

Balance Sheet as at June 30, 2013

	Note	30-Jun-2013	31-Dec-2012
ASSETS			
Balances with State Bank of Pakistan	1	142,554,823	149,504,818
Cash in hand and balances with banks	2	459,541,508	925,974,805
Lending to financial institutions	3	807,523,770	790,014,893
Investments - net of provisions	4	1,153,016,457	1,043,518,062
Advances - net of provisions	5	7,476,374,833	5,717,031,831
Operating fixed assets	6	302,443,590	312,592,222
Other assets	7	1,105,286,059	688,289,322
Deferred tax assets		128,692,458	128,692,458
Total Assets		11,573,433,496	9,953,616,111
LIABILITIES			
Deposits and other accounts	8	5,447,299,419	4,040,646,992
Borrowings	9	3,127,470,866	3,009,835,832
Other liabilities	10	380,213,283	414,105,182
Total Liabilities		8,954,983,578	7,464,588,006
NET ASSETS		2,618,449,918	2,489,028,105
REPRESENTED BY :			
CAPITAL			
Paid up capital	16	1,705,000,000	1,705,000,000
Capital and general reserves	11	274,690,878	241,145,215
Unappropriated profit		626,407,456	525,770,167
		2,606,098,434	2,471,915,382
Surplus/(Deficit) on revaluation of assets	12	1,288,706	1,161,785
Deferred grants	13	11,064,778	15,950,938
Total Capital		2,618,449,918	2,489,028,105

Profit & Loss Account for the month ended June 30, 2013

Note	Jan - Jun - 2013	Jan - Jun 12
Mark up / Interest on advances	911,030,866	574,169,701
Micro credit Processing Fees	161,614,752	118,310,678
Retail Banking Services Fees	4,831,538	3,545,427
	1,087,177,147	694,015,804
Return on Investments/bank accounts	81,589,863	124,712,317
	1,148,747,010	818,728,121
Interest on borrowings	(98,181,227)	(135,098,117)
Interest on deposits	(174,308,881)	(30,822,473)
	(272,490,108)	(165,920,590)
	876,256,102	653,007,531
OPERATING EXPENSES		
Salaries , wages & other benefits	389,103,261	344,889,444
Incentive Sales	16,265,912	4,341,134
Recruitment & Development	822,137	2,159,017
Management consultancy	2,177,503	734,137
IT Operations	18,711,969	18,046,640
Training	3,868,898	6,698,245
Rent rates & taxes	58,416,364	52,893,908
Meeting & Conferences	8,130,746	6,604,740
Utilities	26,883,944	26,078,340
Communication	15,312,096	12,218,701
Traveling & conveyance	6,605,180	5,445,514
Insurance	17,641,878	11,463,844
Repair & maintenance	7,262,870	9,562,223
Security services	3,285,211	2,152,488
Vehicle running & maintenance	45,409,759	48,432,738
Legal & Professional	1,678,878	1,484,771
Printing, stationery & office supplies	28,258,352	28,889,669
Subscription	818,915	808,897
Advertisement & business promotion	9,819,135	9,838,487
Financial charges	11,880,634	4,802,482
ATM Operations	-	-
Depreciation	52,348,910	38,389,448
Miscellaneous expenses	3,022,670	6,883,482
	716,606,897	640,415,454
Reimbursement of USAID program costs	(15,579,836)	(9,458,919)
	702,027,261	630,956,533
Net Provision against advances/other assets 14	38,558,088	73,448,806
Total operating expenses	738,483,327	704,409,340
OPERATING PROFIT/(LOSS)	137,772,775	(51,391,809)
OTHER INCOME		
Amortization of deferred grant	4,866,160	8,111,488
Reimbursement cost of Social Mobilization cost	67,241,200	58,709,300
(Loss)/Gain on Disposal of Fixed Asset	24,468,987	6,383,987
Misc Income	496,995	121,536
Gain/(Loss) on foreign currency transactions	358,162	199,530
	97,431,484	71,521,842
PROFIT BEFORE TAXATION	235,204,259	20,129,033
Taxation - Current	67,475,443	8,142,329
- Deferred	-	-
	67,475,443	8,142,329
PROFIT AFTER TAXATION	167,728,816	11,986,704
Un-appropriated profit b/f	625,770,167	404,476,730
Profit available for appropriation	693,498,983	416,463,434
APPROPRIATIONS:		
Transfer to:		
Statutory Reserves	33,545,763	2,396,741
Microfinance Sector Development Fund	18,772,882	1,198,370
Risk Mitigation Fund	8,386,441	599,165
Depositors' Protection Fund	8,386,441	599,165
	67,091,527	4,793,481
UNAPPROPRIATED PROFIT c/f	626,407,456	411,669,953

Notes to the Accounts for the period ended June 30, 2013

1	BALANCES WITH SBP	<u>30-Jun-2013</u>	<u>31-Dec-2012</u>
	Balances with SBP	142,554,823	149,504,616
		<u>142,554,823</u>	<u>149,504,616</u>

1.1 This represents balance maintained with SBP to meet the requirement of maintaining minimum loaned equivalent to 3% (2012: 6%) of the Bank's time and demand liabilities in accordance with regulation 84 of the Prudential Regulations issued by SBP.

2	CASH IN HAND AND BALANCES WITH BANKS		
	Cash in hand	236,361,313	330,400,374
	Current Accounts	191,737,112	29,227,482
	Saving Accounts	31,448,261	36,347,089
		<u>459,546,686</u>	<u>595,974,945</u>

2.1 This represents balances held in corporate accounts of which PKR 30M (2012: 147M) is held for the purpose of cash management, i.e. for meeting Bank's operations and lending to borrowers. Also included is a balance of PKR 1M (2012: 108M) held with NBS Bank as residential mortgage. Corporate accounts carry interest (including Term B/D) to 8.0% (2012: 8% to 8.5%) per annum.

3	LENDINGS TO FINANCIAL INSTITUTIONS		
	Reverse repo (and no Term Deposit Receipt Placement)	507,523,770	480,014,893
		300,000,000	200,000,000
	Cash lending	60,000,000	100,000,000
	Less: Provision for impairment	<u>100,000,000</u>	<u>100,000,000</u>
		<u>807,523,770</u>	<u>780,014,893</u>

3.1 This represents reverse repo lending at the rate ranging 8.3% to 8.0% per annum (2012: 8.5% to 8.2% per annum) maturing on July 3, 2013 (2012: January 12, 2013).

3.2 This represents 1 Month (2012: 3 Months) Term Deposit Receipt at the rate of 8.0% (2012: 8.8%) per annum maturing on July 19, 2013 (2012: January 15, 2013).

4	INVESTMENTS - NET OF PROVISIONS		
	Nation Treasury Bills		
	Market Treasury Bills	1,348,774,360	1,341,728,700
	Surplus/Deficit on revaluation	2,261,626	1,787,882
		<u>1,351,035,986</u>	<u>1,343,516,582</u>
	Money Market Mutual Funds		
	Money Market Mutual Funds	101,349,274	-
	Surplus/Deficit on revaluation	<u>(309,343)</u>	<u>-</u>
		<u>1,180,016,447</u>	<u>1,043,516,582</u>

4.1 This represents T-Bills purchased for the year ranging from 84 days to 264 days (2012: 84 days to 264 days) having yield interest ranging from 8.54% to 11.88% (2012: 8.13% to 11.68%) per annum. T-Bills amounting to Rs. 207M (2012: Rs. Nil) are placed as collateral against commodity.

4.2 In compliance with the requirements of the Regulations, available for sale investments have been valued on market value basis and the resulting (deficit) surplus is kept in a separate account and is shown below the investments' equity in the balance sheet.

4.3 This represents 986,143 Money Market Mutual Fund units purchased at Rs. 10.3872. The Fund's average buy-in units, 5,676 and 7,519 at the price of Rs. 102.0021 and Rs. 102.2364 on May 29, 2013 and June 25, 2013 respectively.

5	ADVANCES - NET OF PROVISIONS	Note	<u>30-Jun-2013</u>		<u>31-Dec-2012</u>
			Amount outstanding	Number of loans outstanding	Amount outstanding
	Gross advances				
	Unsecured	5.1	6,800,375,712	305,498	6,133,683,089
	Secured		<u>753,148,989</u>	<u>8,842</u>	<u>671,892,456</u>
			7,553,524,701	314,340	6,805,575,545
	Less: provisions held				
	Specific provision		45,292,120	6,658	17,223,387
	General provision		<u>59,150,150</u>	<u>338,435</u>	<u>71,320,534</u>
			<u>104,442,270</u>		<u>88,543,921</u>
			7,449,082,431		6,717,031,624
	Still under - Secured	5.2	18,264,389	-	-
			<u>7,467,346,820</u>		<u>6,717,031,624</u>

5.1 This includes scheduled micro credit loans having aggregate amount of Rs. 13 million (2012: Rs. 10.43 million) related to business affected from flood.

5.2 This represents short-term loans from Employees General Purpose Loans at subordinated margin of 10% per annum.

5.3 Particulars of non-performing advances

Category of classification	30-Jun-2013		31-Dec-2012		
	Amount outstanding	Provision held	Amount outstanding	Provision required	Provision held
CAEM	48,781,385	-	22,580,120	-	-
Sub-standard	13,487,327	2,603,418	10,848,528	2,712,381	2,712,381
Doubtful	57,086,571	28,969,897	11,576,389	5,837,960	4,837,860
Loss	13,978,715	13,678,712	8,673,337	8,673,337	8,673,337
	<u>128,334,008</u>	<u>45,250,027</u>	<u>43,678,374</u>	<u>17,223,387</u>	<u>17,223,387</u>

5.4 Particulars of the provisions against non-performing advances

	30-Jun-2013		31-Dec-2012		
	Specific	Total	Specific	General	Total
Balance at the beginning of the year	17,223,387	88,543,914	21,718,867	54,970,035	108,688,902
Change for the period	77,118,908	64,046,576	298,360,828	(13,648,611)	284,712,217
Amount written off	(49,058,172)	(49,058,172)	(302,876,328)	-	(302,876,328)
Balance at end of the period	<u>45,284,123</u>	<u>103,532,318</u>	<u>19,203,367</u>	<u>71,320,824</u>	<u>88,543,911</u>

5.5 Particulars of write-offs

Against provision	48,038,170	502,578,326
Directly charge to profit and loss account	<u>49,058,172</u>	<u>302,876,328</u>

Notes to the Accounts for the period ended June 30, 2013

6. OPERATING FIXED ASSETS	Note	30-Jun-13	31-Dec-12
Capital work-in-progress	6.1	18,680,367	13,190,924
Property and equipment	6.2	232,627,978	233,472,649
Intangible assets	6.2	51,935,315	65,966,746
		<u>302,443,660</u>	<u>312,629,319</u>

6.1 Capital Work-in-progress

This includes payments made to the vendor for the development of various software Modules and purchase of fixed assets.

6.2 Property and Equipment & Intangible Assets

	Furniture & Fixtures	Electrical & Office Equipment	Computer Equipments	Total	Computer Software
Cost					
Balances as on January 1, 2013	166,309,594	185,008,601	177,565,174	528,883,369	104,720,169
Additions	6,527,303	19,909,430	922,500	37,359,233	447,798
Disposals	1,389,847	12,192,524	3,547,027	47,129,408	-
Balances as on June 30, 2013	<u>165,440,050</u>	<u>192,725,507</u>	<u>174,940,647</u>	<u>533,106,204</u>	<u>105,167,967</u>
Depreciation					
Balances as on January 1, 2013	59,389,593	103,982,229	125,137,719	288,509,541	38,781,407
Depreciation/Amortization Charge	7,366,818	14,694,260	13,016,080	37,280,127	15,081,232
Disposals	952,466	11,697,508	3,644,126	47,866,764	-
Balances as on June 30, 2013	<u>66,803,945</u>	<u>106,979,001</u>	<u>134,509,673</u>	<u>298,292,617</u>	<u>53,862,639</u>
Carrying Value					
As on June 30, 2013	<u>98,636,104</u>	<u>85,746,506</u>	<u>40,430,974</u>	<u>234,813,587</u>	<u>51,305,328</u>
As on December 31, 2012	<u>95,920,001</u>	<u>81,114,372</u>	<u>62,427,460</u>	<u>239,461,833</u>	<u>68,968,746</u>
Rate of Depreciation p.a	10%	20%	53.93%		33.33%

7. OTHER ASSETS

Note	30-Jun-13	31-Dec-12
Markup/Interest on advances receivable	659,643,421	487,292,197
Interest receivable on investments	20,020,707	28,104,861
Loans & advances to staff	83,073,630	73,979,208
Advances to Suppliers and Service Providers	3,486,750	1,859,890
Security deposit	1,715,940	1,861,240
Prepayments	61,998,606	70,840,548
Advance tax deducted - Net of Provisions	-	6,730,818
Receivable from MSDF	207,287,712	183,581,866
Receivable from USAID	7,749,130	10,443,885
Insurance Claim Receivable	6,627,647	6,535,045
Sales Tax/Federal Excise Duty	14,212,428	6,692,176
Other receivables	62,245,652	12,187,294
	<u>1,118,924,400</u>	<u>868,078,604</u>
Less: Provision held against classified assets		
Opening Provision	9,769,282	8,093,893
Provision for the year	2,946,059	2,860,709
Receivable written off against provision	-	(865,320)
	<u>12,714,341</u>	<u>11,819,912</u>
	<u>1,106,209,059</u>	<u>856,258,692</u>

7.1 This represents claims lodged by the Bank with Microfinance Social Development Fund (MSDF) for reimbursement of client acquisition cost incurred by the Bank under the Loan Agreement (Special Operations) - Microfinance Sector Development Project, Loan #1808 between ADB and Islamic Republic of Pakistan.

7.2 This represents cost reimbursement to the Bank under Cooperative Agreement TWEIP Phase II 881-A-00-11-0-1230-00 effective February 25, 2011 for disbursement of USAID funds to the TWEIP (Tubewell Efficiency Improvement Replacement Program) equipment vendors. Cumulative disbursements made to vendors up to June 30, 2013 amounted to USD 10.3 million, while the total project cost is USD19.5 million. The Bank recovers 1.766% of the amount disbursed and personnel cost as indirect cost charge. The current expiry date is September 15, 2013.

8. DEPOSITS

Note	30-Jun-13		31-Dec-12	
	Number of accounts	Rupees	Number of accounts	Rupees
Time Liabilities:				
Term Deposits	3.3	8,230	2,589	1,589,997,100
Demand Liabilities:				
Saving Deposits	6.4	12,653	7,831	758,618,217
Current Deposits		555,433	4,18,892	1,682,331,678
		<u>568,086</u>	<u>4,26,023</u>	<u>2,460,949,095</u>
		<u>871,318</u>	<u>458,612</u>	<u>4,049,948,992</u>
6.2 Particulars of Deposits by ownership				
Individual Depositors		570,474		3,041,945,911
Institutional Depositors			467,517	3,041,945,911
a) Corporations/Firms	1,126	1,116,058,496	869	886,406,536
b) Banks/Finance Institutions	13	1,038,229,121	6	302,292,545
		<u>871,318</u>	<u>458,612</u>	<u>4,049,948,992</u>

8.3 This represents term deposits carrying interest rates ranging from 6% to 14% per annum having tenure of 1 to 36 Months (2012: 6% to 14% per annum having tenure of 1

8.4 This represents savings deposits carrying interest rates ranging from 6% to 8% per annum (2012: 6% to 8%).

9. BORROWINGS

Unsecured:			
Borrowings from financial institutions outside Pakistan	9.1	2,727,871,062	2,909,638,632
Secured			
Borrowings from financial institutions in Pakistan	9.2	399,499,804	100,500,000
		<u>3,127,370,866</u>	<u>3,009,638,632</u>

9.1	This represents loan received under the Subsidiary Loan and Grant Agreement entered between the Bank and the Government of Pakistan (GoP). The loan (PKR66 has been extended as part of Microfinance Sector Development Project between Asian Development Bank & Islamic Republic of Pakistan. The Bank is liable to repay the principal amount of the loan to GoP, over a period of 20 years including a grace period of 8 years. Repayment of loan commenced from May 1, 2008, through bi-annual equal installments. The principal repayable is the aggregate equivalent of the amounts drawn by the Bank from the loan account for sub-loan expressed in PKR, determined as of the respective dates of the withdrawal, while the GoP shall bear the foreign exchange risk. The interest is being paid on bi-annual basis charged at the rate equal to weighted average cost of deposits during the preceding six months in the banking industry as calculated by SBP. The interest rate used for the first bi-annual payment during the period was determined to be 8.45% (2012: 8.29% and 8.47%) per annum.			
9.2	Borrowings from Financial Institutions in Pakistan Soren Bank Limited - Term Finance (TF-II) National Bank of Pakistan - Repo Borrowings	Note 9.2.1 9.2.2	30-Jun-13 103,000,000 208,488,804 <u>311,488,804</u>	31-Dec-12 100,000,000 - <u>100,000,000</u>
9.2.1	This represents interbank money market borrowings for three years carrying interest rate of 11.11% (2012: 11.95% to 13.75%) per annum and is repayable in four equal installments in the years 2013 and 2014. These borrowings are secured against 40% partial Micro Credit Guarantee Facility (MCGF) by SBP and a charge of PKR 100Mn over current assets of the bank. An undertaking has been signed to utilize funds for microfinance activities.			
9.2.2	This represents interbank money market repo borrowings for 28 days carrying interest rate of 9.85% (2012: Nil) per annum. These borrowings are secured against Treasury Bills given as collateral amounting to Rs.307 Million.			
10.	OTHER LIABILITIES	Note	30-Jun-13	31-Dec-12
	Markup/Interest payable on borrowing		32,584,011	138,242,933
	Markup/premium payable on deposits		111,843,881	82,951,989
	Bills Payable		38,438,077	27,796,462
	Accrued expenses		42,658,952	48,351,777
	Payable to SPs		-	7,789,700
	Payable to defined benefit plan - gratuity/EOPB		(7,289,005)	(1,273,201)
	Contribution payable to funds		33,545,784	33,588,232
	Payable to suppliers		43,879,860	81,815,525
	Provision for WWF		10,041,846	8,083,852
	Sundry creditors		18,861,048	18,544,133
	Corporate Tax Payable		53,112,020	-
	Other Payables		4,725,612	3,181,820
			<u>380,213,283</u>	<u>414,106,182</u>
11.	CAPITAL AND GENERAL RESERVES			
	Statutory Reserve		242,050,401	208,504,898
	Contingency Reserve		8,385,353	8,385,353
	Capital Reserve		24,255,224	24,255,224
			<u>274,690,978</u>	<u>241,145,475</u>
12.	SURPLUS/(DEFICIT) ON REVALUATION OF ASSETS			
	Surplus/(Deficit) on revaluation of available for sale securities		1,882,283	1,787,362
	Deferred tax on surplus		(825,377)	(825,377)
			<u>1,056,906</u>	<u>961,985</u>
13.	DEFERRED GRANTS			
	Grant from GoP	15.1	251,589,232	251,589,232
	Less: Grant amortized			
	Up to December 31, 2012		(250,923,195)	(250,923,195)
	Up to June 30, 2013		(176,040)	-
			<u>469,997</u>	<u>666,037</u>
	Grant from USAID	15.2	98,374,901	98,374,901
	Less: Grant amortized			
	Up to December 31, 2012		(98,540,054)	(98,540,054)
	Up to June 30, 2013		(442,726)	-
			<u>1,392,121</u>	<u>1,834,847</u>
	Grant from SBI SA Micro Savings	15.3	25,484,337	25,484,337
	Less: Grant amortized			
	Up to December 31, 2012		(12,034,283)	(12,034,283)
	Up to June 30, 2013		(4,247,384)	-
			<u>8,202,660</u>	<u>13,450,054</u>
			<u>11,084,778</u>	<u>18,935,836</u>
13.1	This represents grant from GoP for assets acquired for institutional strengthening of the Bank, under subsidiary loan and grant agreement entered with GoP and ADB			
13.2	This represents grant from USAID for assets acquired for Bank's operations to develop non bankable territories for financial services in Sindh, Balochistan and FATA areas from Sep-2008 to Sep-2009.			
13.3	This represents grant for interim retail banking application BankEssential awarded by Shore Bank International Limited to improve the capacity of the Bank for delivering saving products more effectively, profitably and at the enhanced scale.			
14.	NET PROVISION AGAINST ADVANCES/OTHER ASSETS	Note	30-Jun-13	31-Dec-12
	Provision against advances			
	Specific Provision	5.3	77,116,909	298,380,828
	General Provision	5.3	(12,170,832)	(18,648,618)
			<u>64,946,076</u>	<u>284,731,313</u>
	Bad Debts Recovered		(30,052,718)	(178,031,885)
	Net Provision against advances		<u>34,893,358</u>	<u>106,699,428</u>
	Provision against Other Assets			
	Provision against other assets	7	2,948,080	2,880,799
	Recovery against other assets		(2,286,832)	(1,452,812)
			<u>661,248</u>	<u>1,427,987</u>
			<u>35,554,606</u>	<u>108,127,415</u>

15. TAXATION

The five year tax holiday was available to Micro Finance Banks (MFB) in Pakistan. As per the conditions levied by Government of Pakistan (GOP) the bank was prohibited from distributing its profits. This tax holiday expired on June 30, 2012 and as a result the restriction placed on profit distribution has been lifted. Further, the profits of the bank will be taxed at the rate of 35% from July 2012 onwards with minimum tax being limited to 0.5% of non-exempt turnover.

16. SHARE CAPITAL	Note	30-Jun-13	31-Dec-12
16.1 Authorized Capital	16.1.1	6,000,000,000	6,000,000,000
16.1.1 The Bank's authorized share capital is 600 million ordinary shares of Rs.10/- each.			
16.2 Issued, Subscribed and Paid up Capital	16.2.1	1,705,000,000	1,705,000,000
16.2.1 The Bank's issued, subscribed and fully paid up capital is 170.5 million shares of Rs.10/- each as follows:			
United Bank Limited		506,285,280	506,285,280
Habit Bank Limited		300,000,000	300,000,000
Rura Impulse Fund II S.A. SICAV-FIS		298,496,310	298,496,310
ShareCap II Limited		243,588,080	243,588,080
ASN-NDVIB Microkreditfonds		168,795,020	168,795,020
Credit Suisse Microfinance Fund Management Company		132,855,310	132,855,310
Bank Al Habib Limited		30,000,000	30,000,000
Sonar Bank Limited		25,000,000	25,000,000
		1,705,000,000	1,705,000,000

17. GENERAL INFORMATION

17.1 Number of Employees

	30-Jun-13	31-Dec-12
Credit Sales Staff		
Permanent	661	705
Banking/Support Staff		
Permanent	688	789
Contractual	770	674
Total number of employees at the end of the period	2,109	2,368

17.2 Number of Branches

	30-Jun-13	31-Dec-12
Total branches at the beginning of the period	106	106
Opened during the period	6	-
Closed/merged during the period	(2)	(3)
Total branches at the end of the period	110	103