

**U MICROFINANCE BANK LIMITED**  
**Condensed Interim Financial Information**  
**For the half year ended**  
**June 30, 2017**

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION**

### *Introduction*

We have reviewed the accompanying condensed interim statement of financial position of U Microfinance Bank Limited (the Bank) as at June 30, 2017 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the half year then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and fair presentation of this condensed interim financial information in accordance with accounting framework as stated in note 2 to the condensed interim financial information. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

### *Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with the accounting framework as stated in note 2 to the condensed interim financial information.

  
Chartered Accountants

**Engagement Partner:**  
Shahzad Ali

**Date:** July 14, 2017  
**Islamabad**



**U MICROFINANCE BANK LIMITED**  
**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2017**

	Note	(Un-audited) June 30, 2017 Rupees	(Audited) December 31, 2016 Rupees
<b>ASSETS</b>			
Cash and balances with SBP and NBP	4	737,056,794	470,734,405
Balances with other Banks/ NBFIs/ MFBs	5	3,169,522,444	2,391,207,419
Investments	6	1,145,056,559	1,130,131,255
Advances - net of provisions	7	8,378,256,240	5,528,421,228
Operating fixed assets	8	336,350,790	303,027,259
Other assets	9	1,047,569,786	683,128,491
Deferred tax asset	10	62,495,839	85,066,133
<b>Total Assets</b>		<b>14,876,308,452</b>	<b>10,591,716,190</b>
<b>LIABILITIES</b>			
Deposits	11	10,143,843,680	8,109,923,603
Borrowings	12	2,399,999,652	1,000,000,000
Subordinated debt	13	600,000,000	-
Other liabilities	14	500,006,567	359,326,176
<b>Total Liabilities</b>		<b>13,643,849,899</b>	<b>9,469,249,779</b>
<b>NET ASSETS</b>		<b>1,232,458,553</b>	<b>1,122,466,411</b>
<b>REPRESENTED BY:</b>			
Share capital		1,285,714,290	1,285,714,290
Discount on issue of share capital		(25,714,290)	(25,714,290)
Accumulated loss		(49,644,406)	(160,733,099)
<b>Share capital</b>		<b>1,210,355,594</b>	<b>1,099,266,901</b>
Statutory and other reserve		22,137,467	22,137,467
(Deficit) / Surplus on revaluation of AFS Investments		(34,508)	1,062,043
<b>Total Capital &amp; Reserves</b>		<b>1,232,458,553</b>	<b>1,122,466,411</b>

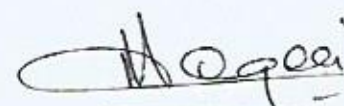
**MEMORANDUM / OFF BALANCE SHEET ITEMS** 15

The annexed notes from 1 to 28 form an integral part of these financial statements.

  
**PRESIDENT / CHIEF EXECUTIVE**

  
**CHAIRMAN**

  
**DIRECTOR**

  
**DIRECTOR**

**U MICROFINANCE BANK LIMITED**  
**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT**  
**FOR THE HALF YEAR ENDED JUNE 30, 2017**


	Note	(Un-audited) June 30, 2017 Rupees	(Un-audited) June 30, 2016 Rupees
Mark-up/ return/ interest earned	16	1,095,558,833	312,579,000
Mark-up/ return/ interest expensed	17	(474,314,584)	(110,063,148)
Net mark-up/ interest income		621,244,249	202,515,852
Provision against non-performing advances	7	(40,944,353)	(21,716,643)
Net mark-up/ interest income after provisions		580,299,896	180,799,209
<b>NON MARK-UP/ NON INTEREST INCOME</b>			
Fee, commission and brokerage income		219,303,042	195,033,669
Gain on Sale of AFS Investments		4,736,459	-
Other income	18	791,519	759,009
Total non-markup/ non interest income		224,831,020	195,792,678
		805,130,916	376,591,887
<b>NON MARK-UP/ NON INTEREST EXPENSES</b>			
Administrative expenses	19	640,626,788	318,139,483
<b>PROFIT BEFORE TAXATION AND WWF</b>		164,504,128	58,452,404
Workers Welfare Fund		3,290,083	1,363,466
<b>PROFIT BEFORE TAXATION</b>		161,214,045	57,088,938
<b>TAXATION</b>			
Current		(27,085,106)	(9,720,912)
Deferred	20	(23,040,246)	(7,053,407)
		(50,125,352)	(16,774,319)
<b>PROFIT AFTER TAXATION</b>		111,088,693	40,314,619
<b>PROFIT PER SHARE</b>	24	0.86	0.31

The annexed notes from 1 to 28 form an integral part of these financial statements.

  
 PRESIDENT / CHIEF EXECUTIVE

  
 CHAIRMAN

  
 DIRECTOR

  
 DIRECTOR



**U MICROFINANCE BANK LIMITED**  
**CONDENSED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**FOR THE HALF YEAR ENDED JUNE 30, 2017**


	(Un-audited) June 30, 2017 Rupees	(Un-audited) June 30, 2016 Rupees
Profit for the period	111,088,693	40,314,619
<b>Other comprehensive income for the period</b>		
<b>Items that will not be reclassified to profit and loss:</b>		
Remeasurement loss on employees' retirement benefits	-	-
Tax effect of remeasurement loss on employees' retirement benefits	-	-
	-	-
<b>Comprehensive income for the period transferred to equity</b>	<u>111,088,693</u>	<u>40,314,619</u>
<b>Comprehensive income for the period not transferred to equity:</b>		
<b>Items that may be reclassified to profit and loss:</b>		
Surplus on revaluation of assets	3,169,957	-
Gain on available for sale investments arising during the period	(4,736,459)	11,726,347
Tax effect	469,951	(3,517,907)
	(1,096,551)	8,208,440
<b>Total comprehensive income for the period - net of tax</b>	<u>109,992,142</u>	<u>48,523,059</u>

The annexed notes from 1 to 28 form an integral part of these financial statements.

  
 PRESIDENT / CHIEF EXECUTIVE

  
 CHAIRMAN

  
 DIRECTOR

  
 DIRECTOR

**U MICROFINANCE BANK LIMITED**  
**CONDENSED INTERIM CASH FLOW STATEMENT**  
**FOR THE HALF YEAR ENDED JUNE 30, 2017**

	Note	(Un-audited) June 30, 2017 Rupees	(Un-audited) June 30, 2016 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before taxation		161,214,045	57,088,938
Adjustments for:			
Depreciation		27,297,477	23,145,022
Amortization		6,605,851	6,219,816
Provision for gratuity		4,500,000	2,250,000
Provisions against non-performing advances		40,944,353	21,716,643
Operating fixed assets written off		-	148,884
		79,347,681	53,480,365
		240,561,726	110,569,303
(Increase)/ decrease in operating assets			
Advances		(2,890,779,365)	(2,268,414,226)
Other assets (excluding advance taxation)		(378,951,182)	(221,078,522)
Increase/ (decrease) in operating liabilities			
Deposits		2,033,920,077	3,003,713,940
Other liabilities		140,937,191	609,503,310
		(1,094,873,279)	1,123,724,502
Cash (used in) / generated from operations		(854,311,553)	1,234,293,805
Gratuity paid		(4,756,800)	(4,073,524)
Taxes paid		(12,575,219)	(4,279,521)
Net cash (used in) / generated from operating activities		(871,643,572)	1,225,940,760
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Investments in Federal Government securities - net		(16,491,807)	(152,274,378)
Investments in Term Deposits		250,000,000	(600,000,000)
Investments in operating fixed assets		(67,226,859)	(65,265,579)
Net cash inflow / (outflow) from investing activities		166,281,334	(817,539,957)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Borrowings		1,999,999,652	500,000,000
Issuance of shares		-	-
Net cash inflow from financing activities		1,999,999,652	500,000,000
Net Increase / (decrease) in cash and cash equivalents		1,294,637,414	908,400,803
Cash and cash equivalents at beginning of the period		1,611,941,824	342,084,229
Cash and cash equivalents at end of the period	21	2,906,579,238	1,250,485,032

The annexed notes from 1 to 28 form an integral part of these financial statements.

  
**PRESIDENT / CHIEF EXECUTIVE**

  
**CHAIRMAN**

  
**DIRECTOR**

  
**DIRECTOR**



**U MICROFINANCE BANK LIMITED**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF YEAR ENDED JUNE 30, 2017**

	Statutory and other reserves					Total
	Share capital	Discount on issue of share capital	Statutory reserve	Depositors' protection fund	Accumulated Profit/(loss)	
	-----Rupees-----					
Balance as at January 1, 2016	1,285,714,290	(25,714,290)	3,239,461	809,865	(214,997,521)	1,049,051,805
Loss for the half year ended June 30, 2016 (Un-audited)	-	-	-	-	40,314,619	40,314,619
Other Comprehensive Income	-	-	-	-	40,314,619	40,314,619
Balance as at June 30, 2016 (Un-audited)	1,285,714,290	(25,714,290)	3,239,461	809,865	(174,682,902)	1,089,366,424
Profit for the half year ended December 31, 2016 (Un-audited)	-	-	-	-	32,037,944	32,037,944
Other Comprehensive income	-	-	-	-	-	-
Issue of share capital	-	-	-	-	-	-
Transfer to:						
Statutory reserve	-	-	14,470,513	-	(14,470,513)	-
Depositors' Protection Fund	-	-	-	3,617,628	(3,617,628)	-
Balance as at December 31, 2016	1,285,714,290	(25,714,290)	17,709,974	4,427,493	(160,733,099)	1,121,404,368
Profit for the half year ended June 30, 2017 (Un-audited)	-	-	-	-	111,088,693	111,088,693
Other Comprehensive Income	-	-	-	-	-	-
Balance as at June 30, 2017 (Un-audited)	1,285,714,290	(25,714,290)	17,709,974	4,427,493	(49,644,406)	1,232,493,061

The annexed notes from 1 to 28 form an integral part of these financial statements.

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**PRESIDENT / CHIEF EXECUTIVE**

  
**CHAIRMAN**

  
**DIRECTOR**

**DIRECTOR**



**U MICROFINANCE BANK LIMITED**

**NOTES TO THE CONSENSUED INTERIM FINANCIAL INFORMATION (Un-audited)  
FOR THE HALF YEAR ENDED JUNE 30, 2017**

**1. STATUS AND NATURE OF BUSINESS**

On August 30, 2012, Pakistan Telecommunication Company Limited (PTCL) acquired 100% shareholding of Rozgar Microfinance Bank Limited, incorporated in Karachi on October 29, 2003 under the Companies Ordinance, 1984 and its name was changed to U Microfinance Bank Limited (the Bank) with effect from December 7, 2012. On January 31, 2013 the Bank obtained license from SBP for nation wide microfinance banking operations. Under the terms and conditions of the license, PTCL would reduce its shareholding in the Bank to 51% within a period of three years. Request of Waiver to said term has been made to SBP which is currently under consideration.

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

The Bank's principle business is to assist in stimulating progress, prosperity and social piece 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 13-B, Jinnah Super Market, F-7 Islamabad Pakistan.

**2. BASIS OF PREPARATION**

- 2.1 Condensed interim financial information has been prepared in accordance with the directives issued by SBP, the requirements of the Microfinance Institutions Ordinance 2001 (the MFI Ordinance), the Companies Ordinance, 1984, the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and the Interpretation issued by the Standards Interpretation Committee of IASB as adopted in Pakistan. In case where provisions of directives issued by the SBP, the MFI Ordinance and the Companies Ordinance differ with the requirements of these standards, such provisions of SBP directives, the MFI ordinance and the companies' ordinance shall take precedence.

SBP vide BSD Circular no. 10 dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, "Financial instruments: Recognition and Measurement" and International Accounting Standard 40, till further instructions. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been measured in accordance with the requirements of SBP BSD Circular no. 11 dated December 30, 2003 and prudential Regulations for Microfinance banks (the Regulations). Further, the SECP vide its S.R.O No. 411(I) / 2008 dated April 28, 2008 has deferred the applicability of International Financial Reporting Standards (IFRS) 7 'Financial Instruments' till further orders, which is applicable for annual years beginning on or after July 1, 2009.

- 2.2 The disclosures in this condensed interim financial information do not include that reported for full audited annual financial statements and should therefore be read in conjunction with the audited annual financial statements for the year ended December 31, 2016. Comparative statement of financial position is extracted from the audited annual financial statements as of December 31, 2016, whereas comparative condensed statement of profit and loss account, condensed interim statement of other comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity are stated from unaudited condensed interim financial information for the six months period ended June 30, 2016.



### 3. SIGNIFICANT ACCOUNTING POLICIES AND FINANCIAL RISK MANAGEMENT

- 3.1 The accounting policies, significant judgments made in the application of accounting policies, key sources of estimations, the methods of computation adopted in preparation of this condensed interim financial information and financial risk management are the same as those applied in preparation of audited annual financial statements for the year ended December 31, 2016.
- 3.2 The financial risk management objectives and policies adopted by the bank are consistent with those disclosed in the annual financial statements.

	Note	(Un-audited) June 30, 2017 Rupees	(Audited) December 31, 2016 Rupees
<b>4. CASH AND BALANCES WITH SBP AND NBP</b>			
Cash in hand			
Local currency		253,790,390	168,238,396
Balances with State Bank of Pakistan (SBP)			
Local currency current accounts	4.1	481,634,874	300,864,479
Balances with National Bank of Pakistan (NBP)			
Local currency current accounts		1,631,530	1,631,530
		<u>737,056,794</u>	<u>470,734,405</u>

- 4.1 This includes balance held with SBP in current account to meet the requirement of maintaining minimum balance equivalent to 5% (2016: 5%) of the Bank's time and demand deposits with the tenure of less than one year, in accordance with R-3A of the regulations and Rs. 4,427,493 (2016: 4,427,493) placed for the Depositors' Protection Fund.

	Note	(Un-audited) June 30, 2017 Rupees	(Audited) December 31, 2016 Rupees
<b>5. BALANCES WITH OTHER BANKS/ NBFIs/ MFBs</b>			
In Pakistan - Local currency			
Current accounts	5.1	7,228,723	18,043,051
Savings accounts	5.2	2,162,293,721	1,123,164,368
Term deposit receipts	5.3	1,000,000,000	1,250,000,000
		<u>3,169,522,444</u>	<u>2,391,207,419</u>

- 5.1 This includes Rs 6,365,151 (2016: 6,365,151) held as deposit under lien in respect of standby letter of guarantee issued to Union Pay International.

- 5.2 Savings accounts carried interest at rates ranging from 4.50% to 7.00% (2016: 4.50% to 10.30%) per annum.

- 5.3 Term Deposit Receipts (TDR) carries markup at 8.5% (2016: 7% to 12.00%) per annum with maturities upto 1 year.

		(Un-audited) June 30, 2017 Rupees	(Audited) December 31, 2016 Rupees
<b>6. INVESTMENTS</b>			
Available for Sale			
Pakistan Investment Bonds (PIBs)		-	336,912,295
Market Treasury Bills (T-Bills)		1,145,105,857	-
Deficit / (surplus) on revaluation of available for sale securities		(49,298)	1,517,205
		<u>1,145,056,559</u>	<u>338,429,500</u>
Held to Maturity			
Market Treasury Bills (T-Bills)		-	791,701,755
		-	791,701,755
		<u>1,145,056,559</u>	<u>1,130,131,255</u>

## 7. ADVANCES - NET OF PROVISIONS

Loan type	Note	(Un-audited) June 30, 2017		(Audited) December 31, 2016	
		Number of loans outstanding	Amount outstanding Rupees	Number of loans outstanding	Amount outstanding Rupees
Micro Credit					
Secured		25,562	2,366,360,829	18,352	1,523,768,670
Unsecured		129,869	6,087,054,062	99,808	4,053,033,421
		155,431	8,453,414,891	118,160	5,576,802,091
Provisions held					
Specific provision		3,328	(14,674,859)	752	(8,172,251)
General provision	7.1	129,490	(60,483,792)	99,808	(40,208,612)
			(75,158,651)		(48,380,863)
Advances - net of provisions			8,378,256,240		5,528,421,228

7.1 General provision is maintained at the rate of 1% (2016: 1%) of unsecured micro credit balance net of specific provision in accordance with the Regulations.

## 7.2 Particulars of non-performing advances

Category of classification	Provision rate	(Un-audited) June 30, 2017			(Audited) December 31, 2016		
		Amount outstanding	Provisions required	Provisions held	Amount outstanding	Provisions required	Provisions held
-----Rupees-----							
OAEM	-	42,961,453	-	-	7,851,101	-	-
Sub-standard	25%	14,561,385	2,444,302	2,444,302	4,628,360	1,150,465	1,150,465
Doubtful	50%	21,795,972	9,165,279	9,165,279	11,865,343	5,733,721	5,733,721
Loss	100%	3,065,278	3,065,278	3,065,278	1,288,065	1,288,065	1,288,065
		82,384,088	14,674,859	14,674,859	25,632,869	8,172,251	8,172,251



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

	(Un-audited) June 30, 2017			(Audited) December 31, 2016		
	Specific	General	Total	Specific	General	Total
	-----Rupees-----					
Balance at beginning of the period/ year	8,172,251	40,208,612	48,380,863	497,487	5,982,281	6,479,768
Provision charge for the period/ year	20,669,173	20,275,180	40,944,353	10,263,959	34,226,331	44,490,290
Reversals	-	-	-	-	-	-
Advances written off against provision	(14,166,565)	-	(14,166,565)	(2,589,195)	-	(2,589,195)
Balance at end of the period/ year	<u>14,674,859</u>	<u>60,483,792</u>	<u>75,158,651</u>	<u>8,172,251</u>	<u>40,208,612</u>	<u>48,380,863</u>

## 8 OPERATING FIXED ASSETS

Capital work-in-progress	8.1	48,987,975	31,356,529
Property and equipment	8.2	209,784,460	193,458,870
Intangible assets	8.3	77,578,355	78,211,860
		<u>336,350,790</u>	<u>303,027,259</u>

### 8.1 Capital work-in-progress

Advances to suppliers/contractors	41,275,870	17,529,551
Leasehold improvements	7,712,305	13,826,978
	<u>48,987,975</u>	<u>31,356,529</u>

## 8.2 Property and equipment

[illegible]

(Audited)  
December 31, 2016

	December 31, 2016								
	Cost			Depreciation			Book value as	Rate of depreciation	
	As at January 1, 2016	Additions	Deletion	As at December 31, 2016	As at January 1, 2016	Charge for the year	On deletions	at December 31, 2016	% (per annum)
	-----Rupees-----								
Furniture and fixture	22,721,902	20,418,116	-	43,140,018	4,119,068	3,672,693	-	7,791,761	10.00%
Computers	81,630,317	16,011,268	(308,761)	97,332,824	63,281,307	17,597,825	(260,390)	80,598,742	33.33%
Electrical equipment	59,060,158	37,896,570	(230,000)	96,726,728	19,987,382	16,451,891	(103,504)	36,335,769	20.00%
Vehicle	9,074,179	14,803,556	-	23,877,735	4,692,450	3,215,375	-	7,907,825	20.00%
Office improvement	55,955,562	27,183,192	-	83,138,754	10,625,191	7,487,901	-	18,123,092	10.00%
	228,442,118	116,312,702	(538,761)	344,216,059	102,705,398	48,435,685	(383,894)	150,757,189	
								193,458,870	

**8.2.1** The cost of fully depreciated property and equipment that are still in use is Rs 69,996,863 (2016: Rs 62,614,804).



### 8.3 Intangible assets

(Un-audited) June 30, 2017											
	Cost		Deletion	As at June 30, 2017	Amortization			On deletions	As at June 30, 2017	Book value as at June 30, 2017	Rate of amortization % (per annum)
	As at January 1, 2017	Additions			Charge for the period	As at January 1, 2017					
-----Rupees-----											
Branchless banking software	102,315,238	5,972,346	-	108,287,584	29,980,000	4,754,475	-	-	34,734,475	73,553,109	10.00%
Licenses	12,394,739	-	-	12,394,739	6,518,117	1,851,376	-	-	8,369,493	4,025,246	20.00%
Mail server	78,378	-	-	78,378	78,378	-	-	-	78,378	-	33.33%
	<u>114,788,355</u>	<u>5,972,346</u>	<u>-</u>	<u>120,760,701</u>	<u>36,576,495</u>	<u>6,605,851</u>	<u>-</u>	<u>-</u>	<u>43,182,346</u>	<u>77,578,355</u>	

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

8.3.1 The cost of fully amortized intangible assets that are still in use is Rs. 78,378 (2016: 78,378)

	Note	(Un-audited) June 30, 2017 Rupees	(Audited) December 31, 2016 Rupees
<b>9. OTHER ASSETS</b>			
Income/ mark-up accrued		734,371,436	499,374,126
Advances, deposits and other prepayments	9.1	148,302,637	68,406,924
Advance taxation (payments less provisions)		4,644,640	19,154,527
Receivable from Pak Telecom Mobile Limited (PTML), an associated company	9.2	13,577,891	-
Inventory of ATM cards and Stationery		562,915	956,752
Advance to staff		2,666,621	802,636
Receivable from SBP		136,704,077	90,616,341
Others		6,739,569	3,817,185
		<u>1,047,569,786</u>	<u>683,128,491</u>

9.1 This includes an amount of Rs. 2.6 million (2016: Rs 3.6 million) paid to PTCL, the parent company, for disaster recovery service.

9.2 This represents amount receivable from PTML, an associated company, prepaid and postpay bill collected and expenditure incurred by the Bank on behalf of PTML. Please refer to note 26 for detailed breakup.

	(Un-audited) June 30, 2017 Rupees	(Audited) December 31, 2016 Rupees
<b>10. DEFERRED TAX ASSET</b>		
Deferred debits arising in respect of:		
Unused tax losses	-	47,227,004
Unused tax credit	42,379,070	25,234,233
Provision against advances	22,742,327	14,514,259
Surplus / (deficit) on revaluation of available for sale securities	14,790	(455,162)
Remeasurement of employees' retirement benefits	<u>355,863</u>	<u>355,863</u>
	65,492,050	86,876,197
Deferred credits arising in respect of:		
Accelerated tax depreciation / amortization	<u>(2,996,211)</u>	<u>(1,810,064)</u>
	<u>62,495,839</u>	<u>85,066,133</u>

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

Deferred tax asset is recognized in view of projected taxable profits as per the Bank's five year business plan 2016 - 2020 approved by the board of directors using assumptions which are linked to various variable factors such as the economic outlook of the country, investment growth, interest rate movement, expansion in depositors / advances portfolio, other initiatives and increased branchless banking operations.



	(Un-audited) June 30, 2017		(Audited) December 31, 2016	
	Number of accounts	Rupees	Number of accounts	Rupees
<b>11. DEPOSITS</b>				
Fixed deposits	1,310	6,987,940,970	937	5,761,514,618
Saving deposits	8,836	2,446,673,601	8,394	1,706,686,676
Current deposits	377,208	709,229,109	308,313	641,722,309
	<u>387,354</u>	<u>10,143,843,680</u>	<u>317,644</u>	<u>8,109,923,603</u>

	Note	(Un-audited) June 30, 2017	(Audited) December 31, 2016
<b>12. BOROWINGS</b>			
Borrowings from Banks/ Financial Institutions in Pakistan:			
Borrowings from Pak Oman Investment Co. Ltd	12.1	400,000,000	500,000,000
Borrowings from Bank Alfalah Ltd	12.2	300,000,000	300,000,000
Borrowings from United Bank Ltd	12.3	199,999,652	200,000,000
Borrowings from Allied Bank Ltd	12.4	1,500,000,000	-
		<u>2,399,999,652</u>	<u>1,000,000,000</u>

- 12.1 This represents three years term borrowing from Pak Oman Investment Co. Ltd during April 2016. Principal will be repaid in 5 equal semi-annual installments of Rs. 100 million each starting from April 2017. It carries interest rate of 6 Month KIBOR+ 2% payable semi-annually.
- 12.2 This represents five years term borrowing from Bank Alfalah Ltd during September 2016. Principal will be repaid in 5 equal semi-annual installments of Rs. 60 million each starting from September 2017. It carries interest rate of 6 Month KIBOR+1.5% payable semi-annually.
- 12.3 This represents term finance and running finance each of Rs. 100 million from United Bank Ltd during December 2016. Repayment of term finance shall be in 5 equal semi-annual installments of Rs. 20 million each starting from December 2017. It carries interest rate of 6 month KIBOR+1.5% payable semi-annually. Running finance carries interest rate of 3 Month KIBOR+1.5% payable quarterly
- 12.4 This represents a term finance facility of Rs. 1.5 Billion under Syndicate Financing through Allied Bank Ltd. The facility tenor is 4 years, with semi annual repayments starting from 2018 and is priced at KIBOR 6M + 1.10%.

	(Un-audited) June 30, 2017	(Audited) December 31, 2016
<b>13. SUBORDINATED DEBT</b>		
Term Finance Certificates	600,000,000	-
	<u>600,000,000</u>	<u>-</u>

- 13.1 This represents a term finance certificate of Rs. 600 Million issued as Subordinated Loan. The facility tenor is 7 years, with semi annual repayments starting from 2022 and is priced at KIBOR 6M + 3.50%.

		(Un-audited) June 30, 2016 Rupees	(Audited) December 31, 2016 Rupees
14.	<b>OTHER LIABILITIES</b>		
	Interest payable on deposits and borrowings	135,658,076	101,620,566
	Accrued expenses	90,926,941	105,272,363
	Payable to Pak Telecom Mobile Limited (PTML), an associated company	14.1 -	14,314,765
	Payable to Utility Companies for utility bills collection	118,275,490	57,080,735
	Uncollected remittances	58,049,906	54,186,536
	Provision for gratuity	493,200	750,000
	Payable to provident fund	1,585,628	360,334
	Sales tax / federal excise duty	20,456,807	1,735,786
	Bills payable	53,059,784	17,649,298
	Others	21,500,735	6,355,793
		<u>500,006,567</u>	<u>359,326,176</u>

- 14.1 This represents amount payable to PTML, an associated company, related share of branchless banking income. Please refer to note 26 for detailed breakup.



# 15. MEMORANDUM / OFF BALANCE SHEET ITEMS

## CONTINGENCIES

There were no material known contingencies at period end.

## COMMITMENTS

	Note	(Un-audited) June 30, 2017 Rupees	(Audited) December 31, 2016 Rupees
Standby letter of guarantee	15.1	6,365,151	6,365,151
Property and equipment		109,034,345	46,146,097
Intangible assets		10,290,000	19,047,500
		<u>125,689,496</u>	<u>71,558,748</u>

- 15.1 This represents letter of guarantee issued by the Bank, backed by the Bank's deposit, to UnionPay International Company Limited for interbank settlements.

(Un-audited) June 30, 2017 Rupees	(Un-audited) June 30, 2016 Rupees
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# 16. MARK-UP/ RETURN/ INTEREST EARNED

Mark-up on advances	978,441,448	246,140,735
Interest on investment in Government securities	37,654,531	9,635,016
Interest on deposit accounts/ placements with other banks/ financial institutions/ mutual funds	79,462,854	56,803,249
	<u>1,095,558,833</u>	<u>312,579,000</u>

# 17. MARK-UP/ RETURN/ INTEREST EXPENSED

This represents interest expense on deposits and borrowings.

# 18. OTHER INCOME

Recovery against advances written off	748,637	449,220
Miscellaneous income	42,882	309,789
	<u>791,519</u>	<u>759,009</u>

		(Un-audited) June 30, 2017 Rupees	(Un-audited) June 30, 2016 Rupees
<b>19. ADMINISTRATIVE EXPENSES</b>			
Staff salaries and benefits		346,243,425	160,260,981
Gratuity		4,500,000	2,250,000
Provident fund		5,329,971	3,446,860
Insurance		18,338,333	3,793,955
Rent, rate and taxes		59,362,999	26,091,406
Marketing expenses		6,317,011	776,630
Travelling and conveyance		15,638,743	6,613,446
Postage and courier		2,916,776	2,146,450
Utilities		15,425,109	11,313,403
Repair and maintenance		17,408,585	14,057,556
Depreciation and amortization	8	33,903,328	29,364,839
Software support and maintenance fee		16,532,048	16,602,319
Stationery and printing		12,112,979	9,124,552
Auditors' remuneration	19.1	350,000	350,000
Legal and professional fee		2,474,487	742,342
Security services		31,109,741	13,764,004
Office supplies		2,910,773	2,378,100
Internet and connectivity charges		7,401,196	4,329,928
Verification charges		8,625,079	4,913,566
Bank and collection charges		4,974,858	5,350,908
Upaisa expenses		25,665,242	-
Miscellaneous expenses		3,086,105	468,238
		<u>640,626,788</u>	<u>318,139,483</u>
<b>19.1 Auditors' remuneration</b>			
Half year review		330,000	330,000
Out of pocket expenses		20,000	20,000
		<u>350,000</u>	<u>350,000</u>
<b>20. TAXATION</b>			
Current - for the period		(27,085,106)	(9,720,912)
Deferred - for the period		(32,649,835)	(8,005,456)
- for prior period		9,609,589	952,049
		(23,040,246)	(7,053,407)
		<u>(50,125,352)</u>	<u>(16,774,319)</u>
<b>21. CASH AND CASH EQUIVALENTS</b>			
Cash and balances with SBP and NBP		737,056,794	321,648,754
Balances with other banks		2,169,522,444	928,836,278
		<u>2,906,579,238</u>	<u>1,250,485,032</u>



	(Un-audited) June 30, 2017 Rupees	(Audited) December 31, 2016 Rupees
<b>22. NUMBER OF EMPLOYEES</b>		
Credit sales staff		
Permanent	41	34
Contractual	395	323
	<u>436</u>	<u>357</u>
Banking/ support staff		
Permanent	280	263
Contractual	358	319
	<u>638</u>	<u>582</u>
Total number of employees at the end of the period/ year	<u>1,074</u>	<u>939</u>
Average number of employees during the period/ year	<u>1,013</u>	<u>683</u>

**23. NUMBER OF BRANCHES**

Branches at beginning of the period/ year	75	38
Opened during the period/ year		
- Branches	1	8
- Service Centers/ FCs	-	29
Branches & Service Centers at the end of the period/ year	<u>76</u>	<u>75</u>

**24. PROFIT PER SHARE**

(a) Basic

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

	(Un-audited) June 30, 2017	(Un-audited) June 30, 2016
Profit attributable to equity holders (Rupees)	<u>111,088,693</u>	<u>40,314,619</u>
Weighted average number of shares	<u>128,571,429</u>	<u>128,571,429</u>
Profit per share - basic (Rupees)	<u>0.86</u>	<u>0.31</u>

(b) Diluted

There is no dilutive effect on the basic profit / (loss) per share of the Bank.

## 25. FAIR VALUE OF FINANCIAL INSTRUMENTS

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

All financial assets are categorised in level II and there were no transfers between levels during the period/ year.

There were no changes in valuation techniques during the period / year

Tha Bank has not disclosed the fair values of all other financial asstes and liabilities as their carrying amounts are reasonable approximation of their fair values

## 26. RELATED PARTIES TRANSACTIONS

	(Un-audited) June 30, 2017 Rupees	(Un-audited) June 30, 2016 Rupees
<b>Transactions</b>		
<b>Parent Company - PTCL</b>		
Payment for disaster recovery services	3,753,000	6,006,052
Internet, connectivity, utility and rental charges	7,226,318	3,311,656
Utility Bill collected on behalf of PTCL	110,289,975	190,734,162
Payment to PTCL for utility bills collected on behalf of PTCL	-	190,729,929
Utility Bill Collection Charges	614,274	902,682
Interest expense on deposits	11,102,988	14,804,013
<b>Associated Company - PTML</b>		
Payment for fixed assets and administrative costs	1,958,397	4,010,462
Payment against branchless banking and bills collected	48,469,760	-
Expenses incurred on behalf of PTML	-	1,655,023
Interest expense on deposits	4,554,258	626,386
Deposit Incentive	840,710	3,376,181
<b>Employees provident fund</b>		
Contribution to provident fund	5,329,971	3,446,860
<b>Employees gratuity fund</b>		
Contribution to gratuity fund	4,500,000	2,250,000



	(Un-audited) June 30, 2017 Rupees	(Audited) December 31, 2016 Rupees
<b>Balances</b>		
Parent Company - PTCL		
Prepaid for disaster recovery services	2,625,368	3,609,866
Payable against utility bills collected	3,041,701	735,099
Utility bills collection charges receivable	1,763,733	1,000,169
Deposits	550,337,578	530,011,012
Interest Payable on Deposits	3,844,824	352
Associated Company - PTML		
Deposits	245,766,199	11,994,034
Receivable / (payable) against branchless banking and bills collected	13,577,891	(14,314,765)
Payable to PTML		
Interest Payable on Deposits	1,186,884	256,187
Deposit Incentive	840,710	3,376,181
Employees provident fund		
Payable to provident fund	1,585,628	360,334
Employees gratuity fund		
Payable to gratuity fund	493,200	750,000

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

	(Un-audited) June 30, 2017 Rupees			(Un-audited) June 30, 2016 Rupees		
	President / Chief Executive	Directors	Executives	President / Chief Executive	Directors	Executives
Fee		319,998			-	
Managerial remuneration	2,003,400		40,145,895	1,213,183		24,957,827
Gratuity fund	166,950		3,345,491	101,099		2,079,819
Provident fund	160,272		3,211,672	97,055		1,996,626
Rent and house maintenance	1,168,650		23,418,439	707,690		14,558,732
Utilities	166,950		3,345,482	101,099		2,079,818
Medical	96,154		1,529,840	71,544		1,062,536
Conveyance	330,000		5,150,500	210,000		3,197,000
Others	2,979,200		30,937,821	1,216,333		25,068,077
Total	7,071,576	319,998	111,085,140	3,718,003	-	75,000,435
Number of person(s)	1	8	68	1	8	44

- 27.1 Some executives of the bank were also provided with a Bank maintained car in accordance with the terms of employment.
- 27.2 Executives mean employees, other than the president/chief executive and directors, whose basic salary exceeds five hundred thousand rupees in a financial year.

28 **DATE OF APPROVAL**

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

14-07-2017. *dy*



PRESIDENT / CHIEF EXECUTIVE



CHAIRMAN



DIRECTOR



DIRECTOR