسٹری کے تجربے کا حامل ہے۔ ہیڈ آف انٹرنل آڈٹ بورڈ کی آڈٹ کمیٹی کو جوابدہ ہے مگر انتظامی طور پر وہ پریذیڈنٹ اور CEO کو بھی جوابدہ ہے۔

## آڈٹ کمیٹی

آڈٹ کمیٹی میں دو ایگزیکٹو ڈائریکٹرز ہیں جن کا نام مسٹر محمد عامر صدیقی اور مسٹر محمد علی الطاہری ہے اور دو غیر مختار ڈائریکٹرز ہیں جن کا نام صاحبزادہ منصور علی اور مسٹر جاوید اقبال ہے۔ مسٹر جاوید اقبال کمیٹی کے چیئرمین ہیں۔

## کریڈٹ ریٹنگ

JCR-VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ نے بینک کی فنانشل پوزیشن کے پیش نظر اس کی ریٹنگ بڑھادی ہے۔ اب طویل المدت 'A' (سنگل A) اور قلیل المدت 'A-One' (A-1) اور بینک کی بیرونی ساکھ متوازن ہے۔

## پرنسپل رسک اور غیر متوقع صورتحال

پاکستان میں بینکنگ انڈسٹری نہایت فعال ہے۔ سٹیٹ بینک آف پاکستان ہر بینک کی کڑی نگرانی کرتا ہے اور باقاعدہ وقفوں سے ان کا معائنہ کرتا ہے۔ سٹیٹ بینک آف پاکستان نے کم از کم سرمایہ (MCR) سرمایہ کی مناسب ریشہ (CAR)، یکیشن ریزرو (CRR) اور SLR کی حد مقرر کی ہوئی ہے۔

گزشتہ سال بینک نے تمام ریگولیٹری شرائط پوری کیں۔ اس کے علاوہ بینک نے سرمایہ اور سرمایہ کاری کا اعلیٰ معیار قائم رکھا اور شیڈرڈ لیکویڈٹی، سٹرپس اور ڈیلیکوونسی ریشہ کو بھی بحال رکھا۔

## کیپیٹل ایڈیکسی ریشو

سٹیٹ بینک آف پاکستان کی مقررہ کم از کم شرط 1000 ملین ہے اور 15% کے مقابلہ میں بینک کی بیلنس شیٹ کے مطابق بینک ایکویٹی اور کیپیٹل ایڈیکسی ریشو بالترتیب 3,939 ملین روپے اور 16.67% ہے۔

## ڈائریکٹرز کی تعداد اور ان کی تنخواہ

پریذیڈنٹ اور سی ای او سمیت بینک کے کل 9 ڈائریکٹرز ہیں جن میں 6 نان ایگزیکٹو اور 2 خود مختار ڈائریکٹرز ہیں۔ ڈائریکٹرز کو ادائیگی تنخواہوں کی تفصیلات بینک کی سالانہ آڈیٹڈ فنانشل سٹیٹمنٹ کے پوائنٹ نمبر 34 میں موجود ہیں۔

## بورڈ آف ڈائریکٹرز میں تبدیلی

2019ء میں ڈائریکٹر کے استعفیٰ سے درج ذیل تبدیلیاں ہوئی ہیں۔

S.No	Outgoing Directors	Incoming Directors
1.	Dr. Daniel Ritz	Mr. Burak Sevilengul
2.	Mr. Amjad Ali Arbab	Mr. Muhammad Aqueel Abbas Malik

## ہولڈنگ کمپنی

کمپنیز آرڈی نینس 1984ء کے تحت 29 اکتوبر 2003ء کو کراچی میں قائم ہونے ”روزگار مائیکرو فنانس بینک لمیٹڈ“ کو 30 اگست 2012ء کو پاکستان ٹیلی کمیونیکیشن کمپنی لمیٹڈ (پی ٹی سی ایل) نے اس کے 100% شیئرز خرید لئے۔ 7 دسمبر 2012ء کو اس کا نام تبدیل کر کے یو مائیکرو فنانس بینک لمیٹڈ رکھا گیا۔ 31 جنوری 2013ء کو سٹیٹ بینک آف پاکستان نے اسے ملک بھر میں کام کرنے کا لائسنس جاری کیا۔ 11 جولائی 2013ء سٹیٹ بینک آف پاکستان نے ملک بھر میں برانچس بینکنگ کے کمرشل اجرا کی منظوری دی۔

## کارپوریٹ گورننس

شیئرز ہولڈرز کے لئے بینک کی گورننس بورڈ آف ڈائریکٹرز کی ذمہ داری ہے۔ بینک کے نظام کو بہتر طور پر چلانے کے لئے بورڈ اپنی ذمہ داری قبول کرتا ہے اور وقتاً فوقتاً متعلقہ قوانین کے مطابق کارپوریٹ گورننس کے اعلیٰ معیار کے مطابق بینک کو چلانے میں پر عزم ہے۔

## کارپوریٹ گورننس کا معیار اور قوانین کے مطابق چلنے کا عزم

ڈائریکٹرز کا بیان ہے کہ

- بینک انتظامیہ کی تیار کردہ فنانشل سٹیٹمنٹ، معاملات، آپریشن کے نتائج، کیش فلو اور ایکویٹی میں تبدیلی کی بہترین عکاسی ہیں۔
- اکاؤنٹ کی کتابوں کو نہایت ترتیب سے رکھا گیا ہے۔
- بینک مروجہ اکاؤنٹ پالیسیز پر مستقل کاربند ہے اور فنانشل سٹیٹمنٹ کی تیاری، تمام کوائف اور جائز قواعد کے مطابق درست انداز میں پیش کیا گیا ہے۔
- بین الاقوامی مالیاتی رپورٹنگ کے معیارات، جیسا کہ پاکستان میں قابل اطلاق ہیں اور اسٹیٹ بینک آف پاکستان کے ذریعے اپنایا گیا ہے۔ بینک کے فنانشل سٹیٹمنٹ کی تیاری میں اپنایا گیا ہے اور انحراف اگر کوئی ہے تو ان کا مناسب طور پر انکشاف کیا گیا ہے۔
- اندرونی کنٹرول پر موجود نظام مستحکم ہے اور اس کو موثر انداز میں نافذ اور نگرانی کی جارہی ہے۔
- بینک کے نظام میں کوئی خامی نہیں ہے۔
- سال میں 5 بورڈ میٹنگز ہوئی ہیں۔ ان میٹنگز میں درج ذیل ڈائریکٹرز نے شرکت کی۔

# شیر ہولڈرز کے لئے ڈائریکٹرز رپورٹ

ہم 31 دسمبر 2019 سال کے اختتام پر یو مائیکرو فنانس بینک لمیٹڈ (دی بینک) کی ڈائریکٹرز رپورٹ اور آڈٹ شدہ فنانشل سٹیٹمنٹ پیش کر کے خوش محسوس کر رہے ہیں۔ بینک نے گزشتہ سال کے مقابلہ میں قابل تعریف ترقی کی ہے اور اب یہ پاکستان مائیکرو فنانس ایکوسیستم کے مسائل حل کرنے اور جدید فنانشل انکلوژن حاصل کرنے کی راہ پر گامزن ہے۔

## سرگرمیاں، کارکردگی اور ترقی

بینک کا بڑا کام معاشرہ کے غریب طبقہ کو چھوٹے پیمانے پر قرض فراہم کرنا ہے۔ گزشتہ سال 800.292 ملین روپے منافع کے مقابلہ میں اس سال ٹیکس ادا کرنے سے پہلے 310.713 ملین منافع ہے۔ گزشتہ سال ٹیکس ادا کرنے کے بعد کل منافع 547.057 ملین کے مقابلہ میں اس سال ٹیکس ادا کرنے کے بعد کل منافع 253.648 ملین روپے ہے۔ بینک نے اس سال شاندار ترقی کا مظاہرہ کرتے ہوئے 23.19 ملین روپے قرض فراہم کیے اور بینک کے قرض کا حجم 17.225 ملین روپے سے بڑھ کر 21.882 ملین روپے ہو گیا ہے جو کہ پچھلے سال کے مقابلے میں 27% زیادہ ہے۔ گزشتہ سال بیلنس شیٹ 34.791 ملین تھی جبکہ اس سال 40.090 ملین ہے۔ اس میں 15% بہتری آئی ہے۔

گزشتہ سال ڈپازٹ 20.535 ملین تھے جبکہ اس سال 23.290 ملین ہیں۔ اس میں 13.42% اضافہ ہوا ہے۔ بینک نے اسٹریٹجک فنڈنگ الائنس کو بھی مستحکم کیا ہے، جس سے بینک کی فنڈنگ بیس کو متفرک کیا اور ترقی کی رفتار کو بڑھایا ہے۔ دوسرے بینکوں سے سرمایہ کاری اور بیلنس گزشتہ سال 12.995 ملین روپے تھی اور اس سال 9.989 ملین روپے ہے۔

سال 2019 پاکستانی معیشت کے لئے بڑا مشکل تھا اور اس کے اثرات مائیکرو فنانس سیکٹر پر بھی پڑے ہیں۔ گنا، کپاس اور گندم کی پیداوار میں کمی کی وجہ سے لوگوں کی قرضہ واپس کرنے کی صلاحیت میں بھی کمی آئی۔ اس کے علاوہ ڈسکاؤنٹ ریٹ، ڈالر کی شرح اور مہنگائی میں اضافہ سے بھی گزشتہ سال کے مقابلہ میں منافع کم رہا۔

ہم بینک کے اختراعی جدوجہد اور مالی شمولیت کے ویژن کو جاری رکھتے ہوئے انٹرنیٹ / موبائل بینکنگ، اے ٹی ایم اور ڈیجیٹل لون اپیلیکیشن پروجیکٹ کو متعارف کرانے کے ساتھ بینک کا ڈیجیٹل مستقبل تشکیل پا رہا ہے۔ انٹربینکنگ شہری صارف کو یہ سہولت فراہم کر رہی ہے کہ وہ اپنی بینکنگ کی ضرورت کو چوبیس گھنٹے با آسانی پورا کر سکتے ہیں۔ موبائل ایپ کا مقصد صارفین کو موبائل بینک کاری کی تمام سہولیات آسانی سے فراہم کرنا ہے۔ بینک کا اپنا اے ٹی ایم نیٹ ورک پاکستان کے شہری اور دیہی علاقوں میں بینکنگ اوقات کے بعد بھی اپنے صارفین کو بہتر بینکنگ سہولت فراہم کرتا ہے۔ ڈیجیٹل لون ایپ صارف کو کم وقت پر قرض حاصل کرنے میں مدد فراہم کر رہا ہے۔

ملک بھر میں بینک کی برانچوں کی تعداد گزشتہ سال 141 سے بڑھ کر 201 ہو چکی ہے۔

## فنانشل نتائج

Financial Results	December 31, 2019 (Rs'000)	December 31, 2018 (Rs'000)
Profit Before taxation	310,713	800,292
Less: WWF	(6,214)	(16,005)
Less: Taxation-Current	(81,448)	(261,029)
- Prior year	(1,318)	4,096
- Deferred	31,915	19,703
Profit after taxation	253,648	547,057
Earnings per share (Rupees)	1.11	2.49

## ریزروٹرانسفر

2019ء میں مائیکرو فنانس انسٹیٹیوشن آرڈی نینس 2001ء اور اسٹیٹ بینک آف پاکستان کے جاری کردہ پروڈینشل ریگولیشنز فار مائیکرو فنانس بینک کے مطابق بینک نے اپنے بعد از ٹیکس منافع کا 20% سٹچری ریزرو میں 50.729 ملین روپے اور بعد از منافع کا 5% ڈپازٹس پروجیکشن فنڈ میں 12.682 ملین روپے جمع کرائے ہیں۔



## **INDEPENDENT AUDITORS' REPORT**

**To the members of U Microfinance Bank Limited**

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the annexed financial statements of U Microfinance Bank Limited (the Bank), which comprise the balance sheet as at 31 December 2019, and the profit and loss account, the statement of comprehensive income, the statement of changes in equity, the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), Microfinance Institutions Ordinance, 2001 and the directives issued by the State Bank of Pakistan in the manner so required and respectively give a true and fair view of the state Bank's affair as at 31 December 2019 and of the profit, the comprehensive income, the changes in equity and its cash flows for the year then ended.

#### **Basis for Opinion**

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

#### **Responsibilities of Management and Board of Directors for the Financial Statements**

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

In preparing the financial statements, management is responsible for assessing the Bank's ability to

continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

## **Auditors' Responsibilities for the Audit of the Financial Statements**

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

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

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

disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

## **Report on Other Legal and Regulatory Requirements**

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

- a) proper books of account have been kept by the Bank as required by the Companies Act, 2017 (XIX of 2017);
- b) the balance sheet, profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017), Microfinance Institutions Ordinance, 2001 and the directives issued by the State Bank of Pakistan and are in agreement with the book of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Bank's business; and
- d) 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.

The engagement partner on the audit resulting in this independent auditors' report is Riaz Pesnani.

**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**  
**Islamabad**  
**02 March 2020**





## BALANCE SHEET

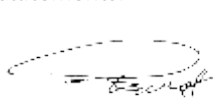
AS AT 31 DECEMBER 2019

	Note	2019 Rupees	2018 Rupees
<b>ASSETS</b>			
Cash and balances with SBP and NBP	6	1,717,205,410	1,457,386,758
Balances with other Banks/ NBFIs/ MFBs	7	3,019,826,466	11,027,311,074
Lending to financial institutions		-	-
Investments - net of provisions	8	6,969,538,668	1,967,824,071
Advances - net of provisions	9	21,374,079,265	17,019,838,156
Operating fixed assets	10	3,104,521,964	754,499,905
Other assets	11	3,828,677,455	2,523,062,846
Deferred tax asset	12	76,354,529	41,654,400
<b>Total Assets</b>		<b>40,090,203,757</b>	<b>34,791,577,210</b>
<b>LIABILITIES</b>			
Deposits and other accounts	13	23,290,259,471	20,534,770,395
Borrowings	14	6,733,331,333	6,010,000,000
Subordinated debt	15	4,599,400,000	4,599,640,000
Other liabilities	16	2,416,350,107	838,664,403
Deferred tax liabilities		-	-
<b>Total Liabilities</b>		<b>37,039,340,911</b>	<b>31,983,074,798</b>
<b>Net Assets</b>		<b>3,050,862,846</b>	<b>2,808,502,412</b>
<b>REPRESENTED BY:</b>			
Share capital	17	2,285,714,290	2,285,714,290
Discount on issue of share capital		(25,714,290)	(25,714,290)
Statutory and general reserves	5.13.1	229,644,265	178,914,625
Depositors' protection fund	5.13.2	57,411,066	44,728,656
Unappropriated profit		512,586,043	324,888,330
		<b>3,059,641,374</b>	<b>2,808,531,611</b>
Surplus / (Deficit) on revaluation of assets	18	(8,778,528)	(29,199)
Deferred grants		-	-
<b>Total Capital</b>		<b>3,050,862,846</b>	<b>2,808,502,412</b>
<b>MEMORANDUM / OFF BALANCE SHEET ITEMS</b>	19		

The annexed notes from 1 to 39 form an integral part of these financial statements.

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

  
\_\_\_\_\_  
CHAIRMAN

  
\_\_\_\_\_  
DIRECTOR

  
\_\_\_\_\_  
DIRECTOR

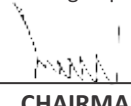
## PROFIT AND LOSS ACCOUNT

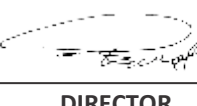
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 Rupees	2018 Rupees
Mark-up / return / interest earned	20	7,266,317,884	4,365,933,802
Mark-up / return / interest expensed	21	(3,842,508,867)	(1,676,143,400)
Net mark-up / interest income		3,423,809,017	2,689,790,402
Provision against non-performing loans and advances	9.3	(809,740,000)	(259,713,803)
Provision for diminution in the value of investments		-	-
Bad debts written off directly	9.3	(28,716,236)	-
Net mark-up / interest income after provisions		2,585,352,781	2,430,076,599
<b>NON MARK-UP / NON INTEREST INCOME</b>			
Fee, commission and brokerage income	22	900,356,644	625,463,208
Dividend income		-	-
Other income	23	39,075,818	15,019,173
Total non-markup / non interest income		939,432,462	640,482,381
		3,524,785,243	3,070,558,980
<b>NON MARK-UP / NON INTEREST EXPENSES</b>			
Administrative expenses	24	3,206,406,891	2,267,866,712
Other provisions / write offs		-	-
Other charges	25	7,665,076	2,399,837
Total non-markup / non interest expenses		3,214,071,967	2,270,266,549
Extra ordinary / unusual items		-	-
<b>PROFIT BEFORE TAXATION</b>		310,713,276	800,292,431
Worker Welfare Fund (WWF)		(6,214,266)	(16,005,849)
		304,499,010	784,286,582
<b>TAXATION</b>			
Current		(81,447,841)	(261,029,309)
Prior years		(1,317,977)	4,096,213
Deferred		31,915,009	19,703,750
	26	(50,850,809)	(237,229,346)
<b>PROFIT AFTER TAXATION</b>		253,648,201	547,057,236
Unappropriated profit brought forward		324,888,330	32,149,466
Less: Other comprehensive income		(2,538,438)	(3,268,348)
Profit available for appropriation		575,998,093	575,938,354
<b>APPROPRIATIONS:</b>			
<b>Transfer to:</b>			
Statutory reserves		50,729,640	109,411,447
Capital reserve		-	-
Contribution to MSDF / DFP / RMF		12,682,410	27,352,862
Revenue reserve		-	-
Interim cash dividend Rs. Nil (2018: Rs. 50 paisa per share)		-	114,285,715
		63,412,050	251,050,024
<b>UNAPPROPRIATED PROFIT CARRIED FORWARD</b>		512,586,043	324,888,330
<b>EARNINGS PER SHARE</b>	30	1.11	2.49

The annexed notes from 1 to 39 form an integral part of these financial statements.

  
 PRESIDENT / CHIEF EXECUTIVE

  
 CHAIRMAN

  
 DIRECTOR


  
 DIRECTOR

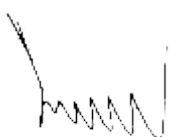
# STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

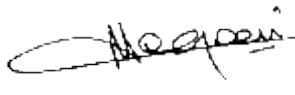
	Note	2019 Rupees	2018 Rupees
<b>Profit for the year</b>		<b>253,648,201</b>	547,057,236
<b>Other comprehensive income for the year</b>			
<b>Items that will not be reclassified to profit and loss account:</b>			
Remeasurement loss on defined benefit liability - gratuity	16.3.1	(3,785,206)	(4,349,657)
Related tax	12	1,246,768	1,081,309
		(2,538,438)	(3,268,348)
<b>Comprehensive income for the year transferred to equity</b>		<b>251,109,763</b>	543,788,888
<b>Components of comprehensive income for the year not transferred to equity:</b>			
<b>Items that may be reclassified to profit and loss:</b>			
Deficit on revaluation of available for sale investments	18	(10,287,681)	(39,999)
Related tax effect	18	1,538,352	10,800
		(8,749,329)	(29,199)
<b>Total comprehensive income for the year</b>		<b>242,360,434</b>	543,759,689

The annexed notes from 1 to 39 form an integral part of these financial statements.

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

  
 \_\_\_\_\_  
 CHAIRMAN

  
 \_\_\_\_\_  
 DIRECTOR

  
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 DIRECTOR



## Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 Rupees	2018 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before taxation		304,499,010	784,286,582
Less: Dividend income		-	-
		304,499,010	784,286,582
Adjustments for non-cash charges			
Depreciation of property and equipment	10.2	196,292,565	116,481,950
Amortization of intangible assets	10.3	23,868,065	18,264,325
Depreciation of right of use assets	10.4	129,093,001	-
Provisions against non-performing advances	9.3	838,456,236	259,713,803
Advances written off against provision	9.3	(535,634,449)	(148,663,082)
Provision for gratuity	24	29,504,965	17,736,870
Gain on sale of fixed assets	24	(59,290)	(141,053)
Finance charges on leased assets		95,923,953	640,038
		777,445,046	264,032,851
		1,081,944,056	1,048,319,433
<b>Increase in operating assets</b>			
Advances		(4,657,062,896)	(6,576,530,727)
Other assets (excluding advance taxation)		(1,478,927,212)	(1,106,942,768)
<b>Increase in operating liabilities</b>			
Bills payables		(9,463,692)	25,975,898
Deposits and other accounts		2,755,489,076	8,563,412,181
Other liabilities (excluding current tax, bills payable finance lease and provision for gratuity)		264,776,108	177,228,001
		(3,125,188,616)	1,083,142,585
<b>Net cash (used in) / generated from operations</b>		<b>(2,043,244,560)</b>	<b>2,131,462,018</b>
Payments against provisions held against off-balance sheet obligations			
Gratuity paid	16.3.10	(41,091,375)	(16,514,091)
Income taxes paid		(77,152,128)	(228,176,187)
<b>Net cash (used in) / generated from operating activities</b>		<b>(2,161,488,063)</b>	<b>1,886,771,740</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Net investments in available for sale securities - Government securities		(5,012,002,278)	(181,449,079)
Net investments in term deposits receipts		-	2,000,000,000
Investments in operating fixed assets		(1,158,253,618)	(398,907,877)
Sale proceeds of property and equipment disposed-off		59,290	1,520,681
<b>Net cash (used in) / generated from investing activities</b>		<b>(6,170,196,606)</b>	<b>1,421,163,725</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Receipts of subordinated loan		-	4,000,000,000
Payments of subordinated loan		(240,000)	(360,000)
Borrowings obtained during the year		2,300,003,032	4,650,513,252
Borrowings repaid during the year		(1,576,671,699)	(1,710,000,000)
Payments of lease obligations		(139,072,620)	(8,157,108)
Issue of share capital		-	1,000,000,000
Dividend paid		-	(114,285,715)
<b>Net cash generated from financing activities</b>		<b>584,018,713</b>	<b>7,817,710,429</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(7,747,665,956)</b>	<b>11,125,645,894</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>12,484,697,832</b>	<b>1,359,051,938</b>
<b>Cash and cash equivalents at end of the year</b>	27	<b>4,737,031,876</b>	<b>12,484,697,832</b>

The annexed notes from 1 to 39 form an integral part of these financial statements.

PRESIDENT / CHIEF EXECUTIVE

CHAIRMAN

DIRECTOR

DIRECTOR

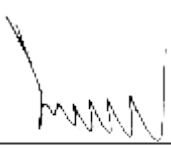
# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

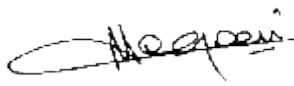
			Capital reserves		Revenue reserve	
	Share capital	Discount on issue of share capital	Statutory reserve	Depositors' protection fund	Unappropriated profit / (loss)	Total
	Rupees					
Balance at 31 December 2017	1,285,714,290	(25,714,290)	69,503,178	17,375,794	32,149,466	1,379,028,438
Profit for the year	-	-	-	-	547,057,236	547,057,236
Other comprehensive income	-	-	-	-	(3,268,348)	(3,268,348)
Total comprehensive income	-	-	-	-	543,788,888	543,788,888
Transfer to:						-
Statutory reserve	-	-	109,411,447	-	(109,411,447)	-
Depositors' Protection Fund	-	-		27,352,862	(27,352,862)	-
Transactions with owners, recorded directly in equity						
Contributions and distributions						
Interim cash dividend at 50 paise per share	-	-	-	-	(114,285,715)	(114,285,715)
Issue of ordinary shares	1,000,000,000	-	-	-	-	1,000,000,000
Balance at 31 December 2018	2,285,714,290	(25,714,290)	178,914,625	44,728,656	324,888,330	2,808,531,611
Profit for the year	-	-	-	-	253,648,201	253,648,201
Other comprehensive income	-	-	-	-	(2,538,438)	(2,538,438)
Total comprehensive income	-	-	-	-	251,109,763	251,109,763
Transfer to:						-
Statutory reserve	-	-	50,729,640	-	(50,729,640)	-
Depositors' Protection Fund	-	-		12,682,410	(12,682,410)	-
Balance at 31 December 2019	2,285,714,290	(25,714,290)	229,644,265	57,411,066	512,586,043	3,059,641,374

The annexed notes from 1 to 39 form an integral part of these financial statements.

  
PRESIDENT / CHIEF EXECUTIVE

  
CHAIRMAN

  
DIRECTOR

  
DIRECTOR

## Notes To The Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

### 1 STATUS AND NATURE OF BUSINESS

On 30 August 2012, Pakistan Telecommunication Company Limited (PTCL) acquired 100% shareholding of Rozgar Microfinance Bank Limited, incorporated in Karachi on 29 October 2003 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017), and its name was changed to U Microfinance Bank Limited (the Bank) with effect from 07 December 2012. On 31 January 2013, the Bank was granted license by State Bank of Pakistan (SBP) for commencement of nationwide microfinance banking operations.

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

The credit rating company JCR-VIS assigned the long-term entity rating of the Bank at "A" and short term rating at "A-1" on 11 January 2019.

### 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 30 December 2003.

### 3 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan for financial reporting comprise of:

- International Financial Reporting Standards (IFRS Standards), issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Microfinance Institutions Ordinance, 2001 (the MFI Ordinance);
- Directives issued by the Securities and Exchange Commission of Pakistan (SECP) and State Bank of Pakistan (SBP); and
- Provisions of and directives issued under the Companies Act, 2017

Where the requirements of the Companies Act, 2017, the MFI Ordinance and the directives issued by the SECP and SBP differ with the requirements of IFRSs, the requirements of the Companies Act, 2017, the Microfinance Ordinance, 2001, or the requirements of the said directives shall prevail.

The SBP vide BSD Circular No. 10, dated 26 August 2002 has deferred the applicability of the 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.

State Bank of Pakistan (SBP) through its BPRD circular No. 4 of 2019 dated 23 October 2019 has decided that the effective date of IFRS 9 implementation is 01 January 2021 for banks/DFIs/MFBs. Accordingly, the requirements of this standard has not been considered in the preparation of these financial statements.

## **4 BASIS OF MEASUREMENT**

### **4.1 Accounting convention**

These financial statements have been prepared under the historical cost convention except for available for sale investments which are measured at fair value and employee's gratuity which is measured based on actuarial valuation.

### **4.2 Functional and presentation currency**

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

### **4.3 Use of judgments and estimates**

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about assumptions and estimation uncertainties or where judgment was exercised in application of accounting policies that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the year ending 31 December 2019 is included in the following notes:

Note 5.12.3 and 16.3.4 – measurement of defined benefit obligations: key actuarial assumptions;

Note 5.7 and 26 – recognition of deferred tax assets and estimation of income tax provision

Notes 5.14 and 19 – recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources; and

Note 5.5 and 10 useful lives, reassessed values, residual values and depreciation method of property and equipment.

Note 5.5.3 and 10.3 useful lives, residual values and amortization method of intangible assets.

Note 5.4 and 9.2 criteria / rates for provision against non-performing advances as per the requirements of the prudential regulations.

Note 5.3 and 8 Provision for diminution in the value of investment as per the regulations issued by SBP.

Note 5.6 and 16.2 incremental borrowing rate for recognition of leased liabilities and corresponding right of use assets under IFRS-16.



#### 4.4 Standards, interpretations and amendments to the accounting and reporting standards

New accounting standards / amendments and IFRSs interpretations that are effective for the year ended 31 December 2019.

- **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 interpretations 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 for accounting period beginning on or after 01 January 2019 (SECP has adopted for local application from accounting period beginning on or after 01 July 2018).

- The Bank has adopted the requirements of IFRS 15 'Revenue from contracts with customers' from 01 January 2019 and a number of interpretations and amendments to standards, which have had an insignificant effect on the financial statements of the Bank.
- **IFRS 16: 'Leases'** This standard has introduced a single, on-balance sheet accounting model for lessees. As a result, the Bank, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

Effective from 30 June 2019 (SECP has adopted for local application from accounting period beginning on or after 01 July 2018).

- Detailed disclosure of the effect of IFRS 16 are given in the notes 10.4 and 16.2 to these financial statements.
- The following standards, amendments and interpretations thereto as notified under the Companies Act, 2017 are either not relevant to the Bank's operations or are not likely to have a significant impact on the Bank's financial statements:
- **IFRIC 23 "Uncertainty over Income Tax Treatments"**. It clarifies the accounting for income tax treatments that are yet to be accepted by tax authorities, whilst also aiming to enhance transparency

Effective for accounting period beginning on or after 01 January 2019.

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2020:

- Amendment to IFRS 3 'Business Combinations' - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments to IAS 1 - Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are

intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future.. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.
- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A bank shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Bank.
- IFRS 14 Regulatory Deferral Accounts - (effective for annual periods beginning on or after 1 July 2019) provides interim guidance on accounting for regulatory deferral accounts balances while IASB considers more comprehensive guidance on accounting for the effects of rate regulation. In order to apply the interim standard, an entity has to be rate regulated – i.e. the establishment of prices that can be charged to its customers for goods or services is subject to oversight and/or approved by an authorized body. The term 'regulatory deferral account balance' has been chosen as a neutral descriptor for expense (income) or variance account that is included or is expected to be included by the rate regulator in establishing the rate(s) that can be charged to customers and would not otherwise be recognized as an asset or liability under other IFRSs. The standard is not likely to have any effect on Bank's financial statements.
- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation – for Banks and DFIs / MFBs, the effective date of the standard has been extended to annual periods beginning on or after 1 January 2021 vide SBP circular 4 dated 23 October 2019. IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. According to SBP circular referred to above, the Banks/DFIs/MFBs are required to have a parallel run of IFRS 9 from 1 January 2020. The Banks/DFIs/MFBs are also required to prepare pro-forma financial statements which includes the impact of IFRS 9 from the year ended 31 December 2019. These proforma financial statements are being prepared and the Bank is in the process of assessing the potential impact of impairment of financial assets under expected credit loss model.

## 5 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies as set out below have been applied consistently to all periods presented in these financial statements, except for the changes as follows:

### i. IFRS 15: Revenue from Contracts with Customers

IFRS 15: 'Revenue from Contracts with Customers' which became applicable from 01 January 2019, 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 interpretations 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. The adoption of IFRS 15 has insignificant impact on the Bank's financial statements.

### ii. IFRS 16 'Leases'

The Bank has initially applied IFRS - 16 'Leases' from 30 June 2019.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Bank, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The Bank applied IFRS 16 using the modified retrospective approach, under which the Bank has recognized right of use assets and lease liabilities at the date of initial recognition for leases previously classified as operating leases under IAS 17 at the present value of the remaining lease payments using the Bank's incremental borrowing rate at the initial application date. The Bank has chosen to measure the right of use assets at an amount equal to the lease liabilities adjusted by the amount of prepaid lease payments relating to the operating leases recognized in the statement of financial position as at 30 June 2019. Accordingly, no adjustment to equity has been made in these financial statements on adoption of the new policy and the comparative figures presented for 2018 have not been restated, i.e., it is presented, as previously reported, under IAS 17 and related interpretations.

Previously, the Bank determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Arrangement contains a Lease. The Bank now assesses whether a contract is, or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank assesses whether:

- The contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset;
- The Bank has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Bank has the right to direct the use of the asset. The Bank has this right when it has the decision - making rights that are most relevant to changing how and for what purpose the asset is used.
- The impact of adoption of IFRS 16, on transition is disclosed in note 5.6 and 16.2 to the financial statements.
- The Bank used the following practical expedient when applying IFRS 16, to leases previously classified as operating leases under IAS 17.
- The use of a single discount rate to a portfolio of leases with reasonably similar risk characteristics.

## Amounts recognized in profit and loss account for the year under new policy

	Amount Rupees
Depreciation	129,093,001
Interest on lease liabilities	92,722,250

Had IFRS - 16 not been applied, rental cost of Rs. 134 million would have been recognized in the profit and loss account. Accordingly, profit before tax would have been increased by Rs. 87 million for the year ended 31 December 2019.

## Policy applicable before 30 June 2019

### Leases classified as operating leases under IAS - 17

Leases in which a significant portion of the risks and rewards of ownership were retained by the lessor, were classified as operating leases. Contractual payments under operating lease contracts were charged on a straight line basis to the profit and loss account unless another systematic basis was more representative of the underlying use of such assets.

Significant accounting policies of the Bank are as follows:

#### 5.1 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, balances held with State Bank of Pakistan (SBP) and National Bank of Pakistan (NBP) and balances held with other banks / Non-Banking Financial Institutions (NBFIs) / Microfinance Banks (MFBs) and are carried at cost.

#### 5.2 Sale and repurchase agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognized in the balance sheet and are measured in accordance with the accounting policies for investment securities. The counter party liability for consideration received is included in borrowings from financial institutions. The difference between sale and repurchase price is treated as markup/return/interest expense over the period of the transaction. Assets purchased with a corresponding commitment to resell at a specified future date (reverse repo) are not recognized as investment in the balance sheet. Amounts paid under these agreements are included in lending to financial institutions. The difference between the purchase and resale price is treated as markup/return/interest income over the period of the transaction.

#### 5.3 Investments

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

Investments (other than held-for-trading) are initially measured at fair value plus transaction costs associated with the investments. Held-for-trading investments are initially measured at fair value and transaction costs are expensed out in the profit and loss account.

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

#### *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 required to be disposed off within 90 days from the date of their acquisition. After initial measurement, these are marked to market and surplus/ deficit arising on revaluation of 'held for trading' investments is taken to profit and loss account in accordance with the requirements prescribed by SBP.

#### ***Held to maturity***

Investments with fixed maturity, where management has both the intent and the ability to hold till maturity, are classified as held to maturity. Subsequent to initial recognition at cost, these investments are measured at amortized cost, less provision for impairment in value, if any, and amortized cost is calculated taking into account effective interest rate method. Profit on held to maturity investments is recognized on a time proportion basis taking into account the effective yield on the investments.

#### ***Available for sale***

These are investments which do not fall under the held-for-trading and held-to-maturity categories. After initial measurement, such investments are measured at fair value. The surplus / (deficit) arising on revaluation is shown in the balance sheet below equity which is taken to the profit and loss account when actually realised upon disposal.

Premium or discount on securities classified as available-for-sale and held-to-maturity is amortised using effective interest method and taken to the profit and loss account.

Provision for impairment in the value of equity securities is made after considering objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of these investments. A significant or prolonged decline in the value of security is also considered as an objective evidence of impairment. Provision for diminution in the value of debt securities is made as per the Prudential Regulations. In the event of impairment of available for sale securities, the cumulative loss that had been recognized directly in surplus on revaluation of securities on the balance sheet below equity is thereof removed and recognized in the profit and loss account.

### **5.4 Advances**

Advances are stated net of provision 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 are classified as non-performing loans (NPLs). The unrealized interest / profit / mark-up / service charges on NPLs is suspended and credited to interest suspense account. Further the NPLs are classified into following categories as prescribed in the Regulations:

#### ***Other assets especially mentioned***

These are advances, payments against which are overdue for 30 days or more but less than 60 days.

#### ***Substandard***

These are advances, payments against which are overdue for 60 days or more but less than 90 days.

#### ***Doubtful***

These are advances, payments against which are overdue for 90 days or more but less than 180 days.

#### ***Loss***

These are advances, payments against which are overdue for 180 days or more.

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

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

<b><i>Other assets especially mentioned Substandard</i></b>	Nil
<b><i>Substandard</i></b>	25% of outstanding principal net of cash collaterals
<b><i>Doubtful</i></b>	50% of outstanding principal net of cash collaterals
<b><i>Loss</i></b>	100% of outstanding principal net of cash collaterals

In addition to above, a general provision is made equivalent to 1% (2018: 1%) of the net outstanding balance (advance net of specific provisions) in accordance with the requirement of the Regulations.

General and specific provision is charged to the profit and loss account in the period in which they occur.

Non-performing advances are written off one month after the loan is classified as "Loss". However, the Bank continues its efforts for recovery of the written off balances.

Under exceptional circumstances management reschedules repayment terms for clients who have suffered catastrophic events and who appear willing and able to fully repay their loans. Such rescheduling does not have any effects on the classification of the loan as per the Prudential Regulations.

## **5.5 Operating fixed assets**

### **5.5.1 Property and equipment**

#### ***Owned***

These are stated at cost less accumulated depreciation and impairment (if any). Cost includes expenditure that are directly attributable to the acquisition of items. Depreciation is charged using the straight-line basis over the estimated useful lives of assets. Full month's depreciation is charged in the month of addition and no depreciation is charged for the month in which the disposal is made. The residual value, depreciation methods and useful lives are reviewed and adjusted (if appropriate) at each balance sheet date. Gains and losses on disposal of assets are determined by comparing the sale proceeds with the carrying amount are included in the profit and loss account. Subsequent costs are included in the asset's carrying amount or recognised 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance is charged to the profit and loss account. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

#### ***Right of use assets***

Right of use asset is calculated as the initial amount of the lease liability in terms of rentals for business locations at the lease contract commencement date. The right of use asset is subsequently depreciated using the straight line method for a period of lesser of ten years or actual lease term.

### 5.5.2 Capital work-in-progress

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

### 5.5.3 Intangible assets

Intangible assets with a definite useful life are stated at cost less accumulated amortisation and impairment (if any). These are amortised from the month, when these assets are available for use, using the straight-line method, whereby the cost of the intangible asset is amortised on the basis of the estimated useful life over which economic benefits are expected to flow to the Bank. The residual value, useful life and amortisation method is reviewed and adjusted, if appropriate, at each balance sheet date.

## 5.6 Lease liability

### *Lease liability of right of use assets*

The Bank has recognized lease liabilities at the date of initial recognition of IFRS - 16, for leases previously classified as operating leases under IAS 17 at the present value of the remaining lease payments using the Bank's incremental borrowing rate of 14.07%. Lease liabilities are then measured at their amortized cost using the effective interest method.

### *Lease liabilities - right of use assets - vehicles*

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.

## 5.7 Taxation

Income tax expense comprises current and deferred tax. It is recognised in profit and loss account except to the extent that it relates to items recognised directly in equity or in OCI.

### 5.7.1 Current tax

Current tax comprises the expected tax payable or refundable on the taxable income or loss for the year and any adjustment to the tax payable or refundable in respect of previous years. The amount of current tax payable or refundable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. The charge for current taxation is based on taxable income at current rates of taxation enacted or substantially enacted at the reporting date, after taking into consideration available tax credits, rebates and tax losses, if any. Current tax assets and liabilities are offset if certain criteria are met.

### 5.7.2 Deferred tax

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

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

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

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for the Bank and the reversal of temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves. Unrecognized deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantially enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Bank expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset if certain criteria are met.

### **5.7.3 Group taxation**

The Bank is taxed as a one fiscal unit along with parent Company and its other wholly owned subsidiaries under section 59AA to the Income Tax Ordinance, 2001. Current and deferred income taxes are recognised by each entity within the Group in their respective profit and loss account, regardless of who has the legal rights or obligation for the recovery or payment of tax from or to the tax authorities. However, tax liability / receivable is shown by the parent, on submission of annual tax return, who has the legal obligation to pay or right of recovery of tax from the taxation authorities. Balances between the group entities on account of group tax is shown as other receivable / liability by the respective group entities.

## **5.8 Impairment**

### **5.8.1 Non-derivative financial assets**

Financial assets not classified at fair value through profit and loss account are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Bank on the terms that the Bank would not consider otherwise and indication that a debtor will enter bankruptcy.

For financial assets measured at amortized cost, the Bank considers evidence of impairment for these assets at both an individual asset and a collective level. All significant assets are assessed for impairment individually. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics. In assessing collective impairment, the Bank uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit and loss account and reflected in an allowance account. When the Bank considers that there are no realistic prospects of



recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit and loss account.

### 5.8.2 Non-financial asset

At each reporting date, the Bank reviews the carrying amount of its non-financial assets (deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (CGUs).

The recoverable amount of an asset or CGU is greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit and loss account. These are allocated to reduce the carrying amounts of the assets in the CGU on a pro rata basis. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

## 5.9 Financial instruments

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

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 historical cost as the case may be.

Other particular recognition methods adopted by the Bank are disclosed in the individual policy statements associated with each item of financial instruments.

### *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 recognized as per note 5.2.

### *Financial Liabilities*

Financial liabilities are classified according to the substance of the contractual arrangement entered into. Financial liabilities include deposits, borrowings and 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 net profit and loss for the year in which it arises.

### ***Derivative financial instruments***

Derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value using valuation techniques. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account.

#### **5.10 Deposits**

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

#### **5.11 Subordinated debt**

Subordinated loans are initially recorded at the amount of proceeds received. Mark-up accrued on subordinated loans is recognised as part of other liabilities and is charged to the profit and loss account over the period on an accrual basis.

#### **5.12 Employee benefits**

##### **5.12.1 Short-term employee benefits**

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

##### **5.12.2 Defined contribution plan – provident fund**

The Bank operates a defined contribution provident fund scheme for permanent employees. Contributions to the fund are made monthly by the Bank and employees at an agreed rate of salary (8% of the basic salary of the employee), the fund is managed by its Board of Trustees. The contribution of Bank is charged to profit and loss account.

##### **5.12.3 Staff retirement benefit - gratuity**

The Bank operates defined benefit plan comprising an unfunded gratuity scheme covering all eligible employees completing the minimum qualifying period of service (three years) as specified by the scheme.

The Bank's net liability in respect of this defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount.

The calculation of defined benefit liability is performed annually by a qualified actuary using the projected unit credit method (PUC).

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses are recognised immediately in other comprehensive income. The Bank determines the net interest expense on the net defined benefit liability for the year by applying the discount rate used to measure the defined benefit liability at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the year as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plan are recognised in profit and loss account.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit and loss account. The Bank recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

## 5.13 Reserves

### 5.13.1 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.

### 5.13.2 Depositors' protection fund

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 for the purpose of providing security or guarantee to the persons depositing money in the Bank.

### 5.13.3 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.

### 5.13.4 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's protection fund are excluded for the purposes of determining liquidity.

## 5.14 Provisions

A provision is recognised in the balance sheet when the Bank has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessment of time value of money and risk specific to the liability. The unwinding of discount is recognised as interest expense.

## 5.15 Revenue recognition

### 5.15.1 Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with customer and excludes amounts collected on behalf of third parties.

Revenue is recognized when the Bank satisfies the performance obligations by transferring a promised good or service to a customer. Goods or services are transferred when the customer obtains control of those assets. Revenue from all revenue streams is recognized when the services are provided to the customer.

The stand-alone selling prices are determined based on the observable price at which the Bank sells the services on a standalone basis.

The nature and timing of satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies are as follows:

#### ***Mark-up / income on advances***

Mark-up / income / return / service charge on advances is recognized on accrual / time proportion basis using effective interest rate method at the Bank's prevailing interest rates for the respective loan products. Mark-up/ income on advances is collected with loan instalments. Due but unpaid service charges/ income are accrued on overdue advances for period up to 30 days. After 30 days, overdue advances are classified as non-performing and recognition of unpaid service charges / income ceases. Further accrued mark-up on non-performing advances are reversed and credited to suspense account. Subsequently, mark-up recoverable on non-performing advances is recognized on a receipt basis in accordance with the requirements of the Regulations. Application processing fee is recognized as income when service is performed.

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

#### ***Fee, commission and brokerage income***

Fee, commission and brokerage income are recognised as services are performed.

#### ***Income on inter bank deposits***

Income from interbank deposits in saving accounts are recognized in the profit and loss account using the effective interest method.

### **5.16 Mark-up bearing borrowings**

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

### **5.17 Borrowing costs**

Borrowing costs are recognized as an expense in the period in which they are incurred except where such costs relate to the acquisition, construction or production of a qualifying asset in which case such costs are capitalized as part of the cost of that asset.

### **5.18 Off-setting**

Financial assets and financial liabilities and tax assets and tax liabilities are only off-set and the net amount is reported in the financial statements when there is a legally enforceable right to set off the recognized amount and the Bank intends either to settle on net basis or to realize the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also off-set and the net amount is reported in the financial statements.

### **5.19 Foreign currency transactions and translation**

Transactions in foreign currencies are translated into Pak Rupee at exchange rate on the date of transaction. All monetary assets and liabilities in foreign currencies are translated into Pak Rupee at the rate of exchange



approximating those ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit and loss account.

## **5.20 Earnings per share**

The Bank presents basic and diluted earnings per share (EPS). Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

## **5.21 Share capital and dividend**

Ordinary shares are classified as equity and recognised at their face value. Dividend distribution to the shareholders is recognised as liability in the period in which it is declared.

## **5.22 Fair value measurement**

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

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

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

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

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

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

6	CASH AND BALANCES WITH SBP AND NBP	Note	2019 Rupees	2018 Rupees
	Cash in hand - Local currency		618,822,600	552,351,271
	<i>Local currency current accounts</i>			
	Balances with State Bank of Pakistan (SBP)	6.1	1,097,601,624	904,260,639
	Balances with National Bank of Pakistan (NBP)		781,186	774,848
			<u>1,717,205,410</u>	<u>1,457,386,758</u>

- 6.1** This includes balance maintained with SBP to comply with the requirement of Prudential Regulations for Microfinance Banks to maintain minimum cash reserve not less than 5% (2018: 5%) of the Bank's time and demand deposits liabilities with tenure of less than one year. This also includes Rs. 57,411,066 (2018: Rs. 44,728,656) maintained with SBP under Depositors' Protection Fund.

7	BALANCES WITH OTHER BANKS/ NBFIs/ MFBs	Note	2019 Rupees	2018 Rupees
	In Pakistan - Local currency			
	Current accounts	7.1	10,341,102	14,847,356
	Deposit accounts	7.2	909,485,364	1,112,463,718
	Term deposit receipts	7.3	2,100,000,000	9,900,000,000
			<u>3,019,826,466</u>	<u>11,027,311,074</u>

- 7.1** This includes Rs. 9,600,000 (2018: Rs. 7,425,000) held as deposit under lien in respect of standby letter of guarantee issued to China Union Pay International.

- 7.2** Deposit accounts carried interest at rates ranging from 5.25% to 14.9% (2018: 5.5% to 12.15%) per annum.

- 7.3** Term Deposit Receipts (TDR) carried markup at the rate of 14.50% (2018: 10.75% to 13%) per annum and are maturing in January 2020 (2018: maturing between March 2019 to July 2019).

8	INVESTMENTS - NET OF PROVISIONS	Note	2019 Rupees	2018 Rupees
	<i>Federal Government Securities</i>			
	<i>Available for sale</i>			
	Market Treasury Bills (T-Bills)	8.1	6,979,866,348	1,967,864,070
	Unrealised loss on revaluation of investments	8.2	(10,327,680)	(39,999)
			6,969,538,668	1,967,824,071
	Less: Provision for diminution in value of investments		-	-
			<u>6,969,538,668</u>	<u>1,967,824,071</u>

- 8.1** This represents market treasury bills having yield ranging from 13.10% to 13.42% (2018: 10.28%) per annum and are maturing in November 2020 (2018: maturing in February 2019).

8.2	Revaluation of available for sale securities - net of deferred tax		2019 Rupees	2018 Rupees
	Market Treasury Bills (T-Bills)		(10,327,680)	(39,999)
	Related deferred tax effect		1,549,152	10,800
			<u>(8,778,528)</u>	<u>(29,199)</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 / (deficit) on revaluation of assets' through statement of comprehensive income.

## 9 ADVANCES - NET OF PROVISIONS

Loan type	Note	2019		2018	
		Number	Rupees	Number	Rupees
Micro credit					
Secured		51,414	5,660,089,977	34,407	3,206,985,277
Unsecured		262,650	16,222,216,578	252,913	14,018,258,382
		<u>314,064</u>	<u>21,882,306,555</u>	<u>287,320</u>	<u>17,225,243,659</u>
Less: Provision held					
Specific		15,141	(353,264,391)	7,044	(72,258,960)
General	9.1		(154,962,899)		(133,146,543)
	9.3		(508,227,290)		(205,405,503)
Advances - net of provisions			<u>21,374,079,265</u>		<u>17,019,838,156</u>

**9.1** General provision is maintained at the rate of 1% (2018: 1%) of unsecured micro credit balance net of specific provision amounting Rs. 353.264 million (2018: Rs. 72.26 million), risk coverage by SBP under credit guarantee scheme for small and rural enterprises (CGS) amounting Rs. 50 million (2018: Rs. 26.62 million) and credit guarantee for small and marginalized farmers (CGSMF) amounting Rs. 322 million (2018: Rs. 604.97 million), respectively, in accordance with the Regulations.

## 9.2 Particulars of non-performing advances

Category of classification	Provision rate	2019			2018		
		Amount outstanding	Provision required	Provision held	Amount outstanding	Provision required	Provision held
		Rupees			Rupees		
Other Assets Especially Mentioned (OAEM)	-	291,695,211	-	-	64,818,836	-	-
Sub-standard	25%	172,226,413	43,020,028	43,020,028	37,405,717	8,841,473	8,841,473
Doubtful	50%	246,460,972	123,008,806	123,008,806	83,508,303	34,432,574	34,432,574
Loss	100%	187,452,157	187,235,557	187,235,557	32,193,038	28,984,913	28,984,913
<b>Total</b>		<u>897,834,753</u>	<u>353,264,391</u>	<u>353,264,391</u>	<u>217,925,894</u>	<u>72,258,960</u>	<u>72,258,960</u>

## 9.3 Particulars of provisions against non-performing advances

		2019			2018		
		Specific	General	Total	Specific	General	Total
		Rupees			Rupees		
Opening balance		72,258,960	133,146,543	205,405,503	13,607,599	80,747,183	94,354,782
Charge for the year	9.3.1	816,639,880	21,816,356	838,456,236	207,314,443	52,399,360	259,713,803
Advances written off	9.4	(535,634,449)	-	(535,634,449)	(148,663,082)	-	(148,663,082)
Reversals		-	-	-	-	-	-
Closing balance		<u>353,264,391</u>	<u>154,962,899</u>	<u>508,227,290</u>	<u>72,258,960</u>	<u>133,146,543</u>	<u>205,405,503</u>

**9.3.1** This includes Rs. 28.7 million (2018: Nil) directly charged to profit and loss account.

## 9.4 Particulars of advances written off

	Note	2019 Rupees	2018 Rupees
Against provision		(506,918,213)	(148,663,082)
Directly charged to profit and loss account		(28,716,236)	-
		<u>(535,634,449)</u>	<u>(148,663,082)</u>

**9.5** Pursuant to the prevailing drought conditions in the Sindh region, the Government of Sindh identified and declared 513 Dehs as 'Calamity Affected Areas' and requested the State Bank of Pakistan (SBP) to provide relief to the borrowers in these areas. In response to the request of the Government of Sindh, the SBP vide its letter AC&MFD/MFPD/74073/2018-24664

dated 08 November 2018, advised all scheduled and microfinance banks to take possible measures to provide relief to the adversely affected borrowers in line with the Prudential Regulation - 9 : 'Rescheduling / restructuring of loans'.

In continuation to the aforementioned letter, the SBP vide its letter AC&MFD/MFPD/MFB/8865 & 11606/2019- 6723 dated 21 March 2019, specifically advised all microfinance banks to defer provisioning for a period upto one year, against loans and advances restructured / rescheduled in calamity affected areas after 08 November 2018. Furthermore, the loan will again be classified in the same category it was in at the time of rescheduling / restructuring and the unrealised markup on such loans taken to profit and loss account shall also be reversed where a borrower subsequently defaults (either in principal or markup) after the rescheduled / restructured loan (eligible as above) has been declassified by the microfinance bank. Accordingly starting from November 2018, the Bank has restructured / rescheduled loans amounting to Rs. 6.67 million (2018: Rs. 11.20 million) to performing status and has deferred the provisioning on the same.

## 10 OPERATING FIXED ASSETS

		2019 Rupees	2018 Rupees
Capital work-in-progress	10.1	67,245,962	49,912,875
Property and equipment	10.2	1,471,195,603	595,586,622
Intangible assets	10.3	136,738,568	109,000,408
Right of use asset (ROU)	10.4	1,429,341,831	-
		<u>3,104,521,964</u>	<u>754,499,905</u>

### 10.1 Capital work-in-progress

Breakup of capital work in progress at the reporting date is as follows:

Advances to suppliers / contractors	10.1.1	29,663,568	40,288,098
Office improvements		37,582,394	9,624,777
		<u>67,245,962</u>	<u>49,912,875</u>

**10.1.1** This represents advance given for software and property and equipment.

### 10.2 Property and equipment

	2019									
	Cost				Depreciation				Book value at 31 December 2019	Rates of depreciation % (per annum)
	At 01 January 2019	Additions	Disposals / Transfers	At 31 December 2019	At 01 January 2019	Charge for the year	Disposals / Transfers	At 31 December 2019		
	Rupees									
Leased Vehicle	26,362,716	20,190,312	46,553,028	-	1,026,858	7,923,098	8,949,956	-	-	20.00%
Owned Furniture and fixture	137,162,430	51,196,754	-	188,359,184	25,072,232	16,727,155	-	41,799,387	146,559,797	10.00%
Computer equipments	140,503,548	60,939,837	1,185,875	200,257,510	107,282,294	33,211,580	1,185,875	139,307,999	60,949,511	33.33%
Electrical equipment	306,699,356	798,659,149	-	1,105,358,505	106,812,632	103,118,627	-	209,931,259	895,427,246	20.00%
Vehicles	27,153,042	4,444,698	-	31,597,740	17,519,373	4,006,348	-	21,525,721	10,072,019	20.00%
Office improvement	280,045,330	174,073,868	-	454,119,198	64,626,411	31,305,757	-	95,932,168	358,187,030	10.00%
	917,926,422	1,109,504,618	47,738,903	1,979,692,137	322,339,800	196,292,565	10,135,831	508,496,534	1,471,195,603	
	2018									
	Cost				Depreciation				Book value at 31 December 2018	Rates of depreciation % (per annum)
	At 01 January 2018	Additions	Disposals / Transfers	At 31 December 2018	At 01 January 2018	Charge for the year	Disposals / Transfers	At 31 December 2018		
	Rupees									
Leased Vehicle	-	26,362,716	-	26,362,716	-	1,026,858	-	1,026,858	25,335,858	20.00%
Owned Furniture and fixture	82,190,913	54,971,517	-	137,162,430	13,531,938	11,540,294	-	25,072,232	112,090,198	10.00%
Computer equipments	113,884,301	29,068,629	(2,449,382)	140,503,548	92,651,956	17,079,720	(2,449,382)	107,282,294	33,221,254	33.33%
Electrical equipment	154,073,633	155,584,731	(2,959,008)	306,699,356	60,732,202	47,659,810	(1,579,380)	106,812,632	199,886,724	20.00%
Vehicles	26,943,042	210,000	-	27,153,042	13,157,949	4,361,424	-	17,519,373	9,633,669	20.00%
Office improvement	136,210,290	143,835,040	-	280,045,330	29,812,567	34,813,844	-	64,626,411	215,418,919	10.00%
	513,302,179	410,032,633	(5,408,390)	917,926,422	209,886,612	116,481,950	(4,028,762)	322,339,800	595,586,622	

**10.2.1** Cost of fully depreciated property and equipment that are still in use is Rs. 198,483,015 (2018: Rs. 101,816,213).

### 10.2.2 Detail of disposals of operating fixed assets

Deletion of fixed assets during the year with book value in excess of Rs. 500,000 is Nil (2018: Nil).

Description	Original cost	Accumulated depreciation	Sale proceeds	Gain	Mode of disposal	Particulars of buyers
	Rupees					
Computer equipments	(1,185,875)	1,185,875	59,290	59,290	As per policy (Laptops buy back by employees)	Various buyers

### 10.3 Intangible assets

Note	2019							Rates of amortization % (per annum)
	Cost			Amortization			Book value at 31 December 2019	
	At 01 January 2019	Additions	At 31 December 2019	At 01 January 2019	Charge for the year	At 31 December 2019		
	Rupees							
Computer softwares	165,878,303	51,606,225	217,484,528	57,277,885	23,468,075	80,745,960	136,738,568	10.00%
Licenses	12,394,739	-	12,394,739	11,994,749	399,990	12,394,739	-	20.00%
Mail server	78,378	-	78,378	78,378	-	78,378	-	33.33%
	<u>178,351,420</u>	<u>51,606,225</u>	<u>229,957,645</u>	<u>69,351,012</u>	<u>23,868,065</u>	<u>93,219,077</u>	<u>136,738,568</u>	
	2018							
	Cost			Amortization			Book value at 31 December 2018	Rates of amortization (per annum)
	At 01 January 2018	Additions	At 31 December 2018	At 01 January 2018	Charge for the year	At 31 December 2018		
	Rupees							
Computer softwares	133,582,738	32,295,565	165,878,303	41,492,508	15,785,377	57,277,885	108,600,418	10.00%
Licenses	12,394,739	-	12,394,739	9,515,801	2,478,948	11,994,749	399,990	20.00%
Mail server	78,378	-	78,378	78,378	-	78,378	-	33.33%
	<u>146,055,855</u>	<u>32,295,565</u>	<u>178,351,420</u>	<u>51,086,687</u>	<u>18,264,325</u>	<u>69,351,012</u>	<u>109,000,408</u>	

**10.3.1** This includes operating system and microsoft office licenses. The average remaining life of the computer softwares is 05 years (2018: 06 years).

### 10.4 Right of use asset

Right of use assets have been measured at the amount equal to the leased liability, adjusted by the amount of prepaid lease payments relating to the operating leases, recognized in the balance sheet as at 30 June 2019.

	Note	2019 Rupees	2018 Rupees
Present value of the future lease payments		1,422,786,367	-
Pre-payments reclassified as right of use assets		167,698,913	-
		<u>1,590,485,280</u>	-
Balance at 30 June 2019		1,590,485,280	-
Transfer from property and equipment		37,603,072	-
Modification of lease	10.4.1	(69,653,520)	-
Depreciation	24	(129,093,001)	-
Balance at end of the year		<u>1,429,341,831</u>	-

**10.4.1** On 14 December 2019, the term of 22 lease agreements were revised from 10 years to 5 years. Had the lease term not been modified the ROU asset would have been higher by Rs. 69.65 million and lease liability would be higher by Rs. 67.72 million. Further, profit before tax would have been decreased by Rs. 1.9 million for the year ended 31 December 2019.

	Note	2019 Rupees	2018 Rupees
Income / mark-up accrued		3,016,072,476	1,826,626,488
Advances, deposits and other prepayments	11.1	152,669,104	330,064,031
Advance tax - net		19,183,051	24,796,741
Inventory of ATM cards and stationery		8,472,151	7,568,722
Advance to employees	11.2	38,280,632	11,732,575
Receivable from SBP against crop and livestock insurance	11.3	497,710,786	269,805,856
Insurance claims receivable		78,298,383	23,159,194
Others		17,990,872	29,309,239
		<u>3,828,677,455</u>	<u>2,523,062,846</u>



- 11.1** This includes markup suspended amounting to Rs. 634 million (2018: Rs. 138 million) on non-performing loans of the Bank.
- 11.2** These represent loans to staff and executives of the Bank for a maximum period of 60 months. These are secured against the retirement benefits of employees.
- 11.3** This represents amount receivable from SBP in respect of insurance premium paid by the Bank for livestock and crop loans under AC&MFD circular no. 01 of 2013 dated 01 November 2013.

<b>12 DEFERRED TAX ASSET</b>	<b>2019</b>	<b>2018</b>
	<b>Rupees</b>	<b>Rupees</b>
Deductable temporary differences arising in respect of		
Provision against advances	<b>147,385,914</b>	55,459,486
Deficit on revaluation of available for sale securities	<b>1,549,152</b>	10,800
Remeasurement of employees' retirement benefits	<b>3,259,061</b>	2,012,293
Lease finance facilities	<b>34,200,832</b>	5,357,705
	<b>186,394,959</b>	62,840,284
Taxable temporary differences arising in respect of		
Accelerated tax depreciation / amortization allowance	<b>(97,299,842)</b>	(21,185,884)
Treasury Bills	<b>(12,740,588)</b>	-
	<b>76,354,529</b>	41,654,400

	<b>Net balance at 01 January 2019</b>	<b>Recognised in</b>	<b>Net balance at 31 December 2019</b>
		<b>Profit and loss</b>	<b>Other comprehensive income</b>
		<b>Rupees</b>	
<b>2019</b>			
<b>Taxable temporary differences</b>			
Operating fixed assets	(21,185,884)	(76,113,958)	-
Treasury Bills	-	(12,740,588)	-
<b>Deductible temporary differences</b>			
Provision for advances	55,459,486	91,926,428	-
Employee retirement benefit - gratuity	2,012,293	-	1,246,768
Surplus / (deficit) on revaluation of assets	10,800	-	1,538,352
Leases	5,357,705	28,843,127	-
	62,840,284	120,769,555	2,785,120
	41,654,400	31,915,009	2,785,120
			76,354,529

	Net balance at 01 January 2018	Recognised in		Net balance at 31 December 2018
		Profit and loss	Other comprehensive income	
	Rupees			
<b>2018</b>				
<b>Taxable temporary differences</b>				
Operating fixed assets	(8,378,878)	(12,807,006)	-	(21,185,884)
<b>Deductible temporary differences</b>				
Provision for advances	28,306,435	27,153,051	-	55,459,486
Employee retirement benefit - gratuity	930,984	-	1,081,309	2,012,293
Surplus/(Deficit) on revaluation of assets	12,050	-	(1,250)	10,800
Lease finance facility	-	5,357,705	-	5,357,705
	29,249,469	32,510,756	1,080,059	62,840,284
	20,870,591	19,703,750	1,080,059	41,654,400

**13 DEPOSITS AND OTHER ACCOUNTS**

	2019		2018	
	No. of Accounts	Amount Rupees	No. of Accounts	Amount Rupees
Fixed deposits	2,678	14,836,423,300	2,316	12,243,825,791
Saving deposits	12,652	6,071,321,337	10,902	6,208,685,764
Current deposits	824,179	2,382,514,834	608,030	2,082,258,840
	839,509	23,290,259,471	621,248	20,534,770,395

**13.1 Particulars of deposits by ownership**

Individual depositors	839,202	10,002,151,272	620,714	9,028,911,931
Institutional depositors				
Corporation/ firms etc.	219	7,125,705,811	435	5,149,365,125
Banks / financial institutions	88	6,162,402,388	99	6,356,493,339
<b>Total</b>	839,509	23,290,259,471	621,248	20,534,770,395

**13.2** This includes deposits amounting to Rs. 3,605 million (2018: Rs. 2,737 million) from related parties.

**14 BORROWINGS**

	Note	2019 Rupees	2018 Rupees
Borrowings from Banks / Financial Institutions in Pakistan:			
<b>Secured</b>			
Allied Bank Limited	14.1	750,000,000	1,250,000,000
Faysal Bank Limited	14.2	833,333,333	1,000,000,000
Allied Bank Limited - II	14.3	2,000,000,000	2,000,000,000
National bank of Pakistan - Running Finance	14.4	500,000,000	500,000,000
Faysal Bank Limited - II		999,998,000	1,000,000,000
Bank of Punjab	14.5	150,000,000	-
State Bank of Pakistan	14.6	1,500,000,000	-
Pak Oman Investment Company Limited	14.7	-	100,000,000
Bank Alfalah Limited	14.8	-	120,000,000
United Bank Limited		-	40,000,000
		6,733,331,333	6,010,000,000

- 14.1** This represents outstanding balance of term finance facility under syndicate financing through Allied Bank Limited of Rs. 1,500 million carrying markup of 6-months KIBOR plus 1.10% (2018: 6-month KIBOR plus 1.10%) per annum payable semi-annually. This facility is secured against first pari passu charge over all present and future assets of the Bank with 25% margin. This loan is repayable in 6 equal semi-annual instalments of Rs. 250 million each. Repayments have started from September 2018. In accordance with the agreement entered into with the Allied Bank Limited, the Bank was required to maintain certain ratios which exceeded the required threshold as at year end.
- 14.2** This represents term finance loan of Rs. 1 billion, carrying markup of 6-months KIBOR plus 1% (2018: 6-Months KIBOR plus 1%) per annum payable semi-annually. This loan is secured against first pari passu charge on book debts, advances and receivable of the Bank with 25% margin and Microfinance Credit Guarantee Facility from State Bank of Pakistan at 25%. This loan is repayable in 6 equal semi-annual instalments of Rs. 166.67 million each. Repayments have started from August 2019.
- 14.3** This represents term finance facility under syndicate financing through Allied Bank Limited of Rs. 2 billion carrying markup of 6-months KIBOR plus 0.95% (2018: 6-Months KIBOR plus 0.95%) per annum payable semi-annually in arrears. This is secured against first pari passu charge over all present and future assets excluding land and building of the Bank but not limited to advances and investments beyond CRR and SLR requirements of the Bank with 25% margin. Disbursement was initially made against a ranking charge which was upgraded to 1st pari passu within 120 days of first disbursement. This loan is repayable in 06 equal semi-annual instalments with the first principal repayment falling due on eighteenth (18th) month from the first disbursement date. The loan was drawn on 31 December 2018. In accordance with the agreement entered into with the Allied Bank Limited, the Bank was required to maintain certain ratios which exceeded the required threshold as at year end.
- 14.4** This represents utilized amount of running finance facility from National Bank of Pakistan Limited of Rs. 500 million carrying markup of 3-months KIBOR plus 0.75% (2018: 3-Months KIBOR plus 0.75%) per annum. This is secured against first pari passu charge on all current and future book debts, advances and receivable of the Bank. The initial disbursement was made against ranking charge which was upgraded to first pari passu charge within 120 days from date of disbursement. Markup is repayable on quarterly basis.
- 14.5** This represents term finance loan of Rs. 1 billion carrying markup of 6-months KIBOR plus 0.75% (2018: 6-Months KIBOR plus 0.75%) per annum. This loan is secured against first pari passu charge on book debts, advances and receivables of the Bank for Rs. 1,333 million (25% margin). Initial disbursement on ranking charge will be upgraded to first pari passu within 90 days from the date of offer letter dated 21 December 2018. This loan is repayable in 6 semi-annual instalments of Rs. 166.66 million each, after a grace period of 01 year with notional principal payment of Rs. 1,000 within first two semi-annual markup payments.
- 14.6** This represents utilized amount of term finance loan of Rs. 200 million carrying markup of 6-months KIBOR plus 0.85% per annum (2018: Nil). This loan is secured against first pari passu charge on book debts, advances and receivables of the Bank for Rs. 266.67 million (25% margin). This loan is repayable in 4 semi-annual instalments of Rs. 50 million each, after grace period of 06 months. The loan was disbursed on 12 March 2019.
- 14.7** This represents unsecured term finance loan of Rs. 1,500 million carrying markup of 6-months KIBOR minus 100 bps for the tenor of five years (2018: Nil). Mark-up amount is payable on every half year end i.e. 30 June and 31 December, while payment of principal will be made in the last four quarters of the loan period or in bullet form. The loan is provided against the following target set by SBP:
- the loan should be disbursed to 60% female borrowers
  - the Bank should disburse 25,000 loans; and
  - all loans disbursed should meet the E&S guideline issued by SBP.

15	SUBORDINATED DEBT	Note	2019	2018
			Rupees	Rupees
	Term Finance Certificates	15.1	599,400,000	599,640,000
	Subordinated loan from PTCL	15.2	4,000,000,000	4,000,000,000
			<b>4,599,400,000</b>	<b>4,599,640,000</b>

**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 loan is availed as TIER-II subordinated debt for inclusion in the Bank's Supplementary Capital. The facility tenure is 7 years and is priced at 6 Month KIBOR + 3.50% (2018: 6 Month KIBOR + 3.50%). The instrument is structured to redeem 0.02% of principal, semi-annually, over the first 60 months and remaining principal of 24.95% each of the issue amount respectively, in four equal instalments 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 is A- with an stable outlook.

**15.2** This represents unsecured, subordinated debt from PTCL, the Parent Company. The facility tenure is 7 years with grace period of 5 years and is priced at 3 Month KIBOR + 2% (2018: 3 Month KIBOR + 2%) per annum. The loan is availed as TIER-II subordinated debt for inclusion in the Bank's Supplementary Capital. Loan is structured to redeem in four equal semi-annual instalments starting from June 2024. The debt will be unsecured, subordinated as to the payment of principle and profit to all other indebtedness of the Bank, including deposit and it is not redeemable before maturity without prior approval of the SBP.

16	OTHER LIABILITIES	Note	2019	2018
			Rupees	Rupees
	Mark-up / return / interest payable	16.1	491,831,224	260,151,096
	Accrued expenses		301,681,149	260,644,585
	Payable to utility companies for utility bills collection		11,512,274	69,614,227
	Payable to Pak Telecom Mobile Limited (PTML), an associated company		63,427,705	30,604,224
	Uncollected remittances		62,260,334	55,428,921
	Lease liability	16.2	1,350,956,711	-
	Finance lease liabilities - vehicles	16.2.2	-	18,845,646
	Payable to staff retirement benefit - gratuity	16.3	1,235,802	9,037,006
	Payable to defined contribution plan - provident fund	16.4	3,517,822	12,096,665
	Bills payable		70,834,204	80,297,896
	Others		26,642,836	15,708,359
	Workers' Welfare Fund		32,450,046	26,235,778
			<b>2,416,350,107</b>	<b>838,664,403</b>

**16.1** This includes amount of Rs. 191 million (2018: Rs. 6.51 million) payable to related parties on account of markup for the month of December 2019. For details of balances please refer to note 36 to these financial statements.

16.2	Lease liability	Note	2019	2018
			Rupees	Rupees
	Lease liability - right of use assets	16.2.1	1,320,784,590	-
	Lease liabilities - right of use assets - vehicles	16.2.2	30,172,121	-
			<b>1,350,956,711</b>	<b>-</b>

### 16.2.1 Lease liability - right of use assets

The Bank has recognized lease liabilities under IFRS - 16 at the date of initial recognition, for leases previously classified as operating leases under IAS - 17 at the present value of the remaining lease payments using the Bank's incremental borrowing rate of 14.07% at 30 June 2019:

	2019	2018
	Rupees	Rupees
Un-discounted lease commitments on initial recognition	2,761,116,133	-
Present value of the future lease payments on initial recognition	1,422,786,367	-
<b>Contractual maturity of remaining lease commitments</b>		
Within one year	307,300,514	-
Between 2 and 5 years	1,536,453,350	-
After 5 years	783,308,800	-
Total un-discounted lease commitments	2,627,062,664	-
Discounted lease liability using the incremental borrowing rate as at 31 December 2019	1,320,784,590	-

### 16.2.2 Lease liabilities - right of use assets - vehicles

	Present value of minimum lease payments	Interest cost for future periods	Future minimum lease payments
<b>2019</b>			
Not later than one year	6,923,279	3,683,953	10,607,232
Later than one year and not later than five years	23,248,842	5,907,407	29,156,249
	30,172,121	9,591,360	39,763,481
<b>2018</b>			
Not later than one year	3,287,457	2,019,382	5,306,839
Later than one year and not later than five years	15,558,189	3,374,751	18,932,940
	18,845,646	5,394,133	24,239,779

**16.2.2.1** The Bank has leased vehicles from commercial banks with lease term of five years. These carry finance charge at six month KIBOR plus 0.9% (2018: six month KIBOR plus 0.9%) per annum. The rentals are payable in equal monthly instalments in advance upto September 2023. At the end of the lease term, the Bank has the option to acquire the assets on payment of all instalments. The facility is secured by way of ownership of leased assets.

### 16.3 Movement in the liability recognised in the balance sheet

	2019	2018
	Rupees	Rupees
Present value of defined benefit obligation	81,787,046	47,612,926
Fair value of plan assets	(80,551,244)	(38,575,920)
Net defined benefit liability	1,235,802	9,037,006

### 16.3.1 Net defined benefit liability - gratuity

The Bank operates an unfunded gratuity scheme for its eligible employees.

#### **Movement in net defined benefit liability - gratuity**

Balance at 01 January	47,612,926	29,488,343
Charge for the year	37,492,916	21,061,693
Experience adjustments on defined benefit liability	4,333	3,767,360
Benefits paid	(3,323,129)	(6,704,470)
Balance at 31 December	81,787,046	47,612,926



**Reconciliation of liability recognised in the balance sheet**

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability / (asset)
<b>2019</b>			
Balance at 01 January	47,612,926	(38,575,920)	9,037,006
Charge for the year	37,492,916	-	37,492,916
Experience adjustments on defined benefit liability	4,333	3,780,873	3,785,206
Benefits paid	(3,323,129)	3,323,129	-
Benefits paid on behalf of the fund	-	(1,380,036)	(1,380,036)
Expected return on plan assets	-	(7,987,951)	(7,987,951)
Contributions to gratuity fund	-	(39,711,339)	(39,711,339)
Balance at 31 December	<u>81,787,046</u>	<u>(80,551,244)</u>	<u>1,235,802</u>
<b>2018</b>			
Balance at 01 January	29,488,343	(26,023,773)	3,464,570
Charge for the year	21,061,693	-	21,061,693
Experience adjustments on defined benefit liability	3,767,360	582,297	4,349,657
Benefits paid	(6,704,470)	-	(6,704,470)
Expected return on plan assets	-	(3,324,823)	(3,324,823)
Contributions to gratuity fund	-	(9,809,621)	(9,809,621)
Balance at 31 December	<u>47,612,926</u>	<u>(38,575,920)</u>	<u>9,037,006</u>

	<b>2019</b>	<b>2018</b>
	Rupees	Rupees
<b>16.3.2 Charge to profit and loss account net of return on plan assets</b>		
Charge for the year	37,492,916	21,061,693
Expected return on assets	(7,987,951)	(3,324,823)
<b>Cost for the year</b>	<u>29,504,965</u>	<u>17,736,870</u>

**16.3.2.1 Expense is recognized in the following line items in profit and loss account**

Administrative expenses	<u>29,504,965</u>	<u>17,736,870</u>
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**16.3.3 Charge / (credit) to other comprehensive income**

Actuarial loss on obligations	3,780,873	3,767,360
Actuarial loss on assets	4,333	582,297
	<u>3,785,206</u>	<u>4,349,657</u>

**16.3.4 Key actuarial assumptions**

The latest actuarial valuation was carried out on 31 December 2019 using projected unit credit method with the following assumptions:

	<b>2019</b>	<b>2018</b>
Discount rate used for interest cost in profit and loss account	12.50%	14.00%
Salary increase used for reporting date liability		
Salary growth rate	11.50%	13.00%
Date of next expected salary increase	01 January 2020	01 January 2019
Mortality rate	Adjusted SLIC 2001-2005	Adjusted SLIC 2001-2005
Expected return on plan assets	12.50%	14%
Duration (Years)	17.10	17.20
Withdrawal rates	Low	Low
Retirement assumption	Age 60	Age 60

Assumption regarding future mortality has been based on State Life Corporation (SLIC 2001-2005), ultimate mortality rate with 1 year setback as per recommendation of Pakistan Society of Actuaries (PSOA).

#### 16.3.5 Sensitivity analysis

For a change of 100 basis points, present value of defined benefit liability at reporting date would have been as follows:

	<b>2019</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
	<b>Increase Rupees</b>	<b>Decrease Rupees</b>	<b>Increase Rupees</b>	<b>Decrease Rupees</b>
Discount rate	<b>67,243,020</b>	<b>94,415,373</b>	40,510,158	56,354,445
Salary increase rate	<b>94,837,816</b>	<b>66,743,079</b>	56,596,420	40,223,782

**16.3.5.1** Although the analysis does not take into account full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

**16.3.6** The Bank's expected charge for defined benefit liability - gratuity for the next year is Rs. 34.86 million.

#### 16.3.7 Risks associated with defined benefit liability - gratuity

##### Final Salary Risk (linked to inflation risk)

The risk that the final salary at the time of cessation of service is greater than what was assumed. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.

##### Salary Increase Risk

##### - Mortality risk

The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

##### - Withdrawal Risk

The risk of actual withdrawals experience is different from the assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

#### 16.3.8 Expected maturity profile

Following are the expected distribution and timing of benefit payments at the reporting date:

	<b>2019</b>	<b>2018</b>
	<b>Rupees</b>	<b>Rupees</b>
Year 1	<b>1,392,558</b>	811,453
Year 2	<b>1,663,456</b>	1,021,350
Year 3	<b>1,682,545</b>	1,045,853
Year 4	<b>1,707,234</b>	1,073,012
Year 5	<b>1,745,122</b>	1,103,864
Year 6 to Year 10	<b>14,720,486</b>	6,766,887
Year 11 and beyond	<b>1,025,984,160</b>	878,140,057

	Present value of defined benefit liability Rupees	Net liability at the reporting date Rupees
<b>16.3.9 Historical information</b>		
2019	81,787,046	1,235,802
2018	47,612,926	9,037,006
2017	29,488,343	3,464,570
2016	19,085,965	750,000
2015	13,411,845	2,198,524
<b>16.3.10 Fair value of plan assets</b>		
Total assets of fund - opening	38,575,920	26,023,773
Expected return on plan assets	7,987,951	3,324,823
Contributions to gratuity fund	39,711,339	9,809,621
Benefits paid on behalf of fund	1,380,036	6,704,470
Benefits paid	(3,323,129)	(6,704,470)
Actuarial loss on plan assets	(3,780,873)	(582,297)
Total assets of fund - closing	80,551,244	38,575,920
	<b>2019</b>	<b>2018</b>
	<b>Rupees</b>	<b>Rupees</b>
	<b>(Un-audited)</b>	<b>(Un-audited)</b>
Size of the fund	125,859,944	57,275,355
Cost of investments held	125,859,944	57,275,355
Percentage of investments held	100%	100%
Fair value of investments	125,859,944	57,275,355

Investments represent balances held with bank carrying interest at rates ranging from of 6.5% to 12% (2018: 10%) per annum.

All the investments out of provident fund trust have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

## 17 SHARE CAPITAL

### 17.1 Authorized capital

2019	2018		2019	2018
Number	Number		Rupees	Rupees
800,000,000	800,000,000	Ordinary shares of Rs. 10 each	8,000,000,000	8,000,000,000

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

2019	2018		2019	2018
Number	Number		Rupees	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
200,000,000	200,000,000	Fully paid ordinary shares of Rs. 10 each in cash issued as right shares at par	2,000,000,000	2,000,000,000
228,571,429	228,571,429		2,285,714,290	2,285,714,290

<b>17.3</b>	Pakistan Telecommunication Company Limited (PTCL), the Parent Company, holds 100% shares of the Bank		
<b>17.4</b>	All ordinary shares rank equally with regard to the Bank's residual assets. Holders of these shares are entitled to dividends from time to time and are entitled to one vote per share at general meetings of the Bank.		
<b>18</b>	<b>SURPLUS/(DEFICIT) ON REVALUATION OF ASSETS</b>	<b>2019</b>	<b>2018</b>
		<b>Rupees</b>	<b>Rupees</b>
	Surplus on revaluation of fixed assets	-	-
	<u>Surplus/(Deficit) on revaluation of securities</u>		
	Federal and Provincial Government securities - Market Treasury Bills (T-Bills)	(10,327,680)	(39,999)
	Related deferred tax effect	1,549,152	10,800
		<u>(8,778,528)</u>	<u>(29,199)</u>
<b>19</b>	<b>MEMORANDUM / OFF BALANCE SHEET ITEMS</b>		
<b>19.1</b>	<b>Contingencies</b>		
	There are no material contingencies as at 31 December 2019 (2018: Nil).		
<b>19.2</b>	<b>Commitments</b>	<b>2019</b>	<b>2018</b>
		<b>Rupees</b>	<b>Rupees</b>
	Standby letter of guarantee	9,600,000	7,425,000
	Property and equipment	78,008,400	37,782,009
	Intangible assets	1,162,500	25,379,362
		<u>88,770,900</u>	<u>70,586,371</u>
<b>19.3</b>	This represents letter of guarantee issued on behalf of the Bank to China Union Pay International Company Limited for interbank settlements.		
<b>20</b>	<b>MARK-UP / RETURN / INTEREST EARNED</b>	<b>2019</b>	<b>2018</b>
		<b>Rupees</b>	<b>Rupees</b>
	Mark-up / return / interest on advances	5,872,629,749	3,957,189,332
	Interest on investments in government securities	301,360,254	93,752,916
	Interest on deposit accounts / TDRs with other banks / financial institutions	1,092,327,881	314,991,554
		<u>7,266,317,884</u>	<u>4,365,933,802</u>
<b>21</b>	<b>MARK-UP / RETURN / INTEREST EXPENSED</b>		
	Mark-up / return / interest expense on deposits	2,346,948,854	1,335,523,097
	Mark-up expense on borrowings from banks / financial institutions	1,495,560,013	340,620,303
		<u>3,842,508,867</u>	<u>1,676,143,400</u>
<b>22</b>	<b>FEE, COMMISSION AND BROKERAGE INCOME</b>		
	Loan processing fee	816,128,838	572,636,675
	Branchless banking	60,632,256	41,085,800
	Other fee income collected from customers	23,595,550	11,740,733
		<u>900,356,644</u>	<u>625,463,208</u>
<b>23</b>	<b>OTHER INCOME</b>		
	Recovery against advances written off	37,699,557	14,045,058
	Gain on sale of investments	-	-
	Other	1,376,261	974,115
		<u>39,075,818</u>	<u>15,019,173</u>

24	ADMINISTRATIVE EXPENSES	Note	2019	2018
			Rupees	Rupees
	Staff salaries and benefits		1,573,113,268	1,139,159,657
	Charge for defined benefit plan - gratuity		29,504,965	17,736,870
	Contribution to defined contribution plan - provident fund		28,969,891	18,117,078
	Non-Executive directors' fee		458,240	240,000
	Financial charges on leased assets		95,923,953	640,038
	Trainings		11,983,165	13,008,701
	Insurance		82,049,211	74,702,065
	Rent, rate and taxes		184,897,509	234,045,358
	Travelling and conveyance		90,502,300	65,394,992
	Postage and courier		18,759,468	8,036,147
	Utilities		100,904,186	64,523,381
	Repair and maintenance		157,111,033	82,314,766
	Depreciation on property and equipment	10.2	196,292,565	116,481,950
	Amortization of intangible assets	10.3	23,868,065	18,264,325
	Depreciation on right of use assets	10.4	129,093,001	-
	Software support and maintenance fee		65,885,519	42,535,204
	Stationery and printing		51,010,352	47,959,063
	Auditors' remuneration	24.1	4,595,512	6,356,000
	Legal and professional fee		24,070,724	26,844,867
	Security services		186,637,662	128,672,447
	Office supplies		30,009,105	16,828,774
	Internet and connectivity charges		31,939,631	30,928,201
	NADRA verification charges		28,537,005	23,758,385
	Bank charges		20,094,069	22,613,845
	Marketing expenses		24,802,772	37,682,356
	Upaisa expense - branchless banking		4,274,816	25,468,509
	Other		11,118,904	5,553,733
			<b>3,206,406,891</b>	<b>2,267,866,712</b>

#### 24.1 Auditors' remuneration

##### *KPMG Taseer Hadi & Co.*

Half year review	350,000	350,000
Annual audit	647,500	600,000
Fee for certifications	600,000	600,000
Taxation services	2,798,012	-
Advisory services	-	4,606,000
Out of pocket expenses	200,000	200,000
	<b>4,595,512</b>	<b>6,356,000</b>

#### 25 OTHER CHARGES

SBP penalty	25.1	5,422,000	20,000
Loss on sale of investments		2,243,076	2,379,837
		<b>7,665,076</b>	<b>2,399,837</b>

**25.1** This represents penalty paid during the year related to various non-compliances identified by the State Bank of Pakistan during its inspection of the Bank.



26	TAXATION			2019	2018
				Rupees	Rupees
	Current	- for the year		(81,447,841)	(261,029,309)
		- for prior years		(1,317,977)	4,096,213
				(82,765,818)	(256,933,096)
	Deferred		12	31,915,009	19,703,750
				(50,850,809)	(237,229,346)
	Effective tax rate			16.70%	30.25%

26.1	Tax rate reconciliation	2019	2018
	Profit before tax and after WWF (Rupees)	304,499,010	784,286,582
	Tax rate	29%	29%
	Tax on accounting profit	29.00%	29%
	Tax effect of income taxable at lower rates	(9.95%)	(1.45%)
	Prior year charge	(0.43%)	(0.52%)
	Effect of super tax	0.00%	2.02%
	Effect of change in tax rate	0.00%	0.27%
	Permanent difference	(1.92%)	0.93%
	Tax expense for the year	16.70%	30.25%

		2019	2018
		Rupees	Rupees
27	CASH AND CASH EQUIVALENTS		
	Cash and balances with SBP and NBP	6	1,717,205,410
	Balances with other banks / NBFIs / MFBs	7	3,019,826,466
			1,457,386,758
			11,027,311,074
			4,737,031,876
			12,484,697,832

#### 27.1 Reconciliation of movements of liabilities to cash flow arising from financing activities:

	Subordinated loan	Borrowings	Lease liability	Share capital	Unappropriated profit
(Rupees)					
Balance at 01 January 2019	4,599,640,000	6,010,000,000	18,845,646	2,285,714,290	324,888,330
Lease liability on right of use	-	-	1,422,786,367	-	-
Modification of lease	-	-	(67,716,947)	-	-
<b>Change from financing activities</b>					
Receipts	-	2,300,003,032	-	-	-
Payments	(240,000)	(1,576,671,699)	(139,072,620)	-	-
	(240,000)	723,331,333	(139,072,620)	-	-
<b>Other changes</b>					
Interest cost on lease facilities	-	-	95,923,953	-	-
Total comprehensive income	-	-	-	-	251,109,763
<b>Transfers to</b>					
Statutory reserve	-	-	-	-	(50,729,640)
Depositors' protection fund	-	-	-	-	(12,682,410)
Lease facility availed	-	-	20,190,312	-	-
	-	-	116,114,265	-	187,697,713
<b>Balance at 31 December 2019</b>	<b>4,599,400,000</b>	<b>6,733,331,333</b>	<b>1,350,956,711</b>	<b>2,285,714,290</b>	<b>512,586,043</b>

**Reconciliation of movements of liabilities to cash flow arising from financing activities:**

	Subordinated loan	Borrowings	Lease liability	Share capital	Unappropriated profit
	(Rupees)				
Balance at 01 January 2018	600,000,000	3,069,486,748	-	1,285,714,290	32,149,466
<b>Change from financing activities</b>					
Receipts	4,000,000,000	4,650,513,252	-	1,000,000,000	-
Payments	(360,000)	(1,710,000,000)	(8,157,108)	-	(114,285,715)
	3,999,640,000	2,940,513,252	(8,157,108)	1,000,000,000	(114,285,715)
<b>Other changes</b>					
Interest cost on lease facilities	-	-	640,038	-	-
Total comprehensive income	-	-	-	-	543,788,888
<b>Transfers to</b>					
Statutory reserve	-	-	-	-	(109,411,447)
Depositors' protection fund	-	-	-	-	(27,352,862)
Lease facility availed	-	-	26,362,716	-	-
	-	-	27,002,754	-	407,024,579
<b>Balance at 31 December 2018</b>	<b>4,599,640,000</b>	<b>6,010,000,000</b>	<b>18,845,646</b>	<b>2,285,714,290</b>	<b>324,888,330</b>

**28 NUMBER OF EMPLOYEES**

	2019 Numbers	2018 Numbers
Credit / sales staff		
Permanent	127	112
Contractual	915	664
	1,042	776
Banking / support staff		
Permanent	683	531
Contractual	875	673
	1,558	1,204
Total number of employees at 31 December	2,600	1,980
Average number of employees during the year	2,376	1,708

**29 NUMBER OF BRANCHES**

Branches / Service centres at beginning of the year	141	100
Opened during the year		
- Branches/Booth	61	41
- Service centres	10	-
Branches / Service centres at end of the year	212	141

**30 EARNING PER SHARE****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.

	2019	2018
Profit attributable to equity holders (Rupees)	253,648,201	547,057,236
Weighted average number of shares (numbers)	228,571,429	219,804,306
Earning per share - basic (Rupees)	1.11	2.49

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

### 31 DETAILS OF BUSINESS LOCATIONS

The addresses of the branches of the Bank are as follows:

<b>Branch Name</b>	<b>Address</b>
Nazimabad Branch	Plot # 1/28, Nazimabad # 1, Al-Ghafoor , Eden Ground Floor, Karachi.
Rawalpindi Branch	Ptcl Exchange, Oss Hall, Kashmir Road, Saddar, Rawalpindi.
Bhakkar Branch	Plot # 156-A2, Club Road, Mandi Town, Bhakkar.
Lodhran Branch	Khata # 291, Ward # 26, Near Jalalpur Mor, Opposite Ahl -E-Hadis Masjid, Multan Bahawalpur Road, Lodhran.
Layyah Branch	Khata # 26, Plot # 805, Kachehri Road, Near Govt. Girl Degree College, District Layyah.
Lahore Branch	117-A, Chowk Yateem Khana, Multan Road, Lahore.
Rahim Yar Khan Branch	House # 20a, Al-Hamra House, Model Town, Rahim Yar Khan.
Sahiwal Branch	Plot # 183/C, Block # B-VII, Kachehri Road, Sahiwal.
Bahawalpur Branch	House # 17, Taxation # B -III, 2784/2, Ihata Sinda Ram, Stadium Road Farid Gate, Bahawalpur.
Ahmedpur East Branch	Khata # 136/134, Khatooni # 193, Near Rohi Autos, Kachehri Road, Ahmedpur East, District Bahawalpur.
Dunya Pur Branch	Khewat # 233, Near Khawaja Asim & Qasim Company, Railway Road Dunyapur, District Lodhran.
Karachi Gulshan Branch	Block 10-A, KDA Scheme No. 24, District Gulshan-e-Iqbal, Karachi
Abbottabad Branch	Shop # 1-3, First Floor, Yousaf Plaza, Mansehra Road, Abbottabad.
Mirpurkhas Branch	Ptcl Exchange Office Near Main Gpo Chowk, Mirpurkhas.
Multan Branch	Khewat # 431, Khatooni # 786, Moza Neel Kot, Chungi # 6, Bosan Road, Punjab Nursery, Gulgasht Colony, Multan.
Chistian Branch	Khewat # 659/661, 660/662, Khatooni # 659,660, Baldia Road, Near Dps School, Tehsil Chishtian, District Bahawalnagar.
Pakpattan Branch	Plot # B-I/92/A-II, Khasra # 208/14, Khewat # 2603, Khatooni # 2928, College Road, Pakpattan.
Faisalabad Branch	Plot # 343-B, London Plaza, Ground Floor, Adjacent Ideal Bakers, Satiyana Road, Faisalabad.
Muzafarabad Branch	Shop # 1-6, 1st Floor, Bilal Shopping Complex, Upper Adda, Muza Faisalabad.
Gujranwala Branch	Khatooni # 65, Khewat # 65, Agab Steel Market, Near Old Regent Cinema, Gt Road, Gujranwala.
Peshawar Branch	Compound # 80, T.T.C, Opposite Gulbahar Road, District Peshawar.
Nawabshah Branch	Samar Palace, House # 25-26, Hospital Road, Nawabshah.
Ghotki Branch	City Survey # 890, Ward B, Near Faisal Bank, Dewari Road, Ghotki.
Khairpur Branch	House # B-2443, Kachehri Road, Opposite Ztbl, Khairpur Mirus.
Hyderabad Branch	Survey # 2321, Ward A, Civil Hospital Road Hirabad, District Hyderabad.
Mankera Branch	Bhakkar Jhang Road, Gohar Wala Chowk, Near Ztbl, City Mankera, Tehsil Mankera, District Bhakkar.
Kot Addu Branch	Khata # 451, Khatooni # 640, Near Al Quraish CNG, Gt Road Kot Addu.
Okara Branch	Khewat # 1320, Khatooni # 1408, Khasra # C/2771, Sahi Manzil, College Road, Opposite Municipal Corporation, Okara.
Kasur Branch	Kasur Beroon (Jadeed Urban), Tehsil & District Kasur, Khewat # 169, Khatooni # 503, Khasra # 2193, Kasur.
Hafizabad Branch	Khewat # 755, Khatooni # 1793, Gujranwala Road, Near Mcb, Hafizabad.
Gujrat Branch	Khewat # 788, Khatooni # 1374-1375, Khasra # 31, Mohala Nanwan Rangpura, Sargodha Road Gujrat.
Sukkur Branch	City Survey # 240, Ward C, Ptcl Old Cto Compound Building , Neem Ki Chari, Minara Road Sukkur.
Ghulam Muhammad Abad Branch	House # 1451b(4m 119sf), Main Gma Road, Sabri Chowk, 70ft Bazar, Civil Quarters Ghulam Muhammad Abad Faisalabad.
Qila Dildar Singh Branch	Khasra # 4203/150, Near Jamiyah Muhammadia, Hafizabad Road.
Ali Pur Chatta Branch	Khewat # 424, Khatooni # 110, Gujranwala Road, Alipur Chatta.
Uch Sharif Branch	13/13, Khatooni # 20, Sohail Trade Centre, Near Ztbl, Ahmedpur East Road, Uch Sharif Tehsil Ape, District Bahawalpur.

<b>Branch Name</b>	<b>Address</b>
Khanewal Branch	Khewat # 1077, Khatooni # 1117, Block 6, Lal Masjid Chowk, District Khanewal.
Basirpur Branch	Khewat # 272/266, Khatooni # 673, Khasra # 169, Mauza Baseerpur, Tehsil Depalpur, District Okara.
Depalpur Branch	Khewat # 1916, Khatooni # 3060, Khasra # 45/1449, Hujra Road, Deepalpur, Opposite Lari Adda.
Renala Khurad Branch	Khewat # 596, Khatooni # 576, Chak # 21/2 -L, Hussain Arcade, Androon Hadud Committee, Renala District Okara.
Hujra Shah Muqeem Branch	Khewat # 1440/1404, Khatooni # 2193, Salam Khata # 333 -4, Qatta # 216, Circular Road, Hujra Shah Muqeem, Attari Road, Near Molvi Muhammad Siddique Daras.
Chichawatni Branch	Khewat # 17, Fazal Plaza, Begum Shahnaz Road, Chichawatni.
Darya Khan Branch	Khasra # 1795/344/2, Khewat # 51/11, Khatooni # 72, Bhakkar Road, Tehsil Darya Khan, District Bhakkar.
Khanpur Branch	Ahmad Plaza, Bypass Road Khanpur, Tehsil Khanpur, District Rahim Yar Khan.
Sadiqabad Branch	Khata # 6/6, Khatooni # 7, Nishtar Road, Mehra Abad Colony, Nehar Kinara, Tehsil Sadiqabad, District Rahim Yar Khan.
Digri Branch	City Survey # 1185, Mirwah Road Digri, Taluka Digri, District Mirpurkhas.
Raiwind Branch	Khewat # 2432, Khatooni # 3482, Sunder Road, Near Sohail Surgical Hospital, Rai wind.
Khudian Branch	Khewat # 285, Khatooni # 938, Khasra # 10133/7452/3 -14, Moza Khudian, Androon Hadood Committee Near Lari Adda, Tehsil & District Kasur.
Kot Radha Kishan Branch	Khewat # 301, Khatooni # 449, Khasra # 1823, Near Noor Hospital, Pull i Stop, Main Raiwind Road, Tehsil Kot Radha Kishan, District Kasur.
Pano Aqil Branch	Survey # 436, Baiji Road Tehsil Panuu Aqil, Disrict Sukkur.
Shahdra Branch	Khewat # 82, Khatooni # 118, Khasra # 163/143, Gt Road, Saeed Park, Had Bast Moza Fateh Puri, Tehsil Lahore.
Hasilpur Branch	Khewat & Khatooni # 103, Altaj Plaza, Railway Road, Hasilpur, District Bahawalpur.
Chowk Azam Branch	Near Tabbag Hotel, Inside Hadood Municipal Committee, Fateh Pur Road, Chowk Azam.
Karor Lal Essan Branch	Khata # 74, Khatooni # 264, Near Ptcl Exchange, Fateh Pur Road, Tehsil Karorlal Essan, District Layyah.
Kahrer Pacca Branch	Khewat # 92, Duniyapur Road Near Railway Phatak, Zafar Abad, Tehsil Kahrer Pacca, District Lodhran.
Jalalpur Pirwala Branch	Khewat # 246, Mouza Jalalpur Pirwala, District Multan.
Arifwala Branch	Khewat # 1401/1392, Khatooni # 1416, Khasra # 2249, Lakar Mandi, Tehsil Arifwala, District Pakpattan.
Dinga Branch	Khasra # 211, Khewat # 700, Khatooni # 1700, Anaar Plaza, Thana Road Near Gulzar Sh ahead Chowk, Dinga, Tehsil Kharian District Gujrat.
Muridke Branch	Plot # 1-5, Khewat # 8302, Khatooni # 2566, Khasra # 3133, Timber Market, Qaiser Park, Gt Road Muridke.
Wazirabad Branch	Plot # 1 Bv-11-S-3/Rh, Malik Building, Rex Cinema Road, Near Boys High School Wazirabad, District Gujranwala.
Dharampura Branch	Se6r-240/8/Rh, Allama Iqbal Road, Lahore.
Jalalpur Bhattian Branch	Khewat # 78 & 739, Khasra # 446 & 1166, Khatooni # 134 & 472/2, Vinkay Chowk Pull, Same Nala Jalalpur Bhattian, District Hafizabad.
Pindi Bhattian Branch	Khewat # 183, Khasra # 397, Khatooni # 476/494, Main Bazar Hafizabad Road Near Nalka Stop Pindi Bhattian, District Hafizabad.
Ellahabad Branch	Khewat # 1100, Khatooni # 1992, Khasra # 3904/1167, Chunian Road, Ella habad, Tehsil & District Kasur.
Jalalpur Jattan Branch	Khewat # 2000, Khatooni # 2599, Marba # 37, Qila # 26, Shahbaz Pur Road, Near Patianwala Chowk Jalalpur Jattan, District Gujrat.
Tando Muhammad Khan Branch	City Survey # 831/1, Ward-B, Khawaja Mohallah, Tando Muhammad Khan, District Tando Muhammad Khan.
Phalia Branch	Khatooni # 80, Khasra # 364, Heelan Road, Near Heelan Choungi Opposite Gourmet Baker, Phalia.

<b>Branch Name</b>	<b>Address</b>
Shujaabad Branch	Khewat # 92, Chungi # 10, Near Ztbl, Jalalpur Road, Shujabad, District Multan.
Ranipur Branch	Plot # 659, National Highways, Ward # 04, Town Ranipur.
Islamabad Blue Area Branch	Shop # 7 & 8, Plot # 64w, Masco Plaza, Ground Floor, Jinnah Avenue, Blue Area, Islamabad.
Jaranwala Branch	P-1480, Faisalabad Road, Near Nadra Office, Jaranwala, Tehsil & District Faisalabad.
Korangi 2.5 Branch	Plot # N – 23, Ground Floor, Area – N Korangi # 3 ½, Karachi.
Rajanpur Branch	Khata # 644, Intaqal # 12720, Moza Rajanpur 1, Kamran Market, Indus Highway Near Khushhali Bank, Rajanpur.
Tando Allahyar Branch	Plot # 7, Near Grid Station, Mohalla Main Hyderabad Road Tando Allahyar, Tehsil & District Tando Allahyar.
North Karachi Branch	Plot # R-12, Sector # 5 C/4, North Karachi Township, Karachi.
Shahra e Faisal Branch	Showroom # 11 & 13, Ground Floor Pak Avenue, Plot # 24/A Survey Sheet # 35 -P/1, Block # 6, Pechs, Shahra-E-Faisal, Karachi.
Jhang Branch	Khata # 55, Moaza Civil Station, Kachehri Road, Library Chowk, Jhang.
Moro Branch	Ward # 13, Main Road, Moro, District Naushehro Feroze.
Tando Adam Branch	Ward # A, House # 516, Near Indus Hotel, Hyderabad Road, Tando Adam, District Sanghar.
Umar Kot Branch	Plot # 19, 20, 40 & 41, Mirpurkhas Road Umar Kot, District Umar Kot.
Bahawalnagar Branch	Khewat # 2222, Khatooni 2321, Minchen Abad Road, Near Askari Bank, Tehsil & District Bahawalnagar.
Kandhkot Branch	Registration # 464, Entry # 1000, Juman Shah, Mohalla Kandhkot District Kashmore.
Mehar Branch	Ward # A, City Survey # 752, 1041 & 1042, School Road Mehar, District Dadu .
Mehrabpur Branch	Plot # III, A-13 A Thari Mirwah Road Mehrabpur, District Naushehro Feroze.
Naseerabad Branch	House # 2334, Ward-B, Madina Shopping Centre, Mohallah Kathia Bazar, Badah Road, Nasirabad, District Qambar, Shahdadt.
Shikarpur Branch	Ward # 51, Near Jahaz Chowk Station Road Shikarpur, District Shikarpur.
Chundko Branch	Plot # 149, Main Chowk Near Bus Stand, Chundko, District Khairpur Mir's.
Sargodha Branch	Bilal Plaza, Plot # 40 C, W – Block, New Satellite Town, Sargodha.
Sheikhupura Branch	Khasra # 1284/1285, Khewat # 5-13, 5 College Road, 129 Civil Line, Sheikhupura.
Dera Ghazi Khan Branch	Shop # 21-22, Block E Opp Civil Line Police Station, Railway Road, Dera Ghazi Khan.
Qambar Branch	Ward B, City Survey # 63/132-64/88, 65 & 66, Muhabbat Ali Road, Old Shahdad Kot, Near Nbp/Sindh Bank, Qambar.
Larkana Branch	Ward A, City Survey # 571/1 & 570/2, Bank Square, Near Mobilink Bank, District Larkana.
Muzaffargarh Branch	Khewat # 646, Jhang Road, Near Bank Of Punjab, Muzaffargarh.
Chowk Sarwar Branch	Khatooni # 54, Khewat # 35/32, Mm Road, Opposite General Bus Stand, Chowk Sarwar Shaheed, Tehsil Kot Addu District Muzaffargarh.
Narowal Branch	Khata # 1171, Khatooni # 1958, Khasra # 5206/2570, Jasir Bypass, Circular Road, Tehsil & District Narowal.
Noorpur Thal Branch	Khewat # 1134/1072, Khatooni # 1717, Joharabad Road, Near Rescue 1122 Office Noorpur Thal.
Dadu Branch	City Survey # 1003, Revenue Survey # 133, Kachehri Road Dadu.
Kashmore Branch	Deh Pakka Kashmore, Indus Highway, Opposite Shell Petrol Pump, District Kashmore.
Ratodero Branch	City Survey # 794/34, 794/35 & 794/36, Shikarpur Road, Ratodero.
Nowshera Branch	Plot # 2-A, Cantonment Board, Al-Jameel City, Gt Road, Near Pso Filling Station, Nowshera.
Daharki Branch	Survey # 446, Gt Road, Daharki, District Ghotki.
Qazi Ahmed Branch	Ward # 2, Sardar Colony, Near Police Station, National High Way Road, Qazi Ahmed, District Nawabshah.
Sanghar Branch	Plot # A - 8, City Survey # 124, Ward A, Housing Society, Main Nawabshah Road, Taluka & District Sanghar.
Mithi Branch	Plot # 10 & 11, Near Press Club Mithi, District Tharparkar.
Golarchi Branch	Plot # A-1, Main Karachi Road, Golarchi, District Badin.
Mirpur Sakro Branch	Plot # 285, Main Gharo Road, Mirpur Sakro, District Thatta.
Vehari Branch	Khewat # 48, Khatooni # 48 49-A, Block Karkhana Bazar Vehari, District Vehari.



<b>Branch Name</b>	<b>Address</b>
Ali Pur Branch	Khata # 209, Rayan Plaza Near College Chowk, Multan Road, Alipur, District Muzaffargarh.
Fazilpur Branch	Khata # 437, Ward # 09, Main Indus Highway Fazilpur, Tehsil & District Raja npur.
Liaqat Pur Branch	Plot # 133, City Center Rest House Road, Tehsil Liaqat Pur, District Rahim Yar Khan.
Mian Channu Branch	Khewat # 635, Khatooni # 647, Khasra # 1672, Din Plaza 1672 Bodla Road, Mian Channu, District Khanewal.
Tibba Sultan Pur Branch	Khewat # 126, Khatooni # 326, Khasra # 104/121, Plot # 133, Ward # 4, Qutab Pur Road Tibba Sultan Pur, Tehsil Mailsi District Vehari.
Qasba Gujrat Branch	Khata # 118, Khatooni # 326, Mansa Raam Khas, Civil Hospital Chowk, Gt Road Qasba Gujrat, Tehsil Kot Addu, District Muzaffargarh.
Fort Abbas Branch	Khewat # 267, Khasra # 126/B, Moulana Hafeez Street Near Boys High School, Fort Abbas, District Bahawalnagar.
Shore Kot Branch	Plot # B-P207/Sh, Tehsil Chowk, Cantt Road, Shore Kot City, Shore K ot, District Jhang.
Haroon Abad Branch	Khewat # 685, Khatooni # 685, Shop # 195/C Block C, Bangia Road, Near Grain Market, Haroonabad, District Bahawalnagar.
Burewala Branch	Khewat # 286/292, Khatooni # 532, L24-P, Lahore Road, Burewala, District Ve hari.
Minchen Abad Branch	Khewat # 471, Khatooni # 472, Circular Road, Minchen Abad, District Bahawalnagar.
Kot Mithan Branch	Khewat # 1357, Khata # 17/486, Khawaja Ayaz Tower Baldia Chowk, Kot Mithan Tehsil & District Rajanpur.
Islamabad F-7 Markaz Branch	Plot # 13-H, Jinnah Super, F-7 Markaz, Islamabad.
Bhiriya Road Branch	Shop # Ilc-14/M, Station Road, Deh Chaheen Manno Mal, Bhiriya Road, Taluka Bhiriya City, District Noshero Feroze, Pakistan.
Maripur Truck Stand, Karachi Branch	Plot # 653 - A, Gate # 4, New Truck Stand, Hawksbay Road, Maripur (Kemari Town), District Karachi West.
Super Highway, Karachi Branch	Rahim View Shop # 13, 14, 15 & 16, Flat # B1-001 & B1-002, Sector 17-B, Gulzar-E-Bijri, Scheme 33, Main Super Highway Road, Karachi.
Jampur Branch	Ward # 13, Khata # 737, Dajal Road, Tehsil Jampur, District Rajanpur.
Yazman Branch	Khata # 423/373, Khatooni # 572, Rec # 228/12, Muraba # 9, Kila # 25/1, Chak # 56 Db -(A), Bahawalpur Road Yazman, Near Tool Tax Tehsil Yazman, District Bahawalpur.
Haripur Branch	Oss Hall Ptcl Telephone Exchange Kanpur Road, Opposite Tip, Haripur.
D.I.Khan Branch	Customer Service Center, Ptcl Opposite Circuit House, Dera Ismail Khan.
Mansehra Branch	Khata & Khatooni # 0739/0394, Khasra # 08994/9827, Baidra Chowk, District Mansehra.
Jhelum Branch	Oss Hall, Kazim Kamal Road, Ptcl Compound, Jhelum Cantt.
Chakwal Branch	Khewat # 1385, Khatooni # 2486, Dhoke Momen, Pindi Road, Chakwal, District, Chakwal.
Mir Pur Branch	Ptcl Exchange, Oss Hall, Aftab Building, Allama Iqbal Road, Mirpur Ajk.
Wah cantt Branch	Oss Hall Ptcl Exchange, Alm Market, Mall Road, Wah Cantt.
Mardan Branch	Main Telephone Exchange Building Oss Hall, Near College Chowk, Opposite Kachehri, Mardan.
Charsadda Branch	Main Ptcl Telephone Exchange Building, Oss Hall, Nowshera Road, Charsadda.
Gojra Branch	Oss Hall, Adjacent Ptcl Exchange, Club Road, Gojra District Toba Tek Singh.
Hala Branch	City Survey # 1365, Dargah Road Near The First Microfinance Bank, District Mat iari.
Faisal Town, Lahore Branch	Oss Hall, Ptcl Exchange, 6-A Civic Center, Faisal Town, Lahore.
Quetta Branch	Oss Hall Ptcl Smart Shop Cto, Besides Main Gpo, Zarghoon Road, Quetta.
Gulzar-e-Hijri Branch	Ptcl Smart Shop, Gulzar-E- Hijri Telephone Exchange Scheme 33, Metrovil III Gulzar -E-Hijri Karachi.
Latifabad Branch	Oss Hall, Ptcl Exchange Near Telecommunication Building, Unit # 7 Latifabad, District Hyderabad.
Landhi Branch	Ptcl Smart Shop, Landi Telephone Exchange Near Landi - 89, Karachi.
Kot Chutta	Khewat # 109, Intaqal # 9252, Kot Chutta # 3, Tehsil Kot Chutta, District Dera Ghazi Khan.
Jauharabad Branch	Khatooni # 1225, Khewat # 736, College Chowk, Main Bazar Jauhrabad.
Mingora Branch	Abaseen, Chaina Plaza, Green Chowk, Mingora, Swat.
Chaubara Branch	Near Hbl Branch, Jhang Road, Chobara.

<b>Branch Name</b>	<b>Address</b>
Kot Sultan	Khata # 103, Khatooni # 398-407, Layyah, Kot Addu Road, Near Askari 1 Petrol Pump, Kot Sultan, District Layyah.
Kamalia Branch	Khasra # 4193, House # 875/1202-D, Mohallah Mahtain Wala, Kamalia.
Daska Branch	Circular Road, Near Sohawa, Stop Daska, District Sialkot.
Badin Branch	Main Hyderabad Road, Opposite National Bank Of Pakistan, Survey # 176, Badin.
Chota Sahiwal Branch	Khewat # 1239, Khatooni # 1998, Sahiwal Sargodha Road Sahiwal, Choota Sahiwal, District Sargodha.
Malakwal Branch	Khewat # 268, Khatooni # 371, Khasra # 3220/456/1, Bismillah Plaza badshah Pur Road Chungi # 2 Malakwal, District Mandi Bahauddin.
Kunri Branch	Ward 06, Block-262, Plot # 17 & 18, Kunri, District Umarkot.
Khipro Branch	Ward # 76, Mirpurkhas Road, Khipro Taluka Khipro, District Sanghar.
Bagh Branch	Khasra # 212, Near Pulli Stop, Bagh, District Azad Kashmir.
Sujawal Branch	Main Sujawal To Karachi Road, Near Irrigation Colony, Sujawal, District Sujawal.
Abdul Hakeem Branch	Khatooni # 191 & 199, Khata # 63/27973, Kacha Kho Road, Nazd Sabzi Mandi Abdul Hakeem, District Khanewal.
Shahdadkot Branch	Ward C, City Survey # 644/1, District Qambar, Shahdadkot.
Mandi Bahauddin Branch	Main Bazar Bank Square, Khasra # 368, Khewat # 258, Khatooni # 363, District Mandi Bahauddin.
Lalamusa Branch	Khewat # 215, Khata # 27, Khatooni # 493-516, Behari Colony, Near Graveyard, GT Road, Lala Moosa, Tehsil Kharian & District Gujrat.
Kohat Branch	Khata # 2179, Khasra # 1136, Khatooni # 2999, Near Al-Moiz CNG, Malik Noor Plaza, Hungu Road, Kohat, District Kohat.
F-10 Markaz Branch	Plot # 1-N, SL # 1, F-10 Markaz, Islamabad.
Sialkot Branch	Khata # 114, Khewat # 269, Khatooni # 9723, Khasra # 92/448, Kashmir Road, Pacca Gharra, District Sialkot.
Ahmedpur Sial Branch	Khewat # 581/558, Khatooni # 1969, Opposite Usmania Masjid, Main Ahmedpur Sial Road, Tehsil Ahmedpur, District Jhang.
Mianwali Branch	Khewat # 236, Khatooni # 703, Mianwali District, Mianwali.
Paharpur Branch	Khewat # 145, Khatooni # 293, Rang Pur Adda, Tehsil Paharpur, District Dera Ismael Khan.
Chahchro Branch	Plot # 294/02, Main Umer Kot Road, Chahchro, District Tharparkar.
Nosheroferoze Branch	Plot # 327, Old National Highway, Nosheroferoze.
Nankana Branch	Khewat # 261, Khatooni # 365, Shora Kothi Road, Near Nadra Office, Nankana Sahib.
Gujar Khan Branch	Chaudhary Ghulam Muhammad Plaza, Main GT Road, Ward # 15, Khewat # 14, Khatooni # 19, Gujar Khan, District Rawalpindi.
Talagang Branch	Khewat # 435, Khatooni # 834, Khata # 10/55, B-11, 203-E-2, Near Madni Chowk, Pindi Road, Talagang, District Chakwal.
Qadir pur Rawan Branch	Khewat # 449/443, Khatooni # 1616 To 1617, Opposite Higher Secondary School, Qadir Pur Ran Rawan, Tehsil Multan Sadar, District Multan.
Khairpur Tamewali Branch	Basti Malook, District Multan.
Chiniot Branch	Khewat # 3188/3178, Faisalabad Road, Near ZTBL, Tehsil Chowk Chiniot, District Chiniot.
Thatta Branch	S # 117, Sujawal Road, Near Shah Jahan Masjid, Thatta Sindh, District Thatta.
Daur Branch	Ward 04, House # IB/137, Mohallah Jamali Road Daur, District Shaheed Benazirabad (Nawabshah).
Shahdadpur Branch	Plot # 10/11/12/13/14/15, Station Road, Shahdadpur, District Sanghar.
Rohailanwali Branch	Khewat # 22, Khatooni # 76-82, Opposite ZTBL Branch, Main Alipur Road, Rohailanwali, Tehsil & District Muzaffargarh.
DHA Karachi Branch	Plot # 5-C, Nishat Lane 2, Phase VI, Pakistan Defense Housing Authority, Karachi South, Karachi.
Islamkot Branch	Plot # 49A, Nangar Parkar Road, Mukhi Mohalla, Islamkot, District Tharparkar.
Naukot Branch	Plot # 150, Sabzi Market Road Naukot, District Mirpurkhas.
Dera Allah Yar Branch	Near District Council Hall, D.C. Office, Tehsil Road, PTCL Exchange, Dera Allah Yar, District Jafarabad.

<b>Branch Name</b>	<b>Address</b>
Mohammad Pur Dewan Branch	Mouza Muhamamd Pur 2, Khata # 267, Khewat # 258, Tehsil Jampur, District Rajanpur.
18 Hazari Branch	Khata # 328/321, Khatooni # 891, 18 Hazari, District Jhang.
DHA Lahore Branch	322 Block, Commercial Area, DHA Lahore, Phase 3, Lahore.
Quaidabad Branch	Plot # 12, 3 Marla Scheme, Khewat # 32 & 33, Lakkar Mandi, Tehsil Quaidabad, District Khushab.
Thul Branch	Survey # 401, Riaz Chowk, Kandhkot Road, Tehsil Thul, District Jacobabad.
Dera Murad Jamali Branch	New Circuit House, Opposite Officer Club & D.C. Office, Allah Chowk, PTCL Ex change Road, Dera Murad Jamali.
Jacobabad Branch	City Survey # 201/1/3/1, Ward # 06, Adam Khan, Panhwaer Road, Tehsil & District Jacobabad.
Bhalwal Branch	Khata # 35, Ahata # 131, Liaqat Shaheed Road, Tehsil Bhalwal, District Sargodha.
Kot Ghulam Muhammad Branch	Deh # 290-A, City Survey Plot # 978, Tehsil Kot Ghulam Muhammad, District Mirpurkhas.
Attock Branch	Circle III, Block-F, Ward B-VI, Opposite Meezan Bank, Attock, District Attock.
Swabi Branch	Khata # 1889/3308, 1897/3308, & 4478/3617, Grade Station, Khangira Road, District Sawabi.
Toba Tek Singh Branch	Khewat # 133/127, Khatooni # 159, Near Allied Bank, Toba Tek Singh, District Toba Tek Singh.
Fateh Jang Branch	Khewat # 495, Khatooni # 605, Pindi Road, Near UBL, Tehsil Fateh Jang, District Attock.
Basti Malook Branch	Khewat # 5, Khatooni # 15-17, Multan Road, Opposite Patrolling Post, Near Sabzi Mandi, Basti Malook, District Multan.
Gilgit Branch	Khasra # 1935, Jutial Road, District Gilgit.
Kot Momin Branch	Khata # 104, Khewat # 483 1/2, Bhagtanwala Road, Tehsil Kot Momin, District Sargodha.
Gwadar Branch	Ashraf market, Airport Road, Gwadar, District Balochistan.
Taunsa Sharif Branch	Khata # 1313, Mouza Taunsa Sharif, District D.G. Khan.
Usta Muhammad Branch	Near Main Police Station, Jinnah Road, Usta Muhammad.
Samundri Branch	Khewat # 604/592, Khatooni # 604, Samundri, Faisalabad.
G-8 Booth	PTCL Head Quarter, Block E, Sector G -8/4, Islamabad.

## SERVICE CENTERS

Fateh Pur Service Center	PTCL Exchange, Fatehpur, District Bhakkar
Dullewala Service Center	Mutation 13205, Khata # 2126, Khatooni # 3649, Mianwali Multan Road Dullewala.
Zahir Pir Service Center	Old KLP Road, Chachar Road, Zahir Pir, Tehsil Khanpur.
Chani Goth Service Center	Khewat # 77, Khatooni # 168 to 170, Uch Road, Chani Goth Station.
Dahranwala Service Center	Haroonabad Road, Dahranwala, Tehsil Chishtian, District Bahawalnagar.
Taranda Muhammad Panah Service Center	Akbar Chowk, Near PTCL Office, Tranda Muhammad P anah, Tehsil Liaquat Pur, District Rahim Yar Khan.
Khan Bela Service Center	Khewat # 50/50, Khatooni # 207-212, KLP Road, Khan Bela, Tehsil Liaquat Pur.
Array Wahain Service Center	Moza Basti Sultan, Tehsil Mailsi, District Vehari
Tandlianwala Service Center	Mohalla Mumtazabad, Samundri Road, Tandlianwala, District Faisalabad.
Sultan Colony Service Center	Main bus stop, Zulfiqar Abad Sultan colony, Tehsil Kot Addu, District Muzaffargarh

## 32 FINANCIAL INSTRUMENTS

### A FAIR VALUES

#### 32.1 Accounting classifications and fair values

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

On-balance sheet financial instruments		Carrying amount					Fair value				
		Fair value through profit and loss	Held to maturity	Loans and receivables	Available for sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<u>31 December 2018</u>	Note	Rupees						Rupees			
Financial assets measured at fair value											
Investments - net of provisions	8	-	-		6,969,538,668	-	6,969,538,668	6,969,538,668	-	-	6,969,538,668
Financial assets not measured at fair value											
Cash and cash equivalents	27	-	-	4,737,031,876	-	-	4,737,031,876	-	-	-	-
Advances - net of provisions	9	-	-	21,374,079,265	-	-	21,374,079,265	-	-	-	-
Other assets	11 & 32.2	-	-	3,801,022,253	-	-	3,801,022,253	-	-	-	-
		-	-	29,912,133,394	-	-	29,912,133,394	-	-	-	-
Financial liabilities not measured at fair value											
Deposits and other accounts	13	-	-	-	-	23,290,259,471	23,290,259,471	-	-	-	-
Borrowings	14	-	-	-	-	6,733,331,333	6,733,331,333	-	-	-	-
Subordinated debt	15	-	-	-	-	4,599,400,000	4,599,400,000	-	-	-	-
Other liabilities	16 & 32.3	-	-	-	-	2,088,026,122	2,088,026,122	-	-	-	-
		-	-	-	-	36,711,016,926	36,711,016,926	-	-	-	-
On-balance sheet financial instruments		Carrying amount					Fair value				
		Fair value through profit and loss	Held to maturity	Loans and receivables	Available for sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<u>31 December 2018</u>	Note	Rupees						Rupees			
Financial assets measured at fair value											
Investments - net of provisions	8	-	-	-	1,967,824,071	-	1,967,824,071	1,967,824,071	-	-	1,967,824,071
Financial assets not measured at fair value											
Cash and cash equivalents	27	-	-	12,484,697,832	-	-	12,484,697,832	-	-	-	-
Advances - net of provisions	9	-	-	17,019,838,156	-	-	17,019,838,156	-	-	-	-
Other assets	11 & 32.2	-	-	2,490,697,383	-	-	2,490,697,383	-	-	-	-
		-	-	31,995,233,371	-	-	31,995,233,371	-	-	-	-
Financial liabilities not measured at fair value											
Deposits and other accounts	13	-	-	-	-	20,534,770,395	20,534,770,395	-	-	-	-
Borrowings	14	-	-	-	-	6,010,000,000	6,010,000,000	-	-	-	-
Subordinated debt	15	-	-	-	-	4,599,640,000	4,599,640,000	-	-	-	-
Other liabilities	16 & 32.3	-	-	-	-	562,311,459	562,311,459	-	-	-	-
		-	-	-	-	31,706,721,854	31,706,721,854	-	-	-	-

**32.2** It excludes advances taxation and inventory of ATM cards & stationery.

**32.3** It excludes accrued expenses and others.

**32.4** The Bank has not disclosed the fair values for these financial assets and financial liabilities because their carrying amounts are a reasonable approximation of fair value.

## B FINANCIAL RISK MANAGEMENT

### 32.5 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's 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 (ALCO).

### 32.6 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 and balances at banks. 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 government securities or other securities having good credit rating. Maximum amount of financial assets which are subject to credit risk amount to Rs. 32,145 million (2018: Rs. 21,478 million).

### 32.7 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.

The Assets and Liability Management Committee (ALCO) of the Bank is responsible for the oversight of liquidity management and meets on a monthly basis or more frequently, if required. The Bank's approach to liquidity management is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking sustained damage to business franchises. A centralized approach is adopted, based on an integrated framework incorporating an assessment of all material known and expected cash flows and the availability of collateral which could be used to secure additional funding if required. The framework entails careful monitoring and control of the daily liquidity position, and regular liquidity stress testing under a variety of scenarios. These encompass both normal and stressed market conditions, including general market crises and the possibility that access to markets could be impacted by a stress event affecting some part of the Bank's business.

## 33 CAPITAL RISK MANAGEMENT

**33.1** The objective of managing capital is to safeguard the Bank's ability to continue as a going concern, so that it could continue to provide adequate returns and benefits to stakeholders by pricing products and services commensurately with the level of risk. It is the policy of the Bank to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

**33.2** The Bank's 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.



### 33.3 Statutory minimum capital requirement and management of capital

As per amendments on Prudential Regulations (R-1) issued vide BPRD Circular No. 10 of 2015 dated 3 June 2015, the minimum paid up capital requirement (MCR), free of losses for Microfinance Banks operating at national level is Rs. 1,000 million as at 31 December 2019. As of 31 December 2019, the net equity of the Bank stood at Rs. 3,051 million (2018: Rs. 2,808 million).

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

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

As at 31 December 2019, the Bank's Capital adequacy ratio (CAR) was appropriately 16.67% (2018: 19.05%) of its weighted exposure, as against the minimum requirement of 15% prescribed by SBP.

### 34 REMUNERATION OF PRESIDENT/CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	31 December 2019			31 December 2018		
	President / Chief Executive	Directors	Executives	President / Chief Executive	Directors	Executives
	Rupees			Rupees		
Fee	-	440,000	-	-	240,000	-
Managerial remuneration	13,297,996	-	112,432,132	5,960,592	-	73,316,127
Bonus	6,156,480	-	33,354,233	2,915,000	-	28,240,640
Gratuity fund	1,092,775	-	9,266,863	496,716	-	6,109,969
Provident fund	1,063,837	-	8,457,361	477,445	-	5,490,624
Rent and house maintenance	7,757,164	-	65,585,410	3,477,012	-	42,767,737
Utilities	1,108,166	-	9,369,345	496,716	-	6,109,678
Medical	140,962	-	5,356,566	149,581	-	3,599,625
Conveyance	900,000	18,240	21,526,839	679,250	4,460	10,609,977
Others	2,584,485	-	9,761,889	1,648,142	-	7,359,279
Total	34,101,865	458,240	275,110,638	16,300,454	244,460	183,603,656
Number of person(s)	1	9	51	1	8	39

**34.1** Executive means an employee whose annual basic salary exceeds Rs. 1.20 million (2018: Rs. 1.20 million) during the year.

**34.2** Bank maintained vehicles are also provided to the chief executive officer and some of the executives as per their entitlement; the net book values of which are Rs. 39.593 million (2018: Rs. 25.33 million).

**34.3** No remuneration and other benefits were paid to directors of the Bank. An amount of Rs. 458,240 (2018: Rs. 244,460) was paid to the independent directors for attending the Board or sub committee meetings.

**35 SCHEDULE OF MATURITY DISTRIBUTION OF MARKET RATE ASSETS AND LIABILITIES AT 31 DECEMBER 2019**

	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	21,374,079,265	1,260,350,530	8,906,956,430	8,246,121,994	2,960,650,311
Investments	6,969,538,668	4,229,036,668	-	2,740,502,000	-
Other earning assets					
Balances with other banks - deposit accounts	3,009,485,364	3,009,485,364	-	-	-
<b>Total market rate assets</b>	<b>31,353,103,297</b>	<b>8,498,872,562</b>	<b>8,906,956,430</b>	<b>10,986,623,994</b>	<b>2,960,650,311</b>
<b>Other non-earning assets</b>					
Cash in hand	618,822,600	618,822,600	-	-	-
Balances with SBP and NBP - current accounts	1,098,382,810	1,098,382,810	-	-	-
Balances with other banks - current accounts	10,341,102	10,341,102	-	-	-
Operating fixed assets	3,104,521,964	96,350,432	145,522,346	174,626,816	2,688,022,370
Other assets	3,828,677,455	1,340,525,466	1,785,322,698	652,488,040	50,341,251
Deferred tax asset	76,354,529	-	-	-	76,354,529
<b>Total non-earning assets</b>	<b>8,737,100,460</b>	<b>3,164,422,410</b>	<b>1,930,845,044</b>	<b>827,114,856</b>	<b>2,814,718,150</b>
<b>Total assets</b>	<b>40,090,203,757</b>	<b>11,663,294,972</b>	<b>10,837,801,474</b>	<b>11,813,738,850</b>	<b>5,775,368,461</b>
<b>Market rate liabilities</b>					
Large time deposits above Rs. 100,000	14,499,422,805	654,837,996	5,844,176,237	4,482,786,909	3,517,621,663
All other time deposits (including fixed rate deposits)	337,000,495	8,136,300	43,781,145	65,252,290	219,830,760
Other cost bearing deposits	6,071,321,337	6,071,321,337	-	-	-
Borrowings	11,332,731,333	3,250,000,000	383,453,000	383,453,000	7,315,825,333
<b>Total market rate liabilities</b>	<b>32,240,475,970</b>	<b>9,984,295,633</b>	<b>6,271,410,382</b>	<b>4,931,492,199</b>	<b>11,053,277,756</b>
<b>Other non-cost bearing liabilities</b>					
Deposits	2,382,514,834	2,382,514,834	-	-	-
Other liabilities	2,416,350,107	2,416,350,107	-	-	-
<b>Total non-cost bearing liabilities</b>	<b>4,798,864,941</b>	<b>4,798,864,941</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>37,039,340,911</b>	<b>14,783,160,574</b>	<b>6,271,410,382</b>	<b>4,931,492,199</b>	<b>11,053,277,756</b>
<b>Net assets</b>	<b>3,050,862,846</b>	<b>(3,119,865,602)</b>	<b>4,566,391,092</b>	<b>6,882,246,651</b>	<b>(5,277,909,295)</b>

**SCHEDULE OF MATURITY DISTRIBUTION OF MARKET RATE ASSETS AND LIABILITIES AT 31 DECEMBER 2018**

	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	17,019,838,156	1,223,267,000	5,987,710,252	9,350,941,000	457,919,904
Investments	11,867,824,071	500,000,000	4,967,824,071	6,400,000,000	-
Other earning assets					
Balances with other banks - deposit accounts	1,112,463,718	1,112,463,718	-	-	-
<b>Total market rate assets</b>	<b>30,000,125,945</b>	<b>2,835,730,718</b>	<b>10,955,534,323</b>	<b>15,750,941,000</b>	<b>457,919,904</b>
<b>Other non-earning assets</b>					
Cash in hand	552,351,271	552,351,271	-	-	-
Balances with SBP and NBP - current accounts	905,035,487	905,035,487	-	-	-
Balances with other banks - current accounts	14,847,356	14,847,356	-	-	-
Operating fixed assets	754,499,905	12,098,821	70,011,863	136,222,877	536,166,344
Other assets	2,523,062,846	812,086,965	641,265,633	981,075,962	49,039,822
Deferred tax asset	41,654,400	-	-	-	41,654,400
<b>Total non-earning assets</b>	<b>4,791,451,265</b>	<b>2,296,419,900</b>	<b>711,277,496</b>	<b>1,117,298,839</b>	<b>626,860,566</b>
<b>Total assets</b>	<b>34,791,577,210</b>	<b>5,132,150,618</b>	<b>11,666,811,819</b>	<b>16,868,239,839</b>	<b>1,084,780,470</b>
<b>Market rate liabilities</b>					
Large time deposits above Rs. 100,000	11,857,352,556	1,242,959,998	5,494,995,108	1,999,363,510	3,120,033,940
All other time deposits (including fixed rate deposits)	386,473,235	1,450,000	34,804,000	69,369,500	280,849,735
Other cost bearing deposits	6,208,685,764	6,208,685,764	-	-	-
Borrowings	10,609,640,000	500,000,000	423,520,923	483,588,512	9,162,936,101
<b>Total market rate liabilities</b>	<b>29,062,151,555</b>	<b>7,953,095,762</b>	<b>5,953,320,031</b>	<b>2,552,321,522</b>	<b>12,563,819,776</b>
<b>Other non-cost bearing liabilities</b>					
Deposits	2,082,258,840	2,082,258,840	-	-	-
Other liabilities	838,664,403	838,664,403	-	-	-
<b>Total non-cost bearing liabilities</b>	<b>2,920,923,243</b>	<b>2,920,923,243</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>31,983,074,798</b>	<b>10,874,019,005</b>	<b>5,953,320,031</b>	<b>2,552,321,522</b>	<b>12,563,819,776</b>
<b>Net assets</b>	<b>2,808,502,412</b>	<b>(5,741,868,387)</b>	<b>5,713,491,788</b>	<b>14,315,918,317</b>	<b>(11,479,039,306)</b>

## 36 RELATED PARTIES TRANSACTIONS

The Bank is a subsidiary of Pakistan Telecommunication Company Limited ("the Parent Company"). Therefore all subsidiaries and associated undertakings of the Parent Company are related parties of the Bank. Other related parties comprise of directors, key management personnel, entities over which the Bank has significant influence, entities having common directors and entities over which the directors are able to exercise significant influence and employees retirement benefit funds. Detail of transactions during the year and balances outstanding as at the reporting date are as follows:

Transactions	Note	2019 Rupees	2018 Rupees
<b>Parent Company</b>			
Issue of share capital		-	1,000,000,000
Sub-ordinated Debt (Tier II)		-	4,000,000,000
Payment for disaster recovery services		-	3,025,877
Internet, connectivity, utility & rental charges		29,537,871	25,127,826
Utility Bill collected on behalf of the Parent Company		73,481,447	87,593,509
Payment in regards utility bills collected on behalf of the Parent Company		73,445,499	87,412,001
Utility Bill collection charges		370,077	362,142
Payment for administrative costs and fixed assets		223,335,980	88,413,218
Interest expense on TIER-II subordinated Debt Payment		565,433,425	-
Interest expense on deposits		4,317	4,532,164
Interest expense on PTCL employee GP fund		172,443,292	57,222,068
Advance for purchase of ICT hardware		-	92,056,672
<b>Associated Company - Pak Telecom Mobile Limited (PTML)</b>			
Payment for administrative costs and fixed assets		64,109,304	27,022,339
Payment against branchless banking and bills collected		237,687,068	93,831,330
Amount received against reimbursement of agent's commission		248,163,152	193,422,299
Expense incurred on behalf of PTML		-	27,450,000
Interest expense on deposits		-	-
Deposit incentive		-	-
<b>Associated Company - Pakistan Telecommunication Employees Trust (PTET)</b>			
Interest expense on deposits		135,468,435	43,507,741
<b>Employees' provident fund</b>			
Contribution to provident fund	24	28,969,891	18,117,078
<b>Employees' gratuity fund</b>			
Payment to gratuity fund	16.3.10	41,091,375	16,514,091
<b>Balances</b>			
<b>Parent Company</b>			
Advance for purchase of ICT hardware		-	92,056,672
Deposits	13.2	565,522,573	-
Interest payable on deposits	16.1	374	-
Payable against utility bills collected	16	35,948	181,508
Utility bills collection charges receivable	11	1,792,839	1,511,858
Employee GP fund	13.2	1,383,127,074	1,237,896,409

Balances	Note	2019 Rupees	2018 Rupees
Interest payable on deposits - PTCL Employees' GP Fund	16.1	7,130,217	3,564,138
Associated Company - Pakistan Telecommunication Employees Trust			
Deposits	13.2	1,050,001,647	1,024,170,892
Interest payable on deposits	16.1	39,378,995	2,794,878
Associated Company - Pak Telecom Mobile Limited			
Employees' Gratuity fund	13.2	400,088,157	475,103,715
Payable against branchless banking and bills collected	16	63,427,705	69,614,227
Payable to Pak Telecom Mobile Limited			
Interest payable on deposits	16.1	352,811	159,159
Employees' provident fund			
Deposits	13.2	125,859,943	-
Interest payable on deposits	16.1	1,272,161	-
Payable to provident fund	16	3,517,822	12,096,665
Employees' gratuity fund			
Deposits	13.2	80,010,244	38,315,583
Interest payable on deposits	16.1	541,000	260,336
Payable to gratuity fund	16.3	1,235,802	9,037,006

**36.1** Following are particulars of related parties of the Bank with their respective shareholding:

Name	Basis of relationship	Share-holding	Percentage of shareholding
1) Mr. Nadeem Khan	Director/Chairman	01	0.00%
2) Mr. Mohamed Essa Al Taheri	Director	01	0.00%
3) Mr. Muhammad Amir Siddiqi	Director	01	0.00%
4) Mr. Moqeen ul Haque	Director	01	0.00%
5) Mr. Javed Iqbal	Director	02	0.00%
6) Mr. Sahibzada Mansoor Ali	Director	01	0.00%
7) Mr. Muhammad Aqueel Abbas Malik	Director	01	0.00%
8) Mr. Burak Sevilengul	Director	01	0.00%
9) Mr. Kabeer Naqvi	Director/CEO	-	0.00%
10) PTCL	Parent Company	228,571,420	99.99%

### 37 COMPLAINTS MANAGEMENT MECHANISM

The Bank is a customer oriented organization and gives due consideration to the valuable feedback of its customers. Complaints are treated as opportunity to align our products/services and processes to serve the customers in a best possible way. 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. During the year 24,932 (2018: 26,847) complaints were received by the Bank and were resolved with average resolution time of 45.84 hours (2018: 11.88 hours).

### 38 GENERAL

- 38.1** Captions, as prescribed by BSD Circular No. 11, dated 30 December 2003 issued by SBP, in respect of which there are no amounts, have not been reproduced in these financial statements, except for the captions of the balance sheet and profit and loss account.

### 39 DATE OF APPROVAL

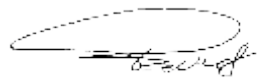
These financial statements were approved by the Board of Directors of the Bank in their meeting held on 31 January, 2020.



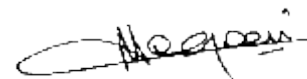
**PRESIDENT/CHIEF EXECUTIVE**



**CHAIRMAN**



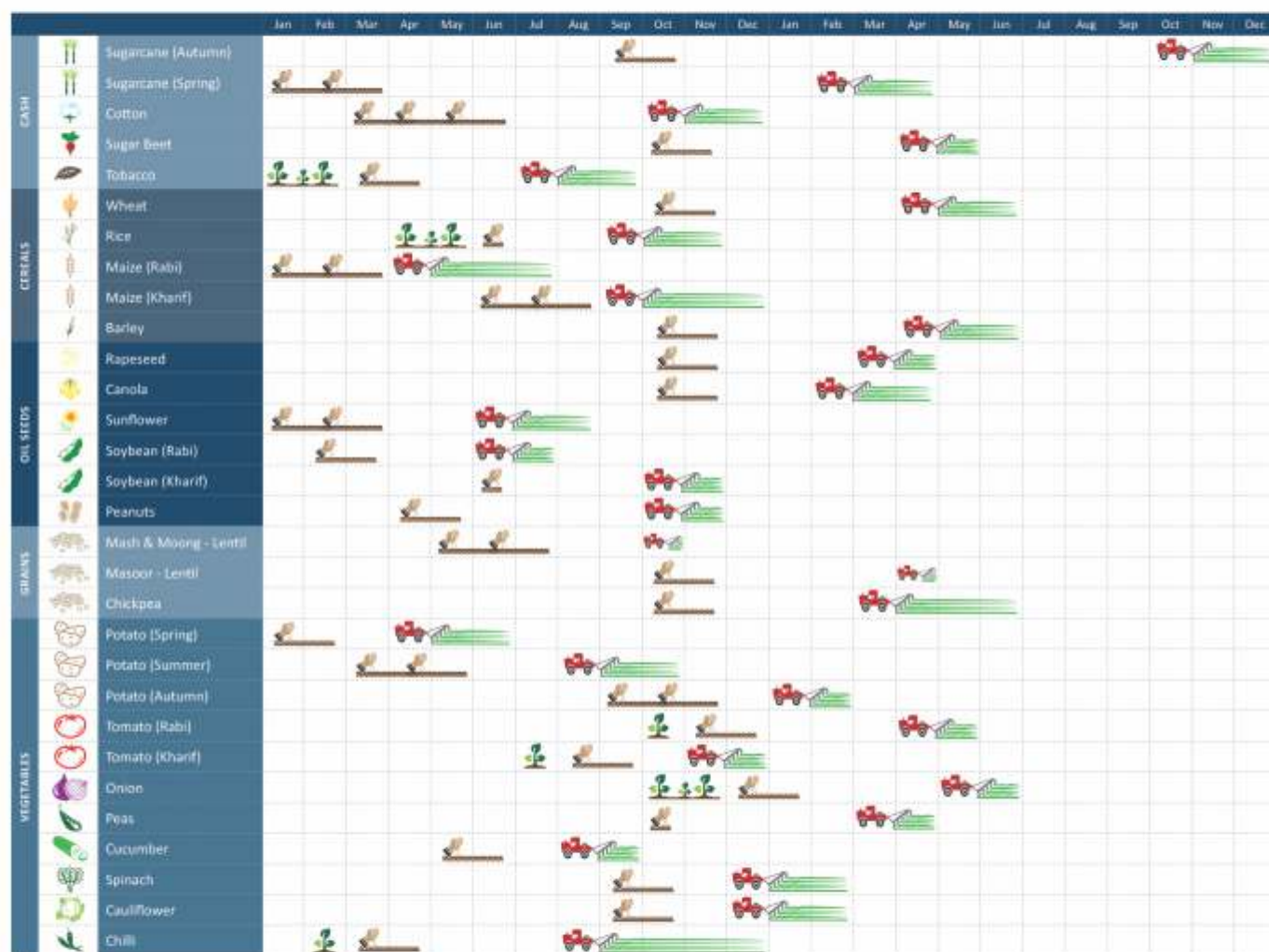
**DIRECTOR**



**DIRECTOR**



# Crop Calendar







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