

BALANCE SHEET
As at 30-September-2012

(RUPEES)

	Note	30-Sep-2012	31-Dec-2011
ASSETS			
Cash and balance with SBP & NBP	1	268,415,389	232,404,452
Balances with other banks	2	306,984,294	817,280,992
Lending to financial institutions	3	574,820,603	1,138,028,622
Investments - net of provisions	4	752,676,737	944,757,075
Advances - net of provisions	5	5,123,833,394	4,167,113,455
Operating fixed assets	6	220,043,580	197,494,669
Other assets	7	984,074,481	654,404,692
Deferred tax assets		69,996,068	69,996,068
		8,300,844,546	8,221,480,025
LIABILITIES			
Deposits and other accounts	8	2,269,710,794	1,677,010,488
Borrowings	9	3,375,753,416	3,957,627,416
Other liabilities	10	245,529,280	221,062,240
Deferred grants		18,533,100	27,235,473
		5,909,526,590	5,882,935,617
NET ASSETS		2,391,317,956	2,338,544,408
REPRESENTED BY :			
CAPITAL			
Paid up capital		1,705,000,000	1,705,000,000
Capital and general reserves	11	229,369,020	229,067,678
Unappropriated profit		456,948,936	404,476,730
		2,391,317,956	2,338,544,408

PROFIT & LOSS ACCOUNT
From 01-Jan-2012 to 30-Sep-2012

(RUPEES)

Jan - Sep 2012 Jan - Sep 11

	Jan - Sep 2012	Jan - Sep 11
Mark up / Interest on advances	928,954,273	786,537,578
Insurance/Credit processing fee/FSB income	184,189,583	120,203,341
	1,093,143,856	906,740,919
Return on investments/bank accounts	171,060,331	160,502,784
	1,264,204,187	1,067,243,702
Borrowing cost	(195,716,133)	(184,660,860)
Interest on deposits	(59,386,179)	(19,312,696)
	(255,102,313)	(203,973,556)
	1,009,101,874	863,270,147

OPERATING EXPENSES

Salaries , wages & other benefits	525,000,081	467,619,397
Incentive Sales	8,978,866	338,108
Recruitment & Development	2,878,003	1,548,736
Management consultancy	734,137	855,150
IT Operations	23,764,788	15,945,452
Training	9,807,188	5,764,314
Rent, rates & taxes	80,872,378	63,835,501
Meeting & Conferences	9,942,361	5,950,783
Utilities	43,072,523	29,980,919
Communication	19,179,032	13,894,147
Traveling & conveyance	8,752,307	5,805,542
Insurance	19,181,844	13,312,443
Repair & maintenance	14,200,531	10,137,919
Security services	3,242,326	1,766,295
Vehicle running & maintenance	70,298,892	56,759,552
Legal & Professional	1,951,079	1,491,772
Printing, stationery & office supplies	42,610,307	30,589,569
Subscription	1,353,242	1,012,262
Advertisement & business promotion	14,599,211	10,872,782
Financial charges	6,221,948	3,892,158
Depreciation	57,964,396	47,648,591
IBA implementation cost	4,464,345	3,747,065
Miscellaneous expenses	4,356,418	1,478,847
	973,426,004	794,247,305
Reimbursement of USAID program costs	(15,770,590)	(8,341,307)
	957,655,414	785,905,998
Net Provision against advances / other assets	82,617,917	102,490,894
Total operating expenses	1,040,273,331	888,396,892

OPERATING PROFIT/(LOSS) (31,171,456) (25,126,745)

OTHER INCOME

Amortization of deferred grant & USAID reimbursement cost	8,702,373	2,801,135
Reimbursement cost of Social Mobilization cost	82,693,000	58,813,000
Gain / (Loss) on Disposal of Fixed Asset	6,239,829	24,487,503
Misc Income	397,869	719,596
Gain / (Loss) on foreign currency transactions	426,802	1,065,865
	98,459,872	87,887,100

PROFIT BEFORE TAXATION 67,288,416 62,760,354

Taxation - Current	12	14,816,210	9,442,631
- Deferred		-	-
		14,816,210	9,442,631

PROFIT AFTER TAXATION 52,472,206 53,317,723

Un-appropriated profit brought forward 404,476,730 313,538,195

UN-APPROPRIATED PROFIT CARRIED FORWARD 456,948,936 366,855,918

NOTES TO THE ACCOUNTS

For the period ended 30-September-2012

		30-Sep-2012		31-Dec-2011	
		Note	Rupees		Rupees
1.	CASH AND BALANCES WITH SBP & NBP				
1010	Cash in hand		188,416,474		148,030,385
1010	Balances with SBP	1.1	78,058,985		82,254,869
	Balances with NBP				
	Current Account		619,443		1,337,172
1010	Saving Account	1.2	1,320,486		782,028
			1,939,930		2,119,198
			<u>288,415,389</u>		<u>232,404,452</u>
1.1	This represents balance maintained with SBP to meet the requirement of maintaining minimum balance equivalent to 5% (2011: 5%) of the Bank's time and demand liabilities in accordance with regulation 6A of the Prudential Regulations issued by SBP				
1.2	This represent balances held across the network for the purpose of lending to borrowers and recoveries from customers, which carry an interest rate of 5% (2011: 5%) per annum.				
2.	BALANCES WITH OTHER BANKS				
	Current Account		154,784,471		338,649,337
	Saving Account	2.1	152,199,823		478,631,855
			<u>306,984,294</u>		<u>817,280,992</u>
2.1	This represent balances held across the network for the purpose of lending to borrowers and recoveries from customers, which carry interest rates ranging from 5% to 11% (2011: 5% to 10.55%) per annum.				
3.	LENDING TO FINANCIAL INSTITUTIONS				
	Reverse repo lending	3.1	574,820,603		1,138,028,622
	TDR placements/clean lending		100,000,000		100,000,000
	Less: Provision for impairment		100,000,000		100,000,000
			<u>574,820,603</u>		<u>1,138,028,622</u>
3.1	This represents reverse repo at the rate of 10% and 10.25% per annum (2011: 11.45% to 11.80%) maturing on October 4, 2012 (2011: January 12, 20112).				
4.	INVESTMENTS - NET OF PROVISIONS				
	Market Treasury Bills	4.1	750,864,700		943,246,380
	Surplus on revaluation	4.2	1,812,037		1,510,695
			<u>752,676,737</u>		<u>944,757,075</u>
4.1	This represents T-Bills purchased for the year ranging from 84 days to 364 days (2011: 82 days to 364 days) having yield interest ranging from 10.42% to 11.87% (2011: 12.10% to 13.35%) per annum. T-Bills amounting to Rs. Nil (2011: Rs. Nil) are given as collateral against borrowings.				
4.2	In compliance with the requirements of the Regulations, available for sale investments have been valued on mark-to market basis and the resulting (deficit) / surplus is kept in a separate account and is shown below the shareholders' equity in the balance sheet.				
5.	ADVANCES - NET OF PROVISIONS	Note	30-Sep-2012	31-Dec-2011	
			No of loans	No of loans	Rupees
	Gross advances :				
	Unsecured	5.1	367,250	352,962	4,273,802,377
	Secured		2,655	-	-
			369,905	352,962	4,273,802,377
	Less : provisions held				
	Specific provision		45,252,596		21,718,887
	General provision		57,826,732		84,970,035
			103,079,328		106,688,922
			<u>5,123,833,384</u>		<u>4,167,113,455</u>
5.1	This includes 3,351 rescheduled micro credit advances having aggregate value of Rs.47.63 million (2011: Nil) related to rain affected branches.				
5.2	Particulars of non-performing advances				
	Category of classification		Amount - Out standing	Amount - Out standing	Provision
			Rupees	Rupees	Rupees
	QAEM		8,344,001	55,569,665	-
	Sub-standard		5,893,370	26,539,588	6,634,897
	Doubtful		48,341,426	14,291,850	7,145,925
	Loss		26,687,237	93,586,433	93,586,433
			89,266,034	189,987,536	107,367,255
	Provision deferred against reschedule		8,619,088	85,693,969	85,648,368
			<u>80,846,946</u>	<u>104,293,668</u>	<u>21,718,887</u>
5.3	Particulars of the provisions				
			Specific	Specific	General
			Rupees	Rupees	Rupees
	Balance at the beginning of the year		21,718,887	28,004,701	72,737,776
	Charge for the period		242,032,316	161,533,177	12,232,259
	Amount written off		(218,498,607)	(167,818,991)	-
	Balance at end of the period		<u>45,252,596</u>	<u>21,718,887</u>	<u>84,970,035</u>
5.4	Particulars of write offs				
			Rupees		Rupees
	Against provision		218,498,607		167,818,991
	Directly charge to profit and loss account		-		-
			<u>218,498,607</u>		<u>167,818,991</u>

NOTES TO THE ACCOUNTS
For the period ended 30-September-2012

(RUPEES)

8. OPERATING FIXED ASSETS

	Cost			Depreciation			Book Value	Dep Rate
	Opening balance	Addition/ Deletion - during the period	Total	Opening balance	Addition/ Deletion - during the period	Total		
Furniture & Fixture	121,981,810	27,618,989	149,600,800	47,751,025	8,385,421	56,136,446	93,464,353	10
Office Equipment	53,840,843	10,395,727	64,236,570	31,949,050	5,355,338	37,304,387	26,932,183	20
Computer hardware	144,585,863	17,948,382	162,534,245	102,850,444	19,885,750	122,736,194	39,798,051	33
Computer software	51,102,786	2,511,746	53,614,532	28,053,020	8,282,965	36,335,985	17,276,527	33
Electrical/ Appliance	85,282,299	12,584,280	97,866,579	50,858,488	9,875,066	60,733,554	37,143,025	20
Vehicle	181,961,832	(2,743,538)	179,218,294	178,208,728	(8,037,905)	170,170,823	5,447,471	25
As at 30-September-2012	638,165,413	68,308,578	706,473,991	440,670,744	45,786,868	486,457,612	220,045,680	
As at 31-December-2011	604,787,189	33,398,344	638,185,533	438,048,483	(4,822,281)	440,670,744	187,484,849	

7. OTHER ASSETS

	Note	30-Sep-12 Rupees	31-Dec-11 Rupees
Markup/interest on advances receivable		850,011,521	379,055,512
Interest receivable on investments		14,288,880	37,151,386
Loans & advances to staff		64,488,385	61,045,537
Advances to suppliers		25,280,576	4,318,478
Security deposit		1,941,240	2,273,845
Prepayments		81,081,253	57,948,022
Advance tax deducted - Net of Provisions		(11,750)	12,334,587
Receivable from MSDP	7.1	131,742,743	85,963,080
Receivable from USAID	7.2	6,736,708	5,228,783
Insurance Claim Receivable		7,131,181	7,325,623
Receivable from SBP		-	742,537
Other receivables		31,707,923	9,710,727
Less: Provision held against classified assets		(84,338,437)	(662,486,585)
Operating Provision		8,093,883	1,043,633
Provision for the year		2,521,485	7,048,438
Receivable written off against provision		(350,417)	801
		10,264,866	8,093,883
		884,974,481	684,484,882

- 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 #1806 between ADS and Islamic Republic of Pakistan.
- 7.2 This represents cost reimbursement to the Bank under Cooperative Agreement TWEIP Phase II 381-A-00-11-01230-00 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 Sep 30, 2012 amounted to USD 5.3 million, while the total project cost is USD 18.5 million. The Bank recovers the personnel cost and 1.75% of the amount disbursed and personnel cost as indirect cost charge. Project though has been extended twice; the current expiry date is Dec 31, 2012.

8. DEPOSITS

	Note	30-Sep-12 Rupees	31-Dec-11 Rupees
Time Liabilities:			
Term Deposits:			
01 Month		16,451,715	46,982,508
03 Months		86,710,380	27,273,832
06 Months		87,894,570	29,842,000
12 Months		932,341,130	351,295,520
		1,083,397,795	435,154,840
Demand Liabilities:			
Saving Deposits	8.1	404,091,638	146,878,368
Current deposits		782,221,411	1,084,877,282
		1,186,313,049	1,241,856,648
		2,269,710,794	1,677,011,488

- 8.1 This represents savings deposits carrying interest rates ranging from 8% to 8% per annum (2011: 5% to 6%).

9. BORROWINGS

Unsecured:			
Borrowings from ADB	8.1	3,091,700,572	3,273,565,312
Borrowings from FI		-	-
		3,091,700,572	3,273,565,312
Secured:			
Borrowings from FI	9.2	284,052,844	864,082,104
		3,375,753,416	3,867,647,416

- 9.1 This represents loan received under the Subsidized Loan and Grant Agreement entered between the Bank and the Government of Pakistan (GOP). The loan (#1806) has been extended as part of Microfinance Sector Development Project between Arian 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 6 years. Repayment of loan commenced from May 1, 2006, through bi-annual equal instalments. 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 6.29% (2011: 6.07% and 6.42%) per annum.

- 9.2 This represents interbank money market short to medium term borrowing from Soneri Bank Limited and Pakistan Poverty Alleviation Fund amounting to PKR100M and PKR184M at markup rate of 13.75% and 13.72% respectively.

10. OTHER LIABILITIES

	30-Sep-12 Rupees	31-Dec-11 Rupees
Markup/ interest payable on borrowing	109,284,726	52,358,331
Markup/return payable on deposits	30,113,886	17,605,947
Bills Payable	42,287,569	31,408,194
Accrued expenses	19,405,517	34,024,188
Payable to SPs	6,818,800	4,908,000
Payable to defined benefit plan - gratuity	816,603	4,458,181
Contribution payable to funds	-	30,312,850
Payable to suppliers	2,791,331	6,855,856
Provision for WVV	5,887,980	5,887,980
Sundry deposits	18,387,679	-
Other Payables	10,154,250	39,348,712
	248,829,280	221,042,249

11. CAPITAL AND GENERAL RESERVES

Statutory reserve	174,916,408	174,916,408
Capital Reserve	24,255,224	24,255,224
Contingency reserve	28,385,353	28,385,353
Surplus/(loss) on revaluation of investments	1,812,037	1,510,895
	229,369,022	229,067,879

12. TAXATION

The five year tax holiday was available to Micro Finance Bank (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 25% from July 2012 onwards with minimum tax being limited to 0.5% of non-exempt turnover.