

# ANNUAL REPORT | 2014

فوشهالى بىبنك لميٲٲ  
khushhalibanklimited







ANNUAL  
REPORT | 2014



## Vision

To be a premier microfinance bank providing services to micro enterprises and low-income households across Pakistan.

## Mission

To strengthen the economic base of low-income populace and micro-entrepreneurs by improving their accessibility to financial services.

By offering a diverse product suite, exemplary service and cost efficient next generation delivery systems, we intend to achieve our core objective of outreach and sustainability.

## Values

Empower  
Excel  
Ethics



## Corporate Governance

The Board comprises seven members including leading commercial bankers, fund managers and microfinance experts from across the globe. This autonomous, private sector board provides stewardship and guidance to the management in establishing a robust, customer-centric platform in accordance with international standards.





## Management

Success of Khushhalibank is a committed management team that steers business, provides operational support and maintains an adequate internal control environment. Khushhalibank's team strives to provide access to financial services to the largely un-banked segments of market through the largest microfinance network in Pakistan.



## Our Products and Services

Being Pakistan's largest microfinance bank, Khushhalibank is firmly committed to provide financial services to the country's low-income population in order to promote entrepreneurship and improve their standard of living. We aspire to empower our clients through efficient delivery of financial products and services suited to their goals and help them pursue their ambitions.



## Our Clients

At 35, Khalida an old resident of Abbas Nagar near Bahawalpur is an owner of a small business and is helping her husband and four children lead a better life.

Since she was a child, she would create beautiful colorful pieces of chunri (traditional tie-dye) which women of her area bought and wore on special occasions. Little did she know that this skill would pull her through life.

At first, she was practicing this art on a small scale due to lack of resources. Once she came to know about the loans being offered by Khushhalibank, she acquired a loan of Rs. 25,000 and purchased more equipment in order to take more orders.

According to Khalida it takes around two days to get one suit ready and she sells a chunri suit for around Rs. 600 to Rs. 1000. She receives orders for around Rs. 25,000 in a week and this brings her good money. Because of the demand of this craft, Khalida receives orders from all over Pakistan.



## Supporting Skill Enhancement

Khushhalibank continues its support to the Hunar Foundation technical institute by sponsoring more deserving students in the year 2014 who can now get the opportunity to hone their skills in various technical specialties followed by a 6 month internship in the local industry. The contribution allows THF to expand its programs and services for each year and helps transform more lives for a more prosperous future.





## Investing in the Future Generation

With an aim to empower talented and deserving students in pursuing their academic careers, Khushhalibank continues its assistance. Under this program Khushhalibank supports the students of Pak Turk International Schools & Colleges being run under the auspices Pak Turk Cag educational Foundation- an international Turkish non- government educational organization.

Students with limited means have been provided with scholarship throughout the year of 2014. These students kept with their outstanding academic and social achievement befitting our trust in them.



## Women Empowerment

Khushhalibank supports the mission of the LADIESFUND® to celebrate the success of women who have excelled in and contributed to society, creating a path of hope for those who are still struggling. KBL stands by Pakistani women and recognizes the struggles they face in their work and the integrity with which they do it.

This year the Khushhalibank Idol Award was presented to the teacher Late Saima Tariq and Principal Late Tahira Qazi of Army Public School Peshawar, who lost their lives while saving the lives of their students. Brigadier Tariq Saeed received the Award on behalf of his wife late Saima Tariq in a ceremony held in Governor House, Karachi.



## Partners on the Road to Prosperity

USAID Pakistan has inked an 8 year tenure Loan Portfolio Guarantee (LPG) MoU with four partner banks, of which Khushhalibank, one of the leading Microfinance banks in Pakistan, is one . The 8 year tenure Loan Portfolio Guarantee (LPG) will support partner banks to provide access to formal financing facilities for MSMEs and facilitate broad-based economic growth. The dominant aim is to encourage lending to small and medium enterprises (SMEs) in Pakistan. The project will support inclusive growth and employment across all sectors. Of the \$ 60 million, \$ 12.1 million will be reserved for loans supporting the private education sector.

USAID's and Khushhalibanklimited's partnership is in line with its efforts to enhance the Pakistani economy's competitiveness through the Loan Portfolio Guarantee (LPG) project which is designed to support Micro, Small and Medium Enterprises (MSME).



## Creating Opportunities for the Un-Banked

The Annual Citi Micro-entrepreneurship Awards program is a signature initiative of the Citi Foundation aimed at raising awareness about the importance of microfinance in supporting the financial inclusion and economic empowerment of low-income individuals.

Winners are selected in the categories of Best National Micro-entrepreneur Male and Female, Best Regional Micro-entrepreneurs from Balochistan, Khyber Pakhtunkhwa, Sindh, Punjab, AJK, and Gilgit and Baltistan, along with runners-up.

This year's Regional Winner from AJK is Khushhalibank's female client, Saiqa Perveen from Muzafarabad and her loan officer Shabnum Gul. The Award winner acknowledged Khushhalibank's support in enabling and nominating her to win this prestigious award.





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## Corporate Information

### Board of Directors

Syed Javed  
Acting Chairman/Director

Muhammad Ghalib Nishtar  
President /Director

Lisa Gayle Thomas  
Director

Geert Peetermans  
Director

Peter Kooi  
Director

Aatiqa Lateef  
Independent Director

### Board Committees

#### Audit Committee:

Geert Peetermans – Chair  
Lisa Gayle Thomas - Member  
Syed Ali Imran Bokhari - Secretary

#### Risk Management Committee

Syed Javed - Chair  
Geert Peetermans - Member  
Peter Kooi - Member  
Lubna Azam Tiwana - Secretary

#### Human Resource and Compensation Committee

Lisa Gayle Thomas - Chair  
Syed Javed - Member  
Aatiqa Lateef - Member  
Wajid Ali - Secretary

#### Chief Financial Officer

Saleem Akhtar Bhatti

#### Company Secretary & Legal Counsel

Sarah Anjum

#### Registered / Head Office

94 West, Fourth Floor, Jinnah Avenue, Blue Area, PO Box. 3111, Islamabad-Pakistan.  
Tel: +92-51-111 092 092, Fax: +92-51-920 6080, web: [www.khushhalibank.com.pk](http://www.khushhalibank.com.pk)

### Share Registrar

Central Depository Company of Pakistan  
CDC House, 99-B, Block 'B', S.M.C.H.S.,  
Main Shahra-e-Faisal, Karachi - 74400.

Tel: +92 21 111 111 500  
Fax: +92 21 343 26031  
Internet: [www.cdcpakistan.com](http://www.cdcpakistan.com)

### Auditors

BDO Ebrahim & Co.  
Chartered Accountants  
3rd Floor, Saeed Plaza  
22 – East, Blue Area  
Islamabad.

Tel: +92 51 287 6670  
Fax: +92 51 227 7995  
Internet: [www.bdo.com.pk](http://www.bdo.com.pk)

### Legal Advisors

Samdani & Qureshi  
32-A, Street 38  
Main Nazimuddin Road  
Sector F-10/4 Islamabad.

Tel: +92 51 211 1595-8  
Fax: +92 51 210 8011  
E-mail: [fqureshi@samdaniqureshi.com](mailto:fqureshi@samdaniqureshi.com)

### Tax Advisors

Ernst & Young Ford Rhodes Sidat Hyder & Co.  
Chartered Accounts  
Eagle Plaza, 75-West  
Fazlul Haq Road  
Blue Area, Islamabad.

Tel: +92 51 234 4160-62  
Fax: +92 51 234 4163  
Internet: [www.ey.com/pk](http://www.ey.com/pk)

## President's Report: 2014

### Overview

Access to financial services plays an important role in the development of the financial sector and the economy at large. Keeping this in view the State Bank of Pakistan in collaboration with the World Bank has recently developed a National Financial Inclusion Strategy with an aim to improve access to the unbanked or underserved segments of the market in the country. The microfinance industry can play a crucial role in the inclusive finance sphere.

In the period under review the country's microfinance market place continues to expand with greater diversity in the product and service. The steady growth over the years has repositioned the sector from "poverty alleviation" to that of "financial inclusion". The sector has evolved from a single product, microcredit driven industry towards greater product diversification and today offers the low income households a range of credit, savings, and insurance and remittances products. Innovation in delivery channels using branchless banking and other technology-based services and investments in industry infrastructure such as a microfinance credit information bureau have helped moved the industry further along its maturity curve.

The sector has benefited from a progressive policy environment led by the State Bank of Pakistan. In June 2014, the SBP issued revised prudential regulations (PR) for Microfinance Bank's (MFB's). The aim of these revisions is to improve corporate governance, consumer protection practices, and anti-money laundering (AML) policies of MFBs. It is hoped that that the revised regulations will help MFBs to better position themselves for managing a higher level of growth in the future.

Calendar year 2014 came to an end with active savers witnessing the largest increase among all outreach indicators. The number of savers and the value of savings increased by 43% and 25% respectively as compared to the year 2013. This increase primarily came on the back of MFBs which have been successful in mobilizing deposits over the year as part of their deposit

led strategy to fund their portfolio. Number of branches in the country increased by 18% year on year, to reach 2,538 as of December 2014. Active borrowers increased by 11% in the year with 28% increase in the number of loans disbursed. Average size of loan disbursed during the year amounted to Rs. 34,994 against Rs. 23,940 in previous year.

The year under review once again spotlighted KBL as the premier MFB in Pakistan with a dominant market share of 18.3% on the back of its growing portfolio, Rs 12.2 billion, operating in the 71 districts across Pakistan and servicing a diverse customer base across the country. Year 2014 was also of utmost importance as the State Bank of Pakistan issued permission to outsource ATM Switch/ Debit Card/ Contract Center as well as select permission to become member of the clearing house which will provide convenience to depositors and facilitate acquisition of savings..

### Performance Review: 2014

KBL achieved a profit after tax of Rs 703 million, which is 94% higher than last year of Rs 363 million. The increase in profit results from growth in balance sheet and improved non fund income.

Administrative expenses amount to Rs 1.9 billion which is 24% higher than last year. The spend was largely contributed by employee's related costs to manage challenges of staff attrition in the wake of expanding competition. Other contributor to increase administrative expenses was mainly IT infrastructure upgrade costs to support business growth, technical assistant cost, opening of 10 additional branches cost, enhance security expenses for branches and increased energy costs.

KBL grew its balance sheet by 26% over December 2013. Asset portfolio grew by 38% to Rs 12.2 billion in 2014 over Rs 8.9 billion in 2013. In pursuit of portfolio diversification, the new secured product launched in 2012 continued to grow in 2014. Secured portfolio stands at Rs 2.8 billion (2.1 billion: 2013) 23% of the

total loan portfolio of the bank in 2014. Portfolio at risk exceeding 30 days stands at 0.9% (2013: 0.8%) of the total loan portfolio and net write-off was 0.7% (2013: 0.9%) at the year-end 2014.

The growth in asset portfolio was funded through retail deposits and commercial borrowings, retail deposits which increased to Rs 8.7 billion at the year-end 2014 as against Rs 7.1 billion in 2013 and commercial borrowings increased to 3.7 billion in 2014 from 2.7 billion.

### Credit Rating

During the year, JCR-VIS Credit Rating Company re-affirmed KBL's entity rating for medium to long term as "A" and short term as "A-1". Outlook of assigned ratings was revised from "Stable" to "Positive".

### Future Outlook

The year 2015 brings new challenges and opportunities for which KBL is uniquely positioned within group loan segment and expanding into individual and enterprise space with large market potential while exploring new opportunities in term of distribution channels with outsourcing permission in place. The Bank will continue to focus on serving the economically active poor in rural markets while strengthening its ability to serve such clients in urban markets by development of appropriate products and services with matched risk approach to respond to their specific needs. KBL has clearly identified target client segments which leverages attractive market opportunities and core competencies with consideration to the competitive environment. Additionally, KBL

intends to reach clients in the small enterprise category enabled by recently introduced State Bank of Pakistan (SBP) regulations.

Based on the new regulations by the central bank allowing us to venture into small business finance we at Khushhalibank are poised to transform the institution from microfinance to MSME bank. We have developed the necessary framework, policies and procedures and encouraged by the results of a pilot last year are scaling up our operations to the first 15 branches across the country with a target of reaching out to 3,000 small businesses in 2015.

This segment of the market holds great promise for the future.

I would like to thank our valued customers for their continued support and trust and on behalf of the Board & the management assure them of our efforts to provide better service and value.

I would like to acknowledge and appreciate the efforts of a committed management team and thank the members of the Board for their guidance and support in steering the institution to greater success.



M. Ghalib Nishtar  
President

Highlights – 2014		2014	2013	Change
Investments	PKR M	837	1,039	-19%
Gross Advances	PKR M	12,238	8,859	38%
NPLs	%	0.9%	0.8%	14%
NPLs Coverage	%	117%	147%	-20%
Advances – Net	PKR M	12,106	8,757	38%
Operating Fixed Assets	PKR M	323	275	17%
Total Assets	PKR M	16,692	13,290	26%
Deposits	PKR M	8,682	7,133	22%
Borrowings	PKR M	3,730	2,746	36%
Equity	PKR M	3,286	2,752	19%
Net Markup/Interest Income	PKR M	2,320	1,663	40%
Provisions against NPLs	PKR M	155	169	-7%
Total Non Markup/ Non Interest Income	PKR M	695	584	19%
Total Non Markup/ Non Interest Expense	PKR M	1,915	1,540	24%
Profit Before Taxation	PKR M	942	538	75%
Profit after Taxation	PKR M	703	363	94%

#### Five years at glance: 2010- 2014

Indicator		2014	2013	2012	2011	2010
<b>Outreach</b>						
Active Clients	Number	900,081	674,061	458,612	352,692	325,523
Active Borrowers	Number	468,369	409,010	364,138	352,692	325,523
Gross Advances	PKR M	12,238	8,859	5,806	4,274	3,722
Deposits	PKR M	8,682	7,133	4,041	1,677	1,000
<b>Financial Performance</b>						
Total Revenue	PKR M	3,653	2,677	1,926	1,542	1,471
Operating Profit/(Loss)	PKR M	768	350	(39)	(46)	70
Net Profit After Tax	PKR M	942	538	168	152	174
Return on Assets (ROA)*	%	3.7%	1.8%	-0.5%	-0.8%	0.8%
Return on Equity (ROE)**	%	18.5%	8.0%	-2.0%	-2.7%	2.6%
Operating Self Sufficiency (OSS)	%	126.7%	114.8%	97.9%	97.1%	105.0%
Financial Self Sufficiency (FSS)	%	123.0%	107.8%	79.7%	68.8%	79.4%
<b>Productivity</b>						
Borrower per Staff	Number	179	178	154	163	150
Saver per Staff	Number	343	294	194	163	95
Personnel Allocation Ratio	%	34.5%	30.9%	29.8%	31.8%	35.3%
<b>Risk</b>						
Portfolio at Risk > 30	%	0.9%	0.8%	1.1%	4.4%	3.9%
portfolio at Risk > 90	%	0.4%	0.3%	0.4%	2.5%	0.9%

\* ROA calculated as per CGAP Guideline: Net operating income less taxes divided by average assets.

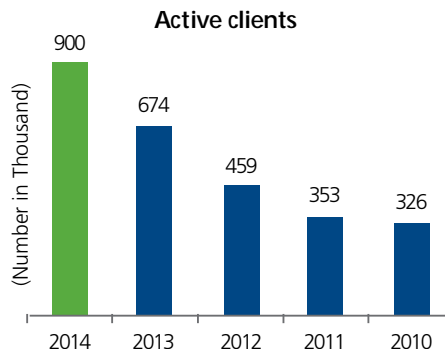
\*\* ROE calculated as per CGAP Guideline: Net operating income less taxes divided by average equity.

## Review of Five Years Performance

In this section, commentary on the five years performance of the bank is briefly provided on key areas.

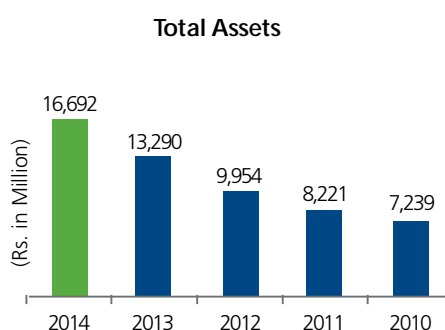
### Outreach

Khushhalibank's main focus continues to remain on increasing access and outreach for the financial inclusion of the un-served populace of the country by providing microcredit (group, individual and MSME) and deposit services. The bank has increased its network to 118 branches (2013: 110), comprehensively covering the geographic spread of the country. The bank has grown its active client base by 35% over the past five year, servicing 900,081 active clients at the year-end 2014 (2013: 674,061).



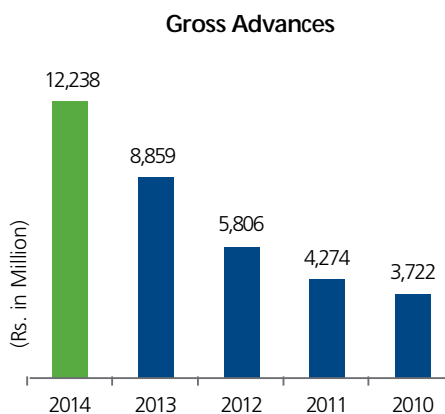
### Total Assets

The bank grown its asset base progressively over the past five years with asset footing from Rs 7.2 billion in 2010 to Rs 16.7 billion as of December 31, 2014 (2013: 13.3 billion), translating into an annual average increase of 26% over the five years. Prime contributor to the growth remains advances which contribute over 72% of total asset base at the end of December 31, 2014.



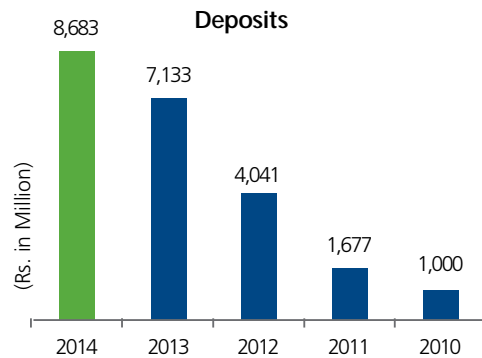
### Advances

The bank grown its advance base exuberantly over the last five years from a loan portfolio base of Rs 3.7 billion in 2010, it grew to Rs 12.2 billion by December 31, 2014. KB's prime group lending product grew by 40% YoY to Rs 9.4. Secured lending product representing 23% of the bank GLP grew by over 33% in the year 2014, giving the well-deserved boost to the total portfolio base. Along with the traditional products the bank introduced MSME and other products to attain a diversified product mix and strategically shifting the focus from purely micro/ group lending activities to a more financial inclusion based business, serving both rural/urban markets and group/individual customers alike.



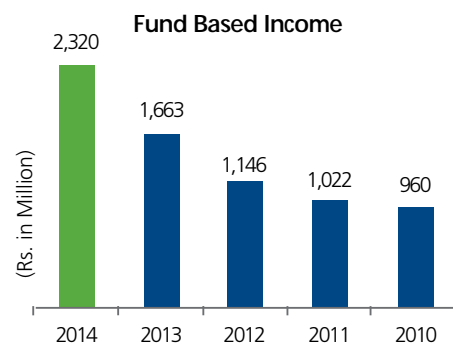
### Deposits

After launching its first savings product in 2008, the bank gradually increased its deposit base to Rs 8.7 billion in 2014 from Rs 1.0 billion in 2010. KB's variety of products supported by its large network of full service branches was able to accelerate the liability drive started in 2008. The customer base today includes individuals, corporate bodies, funds and various financial institutions.



### Fund Base Income

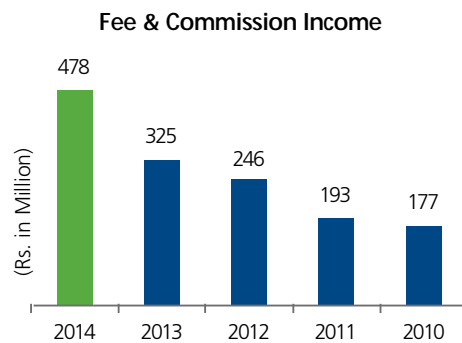
Markup from loan portfolio remains the major fund based income stream of the bank. Introduction of new products, revision in base line rates and steady growth in the portfolio resulted in reciprocal growth in markup income. From Rs 960 million markup revenue in 2010 the bank earned Rs 2.3 billion in markup revenue at the end of 2014.



### Non Markup Income

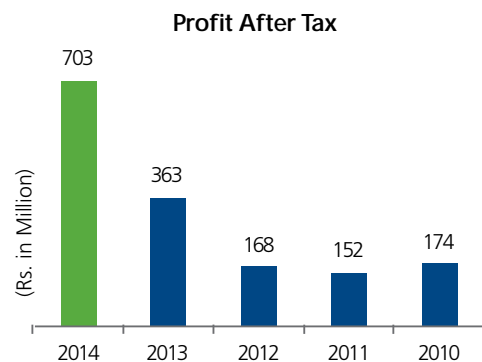
#### Fee & Commission

Comprising of microcredit loan procession fee, commission and other charges on account servicing, this income stream is a vital part of KB's revenue pool. Loan processing fee represents 94% of the Fee & Commission income followed by other banking services which represent 6% of the aggregate amount.



### Profit after Tax

The bank has been producing steady profit over the years. Profitability trends were largely affected by the strategy shift to a self-sustained business, pursued by the bank after closure of the Asian Development Bank Program. The decline in grants and subsidies was countered by increased portfolio and services, with efficient and economic use of resources. Profit after tax Rs 703 million or the year, a 61% increase over the five years.





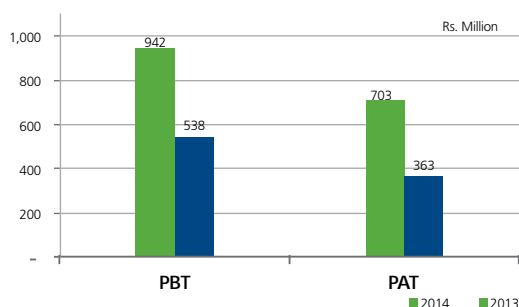
## Directors' Report to the Shareholders: 2014

On behalf of the Board of Directors, I am pleased to present the Annual Report of Khushhalibank Limited (KBL or the Bank) for the year ended December 31, 2014.

### Financial Highlights

KBL achieved a profit after tax of Rs 703million which is 94% more than the last year's profit of Rs 363million. The return on average assets increased from 2.5% in 2013 to 3.7% in 2014 and return on equity improved from 11.1% to 18.6%.

KBL's pre-tax profit of Rs 942million increased by 75% against last year's profit of Rs 538million. The increase in profit results from continued growth in balance sheet, improved non-fund income and lower provisions.



The Bank's yield on earning assets improved by 2.0% over 2013 and the net interest margin improved by 1.7%. Cost of deposits decreased by 50bps due to improvement in deposit mix while borrowing cost increased by 1.5% owing to decrease in the share of subsidized borrowings in the overall funding mix. Consequently the total funding cost increased by 30bps YOY. Enhanced spread along with the balance sheet growth helped improve net interest income to 2.3billion, an increase of 40% over 2013

Non-interest income comprising of fee and commission income increased from Rs 325million in 2013 to Rs 478million in 2014, an increase of 47% due to growth in the loan portfolio. Other income reduced by 16% to Rs 217million as bad debts recoveries declined by Rs 32million against 2013.

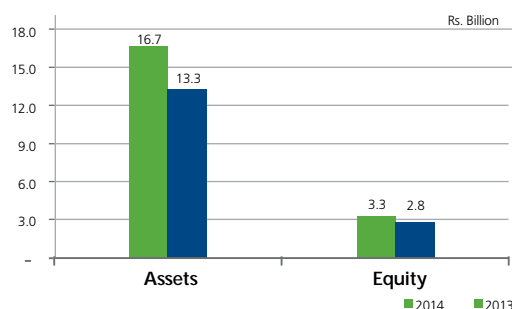
Provision against advances reduced to Rs 155million in 2014 from Rs 169million in 2013. This includes Rs 7million (2013: Rs 16million) on account of portfolio affected by the rains in the southern part of the country.

### Cost Management

Administrative expenses increased by Rs 0.37billion to Rs 1.9billion in 2014, an increase of 24% YOY. The spend was mainly used to manage institutional challenges of staff attrition in the wake of expanding competition, IT infrastructure upgrade to support business growth and enhanced security and surveillance of branch operations. The main contributor for increase in operating expenses was employee related costs which increase by Rs 158m due to rationalization of pay scales of front line staff as a retention strategy, cost of additional manning to support business growth and provision for sales incentives. Other administrative overheads increased by Rs 212million primarily due to the increased energy costs, opening of 10 additional branches, provision of enhanced security for branches, technical assistance cost and IT infrastructure upgrade to support business growth. In spite of increased operating cost, the Bank's operating expense ratio (operating expense to loan portfolio), decreased to 18.0% from 20.7% YOY.

### Balance Sheet

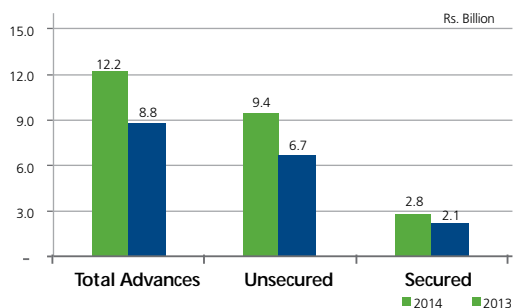
The Bank's balance sheet grew by 26% YOY. Total assets increased to Rs 16.7billion in 2014 against Rs 13.3billion in 2013.



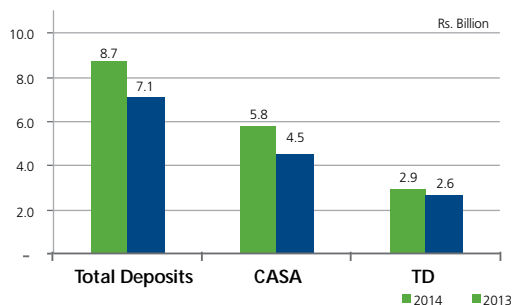
The gross loan portfolio grew by 39% to Rs 12.2billion in 2014 from Rs 8.8billion in 2013. The Bank continued lateral expansion in secured as well as unsecured group loans and broadly maintained portfolio mix ratio of secured (23%) and unsecured (67%) achieved last year. As a part of the transformation program undertaken by the Bank, the strategic focus changed from being purely micro and group based lending to include underserved micro entrepreneurs with higher financial needs up to 500k. Consequently, ME roll out plan initiated earlier

in the year 2014 was successfully completed as three branches were converted under this program. At the year end, Bank has serviced over one hundred ME clients with outstanding loan portfolio of Rs 21.5million. As a strategy, the ME portfolio buildup will be gradual and Bank plans to have twenty one branches converted under this program by the end of 2015.

The strengthened risk management framework enabled the Bank to highlight portfolio risks and subjectively classify at risk portfolio to ensure reflection of quality assets.



The Bank's liability portfolio grew by 23% to Rs 8.7billion in 2014 from Rs 7.1billion in 2013. This increase is a vital sign for sustainable growth of the Bank's loan portfolio. The key focus of deposits strategy remained rationalization of deposit mix beside new acquisition. The Bank's aspirations of optimal deposit mix and associated funding cost were adversely affected by delayed regulatory approvals for clearing house membership and ATM/Debit cards etc. Nonetheless, due to concerted efforts the Bank's cost of deposits improved by 50bps YOY and deposit mix marginally improved with CASA representing 67% of the year end portfolio against 63% last year.



The results of operations under review are presented below;

	2014 Rupees	2013 Rupees
<b>PROFIT AFTER TAXATION</b>	<b>703,211,747</b>	<b>363,198,006</b>
Re-measurement loss employment benefit obligation	(26,458,535)	(13,221,104)
Un-appropriated profit brought forward	738,853,220	525,770,167
Transfer from reserve for contingencies	-	8,385,353
Profit available for appropriation	1,415,606,432	884,132,422
<b>APPROPRIATIONS</b>		
Transfer to:		
- Statutory reserve	140,642,349	72,639,601
- Microfinance Social Development Fund	70,321,175	36,319,801
- Depositors' Protection Fund	35,160,587	18,159,900
- Risk Mitigation Fund	35,160,587	18,159,900
	281,284,698	145,279,202
<b>UN-APPROPRIATED PROFIT CARRIED FORWARD</b>	<b>1,134,321,734</b>	<b>738,853,220</b>

## CAPITAL ADEQUACY RATIO

As of December 31, 2014 the Bank's capital adequacy ratio (CAR) is measured at 25% against 29% last year. The Bank's CAR was well ahead of the mandatory requirement of 15% as per the Prudential Regulations (PR) for Microfinance Banks.

## CREDIT RATING

During the year, JCR-VIS Credit Rating Company re-affirmed KBL's entity rating for medium to long term as "A" and short term as "A-1". Outlook of assigned ratings was revised from "Stable" to "Positive".

## STATEMENT OF CORPORATE GOVERNANCE

The Bank has adopted good corporate governance practices and the Directors are pleased to inform that:

1. The financial statements prepared by the management of the Bank present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
2. Proper books of account of the Bank have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
4. The Bank has followed international accounting standards, as applicable to Banks in Pakistan, in the preparation of the accounts without any departure therefrom.
5. The system of internal control in the Bank is sound in design, and is effectively implemented and

monitored.

6. There are no significant doubts about the Bank's ability to continue as a going concern.
7. The Board has appointed the following three Committees with defined terms of reference,
  - Board Audit Committee - BAC
  - Board Human Resources & Compensation Committee - HRCC
  - Board Risk Management Committee - BRMC

The number of board committee meetings attended during the year by each director is shown below;

Name of Director	Designation and name of committee	BAC	HRCC	BRMC
Mr. Raymond Kotwal	Director/Member BAC	3	-	-
Mr. Syed Javed	Director/Member HRCC & Chair BRMC	-	4	4
Ms. Lisa Thomas	Director/Member BAC & Chair HRCC	4	4	-
Mr. Geert Peetermans	Director/Chair BAC & Member BRMC	4	-	4
Ms. Aatiqa Lateef	Independent Director/Member HRCC	-	2	2
Mr. Peter Kooi	Director/Member BRMC & HRCC	-	4	4
Mr. Ghalib Nishtar	President and CEO	-	4	4

## MEETINGS OF THE BOARD

During the year under review, the Board of Directors met four times. The number of meetings attended by each director during the year and their eligibility is shown below:

Name of Existing Director	Designations	Meeting attended	Eligibility
Mr. Raymond Kotwal*	Chairman	3	4
Mr. Syed Javed	Director	4	4
Ms. Lisa Thomas	Director	4	4
Mr. Geert Peetermans	Director	4	4
Ms. Aatiqa Lateef**	Independent Director	2	2
Mr. Peter Kooi	Director	4	4
Mr Zakir Mahmood ***	Director	0	4
Mr. Ghalib Nishtar	President and CEO	4	4

\* Mr. Kotwal resigned from the Board on December 17, 2014

\*\* Ms. Lateef was appointed as an Independent Director on June 17, 2014

\*\*\* Mr. Mahmood submitted his resignation to the Board on August 25, 2014 which was accepted in the third quarter Board meeting held on August 26, 2014

## CHANGE IN DIRECTORS

Mr. Kotwal resigned from the Board on December 17, 2014 leaving the Board to fill the position of an interim Chairperson till the re-election of the Board. Further, Ms Aatiqa was appointed on June 17, 2014 to join the Board as an independent Director.

Mr. Zakir Mahmood also resigned from the Board before the commencement of the third quarter Board meeting, his resignation was accepted by the Board.

The Board would like to place on record its appreciation to Mr. Kotwal and Mr Mahmood for their contribution and services.

## CGAP COMPLIANT REPORTING

The Consultative Group to Assist the Poor (CGAP), a consortium of international public and private

development agencies housed at the World Bank, has issued two guidelines to enhance transparent reporting for microfinance institutions i.e. disclosure guidelines for financial reporting and definitions of selected financial terms, ratios and adjustments.

The Bank in its financial statements as at December 31, 2014, has complied with the above stated guidelines. The CGAP disclosures and ratios are presented in addition to the requirements of SBP BSD circular 11 dated December 30, 2003.

## PATTERN OF SHAREHOLDING

The Pattern of shareholding of the Bank as at December 31, 2014 as required under section 236 of the Companies Ordinance 1984 is as follows;

**SHAREHOLDING**

No. of Shareholders	From	To	Total shares held
2	1	5,000,000	5,500,000
2	5,000,001	20,000,000	30,165,033
3	20,000,001	35,000,000	84,206,439
1	35,000,001	65,000,000	50,628,528
<b>8</b>			<b>170,500,000</b>

**CATEGORIES OF SHAREHOLDERS**

Particular	Number	Shares held	Percentage
Individual	-	-	-
Joint Stock Companies	-	-	-
Financial Institutions	4	86,128,528	51%
Others	4	84,371,472	49%

**SHAREHOLDERS HOLDING ABOVE 10% OF VOTING SHARES ARE**

Shareholder	Shares
United Bank Limited	50,628,528
Habib Bank Limited	30,000,000
Rural Impulse Fund II S.A SICAV-FIS	29,849,631
Shorecap II Limited	24,356,808
<b>Total Shares</b>	<b>134,834,967</b>

**AUDITORS**

The present auditors of the Bank BDO Ebrahim & Co Chartered Accountants retire and being eligible, offer themselves for re-appointment in the forthcoming Annual General Meeting. The Board of Directors on the recommendations of the Board Audit Committee recommends BDO Ebrahim & Co Chartered Accountants as auditors of the bank for the next year.

**APPRECIATION AND ACKNOWLEDGEMENT**

On behalf of the Board of the Bank, I would like to express my sincere appreciation to the Government, the State Bank of Pakistan, the Securities & Exchange Commission

and other regulatory bodies for their continued support, to the shareholders and customers for their patronage, and to the employees for their commitment.



Chairman  
February 27, 2015



## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Khushhali Bank Limited (the Bank) as at December 31, 2014 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Bank's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Microfinance Institutions Ordinance, 2001 and the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we state that: -

- (a) in our opinion, proper books of accounts have been kept by the Bank as required by the Companies Ordinance, 1984;
- (b) in our opinion:-
  - (i) the balance sheet, profit and loss account and statement of comprehensive income together with the notes thereon have been drawn up in conformity with the requirements of Microfinance Institutions Ordinance, 2001 and Companies Ordinance, 1984, and are in agreement with the books of account and are

further in accordance with accounting policies consistently applied;

- (ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
- (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank.
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Microfinance Institutions Ordinance, 2001 and the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at December 31, 2014 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr 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 financial statements of the Bank for the year ended December 31, 2013 were audited by another firm of chartered accountants who had expressed unqualified opinion vide their report dated February 21, 2014.

*Abdul Qadeer*

Chartered Accountants  
Islamabad: February 27, 2015  
Engagement Partner: Abdul Qadeer

## Balance Sheet as at December 31, 2014

	Note	2014 Rupees	2013 Rupees
<b>ASSETS</b>			
Cash and balances with SBP and NBP	7	701,035,923	617,891,684
Balances with other Banks/ NBFIs/ MFBs	8	353,300,758	311,548,449
Lending to financial institutions	9	417,604,032	942,371,214
Investments	10	836,886,573	1,038,900,528
Advances - net of provisions	11	12,105,839,126	8,756,895,434
Operating fixed assets	12	322,919,698	275,183,756
Other assets	13	1,871,176,573	1,247,439,984
Deferred tax asset	14	83,670,995	99,425,493
<b>TOTAL ASSETS</b>		<b>16,692,433,678</b>	<b>13,289,656,542</b>
<b>LIABILITIES</b>			
Deposits	15	8,682,472,759	7,132,919,239
Borrowings	16	3,729,876,872	2,746,106,352
Other liabilities	17	993,956,438	651,752,959
<b>TOTAL LIABILITIES</b>		<b>13,406,306,069</b>	<b>10,530,778,550</b>
<b>NET ASSETS</b>		<b>3,286,127,609</b>	<b>2,758,877,992</b>
<b>REPRESENTED BY:</b>			
Share capital	18	1,705,000,000	1,705,000,000
Statutory reserve	6.11	421,786,588	281,144,239
Capital reserve	6.12	24,255,224	24,255,224
Unappropriated profit		1,134,321,734	738,853,220
Surplus on revaluation of investments		97,802	3,235,008
		3,285,461,348	2,752,487,691
Deferred grants	20	666,261	6,390,301
<b>TOTAL CAPITAL</b>		<b>3,286,127,609</b>	<b>2,758,877,992</b>
<b>MEMORANDUM / OFF BALANCE SHEET ITEMS</b>	21	-	-

The annexed notes from 1 to 44 form an integral part of these financial statements.

  
PRESIDENT

  
CHAIRMAN

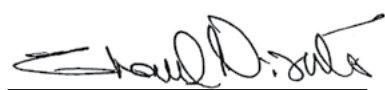
  
DIRECTOR

  
DIRECTOR

## Profit and Loss Account for the year ended December 31, 2014

	Note	2014 Rupees	2013 Rupees
Mark-up/ return/ interest earned	22	3,129,490,001	2,278,272,669
Mark-up/ return/ interest expensed	23	809,557,429	615,348,050
Net mark-up/ interest income		2,319,932,572	1,662,924,619
Provision against non-performing advances	11.5	154,534,663	169,122,689
Bad debts written off directly	11.6	3,151,806	-
Net mark-up/ interest income after provisions		2,162,246,103	1,493,801,930
<b>NON MARK-UP/ NON INTEREST INCOME</b>			
Fee, commission and brokerage income	24	477,886,909	325,012,217
Other income	25	216,809,967	258,881,703
Total non mark-up/ non interest income		694,696,876	583,893,920
		2,856,942,979	2,077,695,850
<b>NON MARK-UP/ NON INTEREST EXPENSES</b>			
Administrative expenses	26	1,889,831,823	1,522,833,781
Other provisions	13	4,876,387	5,596,560
Other charges	27	19,824,946	11,313,441
Total non-mark-up/ non interest expense		1,914,533,156	1,539,743,782
<b>PROFIT BEFORE TAXATION</b>		<b>942,409,823</b>	<b>537,952,068</b>
<b>TAXATION</b>			
Current		233,789,862	141,717,168
Prior year		(24,697,464)	-
Deferred		30,105,678	33,036,894
	28	239,198,076	174,754,062
<b>PROFIT AFTER TAXATION</b>		<b>703,211,747</b>	<b>363,198,006</b>
Unappropriated profit brought forward		738,853,220	525,770,167
Profit available for appropriation		1,442,064,967	888,968,173
<b>APPROPRIATIONS:</b>			
<b>Transfer to:</b>			
Statutory reserve	6.11	140,642,349	72,639,601
Microfinance Social Development Fund	6.14	70,321,175	36,319,801
Depositors' Protection Fund	6.14	35,160,587	18,159,900
Risk Mitigation Fund	6.14	35,160,587	18,159,900
		281,284,698	145,279,202
<b>UNAPPROPRIATED PROFIT</b>		<b>1,160,780,269</b>	<b>743,688,971</b>
<b>EARNINGS PER SHARE - BASIC AND DILUTED</b>	34	<b>3.30</b>	<b>1.70</b>

The annexed notes from 1 to 44 form an integral part of these financial statements.

  
PRESIDENT

  
CHAIRMAN

  
DIRECTOR

  
DIRECTOR

## Statement of Comprehensive Income for the year ended December 31, 2014

	Note	2014 Rupees	2013 Rupees
<b>Profit for the year</b>		703,211,747	363,198,006
<b>Other comprehensive income - net of tax</b>			
Items that will not be reclassified to profit and loss			
Remeasurement loss on post employment benefit obligation		(39,191,366)	(20,031,976)
Tax credit relating to remeasurement loss on post employment benefit obligation	14.1	12,732,831	6,810,872
		(26,458,535)	(13,221,104)
Available for sale financial assets			
(Deficit) /surplus on revaluation of available for sale investments		(4,755,555)	3,114,166
Deferred tax asset / (liability) on surplus for available for sale investment	14.1	1,618,349	(1,040,943)
		(3,137,206)	2,073,223
		(29,595,741)	(11,147,881)
Items that may be subsequently reclassified to profit and loss		-	-
<b>Total comprehensive income for the year</b>		<b>673,616,006</b>	<b>352,050,125</b>

Surplus/(deficit) on revaluation of available for sale investments is charged through statement of comprehensive income in accordance with the R -11('c) "Treatment of Surplus/(deficit)" of the Prudential Regulations (PR) for Microfinance Banks dated June 10, 2014 issued by the State Bank of Pakistan.

The annexed notes from 1 to 44 form an integral part of these financial statements.

  
PRESIDENT

  
CHAIRMAN

  
DIRECTOR

  
DIRECTOR



## Cash Flow Statement for the year ended December 31, 2014

	Note	2014 Rupees	2013 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Loss before changes in operating assets / liabilities	29	(1,075,672,391)	(846,670,742)
(Increase) / decrease in operating assets			
Advances		(3,503,478,355)	3,208,986,492)
Other assets		(326,443,689)	17,103,014
Increase / (decrease) in operating liabilities			
Deposits		1,549,553,520	3,092,272,247
Other liabilities		56,256,613	8,930,927
		(2,224,111,911)	(90,680,304)
Cash flow from operations		(3,299,784,302)	(937,351,046)
Markup received on advances		2,693,869,463	1,738,879,770
Interest received on investments and deposit accounts		130,970,232	144,363,894
Indirect cost received from USAID		3,601,122	13,683,163
Interest paid on borrowings and deposits		(781,382,601)	(607,162,077)
Contributions to defined benefit plan		(37,302,605)	(40,811,130)
Income taxes paid		(132,388,233)	(13,075,010)
		1,877,367,378	1,235,878,610
Net cash (used in) / generated from operating activities		(1,422,416,924)	298,527,564
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
(Investments in)/encashment of available for sale securities - net		197,258,400	7,729,700
Purchase of operating fixed assets		(169,067,890)	(67,429,578)
Sale proceeds against disposal of operating fixed assets		10,585,260	31,218,725
Net cash inflow / (outflow) from investing activities		38,775,770	(28,481,153)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Borrowings / (repayments) during the year - net		983,770,520	(263,729,480)
Net cash inflow / (outflow) from financing activities		983,770,520	(263,729,480)
Net (decrease) / increase in cash and cash equivalents		(399,870,634)	6,316,931
Cash and cash equivalents at beginning of the year		1,871,811,347	1,865,494,416
Cash and cash equivalents at end of the year	30	1,471,940,713	1,871,811,347

The annexed notes from 1 to 44 form an integral part of these financial statements.

  
PRESIDENT

  
CHAIRMAN

  
DIRECTOR

  
DIRECTOR

## Statement of Changes in Equity for the year ended December 31, 2014

Note	Share Capital	Statutory Reserve	Capital Reserve	Reserve for Contingencies	Surplus on Revaluation of Investments	Unappropriated Profit	Rupees	
							Total	Total
	1,705,000,000	208,504,638	24,255,224	8,385,353	-	525,770,167	2,471,915,382	1,161,785
42	-	-	-	-	1,161,785	-	-	-
Balance as at December 31, 2012	-	-	-	-	-	363,198,006	363,198,006	(11,147,881)
Prior year reclassification	-	-	-	-	2,073,223	(13,221,104)	(11,147,881)	-
Total comprehensive income for the year	-	-	-	-	2,073,223	349,976,902	352,050,125	-
Profit for the year	-	-	-	-	-	8,385,353	-	-
Other comprehensive income	-	-	-	(8,385,353)	-	-	-	-
Transferred from reserve for contingencies to unappropriated profit	-	-	-	-	-	-	-	-
Transfer to:	-	-	-	-	-	-	-	-
Statutory Reserve	-	72,639,601	-	-	-	(72,639,601)	-	-
Microfinance Social Development Fund	-	-	-	-	-	(36,319,801)	(36,319,801)	-
Risk Mitigation Fund	-	-	-	-	-	(18,159,900)	(18,159,900)	-
Depositors' Protection Fund	-	-	-	-	-	(18,159,900)	(18,159,900)	-
Balance as at December 31, 2013	1,705,000,000	281,144,239	24,255,224	-	3,235,008	738,853,220	2,752,487,691	-
Total comprehensive income for the year	-	-	-	-	-	703,211,747	703,211,747	(29,595,741)
Profit for the year	-	-	-	-	(3,137,206)	(26,458,535)	(29,595,741)	-
Other comprehensive income	-	-	-	-	(3,137,206)	676,753,212	673,616,006	-
Transfer to:	-	-	-	-	-	-	-	-
Statutory Reserve	-	140,642,349	-	-	-	(140,642,349)	-	-
Microfinance Social Development Fund	-	-	-	-	-	(70,321,175)	(70,321,175)	-
Risk Mitigation Fund	-	-	-	-	-	(35,160,587)	(35,160,587)	-
Depositors' Protection Fund	-	-	-	-	-	(35,160,587)	(35,160,587)	-
Balance as at December 31, 2014	1,705,000,000	421,786,588	24,255,224	-	97,802	1,134,321,734	3,285,461,348	-

The annexed notes from 1 to 44 form an integral part of these financial statements.



CHAIRMAN



DIRECTOR



DIRECTOR



PRESIDENT

## Notes to the Financial Statements for the year ended December 31, 2014

### 1. STATUS AND NATURE OF BUSINESS

Khushhali Bank (KB) came into existence with the promulgation of the Khushhali Bank Ordinance, 2000 as a corporate body with limited liability on August 4, 2000. It commenced its business with the issuance of license by the State Bank of Pakistan (SBP) on August 11, 2000. KB was established to mobilize funds for providing microfinance services to poor persons, particularly poor women for mitigating poverty and promoting social welfare and economic justice through community building and social mobilization with the ultimate objective of poverty alleviation.

In pursuance of the requirements of improving Access of Financing Service Program (IAFSP) Agreement signed in 2008 between the Government of Pakistan (GOP) and Asian Development Bank, all microfinance institutions in Pakistan including KB were required to operate under Microfinance Institutions Ordinance, 2001.

Consequently, with the approval of SBP, the Khushhali Bank Limited (the Bank) was incorporated as a public company with Securities and Exchange Commission of Pakistan (SECP) and Certificate of Incorporation was issued under the Companies Ordinance, 1984 on February 28, 2008.

On March 18, 2008, SBP sanctioned a scheme for transfer of assets, liabilities and undertaking of KB into the Bank with effect from April 1, 2008, a microfinance institution licensed under the Microfinance Institution Ordinance, 2001.

In accordance with the scheme of conversion all assets and liabilities of KB were transferred to the Bank at their respective book values on the audited accounts of KB as of March 31, 2008.

On June 4, 2012, a consortium led by United Bank Limited and comprising ASN-NOVIB Mikrokredietfonds (Triple Jump B.V), Credit Suisse Microfinance Fund Management Company (ResponsAbility Global Microfinance Fund), Rural Impulse Fund II S.A. SICAS-FIS (Incofin Investment Management Comm.VA), and ShoreCap II Limited (Equator Capital Partners LLC) acquired 67.4% equity stake in KBL from a selling consortium comprising of eleven shareholders. In view of the changes in the shareholding, a new microfinance banking license was issued on November 19, 2012 by SBP to the Bank.

The Bank's registered office and principal place of business is situated at 94-West Jinnah Avenue, Blue Area, Islamabad. The Bank had 118 branches in operation as at December 31, 2014 (December 31, 2013: 110 branches) and is licensed to operate nationwide.

### 2. BASIS OF PRESENTATION

These financial statements have been presented in accordance with the requirements of format prescribed by the SBP Banking Supervision Department (BSD) Circular number 11 dated December 31, 2003. Additional disclosures have been presented in compliance with Microfinance Consensus Guidelines issued by Consultative Group to Assist the Poor (CGAP) July, 2003.

### 3. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan, requirements of the Companies Ordinance, 1984 and Microfinance Institutions Ordinance, 2001. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by International Accounting Standard Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued by SECP and the SBP. In case requirements differ, the provisions or the directives of the Companies Ordinance, 1984, Microfinance Institutions Ordinance, 2001 or the requirements of the directives issued by SECP and the SBP shall prevail.

SBP has clarified that International Accounting Standard 39, "Financial Instruments: Recognition and

Measurement” and International Accounting Standard 40, “Investment Property” are not applicable to the Bank. Accordingly, the requirements of these Standards have not been considered in the preparation of these financial statements.

#### 4. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention as modified for obligations under employee retirement benefits, which are measured at present value and investments available for sale, which are measured at mark-to-market basis.

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the use of certain accounting estimates and judgments in application of accounting policies. The area involving a high degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 6.30.

#### 5. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation		Effective date (annual periods beginning on or after)
IFRS 10	Consolidated Financial Statements	January 01, 2015
IFRS 11	Joint Arrangements	January 01, 2015
IFRS 12	Disclosure of Interests in Other Entities	January 01, 2015
IFRS 13	Fair Value Measurement	January 01, 2015
IAS 1	Presentation of Financial Statements – Disclosure Initiative (Amendment)	January 01, 2016
IAS 16 & 38	Property, Plant and Equipment & intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)	January 01, 2016
IAS 16 & 41	Property, Plant and Equipment & Agriculture: Agriculture: Bearer Plants (Amendment)	January 01, 2016
IAS 19	Employee Benefits – Defined Benefit Plans: Employee Contributions (Amendment)	July 01, 2014

The Bank is currently evaluating the impact of the above standards and amendments on the Bank’s financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after July 1, 2014. The Bank expects that such improvements to the standards will not have any impact on the Bank’s financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	Effective date (annual periods beginning on or after)	
IFRS 9	Financial Instruments: Classification and Measurement	January 01, 2018
IFRS 14	Regulatory Deferral Accounts	January 01, 2016
IFRS 15	Revenue from Contracts with Customers	January 01, 2017

#### 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 6.1 Cash and cash equivalents

Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amount of cash and subject to an insignificant risk of changes in value.

### 6.2 Sale and repurchase agreements

Securities sold under repurchase agreement (repo) are retained in the financial statements as investments and a liability for consideration received is included in borrowings. Conversely, consideration for securities purchased under resale agreement (reverse repo) is included in lending to financial institutions. The difference between sale and repurchase / purchase and resale price is treated respectively as return expensed and earned. Repo and reverse repo balances are reflected under borrowings from and lending to financial institutions respectively.

### 6.3 Investments

All purchases and sale of investments are recognized using settlement date accounting. Settlement date is the date on which investments are delivered to or by the Bank. All investments are derecognized when the right to receive economic benefits from the investments has expired or has been transferred and the Bank has transferred substantially all the risks and rewards of ownership.

**Investments are classified as follows:**

#### a) Held for trading investments

All purchases and sale of investments are recognized using settlement date accounting. Settlement date is the date on which investments are delivered to or by the Bank. All investments are derecognized when the right to receive economic benefits from the investments has expired or has been transferred and the Bank has transferred substantially all the risks and rewards of ownership.

#### b) Available for sale investments

Investments which may be sold in response to need for liquidity or changes in interest rates, exchange rates or equity prices are classified as available for sale. Available for sale investments are initially recognized at cost and subsequently measured at mark-to-market basis.

The surplus/ (deficit) arising on revaluation of available for sale investments is carried as "surplus/ (deficit) on revaluation of assets" through statement of comprehensive income and also shown in the balance sheet below equity. The surplus/ (deficit) arising on these investments is taken to the profit and loss account, when actually realized upon disposal.

On reclassification of an investment from the available for sale category, the investment is reclassified at its fair value on the date of reclassification. This fair value becomes its new cost or amortized cost, as applicable. For investments with fixed maturity, any gain or loss previously recognised in "surplus/ (deficit) on revaluation of assets" is amortized to profit and loss over the remaining life of the investment using the effective interest method and if the investment does not have a fixed maturity, the gain or loss previously recognized in "surplus/ (deficit) on revaluation of assets" is recognized in profit and loss when the investment is sold or disposed off.

#### c) Held to maturity investments

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. 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.

Premium or discount on acquisition of held to maturity investments are amortized through profit and loss account over the remaining period, using the effective interest rate method.

#### 6.4 Advances

Advances are stated net of provisions for non-performing advances. Advances that are overdue for 30 days or more are classified as non-performing and divided into following categories:

##### a) Other Assets Especially Mentioned (OAEM)

Advances in arrears for 30 days or more but less than 60 days.

##### b) Substandard

Advances in arrears for 60 days or more but less than 90 days.

##### c) Doubtful

Advances in arrears for 90 days or more but less than 180 days.

##### d) Loss

Advances in arrears for 180 days or more.

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

In accordance with the Prudential Regulations (the Regulations) for Microfinance Banks issued by SBP, the Bank maintains specific provision for potential loan losses for all non-performing advances net of cash and gold collaterals realizable without recourse to a Court of Law at the following rates:

OAEM	Nil
Substandard	25%
Doubtful	50%
Loss	100%

In addition, minimum 1% general provision required under the Regulations is calculated on outstanding advances net of specific provision. However, general provision is not required in cases wherein loans have been secured against gold or other cash collateral with appropriate margin.

General and specific provisions are charged to the profit and loss account.

In accordance with the Regulations, non-performing advances are written-off one month after the loan is categorized as Loss. However, the Bank continues its efforts for recovery of the written-off balances.

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. The classification made as per Regulations is not changed due to such rescheduling. The accrued markup till the date of rescheduling is received prior to such rescheduling.

#### 6.5 Operating fixed assets

##### Capital work in progress

Capital work in progress is stated at cost less impairment losses (if any). Items are transferred to operating fixed assets as and when they are available for use.

### Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset and the costs of dismantling and removing the items and restoring the site on which they are located, if any.

Depreciation is charged on the straight line basis at rates specified in note 12.2 to the financial statements, so as to write off the cost of assets over their estimated useful lives. Full month's depreciation is charged in the month of capitalization and no depreciation is charged in the month of disposal.

Subsequent costs are included in the assets carrying amount when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. Carrying amount of the replaced part is derecognized. All other repair and maintenance are charged to income during the period.

Gains and losses on disposal of property and equipment are taken to the profit and loss account.

### Intangible assets

An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and that the cost of such asset can also be measured reliably. These are stated at cost less accumulated amortization and impairment losses, if any.

Intangible assets comprise of computer software and related applications. Intangible assets are amortized over their estimated useful lives at rate specified in note 12.3.1 to the financial statements. Subsequent expenditure is capitalized only when it increases the future economic benefit embodied in the specific asset to which it relates. All other expenditure is recognized in profit and loss account as incurred.

#### 6.6 Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

#### 6.7 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.

#### 6.8 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the

tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities where there is an intention to settle the balances on a net basis.

## 6.9 Employee benefits

Salaries, wages and benefits are accrued in the period in which the associated services are rendered by employees of the Bank.

The Bank operates an approved funded gratuity scheme for all eligible employees completing the minimum qualifying period of one year of service. In accordance with the gratuity scheme eligible salary constitute the basic salary for the service uptill July 26, 2004 and gross salary for service thereafter which is paid to the employee on the basis of period in service. The defined benefit obligation is calculated annually using the projected unit credit method. The present value of defined obligation is determined by discounting the estimated market yield on Government bonds and have terms to maturity approximating to the terms of the related liability. The Bank has a policy of carrying out actuarial valuations annually with the assistance of independent actuarial appraisers. The latest actuarial valuation was carried out on December 31, 2014.

The remeasurement gains and losses are recognized immediately in other comprehensive income (OCI). Further, past service costs are recognized in profit and loss account in the year in which they arise.

## 6.10 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.

## 6.11 Statutory reserve

In compliance with the requirements of Regulation 4 (2013: Regulation 7), the Bank is required to maintain a 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.

## 6.12 Capital reserve

Pursuant to the Scheme of conversion, as explained in note 1 to the financial statements, the unappropriated profit of KB has been treated as Capital reserve of the Bank.

## 6.13 Reserve for contingencies

Reserve for contingencies was created against risk associated with assets comprising of advances, as a matter of prudence and to comply with the additional requirements of Asian Development Bank (ADB) for the first five years of KB operations which were completed on February 6, 2006.

## 6.14 Contributions

In pursuance of the requirement of Microfinance Sector Development Program (Schedule-6 Loan # 1806-Pak), Fund Rules and "Report and Recommendation of the President to the Board of Asian Development Bank" and as confirmed by the SBP vide its letter dated February 17, 2015, the Bank contributes an aggregate of 20% of its annual profit after tax to the following three funds;



Depositor's Protection Fund	5% of the profit after tax
Risk Mitigation Fund	5% of the profit after tax
Microfinance Social Development Fund	10% of the profit after tax

#### 6.15 Cash reserve

In compliance with the Regulations, the Bank maintains a cash reserve equivalent to not less than 5% of its time and demand liabilities in a current account opened with the State Bank of Pakistan.

#### 6.16 Statutory liquidity requirement

The Bank maintains liquidity equivalent to at least 10% of its time and demand deposits in the form of liquid assets i.e. cash, gold and unencumbered approved securities.

#### 6.17 Grants

Grants that compensate the Bank for expenses incurred are recognised in the profit and loss account as other operating income on a systematic basis in the same periods in which the expenses are incurred.

Grants that compensate the Bank for the cost of an asset are recognized in the profit and loss account as other operating income on a systematic basis over the useful life of the asset.

The grant related to an asset is recognised in the balance sheet initially as deferred income when there is reasonable assurance that it will be received and that the Bank will comply with the conditions attached to it.

#### 6.18 Revenue recognition

Mark-up/ return on advances is recognized on accrual/ time proportion basis, except for income, if any, which warrants suspension in compliance with the Regulations. Mark-up recoverable on non-performing advances is recognized on a receipt basis in accordance with the requirements of the Regulations. Loan processing fee is recognized as income on the approval of loan application of borrowers.

Mark-up/ return on investments is recognised on time proportion basis using effective interest method. Where debt securities are purchased at premium or discount, those premiums/ discounts are amortized through the profit and loss account over the remaining period of maturity.

Income from interbank deposits in saving accounts is recognized in the profit and loss account as it accrues using the effective interest method.

Gains and losses on sale of investments and operating assets are recognised in profit and loss account currently.

#### 6.19 Borrowing costs

Borrowings are recorded at the amount of proceeds received.

The cost of borrowings is recognized on an accrual basis as an expense in the period in which it is incurred.

#### 6.20 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Bank leases certain property and equipment. Leases of property and equipment where the Bank has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present

value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

## 6.21 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 cost, as the case may be.

### Financial assets

Financial assets are cash and balances with SBP and NBP, balances with other banks, lending to financial institutions, 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 classified as available for sale are valued at mark-to-market basis and investments classified as held to maturity are stated at amortized cost.

### Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangement entered into. Financial liabilities include 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 derecognition of the financial assets and liabilities is included in the net profit and loss for the period in which it arises.

## 6.22 Impairment – financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and the reversal is recognized in profit and loss account.

## 6.23 Off-setting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Income and expense items of such assets and liabilities are also off-set and the net amount is reported in the financial statements.

#### 6.24 Foreign currency translation

##### a) Functional and presentation currency

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the Bank operates (the functional currency) which is Pak Rupees. The financial statements are also presented in Pak Rupees, which is the Bank's presentation currency.

##### b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss account.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss.

#### 6.25 Provisions

Provisions are recognized when the Bank has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate of the amount can be made.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

#### 6.26 Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Bank. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

#### 6.27 Related party transactions

Transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation modes as admissible.

#### 6.28 Earnings per share

The Bank presents earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by weighted average number of ordinary shares outstanding during the period.

#### 6.29 Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing particular products or services (business segment), or in providing product or services within a particular economic environment (geographical segment), and is subject to risk and rewards that are different from those of other segments.

The Bank has only one reportable segment.

### 6.30 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain accounting estimates and assumptions. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where assumptions and estimates are significant to the Bank's financial statements or where judgment is exercised in application of accounting policies are as follows:

a) Operating fixed assets

The Bank reviews useful life and residual value of operating fixed assets on regular basis. Any change in estimates may affect the carrying amounts of the respective items of operating fixed assets with a corresponding effect on the depreciation charge.

b) Provision for income taxes

The Bank recognizes tax liabilities for pending tax assessments using estimates based on expert opinion obtained from tax/legal advisors. Differences, if any, between the income tax provision and the final tax liability is recorded when such liability is determined. Deferred income tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

c) Staff retirement benefits

Actuarial valuation of gratuity contributions requires use of certain assumptions related to future periods including increase in remuneration, expected long term return on plan assets and the discount rate used to convert future cash flows to current values. Actuarial gains and losses arising from changes in actuarial assumptions in excess of the corridor limit as defined in IAS 19 are taken in the profit and loss account over the expected average remaining service life of employees.

d) Classification of investments

The classification of investments between different categories depends upon management's intentions to hold those investments. Any change in the classification of investments may affect their carrying amounts with a corresponding effect on the return and unrealized surplus/(deficit) on these investments.

e) Provision against advances

The Bank maintains a provision against advances as per the requirements of the Regulations and assesses the adequacy of provision against delinquent portfolio. Any change in the criteria/rate for provision may affect the carrying amount of the advances with a corresponding effect on the markup/ interest earned and provision charge.

f) Provision and contingent liabilities

The management exercises judgment in measuring and recognizing provisions and exposures to contingent liabilities related to pending litigations or other outstanding claims. Judgment is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement. Because of inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provision.

	Note	2014 Rupees	2013 Rupees
<b>7. CASH AND BALANCES WITH SBP AND NBP</b>			
Cash in hand			
Local currency		394,304,188	372,773,152
Balances with State Bank of Pakistan (SBP) in:			
Local currency current accounts	7.1	304,933,441	243,218,245
Balances with National Bank of Pakistan (NBP) in:			
Local currency current accounts		1,548,228	904,357
Local currency deposit accounts	7.2	250,066	995,930
		1,798,294	1,900,287
		<u>701,035,923</u>	<u>617,891,684</u>

**7.1** This represents balance held with SBP to meet the requirement of maintaining minimum balance equivalent to 5% (2013: 5%) of the Bank's time and demand deposits with a tenure of less than one year, in accordance with regulation R- 3A (2013: 6A) of the Regulations.

**7.2** This represents balances held in savings accounts carrying interest at the rate of 6% (2013: 6%) per annum.

	Note	2014 Rupees	2013 Rupees
<b>8. BALANCES WITH OTHER BANKS/ NBFIs/ MFBs</b>			
In Pakistan			
Local currency current accounts		314,480,500	277,708,189
Local currency deposit accounts	8.1	38,820,258	33,840,260
		<u>353,300,758</u>	<u>311,548,449</u>

**8.1** This represents balances held in savings accounts carrying interest at rates ranging from 6% to 8% (2013: 6% to 8%) per annum.

	Note	2014 Rupees	2013 Rupees
<b>9. LENDING TO FINANCIAL INSTITUTIONS</b>			
Repurchase agreement lending (reverse repo)	9.1	417,604,032	942,371,214
Clean lending	9.2	-	100,000,000
Provision for impairment		-	(100,000,000)
		<u>417,604,032</u>	<u>942,371,214</u>

**9.1** This represents reverse repo carrying interest at rate 9.50% (2013: ranging from 9.85% to 10.20%) per annum and maturing by January 02, 2015 (2013: by January 10, 2014).

## 9.1.1 Securities held as collateral against lending to financial institutions - reverse repo

	2014			2013		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	Rupees			Rupees		
Market Treasury Bills ( T-Bills)	432,000,000	-	432,000,000	951,000,000	-	951,000,000

9.2 This represents amount placed with Innovative Investment Bank Limited - IIBL (formerly Innovative Housing Finance Limited (IHFL) and Crescent Standard Investment Bank Limited). The amount was initially given as a clean lending and then rolled over on maturity dates due to liquidity problems of IIBL. On June 30, 2007, the Bank entered into an agreement with IIBL under which the principal amount was restructured for a period of seven years, with two years grace period, from the date of the agreement. Pursuant to the agreement, the principal was repayable by IIBL in 10 equal biannual installments, starting from December 31, 2009. IIBL was also required to pay markup on quarterly basis at the rate of 5% per annum calculated on the outstanding principal after the expiry of the grace period. On the due date of the first installment, IIBL defaulted its payment due to liquidity problems. IIBL was unable to meet equity requirements as per NBFC's Regulations 2008 after which the SECP filed its winding up petition in the Honorable Lahore High Court (LHC). The LHC appointed official liquidator of IIBL which has undertaken the process of liquidation and distribution of the assets in accordance with the law. During the year this has been written off against provision created in prior year.

	Note	2014 Rupees	2013 Rupees
<b>10. INVESTMENTS</b>			
Available for sale securities			
Federal Government securities			
Market Treasury Bills (T-Bills)	10.1	836,740,600	833,999,000
Other investments			
Mutual funds	10.2	-	200,000,000
		<u>836,740,600</u>	<u>1,033,999,000</u>
Net surplus on revaluation of available for sale securities	10.3	145,973	4,901,528
		<u>836,886,573</u>	<u>1,038,900,528</u>

10.1 This represents T-bills ranging from 84 days to 85 days (2013: 84 days to 364 days) carrying interest at rates ranging from 9.88% to 9.96% (2013: 9.34% to 9.82%) per annum.

10.2 Corresponding figures represents units held in UBL Liquidity Plus Fund and NAFA Money Market Fund as tabulated below:

	UBL Liquidity Plus Fund	NAFA Money Market Fund
Units purchased	996,143	9,984,424
Bonus units	46,434	131,407
Units held at year end	<u>1,042,577</u>	<u>10,115,831</u>
Purchase price per unit	100.3872	10.0156
Market price per unit at year end	100.5746	10.0096

- 10.3** In accordance with Regulation R-11C (2013: 12C), available for sale securities have been valued on mark-to-market basis and the resulting surplus/ (deficit) is kept in a separate account titled 'surplus on revaluation of investments' and is charged through statement of comprehensive income as explained in note 42 of these financial statements.

## 11. ADVANCES - NET OF PROVISIONS

Loan type	Note	2014		2013	
		Number of loans outstanding	Amount outstanding	Number of loans outstanding	Amount outstanding
		Rupees		Rupees	
Micro credit					
Secured		40,679	2,847,567,254	30,782	2,149,053,379
Unsecured	11.1 & 11.2	427,690	9,377,754,493	378,228	6,692,638,835
		468,369	12,225,321,747	409,010	8,841,692,214
Less: Provisions held					
Specific provision		4,972	(29,121,069)	4,608	(19,806,589)
General provision	11.3	428,962	(103,291,965)	377,687	(82,703,240)
			(132,413,034)		(102,509,829)
Micro credit advances - net of provisions			12,092,908,713		8,739,182,385
Staff loans - secured	11.10	269	12,930,413	220	17,713,049
Advances - net of provisions		468,638	12,105,839,126	409,230	8,756,895,434

- 11.1** This includes rescheduled micro credit advances having aggregate amount of Rs. Nil (2013: Rs. 0.29 million) related to branches affected from flood/ rain.
- 11.2** This includes 86 number of loans (2013: Nil) amounting to Rs. 18.25 million (2013: Nil) backed by USAID guarantee of 50% of outstanding principal for qualifying borrowers.
- 11.3** General provision is maintained at the rate of 1.08% (2013: 1.23%) of micro credit advances other than those secured against gold and other cash collaterals net of specific provision. This includes provision amounting to Rs. 7.00 million (2013: Rs. 15.51 million) against unsecured micro credit advances in addition to the minimum requirements of Prudential Regulations to prudently manage credit risk of the Bank.

### 11.4 Particulars of non-performing advances

Advances include principal amount of Rs. 113.0 million and interest /markup of Rs. 23.0 million (2013: principal amount of Rs. 69.7 million and interest /markup Rs. 12.2 million) which, as detailed below, have been placed under non-performing status.

Category of classification	2014			2013			
	Amount outstanding	Provisions required	Provisions held	Amount outstanding	Provisions required	Provisions held	
		Rupees			Rupees		
OAEM	68,929,174	-	-	37,263,490	-	-	
Sub-standard	23,711,631	4,466,411	4,466,411	14,895,887	2,913,170	2,913,170	
Doubtful	23,533,880	9,404,091	9,404,091	17,639,791	7,439,658	7,439,658	
Loss	19,843,739	15,250,567	15,250,567	12,040,070	9,453,761	9,453,761	
	136,018,424	29,121,069	29,121,069	81,839,238	19,806,589	19,806,589	

**11.5 Particulars of provisions against non-performing advances**

	2014			2013		
	Specific	General	Total	Specific	General	Total
	Rupees			Rupees		
Balance at beginning of the year	19,806,589	82,703,240	102,509,829	17,223,387	71,320,524	88,543,911
Provision charge for the year	133,945,938	20,588,725	154,534,663	157,739,973	11,382,716	169,122,689
Advances written off against provision	(124,631,458)	-	(124,631,458)	(155,156,771)	-	(155,156,771)
Balance at end of the year	<u>29,121,069</u>	<u>103,291,965</u>	<u>132,413,034</u>	<u>19,806,589</u>	<u>82,703,240</u>	<u>102,509,829</u>

**11.6 Particulars of write offs**

	Note	2014 Rupees	2013 Rupees
Against provisions			
Related to rescheduled advances		298,500	11,694,184
Related to other classified advances		124,332,958	143,462,587
		124,631,458	155,156,771
Bad debts written off directly	11.6.1	3,151,806	-
		<u>127,783,264</u>	<u>155,156,771</u>

**11.6.1** This represents write offs against secured micro credit advances which were not recovered through sale of its collaterals in case of default loans.

**11.7 Portfolio quality report**

The Bank's main measure of loan delinquency is an aged portfolio-at-risk ratio. Loans are separated into classes depending on the number of days they are over-due. For each of such class of loan, the outstanding principal balance of such loan class is divided by the outstanding principal balance of the gross loan portfolio before deducting allowance for non-performing advances. Loans are considered overdue if any payment has fallen due and remained unpaid. Loans payment are applied first to any interest due, then to any installment of principal that is due but unpaid, beginning with the earliest such installment. The number of days of delay is based on the due date of the earliest loan installment that has not been fully paid. Late payment surcharge/penalty on overdue advances is not added to principal.

Normal Loans	2014		2013	
	Amount Rupees	Portfolio at Risk	Amount Rupees	Portfolio at Risk
Current	12,055,328,748	-	8,742,432,436	-
1 - 29 days late	57,020,036	0.47%	29,309,947	0.33%
30 - 59 days late	57,834,069	0.47%	31,785,867	0.36%
60 - 89 days late	19,968,762	0.16%	12,982,261	0.15%
90 - 179 days late	19,903,004	0.16%	15,429,442	0.17%
More than 179 days late	15,267,128	0.12%	9,453,761	0.11%
	<u>12,225,321,747</u>	<u>1.38%</u>	<u>8,841,393,714</u>	<u>1.12%</u>
<b>Rescheduled Loans</b>				
Current	-	-	236,855	-
1 - 29 days late	-	0.00%	61,645	0.00%
30 - 59 days late	-	0.00%	-	0.00%
60 - 89 days late	-	0.00%	-	0.00%
90 - 179 days late	-	0.00%	-	0.00%
More than 179 days late	-	0.00%	-	0.00%
	-	0.00%	298,500	0.00%
Total	<u>12,225,321,747</u>	<u>1.38%</u>	<u>8,841,692,214</u>	<u>1.12%</u>



## 11.8 Current recovery ratio

The Bank measures loan delinquency using a current recovery ratio. The numerator of this ratio is total cash receipts of principal and mark-up during the reporting period (including advance receipts and late receipts). The denominator is total payments of principal and interest that fell due for the first time during the reporting period, as per the terms of the original loan contract (regardless of any subsequent negotiations). Penalty interest is not included in the numerator or denominator of the ratio.

	Current Recovery Ratio	
	2014	2013
1st quarter	141.6%	126.1%
2nd quarter	172.6%	138.3%
3rd quarter	144.9%	154.9%
4th quarter	164.6%	107.7%
January - December	159.5%	121.0%

11.8.1 Annual loss rate for the year is 0% (2013: 0%) computed using the following formula. The actual loss rate is below 0% due to early repayments of principal outstanding.

$$ALR = (1 - CR) / T \times 2$$

where:

ALR is the annual loss rate

CR is the collection rate in decimal form

T is the loan term expressed in years

## 11.9 Loan loss allowance

	2014				2013			
	Outstanding loan portfolio (principal)		Allowance for loan loss		Outstanding loan portfolio (principal)		Allowance for loan loss	
	Share of total	Rupees	Share of total	Rupees	Share of total	Rupees	Share of total	Rupees
<b>Normal loans</b>								
Current	98.6%	12,055,328,748	-	-	98.9%	8,742,432,436	-	-
1 - 29 days late	0.5%	57,020,036	-	-	0.3%	29,309,947	-	-
30 - 59 days late	0.5%	57,834,069	-	-	0.4%	31,785,867	-	-
60 - 89 days late	0.2%	19,968,762	15.3%	4,466,411	0.1%	12,982,261	14.7%	2,913,170
90 - 179 days late	0.2%	19,903,004	32.3%	9,404,091	0.2%	15,429,442	37.6%	7,439,658
More than 179 days late	0.1%	15,267,128	52.4%	15,250,567	0.1%	9,453,761	47.7%	9,453,761
<b>Rescheduled loans</b>								
Current	0.0%	-	-	-	0.0%	236,855	-	-
1 - 29 days late	0.0%	-	-	-	0.0%	61,645	-	-
30 - 59 days late	0.0%	-	-	-	0.0%	-	-	-
60 - 89 days late	0.0%	-	-	-	0.0%	-	-	-
90 - 179 days late	0.0%	-	-	-	0.0%	-	-	-
More than 179 days late	0.0%	-	-	-	0.0%	-	-	-
	100%	12,225,321,747	100%	29,121,069	100%	8,841,692,214	100%	19,806,589

11.10 This represents general purpose loans to employees of the Bank carrying interest at the rate of 10% (2013: 10%) per annum. These loans are secured against employees' accrued terminal benefits.

## 12 OPERATING FIXED ASSETS

	Note	2014 Rupees	2013 Rupees
Capital work-in-progress	12.1	29,107,497	15,849,803
Property and equipment	12.2	270,450,223	217,139,064
Intangible assets	12.3	23,361,978	42,194,889
		<u>322,919,698</u>	<u>275,183,756</u>

## 12.1 Capital work-in-progress

	Opening balance	Additions	Transferred	Closing balance
Advances to suppliers - software modules	9,549,882	10,319,630	(4,504,076)	15,365,436
Advances to suppliers - operating fixed assets	6,299,921	86,145,892	(78,703,752)	3,742,061
December 31, 2014	15,849,803	96,465,522	(83,207,828)	29,107,497
December 31, 2013	13,150,924	43,429,754	(40,730,875)	5,849,803

This represents advances to suppliers for development of various software modules and purchase of operating fixed assets.

## 12.2 Property and equipment

	Furniture and fixtures	Electrical and office equipment	Computer equipment	Vehicles	Total
<b>Cost</b>					
<b>Rupees</b>					
Balance as at January 1, 2013	155,309,594	185,066,601	177,565,174	172,630,608	690,571,977
Additions	8,831,465	25,167,240	8,735,421	18,612,319	61,346,445
Disposals	(3,397,662)	(15,166,168)	(4,323,756)	(40,486,779)	(63,374,365)
Balance as at December 31, 2013	160,743,397	195,067,673	181,976,839	150,756,148	688,544,057
Balance as at January 1, 2014	160,743,397	195,067,673	181,976,839	150,756,148	688,544,057
Additions	13,912,525	62,357,318	52,616,492	19,443,976	148,330,311
Disposals	(8,516,654)	(7,307,702)	(968,290)	(12,789,680)	(29,582,326)
Balance as at December 31, 2014	166,139,268	250,117,289	233,625,041	157,410,444	807,292,042
<b>Depreciation</b>					
Balance as at January 1, 2013	59,389,593	103,952,229	125,137,716	168,619,890	457,099,428
Depreciation charge	14,893,613	28,973,212	26,360,421	4,498,045	74,725,291
Disposals	(2,078,095)	(14,650,887)	(4,320,785)	(39,369,959)	(60,419,726)
Balance as at December 31, 2013	72,205,111	118,274,554	147,177,352	133,747,976	471,404,993
Balance as at January 1, 2014	72,205,111	118,274,554	147,177,352	133,747,976	471,404,993
Depreciation charge	15,159,544	33,517,777	32,989,295	7,680,082	89,346,698
Disposals	(5,442,896)	(5,290,593)	(968,170)	(12,208,213)	(23,909,872)
Balance as at December 31, 2014	81,921,759	146,501,738	179,198,477	129,219,845	536,841,819
<b>Carrying value</b>					
2013	88,538,286	76,793,119	34,799,487	17,008,172	217,139,064
2014	84,217,509	103,615,551	54,426,564	28,190,599	270,450,223
<b>Rates of depreciation per annum</b>					
	10.00%	20.00%	33.33%	25.00%	

**12.2.1** Cost for the assets as at December 31, 2014 includes Rs. 81.58 (2013: Rs. 88.28 million) in respect of assets acquired from grant received.

**12.2.2** The cost of fully depreciated property and equipment that are still in use is Rs. 329.29 million (2013: Rs. 280.29 million).

**12.2.3** Detail of property and equipment disposed with the original cost or book value in excess of Rs. 1 million or Rs. 250,000 respectively, whichever is less, are as under:

Particulars	Cost	Book value	Sale Proceed	Mode of disposal	Particulars of purchaser
<b>Rupees</b>					
Vehicle	3,406,144	6	2,120,000	Auction	Various
Vehicle	600,424	501,486	650,000	Insurance claim	Adamjee Insurance
Total 2014	4,006,568	501,492	2,770,000		
Total and Vehicle 2013	1,290,802	1,048,777	1,048,777	Sale	Mr. Niaz Hingoro (Ex employee)

12.3 Intangible assets	2014 Rupees	2013 Rupees
<b>Computer software</b>		
<b>Cost</b>		
Balance as at beginning of the year	108,104,410	104,720,156
Additions	7,479,885	3,384,254
Balance as at end of the year	115,584,295	108,104,410
<b>Amortization</b>		
Balance as at beginning of the year	(65,909,521)	(38,751,407)
Amortization charge	(26,312,796)	(27,158,114)
Balance as at end of the year	(92,222,317)	(65,909,521)
<b>Carrying amount</b>	<b>23,361,978</b>	<b>42,194,889</b>

**12.3.1** Amortization is charged on straight line basis @ 33.33 % per annum, starting from the month the asset is available for use.

**12.3.2** Cost of the intangibles as at December 31, 2014 includes Rs. 25.48 million (2013: Rs 25.48 million) in respect of assets acquired from grant received.

**12.3.3** The cost of fully amortized intangible assets that are still in use is Rs. 35.29 million (2013: Rs. 25.27 million).

13. OTHER ASSETS	Note	2014 Rupees	2013 Rupees
Mark-up accrued		1,221,563,193	899,387,927
Suspended markup on non-performing advances		(23,045,461)	(12,187,907)
		1,198,517,732	887,200,020
Interest receivable on investments and deposit accounts		14,558,457	21,225,863
Loans and advances - unsecured			
Employees		79,079,724	70,675,025
Suppliers		9,908,511	2,383,598
		88,988,235	73,058,623
Deposits		2,024,440	1,997,290
Prepayments		92,823,701	78,097,607
Receivable from USAID		1,514,585	3,995,604
Receivable from Microfinance Social Development Fund		371,788,936	119,295,593
Insurance claims receivable		9,966,377	6,369,491
Sales tax / federal excise duty receivable	13.1	74,401,684	52,815,692
Other receivables		35,266,892	17,182,280
		1,889,851,039	1,261,238,063
Provisions against doubtful receivables			
Balance at the beginning of the year		13,798,079	9,789,282
Provision charge for the year		4,876,387	5,596,560
Receivables written off against provision		-	(1,587,763)
Balance at the end of the year		18,674,466	13,798,079
		1,871,176,573	1,247,439,984

- 13.1 As explained in note 21.1, this includes Federal Excise Duty of Rs. 34.27 million paid under protest to the taxation authorities.

	2014 Rupees	2013 Rupees
<b>14. DEFERRED TAX ASSET</b>		
Deferred tax assets arising on account of temporary differences in:		
Operating fixed assets	(658,164)	12,587,767
Provision against advances and other assets	49,858,875	39,544,689
Provision against lending to financial institutions	-	34,000,000
Remeasurement of post employment benefit obligation	19,543,703	6,810,872
Provision against Workers' Welfare Fund	12,451,442	-
Unused tax losses	2,523,310	8,148,685
	<u>83,719,166</u>	<u>101,092,013</u>
Deferred tax liability arising on account of temporary differences in:		
Surplus on revaluation of assets (available for sale)	(48,171)	(1,666,520)
	<u>83,670,995</u>	<u>99,425,493</u>

#### 14.1 Reconciliation of deferred tax

Balance at the beginning of the year	99,425,493	126,692,458
(Reversal)/charge for the year in respect of:		
Operating fixed assets	(13,245,931)	(5,768,753)
Provision against advances and other assets	10,314,186	5,128,072
Provision against lending to financial institutions	(34,000,000)	(1,000,000)
Unused tax credits	-	(39,544,898)
Provision against Workers' Welfare Fund	12,451,442	-
Unused tax losses	(5,625,375)	8,148,685
Charge to profit and loss account	(30,105,678)	(33,036,894)
Charge to other comprehensive income		
Deferred tax revaluation of available for sale investments	1,618,349	(1,040,943)
Deferred tax on remeasurement of post employment benefits obligation	12,732,831	6,810,872
Balance at the end of the year	<u>83,670,995</u>	<u>99,425,493</u>

- 14.2 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 temporary differences.

Management has prepared strategic development plan of the Bank for five years using assumptions which are linked to various variable factors such as the economic outlook of the country, investment growth, interest rate movements, expansion in depositors / advances portfolio etc.

15. DEPOSITS	Note	2014		2013	
		No of Accounts	Amount Rupees	No of Accounts	Amount Rupees
Fixed deposits	15.2	2,947	2,933,858,431	2,924	2,640,674,258
Saving deposits	15.3	24,788	3,293,438,176	17,127	2,661,417,108
Current accounts		872,346	2,455,176,152	654,010	1,830,827,873
		<u>900,081</u>	<u>8,682,472,759</u>	<u>674,061</u>	<u>7,132,919,239</u>

	Note	2014		2013	
		No of Accounts	Amount Rupees	No of Accounts	Amount Rupees
<b>15.1 Particulars of deposits by ownership</b>					
Individual depositors		898,385	5,787,168,598	672,898	4,457,879,071
Institutional depositors					
Corporation/ firms		1,685	2,250,163,114	1,154	1,876,541,485
Banks/ financial institutions		11	645,141,047	9	798,498,683
		<u>900,081</u>	<u>8,682,472,759</u>	<u>674,061</u>	<u>7,132,919,239</u>

**15.2** This represents term deposits having tenure of 1 to 36 months (2013: 1 to 36 months) carrying interest at rates ranging from 6.00% to 14.00% (2013: 6.00% to 14.00%) per annum. This include fixed deposits Rs. 31.95 million (2013: Rs. 19.69 million) lien marked against advances to borrowers.

**15.3** This represents savings accounts carrying interest at rates ranging from 6.00% to 10.85% (2013: 6.00% to 10.85%) per annum.

	Note	2014 Rupees	2013 Rupees
<b>16. BORROWINGS</b>			
<b>Unsecured</b>			
Borrowing from financial institutions outside Pakistan	16.1	2,182,376,872	2,546,106,352
<b>Secured</b>			
Borrowings from financial institutions in Pakistan	16.2	<u>1,547,500,000</u>	<u>200,000,000</u>
		<u>3,729,876,872</u>	<u>2,746,106,352</u>

**16.1** This represents receipts/ reimbursements up to eighty percent (80%) of outreach loan disbursements against credit facility under the Subsidiary Loan and Grant Agreement entered between the Bank and the Government of Pakistan (GoP) in pursuance of Loan Agreement (Special Operations) - Microfinance Sector Development Project, Loan #1806 between Asian Development Bank (ADB) and 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, commencing from May 1, 2009, 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 Rupees, 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 rates used for the bi-annual payment during the year were determined to be 6.53% and 6.64% (2013: 6.28% and 6.45%) per annum.

	Note	2014 Rupees	2013 Rupees
<b>16.2 Borrowings from banks/ financial institutions in Pakistan:</b>			
Pakistan Poverty Alleviation Fund (PPAF)	16.2.1	560,000,000	200,000,000
Pak Oman Investment Company Limited (TF-I)	16.2.2	487,500,000	-
JS Bank Limited (RF)	16.2.3	-	-
United Bank Limited (TF - I)	16.2.4	<u>500,000,000</u>	<u>-</u>
		<u>1,547,500,000</u>	<u>200,000,000</u>

- 16.2.1** This represents borrowings from Pakistan Poverty Alleviation Fund (PPAF) carrying interest rate ranging 9.11% to 11.68% (2013: 8.06% to 10.56%) per annum. PPAF extended Rs. 600 million financing facility, hypothecated against receivables created out of financing from PPAF. The Bank is liable to repay the principal amount to PPAF in 5 equal quarterly installments after the expiry of one year as grace period. The Bank has drawn Rs. 600 million (2013: Rs. 200 million) up to December 31, 2014.
- 16.2.2** This represents interbank money market borrowings for two years with the grace period of six months from August 2014 carrying interest rate ranging 11.92% to 11.94% (2013: Nil) per annum and repayable in three equal installments. These borrowings are secured against charge over current and future assets of Rs. 650 million.
- 16.2.3** This represents a running finance facility of Rs. 300 million carrying interest rate ranging from 11.93% to 11.96% (2013: Nil) per annum for a period of one year from August 2014. These borrowings are secured against charge over present and future assets of the Bank worth Rs. 400 million. Balance as of December 31, 2014 is of Rs. Nil (2013: Nil).
- 16.2.4** This represents interbank money market borrowings for three years with the grace period of six months from September 2014 carrying interest rate of 11.69% (2013: Nil) per annum and repayable in five equal installments. These borrowings are secured against 40% partial Microfinance Credit Guarantee Facility (MCGF) by SBP and charge over current and future micro loans of Rs. 400 million.

	Note	2014 Rupees	2013 Rupees
<b>16.3 Quarterly average borrowing</b>			
1st Quarter		2,894,356,885	3,009,835,832
2nd Quarter		3,137,269,745	2,988,425,940
3rd Quarter		3,888,734,412	2,905,762,663
4th Quarter		3,817,165,119	2,806,727,932
<b>16.4 Loan repayment schedule</b>			
Balance at the beginning of the year		2,746,106,352	3,009,835,832
Availed during the year		3,158,500,000	7,764,661,711
Repayments during the year		<u>(2,174,729,480)</u>	<u>(8,028,391,191)</u>
Balance at the end of the year		<u>3,729,876,872</u>	<u>2,746,106,352</u>
<b>17. OTHER LIABILITIES</b>			
Interest payable on borrowings		78,281,377	29,600,078
Interest payable on deposits		146,274,356	166,780,827
Accrued expenses		151,496,351	102,286,544
Bills payable		63,102,779	24,296,276
Payable to/ (receivable from) defined benefit plan - gratuity	17.1	65,132,259	24,706,735
Contribution payable to			
- Microfinance Social Development Fund		70,321,175	36,319,801
- Risk Mitigation Fund		35,160,587	18,159,900
- Depositors' Protection Fund		35,160,587	18,159,900
Taxes payable - net	17.2	198,615,505	121,911,340
Payable to service providers		26,405,600	9,053,200
Payable to suppliers		46,879,190	57,552,471
Provision for Workers' Welfare Fund		37,690,929	18,842,733
Withholding tax payable		3,009,969	1,915,230
Other payables		36,425,774	22,167,924
		<u>993,956,438</u>	<u>651,752,959</u>

## 17.1 Payable to defined benefit plan - gratuity

### General description

The scheme provides for terminal benefits for all its permanent employees who attain the minimum qualifying period at varying percentages of last drawn basic salary. The percentage depends on the number of service years with the Bank. Annual charge is based on actuarial valuation carried out as at December 31, 2014 using the Projected Unit Credit Method.

The Bank faces the following risks on account of gratuity:

**Final salary risk** - The risk that the final salary at the time of cessation of service is greater than what the Company has assumed. Since the benefit is calculated on the final salary, the benefit amount would also increase proportionately.

**Asset volatility** - Most assets are invested in risk free investments i.e. Government Bonds / Treasury bills. However, investments in equity instruments is subject to adverse fluctuations as a result of change in the market price.

**Discount rate fluctuation** - The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the current plans' bond holdings.

**Investment risks** - The risk of the investment underperforming and not being sufficient to meet the liabilities. This risk is mitigated by closely monitoring the performance of investment.

**Risk of insufficiency of assets** - This is managed by making regular contribution to the Fund as advised by the actuary.

	2014 Rupees	2013 Rupees
Disclosures related to Employees Gratuity Fund are given below:		
a) Amounts recognised in the balance sheet		
Present value of defined benefit obligations	251,545,592	197,631,664
Fair value of plan assets	(186,413,333)	(172,924,929)
Balance sheet liability	<u>65,132,259</u>	<u>24,706,735</u>
b) Movement in net liability		
Opening net liability	24,706,735	(1,273,201)
Net expense recognized in profit or loss	38,536,763	46,759,090
Remeasurement losses recognized in OCI	39,191,366	20,031,976
Contributions	(37,302,605)	(40,811,130)
Closing net liability	<u>65,132,259</u>	<u>24,706,735</u>
c) Changes in present value of defined benefit obligation		
Opening defined benefit obligation	197,631,664	162,305,721
Current service cost	38,089,903	32,604,862
Past service cost	-	15,159,232
Interest expense	22,927,101	17,853,629
Benefits due but not paid (payables)	(5,236,098)	-
Benefits paid	(37,302,605)	(54,511,130)
Remeasurements - experience losses	35,435,627	24,219,350
Closing defined benefit obligation	<u>251,545,592</u>	<u>197,631,664</u>

	2014 Rupees	2013 Rupees
d) Changes in fair value of plan assets		
Opening fair value of plan assets	172,924,929	171,442,120
Interest income	22,480,241	18,858,633
Contributions	37,302,605	40,811,130
Benefits paid	(37,302,605)	(54,511,130)
Benefits due but not paid	(5,236,098)	-
Remeasurements - return on plan assets, excluding interest income	(3,755,739)	(3,675,824)
Closing fair value of plan assets	<u>186,413,333</u>	<u>172,924,929</u>
e) Amounts recognized in the profit and loss account		
Current service cost	38,089,903	32,604,862
Past service cost	-	15,159,232
Interest cost on defined benefit obligation	22,927,101	17,853,629
Interest income on plan assets	(22,480,241)	(18,858,633)
	<u>38,536,763</u>	<u>46,759,090</u>
f) Amounts recognized in other comprehensive income		
Opening unrecognized actuarial gains recognized during the year	-	(7,863,198)
Remeasurement losses for the year		
Experience adjustments in present value of defined benefit obligation	35,435,627	24,219,350
Return on plan assets, excluding interest income	3,755,739	3,675,824
	<u>39,191,366</u>	<u>27,895,174</u>
	<u>39,191,366</u>	<u>20,031,976</u>

g) Major categories of plan assets	2014		2013	
	Rupees	Percentage	Rupees	Percentage
Investments in T-bills	-	0.00%	171,823,670	99.36%
Accrued interest	6,791,223	3.64%	994,566	0.58%
Cash at bank	1,837,208	0.99%	106,693	0.06%
National Saving Centre - Bonds	183,021,000	98.18%	-	0.00%
Less: Payables to out-going employees	(5,236,098)	-2.81%	-	0.00%
	<u>186,413,333</u>	<u>100.00%</u>	<u>172,924,929</u>	<u>100.00%</u>

h) The latest actuarial valuation was carried out as at December 31, 2014. The significant assumptions used for actuarial valuation are as follows:

	2014 Rupees	2013 Rupees
Discount rate - per annum	11.25%	13.00%
Salary increase rate - per annum	10.25%	12.00%
Mortality rate	SLIC 2001-05	SLIC 2001-05

i) Sensitivity analysis

	Change in assumption	Impact on defined benefit obligation	
		Increase in assumptions	Decrease in assumptions
Rupees			
Discount rate	1%	(26,581,011)	32,267,387
Salary rate increase	1%	33,551,615	(28,042,840)



The above sensitivity analysis is based on changes in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognised within the statement of financial position.

The average duration of the defined benefit obligation is 12 years.

J) Expected contribution of the Bank to the defined benefit gratuity fund for the year ending December 31, 2015 will be Rs. 53.90 million.

	2014	2013	2012	2011	2010
K) Comparison for five years	<b>Rupees</b>				
<b>Present value of defined benefits obligation and fair value of plan</b>					
Present value of defined benefits obligations at year end	251,545,592	197,631,664	162,305,721	138,970,494	118,869,107
Fair value of plan assets at year end	(186,413,333)	(172,924,929)	(163,587,922)	(134,512,313)	(115,569,716)
	<u>65,132,259</u>	<u>24,706,735</u>	<u>(1,273,201)</u>	<u>4,458,181</u>	<u>3,299,391</u>

	Note	2014 Rupees	2013 Rupees
<b>17.2 Taxes payable - net</b>			
Opening balance		121,911,340	127,929,127
Payments/adjustment during the year		(157,085,697)	(147,734,955)
Provision for the year		233,789,862	141,717,168
Closing balance		<u>198,615,505</u>	<u>121,911,340</u>

## 18. SHARE CAPITAL

### 18.1 Authorized Capital

	2014 Number	2013 Number		2014 Rupees	2013 Rupees
	<u>600,000,000</u>	<u>600,000,000</u>	Ordinary shares of Rs.10 each	<u>6,000,000,000</u>	<u>6,000,000,000</u>

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

	2014	2013		2014 Rupees	2013 Rupees
	<u>170,500,000</u>	<u>170,500,000</u>	Ordinary shares of Rs.10 each fully paid for consideration other than cash	<u>1,705,000,000</u>	<u>1,705,000,000</u>

#### 18.2.2 The shareholders of the Bank are as follow:

United Bank Limited	506,285,280	506,285,280
Rural Impulse Fund II S.A. SICAV-FIS	298,496,310	298,496,310
ShoreCap II Limited	243,568,080	243,568,080
ASN-NOVIB Mikrokredietfonds	168,795,020	168,795,020
Credit Suisse Microfinance Fund Management Company	132,855,310	132,855,310
Habib Bank Limited	300,000,000	300,000,000
Bank Al Habib Limited	30,000,000	30,000,000
Soneri Bank Limited	25,000,000	25,000,000
	<u>1,705,000,000</u>	<u>1,705,000,000</u>

## 19. RESERVE FOR CONTINGENCIES

Purpose of this reserve is described in note 6.13 to these financial statements. An amount of Rs. Nil (2013: Rs. 8.39 million) has been transferred during the year from reserve for contingencies to unappropriated profit

to prudently manage credit risk of the Bank. During the prior year remaining balance of reserve has been transferred to unappropriated profit.

	Note	2014 Rupees	2013 Rupees
<b>20. DEFERRED GRANTS</b>			
Grant from GoP	20.1	251,589,232	251,589,232
Accumulated amortization			
At the beginning of year		(251,246,720)	(250,923,195)
Amortization for the year		(190,900)	(323,525)
At the end of the year		(251,437,620)	(251,246,720)
		151,612	342,512
Grant from USAID	20.2	98,374,901	98,374,901
Accumulated amortization			
At the beginning of year		(97,282,378)	(96,540,054)
Amortization for the year		(577,874)	(742,324)
At the end of the year		(97,860,252)	(97,282,378)
		514,649	1,092,523
Grant from Shore Bank International	20.3	25,484,337	25,484,337
Accumulated amortization			
At the beginning of year		(20,529,071)	(12,034,283)
Amortization for the year		(4,955,266)	(8,494,788)
At the end of the year		(25,484,337)	(20,529,071)
		-	4,955,266
		666,261	6,390,301

**20.1** This represents grant from GoP for assets acquired for institutional strengthening of the Bank, under the Subsidiary Loan and Grant Agreement (SLGA) entered with GoP in pursuance of Loan Agreement (Special Operations) - Microfinance Sector Development Project (MSDP), Loan #1806 between ADB and Islamic Republic of Pakistan. MSDP completed its tenure on June 30, 2007.

**20.2** This represents grant received from USAID on September 30, 2003 under the program "developing non-bankable territories for financial services".

**20.3** On September 24, 2010, the Bank entered into a two year grant agreement with Shore Bank International (SBI) to improve the capacity of the Bank for delivering saving products more effectively, profitably and at an enhanced scale. SBI provided financial assistance of USD 300,000 in the form of grant to the Bank, in order to procure and implement a banking application named Bank Essential (BE).

## 21. MEMORANDUM/ OFF BALANCE SHEET ITEMS

### 21.1 CONTINGENCIES

a) For the period January 2008 to December 2010, the taxation authorities issued an order to charge FED amounting to Rs. 65.231 million on grants received by the Bank and non-withholding of sales tax on taxable purchases from suppliers not registered in large tax payer units (LTU). In this respect, a civil petition filed by the bank is currently pending with the Honourable Supreme Court of Pakistan, against the order of Honourable Islamabad High Court wherein the Bank's appeal was dismissed in limine. Related to this matter, payment of Rs. 34.23 million under protest is carried as receivable from taxable authorities as reflected in note 13.1 to the financial statements.

b) For the period January 2011 to December 2012, the Bank has also received two orders from Deputy Commissioner of Inland Revenue for non-payment of FED of Rs. 40.64 million on grants received by the Bank and Rs. 2.78 million on non-withholding of sales tax on taxable purchases from suppliers not registered in

LTU. The Bank preferred an appeal before CIR (Appeals) against the alleged orders for 2011 and 2012 which were remanded back by the CIR(Appeals) with the observation that DCIR order contains legal and factual infirmities.

Based on the decision of CIR(A) in case of alleged orders of 2011, 2012 and tax counsel advise, the Bank is confident of a favorable outcome of the cases for the period January 2008 to December 2010 therefore the management believes no provision is required there against.

	Note	2014 Rupees	2013 Rupees
<b>21.2 COMMITMENTS</b>			
Capital expenditure		32,720,212	49,623,844
Advances to customers, sanctioned but not yet disbursed		-	3,050,000
<b>22. MARK-UP/ RETURN/INTEREST EARNED</b>			
Mark-up on advances		3,005,187,175	2,138,787,593
Interest on investment in Federal Government securities		75,147,327	82,249,651
Interest/gain on deposit accounts/ placements with other banks/ financial institutions/on mutual funds		49,155,499	57,235,425
		<u>3,129,490,001</u>	<u>2,278,272,669</u>
<b>23. MARK-UP/ RETURN/ INTEREST EXPENSED</b>			
Interest on borrowings from:			
Financial institutions - Outside Pakistan		158,804,888	174,769,523
Financial institutions - Inside Pakistan		106,101,908	17,991,922
		<u>264,906,796</u>	<u>192,761,445</u>
Interest on deposits		544,650,633	422,586,605
		<u>809,557,429</u>	<u>615,348,050</u>
<b>24. FEE, COMMISSION AND BROKERAGE INCOME</b>			
Micro-credit application processing fee		447,944,565	316,384,477
Other commission		29,942,344	8,627,740
		<u>477,886,909</u>	<u>325,012,217</u>
<b>25. OTHER INCOME</b>			
Amortization of deferred grant		5,724,040	9,560,637
Indirect cost charged to USAID	25.1	1,120,103	7,235,212
Recoveries from MSDF	25.2	159,546,400	140,423,400
Gain on disposal of fixed assets		4,912,806	28,264,086
Recoveries against advances written off		39,598,007	71,713,648
Others		5,908,611	1,684,720
		<u>216,809,967</u>	<u>258,881,703</u>
<b>25.1</b>	This represents indirect cost charged to USAID for Tubewell Efficiency Improvement Replacement Program (TWEIP) @ 1.755% of total direct cost (2013: 1.755% of total direct cost for TWEIP).		
<b>25.2</b>	This represents claims lodged by the Bank with Microfinance Social Development Fund (MSDF) to recover the new client acquisition cost incurred by the Bank under the Loan Agreement (Special Operations) - Microfinance Sector Development Project, Loan #1806 between ADB and Islamic Republic of Pakistan.		
<b>26. ADMINISTRATIVE EXPENSES</b>			
	Note	2014 Rupees	2013 Rupees
Salaries, wages and benefits		833,683,518	667,938,241
Charge for defined benefit plan	17.1	38,536,763	46,759,090
Contract/ seconded staff expenses		187,378,481	144,984,484
Consultancies		19,915,678	6,344,179
Recruitment and development		9,793,564	5,370,482
Training		18,670,384	11,377,804

	Note	2014 Rupees	2013 Rupees
Rent and rates		149,483,717	120,022,269
Insurance		44,916,672	38,919,526
Utilities		70,810,708	59,680,071
Legal and professional charges		2,904,130	3,817,005
Communication		57,639,268	40,174,055
Repairs and maintenance		58,280,703	34,096,514
Printing, stationery and office supplies		71,105,538	52,738,350
Advertisement		30,717,564	26,708,056
Auditors' remuneration	26.1	1,481,915	1,495,000
Depreciation	12.2	89,346,698	74,725,291
Amortization	12.3	26,312,796	27,158,114
Vehicles up keep and maintenance		102,955,709	91,809,038
Travelling and conveyance		18,250,098	14,435,673
Meetings and conferences		24,976,284	16,824,719
Security charges		12,818,452	6,644,420
Bank charges		14,254,037	26,942,528
Newspapers and subscriptions		2,693,462	1,901,009
Miscellaneous		2,905,684	1,967,863
		<u>1,889,831,823</u>	<u>1,522,833,781</u>
<b>26.1 Auditors' remuneration</b>			
Audit fee		1,045,000	1,045,000
Out of pocket expenses		436,915	450,000
		<u>1,481,915</u>	<u>1,495,000</u>
<b>26.2</b>	Administrative expenses are net of Rs. 7.75 million (2013: Rs. 19.35 million) and Rs. Nil (2013: Rs. 2.38 million) charged to USAID and MSDF respectively in respect of projects implemented by the Bank.		
<b>27. OTHER CHARGES</b>			
Penalties		776,750	100,000
Workers welfare fund		18,848,196	10,759,041
Professional tax		200,000	454,400
		<u>19,824,946</u>	<u>11,313,441</u>
<b>28. TAXATION</b>			
Current		233,789,862	141,717,168
Prior year	28.1	(24,697,464)	-
		209,092,398	141,717,168
Deferred - current		30,105,678	41,938,721
Deferred - prior		-	(11,409,631)
Deferred - change in rate		-	2,507,804
		<u>30,105,678</u>	<u>33,036,894</u>
		<u>239,198,076</u>	<u>174,754,062</u>
<b>28.1</b>	This represents difference between prior year tax provision and tax return file subsequent to that provision.		
<b>28.2 Tax charge reconciliation</b>			
Profit before tax (Rupees)		<u>942,409,823</u>	<u>537,952,068</u>
Applicable tax rate		%	%
Deferred tax relating to prior periods		33.00	34.00
Temporary difference		-	(2.12)
Income tax relating to prior period		0.61	-
Permanent difference		(2.62)	-
Rate change		(5.02)	0.14
Average effective tax rate charged to income		<u>(0.59)</u>	<u>0.47</u>
		<u>25.38</u>	<u>32.49</u>

- 28.3** The applicable income tax rate was reduced from 34% to 33% during the year on account of the changes made to the Income Tax Ordinance, 2001 in 2014.

	2014 Rupees	2013 Rupees
<b>29. LOSS BEFORE CHANGES IN OPERATING ASSETS / LIABILITIES</b>		
Profit before taxation	942,409,823	537,952,068
Adjustments for:		
Depreciation and amortization	115,659,494	101,883,405
Amortization of deferred grant	(5,724,040)	(9,560,637)
Provision against non-performing advances	154,534,663	169,122,689
Gain on disposal of operating fixed assets	(4,912,806)	(28,264,086)
Markup on advances	(3,005,187,175)	(2,138,787,593)
Interest on investments and deposit accounts	(124,302,826)	(139,485,076)
Indirect cost charged to USAID	(1,120,103)	(7,235,212)
Interest expense on borrowings and deposits	809,557,429	615,348,050
Provision against other assets	4,876,387	5,596,560
Charge for defined benefit plan	38,536,763	46,759,090
	<u>(2,018,082,214)</u>	<u>(1,384,622,810)</u>
	<u>(1,075,672,391)</u>	<u>(846,670,742)</u>
<b>30. CASH AND CASH EQUIVALENTS</b>		
Cash and balances with SBP and NBP	701,035,923	617,891,684
Balances with other banks	353,300,758	311,548,449
Lending to financial institutions	417,604,032	942,371,214
	<u>1,471,940,713</u>	<u>1,871,811,347</u>
<b>31. NUMBER OF EMPLOYEES</b>	<b>2014 Number</b>	<b>2013 Number</b>
Credit sales staff		
Permanent	905	708
Banking / support staff		
Permanent	858	732
Contractual	859	853
	<u>1,717</u>	<u>1,585</u>
Total number of employees at the end of the year	<u>2,622</u>	<u>2,293</u>
<b>32. AVERAGE NUMBER OF EMPLOYEES</b>		
Credit sales staff		
Permanent	759	677
Banking / support staff		
Permanent	818	723
Contractual	884	821
	<u>1,702</u>	<u>1,544</u>
Average number of employees during the year	<u>2,461</u>	<u>2,221</u>
<b>33. NUMBER OF BRANCHES</b>		
Total branches at beginning of the year	110	106
Opened during the year	10	6
Closed / merged during the year	(2)	(2)
Total branches at the end of the year	<u>118</u>	<u>110</u>

### 34. EARNINGS 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 in issue during the year excluding ordinary shares purchased by the Bank and held as treasury shares.

	2014 Rupees	2013 Rupees
Profit for the year after taxation	703,211,747	363,198,006
Microfinance Social Development Fund	(70,321,175)	(36,319,801)
Depositors' Protection Fund	(35,160,587)	(18,159,900)
Risk Mitigation Fund	(35,160,587)	(18,159,900)
	<u>(140,642,349)</u>	<u>(72,639,601)</u>
Profit attributable to equity holders	<u>562,569,398</u>	<u>290,558,405</u>
Weighted average number of ordinary shares (Numbers)	170,500,000	170,500,000
Earnings per share - basic (Rupees)	<u>3.30</u>	<u>1.70</u>

#### Diluted

There is no dilutive effect on the basic earnings per share of the Bank. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all dilutive potential ordinary shares. The Bank has no dilutive equity instruments.

### 35. REMUNERATION OF PRESIDENT, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for remuneration, including all benefits to Chief Executive, Directors and Executives of the Company is as follows:

	2014				2013			
	President	Directors	Executives		President	Directors	Executives	
			KMPs	Other			KMPs	Other
	<b>Rupees</b>							
Managerial remuneration	6,075,000	-	28,871,202	57,680,905	5,400,000	-	27,442,157	44,697,256
Charge for defined benefit plan / gratuity	853,875	-	3,522,583	8,138,765	897,455	-	4,179,745	6,599,937
Rent and house maintenance allowance	2,733,750	-	12,992,031	25,956,407	2,430,000	-	11,461,664	18,748,126
Utilities allowance	1,215,000	-	5,774,240	11,536,188	1,080,000	-	4,564,788	7,392,125
Medical allowance	621,000	-	2,932,283	5,867,525	540,000	-	2,634,468	4,333,342
Conveyance allowance	429,977	-	5,736,846	25,178,704	429,431	-	6,580,999	18,297,987
Bonus	3,500,000	-	6,281,032	7,779,926	-	-	1,314,703	1,946,472
Others	1,129,911	7,065,660	1,773,686	10,029,937	1,717,710	4,439,529	4,806,273	3,070,155
Total	<u>16,558,513</u>	<u>7,065,660</u>	<u>67,883,903</u>	<u>152,168,357</u>	<u>12,494,596</u>	<u>4,439,529</u>	<u>62,984,797</u>	<u>105,085,400</u>
Number of person(s)	<u>1</u>	<u>7</u>	<u>9</u>	<u>74</u>	<u>1</u>	<u>6</u>	<u>11</u>	<u>52</u>

35.1 The President is also provided with a Bank maintained car.

35.2 Executives mean employees, other than the chief executive and directors, whose basic salary exceeds five hundred thousand rupees in a financial year.

## 36. SCHEDULE OF MATURITY DISTRIBUTION OF MARKET RATE ASSETS AND LIABILITIES AS AT DECEMBER 31, 2014

	TOTAL	UPTO 1 MONTH	OVER 1 MONTH UPTO 6 MONTHS	OVER 6 MONTHS UPTO 1 YEAR	OVER ONE YEAR
<b>Rupees</b>					
<b>Market rate assets</b>					
Advances	12,105,839,126	543,043,062	5,516,188,427	6,022,792,649	23,814,988
Investments	836,886,573	299,188,817	537,697,756	-	-
Other earning assets					
Balances with SBP and NBP - deposit accounts	250,066	250,066	-	-	-
Balances with other banks - deposit accounts	38,820,258	38,820,258	-	-	-
Lending to financial institutions	417,604,032	417,604,032	-	-	-
<b>Total market rate assets</b>	<b>13,399,400,055</b>	<b>1,298,906,235</b>	<b>6,053,886,183</b>	<b>6,022,792,649</b>	<b>23,814,988</b>
<b>Other non-earning assets</b>					
Cash in hand	394,304,188	394,304,188	-	-	-
Balances with SBP and NBP - current accounts	306,481,669	306,481,669	-	-	-
Balances with other banks - current accounts	314,480,500	314,480,500	-	-	-
Operating fixed assets	322,919,698	15,459,791	67,111,329	59,245,054	181,103,524
Other assets	1,871,176,573	110,568,215	1,033,209,610	660,078,065	67,320,683
Deferred tax asset	83,670,995	-	-	-	83,670,995
<b>Total non-earning assets</b>	<b>3,293,033,623</b>	<b>1,141,294,363</b>	<b>1,100,320,939</b>	<b>719,323,119</b>	<b>332,095,202</b>
<b>Total assets</b>	<b>16,692,433,678</b>	<b>2,440,200,598</b>	<b>7,154,207,122</b>	<b>6,742,115,768</b>	<b>355,910,190</b>
<b>Market rate liabilities</b>					
Large time deposits above Rs 100,000	2,838,098,198	454,551,000	874,125,657	794,013,541	715,408,000
All other time deposits (including fixed rate deposits)	95,760,233	3,396,000	18,914,500	38,300,733	35,149,000
Other cost bearing deposits	3,293,438,176	1,317,375,270	1,317,375,270	658,687,636	-
Borrowings	3,729,876,872	-	341,864,740	684,364,740	2,703,647,392
<b>Total market rate liabilities</b>	<b>9,957,173,479</b>	<b>1,775,322,270</b>	<b>2,552,280,167</b>	<b>2,175,366,650</b>	<b>3,454,204,392</b>
<b>Other non-cost bearing liabilities</b>					
Deposits	2,455,176,152	2,455,176,152	-	-	-
Other liabilities	993,956,438	162,105,961	498,236,984	220,050,388	113,563,105
<b>Total non-cost bearing liabilities</b>	<b>3,449,132,590</b>	<b>2,617,282,113</b>	<b>498,236,984</b>	<b>220,050,388</b>	<b>113,563,105</b>
<b>Total liabilities</b>	<b>13,406,306,069</b>	<b>4,392,604,383</b>	<b>3,050,517,151</b>	<b>2,395,417,038</b>	<b>3,567,767,497</b>
<b>Net assets</b>	<b>3,286,127,609</b>	<b>(1,952,403,785)</b>	<b>4,103,689,971</b>	<b>4,346,698,730</b>	<b>(3,211,857,307)</b>

## 36. SCHEDULE OF MATURITY DISTRIBUTION OF MARKET RATE ASSETS AND LIABILITIES AS AT DECEMBER 31, 2013

	TOTAL	UPTO 1 MONTH	OVER 1 MONTH UPTO 6 MONTHS	OVER 6 MONTHS UPTO 1 YEAR	OVER ONE YEAR
<b>Rupees</b>					
<b>Market rate assets</b>					
Advances	8,756,895,434	423,802,102	3,817,125,073	4,510,698,992	5,269,267
Investments	1,038,900,528	1,038,900,528	-	-	-
<b>Other earning assets</b>					
Balances with SBP and NBP - deposit accounts	995,930	995,930	-	-	-
Balances with other banks - deposit accounts	33,840,260	33,840,260	-	-	-
Lending to financial institutions	942,371,214	942,371,214	-	-	-
<b>Total market rate assets</b>	<b>10,773,003,366</b>	<b>2,439,910,034</b>	<b>3,817,125,073</b>	<b>4,510,698,992</b>	<b>5,269,267</b>
<b>Other non-earning assets</b>					
Cash in hand	372,773,152	372,773,152	-	-	-
Balances with SBP and NBP - current accounts	244,122,602	244,122,602	-	-	-
Balances with other banks - current accounts	277,708,189	277,708,189	-	-	-
Operating fixed assets	275,183,756	14,990,374	52,934,252	53,535,726	153,723,404
Other assets	1,247,439,984	72,126,024	614,357,341	505,722,322	55,234,297
Deferred tax asset	99,425,493	-	-	-	99,425,493
<b>Total non-earning assets</b>	<b>2,516,653,176</b>	<b>981,720,341</b>	<b>667,291,593</b>	<b>559,258,048</b>	<b>308,383,194</b>
<b>Total assets</b>	<b>13,289,656,542</b>	<b>3,421,630,375</b>	<b>4,484,416,666</b>	<b>5,069,957,040</b>	<b>313,652,461</b>
<b>Market rate liabilities</b>					
Large time deposits above Rs 100,000	2,541,795,663	578,444,028	483,929,822	541,478,813	937,943,000
All other time deposits (including fixed rate deposits)	98,878,595	2,501,999	13,407,656	31,065,940	51,903,000
Other cost bearing deposits	2,661,417,108	2,661,417,108	-	-	-
Borrowings	2,746,106,352	-	181,864,740	221,864,740	2,342,376,872
<b>Total market rate liabilities</b>	<b>8,048,197,718</b>	<b>3,242,363,135</b>	<b>679,202,218</b>	<b>794,409,493</b>	<b>3,332,222,872</b>
<b>Other non-cost bearing liabilities</b>					
Deposits	1,830,827,873	1,830,827,873	-	-	-
Other liabilities	651,752,959	216,891,750	239,791,836	143,271,848	51,797,525
<b>Total non-cost bearing liabilities</b>	<b>2,482,580,832</b>	<b>2,047,719,623</b>	<b>239,791,836</b>	<b>143,271,848</b>	<b>51,797,525</b>
<b>Total liabilities</b>	<b>10,530,778,550</b>	<b>5,290,082,758</b>	<b>918,994,054</b>	<b>937,681,341</b>	<b>3,384,020,397</b>
<b>Net assets</b>	<b>2,758,877,992</b>	<b>(1,868,452,383)</b>	<b>3,565,422,612</b>	<b>4,132,275,699</b>	<b>(3,070,367,936)</b>



### 37. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

#### 37.1

#### Interest rate risk

The Bank's exposure to interest rate risk and the effective rates on its financial assets and liabilities as at December 31, 2014 are summarized as follows:

Description	INTEREST / MARK-UP BEARING					NON-INTEREST BEARING		Effective Interest Rate
	Maturity upto one year	Maturity after one year & upto two years	Maturity after two years & upto three years	Maturity after three years & upto four years	Maturity after four years & upto five years	Sub Total	Total	
	Rupees					Rupees		
<b>Financial assets:</b>								
Cash and balances in current and other accounts	-	-	-	-	-	-	1,015,266,357	-
Balance in deposit accounts	39,070,324	-	-	-	-	39,070,324	-	6.00 % to 8.00 %
Lending to financial institutions	417,604,032	-	-	-	-	417,604,032	-	9.50 %
Investments	836,886,573	-	-	-	-	836,886,573	-	9.68% to 9.96 %
Advances	12,082,024,138	23,814,988	-	-	-	12,105,839,126	-	10.00% to 32.00 %
Other assets	-	-	-	-	-	-	2,277,767,266	-
	13,375,585,067	23,814,988	-	-	-	13,399,400,055	3,293,033,623	16,692,433,678
<b>Financial liabilities:</b>								
Deposits and other accounts	5,476,739,607	450,557,000	300,000,000	-	-	6,227,296,607	2,455,176,152	8,682,472,759
Borrowings	1,026,229,480	1,048,729,480	563,729,480	363,729,480	363,729,480	3,637,229,472	-	6.00 % to 14.00 %
Other liabilities	-	-	-	-	-	-	993,956,438	6.53 % to 11.96 %
	6,502,969,087	1,499,286,480	863,729,480	363,729,480	363,729,480	9,957,173,479	3,449,132,590	13,406,306,069
<b>On balance sheet gap</b>								
	6,872,615,980	(1,475,471,492)	(863,729,480)	(363,729,480)	(363,729,472)	3,442,226,576	(156,098,967)	3,286,127,609
<b>Un recognized:</b>								
Commitments	-	-	-	-	-	-	(32,720,212)	(32,720,212)
<b>Off balance sheet gap</b>								
	6,872,615,980	(1,475,471,492)	(863,729,480)	(363,729,480)	(363,729,472)	3,442,226,576	(188,819,179)	3,253,407,397
<b>Financial assets:</b>								
Cash and balances in current and other accounts	-	-	-	-	-	-	894,603,943	-
Balance in deposit accounts	34,836,190	-	-	-	-	34,836,190	-	6.00 % to 8.00 %
Lending to financial institutions	942,371,214	-	-	-	-	942,371,214	-	9.85 % to 10.20 %
Investments	1,038,900,528	-	-	-	-	1,038,900,528	-	9.34% to 9.82%
Advances	8,751,626,167	5,269,267	-	-	-	8,756,895,434	-	15.00% to 31.00%
Other assets	-	-	-	-	-	-	1,114,143,087	-
	10,767,734,099	5,269,267	-	-	-	10,773,003,366	2,008,747,030	12,781,750,396
<b>Financial liabilities:</b>								
Deposits and other accounts	4,312,245,366	151,289,000	838,557,000	-	-	5,302,091,366	1,830,827,873	7,132,919,239
Borrowings	403,729,480	523,729,480	363,729,480	363,729,480	727,458,952	2,746,106,352	-	6.28 % to 11.11 %
Other liabilities	-	-	-	-	-	-	527,926,389	-
	4,715,974,846	675,018,480	1,202,286,480	363,729,480	727,458,952	8,048,197,718	2,358,754,262	10,406,951,980
<b>On balance sheet gap</b>								
	6,051,759,253	(669,749,213)	(1,202,286,480)	(363,729,480)	(727,458,952)	2,724,805,648	(350,007,232)	2,374,798,416
<b>Un recognized:</b>								
Commitments	-	-	-	-	-	-	(52,673,844)	(52,673,844)
<b>Off balance sheet gap</b>								
	6,051,759,253	(669,749,213)	(1,202,286,480)	(363,729,480)	(727,458,952)	2,724,805,648	(402,681,076)	2,322,124,572

"The Bank's exposure to interest rate risk and the effective rates on its financial assets and liabilities as at December 31, 2013 are summarized as follows:

**37.2 Market risk**

The Bank's interest rate exposure comprises those originating from investing and lending activities. The Assets and Liability Management Committee of the Bank monitors and manages the interest rate risk with the objective of limiting the potential adverse effect on the profitability of the Bank.

**37.3 Concentration of 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 is exposed to credit related losses in the event of non-performance by counter parties.

The Bank seeks to manage the credit risk by attempting to diversify the lending activities to avoid undue concentration of risks with customers in specific locations or activities. The Bank controls this risk through credit appraisals, assessing the credit-worthiness of customers. A provision for potential loan losses is maintained as required by the Regulations. Further, the community organizations are structured in a way to exert social pressure on the borrowers to perform their obligations.

**37.4 Liquidity risk**

Liquidity risk is the risk that the Bank will encounter difficulty in raising funds to meet its net funding requirements. The Bank attempts to manage this risk by having adequate credit lines in place and maintaining sufficient liquidity at branch level to meet anticipated funding requirements. As at year end, the Bank has unavailed facilities cumulatively amounting to Rs. 300 million (2013: Rs. 1,600 million).

**37.5 Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arise in financial instruments that are denominated in foreign currencies i.e. in a currency other than the functional currency in which they are measured.

Presently the Bank is not exposed to foreign currency risk.

**37.6 Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate of the Bank's financial assets and financial liabilities as at December 31, 2014 can be evaluated from the schedule given in note 37.1 to these financial statements.

**37.7 Fair value of financial instruments**

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date. The financial instruments that are not traded in active market are carried at cost and are tested for impairment. The carrying amount of trade receivables and payables are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Bank for similar financial instruments.

**38. RELATED PARTY TRANSACTIONS**

The Bank's related parties comprise of president, directors, executives, shareholders, entities over which the directors are able to exercise significant influence and employee gratuity fund. The detail of Bank's shareholders is given in note 18.2.1 while remuneration of president, directors and executives is disclosed in note 35 to the financial statements. Detail of transactions during the year and balances outstanding at the year end are as follows:

	2014 Rupees	2013 Rupees
<b>Transactions during the year</b>		
<b>- with shareholders</b>		
Lending to financial institutions	8,443,000,000	13,154,122,648
Repayment of lending to financial institutions	8,582,949,098	12,886,263,679
Investments made during the year	1,806,000,000	736,065,000
Borrowings	2,271,000,000	2,502,874,388
Repayment of borrowings	1,771,000,000	2,611,322,736
Investments sold during the year	200,000,000	-
ATM services payments (advance)	5,659,753	-
Branchless banking loan recovery	8,896,959	1,527,904,236
<b>Income</b>		
Interest income on deposit account bank balances	1,260,673	2,314,559
Interest income on lending to financial institutions	7,124,224	17,478,583
<b>Expenses</b>		
Interest expense on borrowings	15,809,922	8,448,348
Bank charges	530,365	483,827
Branchless banking service commission	-	17,122,561
<b>- with defined benefit plan</b>		
Contribution to gratuity fund	38,536,763	40,811,130
<b>- with others</b>		
Receipts from MSDF	825,000	290,413,713
<b>Balances outstanding at the year end</b>		
<b>- with shareholders</b>		
Balances with banks	193,978,492	105,823,690
Lending to financial institutions	432,000,000	284,949,098
Investments	-	104,856,754
Interest receivable on lending to financial institutions	108,648	388,455
Branchless banking services commission payable	-	1,797,636
Borrowings	500,000,000	-
Interest payable on borrowings	14,892,740	-
<b>- with defined benefit plan</b>		
Balance payable to gratuity fund	25,857,394	24,706,735
<b>- with key management personnel</b>		
Advances - staff loans	749,940	2,401,957
Other assets - loans and advances to employees	13,638,762	10,982,207
Deposits	-	29,050
<b>- with others</b>		
Receivable from MSDF	371,788,936	119,295,593
Payable to MSDF	-	36,319,801

### 39. CAPITAL RISK MANAGEMENT

The Bank's objectives when managing its capital are:

- a) To comply with the capital requirements set by the SBP;

- b) 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; and
- c) To maintain a strong capital base to support the development of its business.

Capital requirements applicable to the Bank are set out under the Regulations. These requirements are put in place to ensure sufficient solvency margins. The Bank manages its capital requirement by assessing its capital structure against required capital level on regular basis. Currently, the Bank has paid up capital of Rs. 1.7 billion. The minimum paid up capital requirement applicable to the Bank is Rs. 1.0 billion. The Bank has maintained capital adequacy ratio in accordance with Regulation No. 1(2013: Regulation No. 4) which states that the Bank shall maintain capital equivalent to at least 15% of its risk-weighted assets.

The Bank will continue to maintain the required regulatory capital either through its risk management strategies or by increasing the capital in line with the business and capital needs.

#### 40. GENERAL INFORMATION

The following information is included in these financial statements to facilitate the calculation of financial ratios.

	2014 Number	2013 Number
<b>Offices</b>		
Number of full service branches	118	110
<b>Micro-credit cases</b>		
Number of active cases at year end	468,369	409,010
Number of loans disbursed during the year	512,773	450,540
Average number of active borrowers for the year	438,690	386,574
	2014 Rupees	2013 Rupees
<b>Micro-credit portfolio</b>		
Microcredit advances receivable - Gross	12,225,321,747	8,841,692,214
Total disbursements for the year	14,507,439,552	10,905,372,897
<b>Portfolio Quality</b>		
Portfolio at risk	169,992,999	99,022,923
Portfolio written off	127,783,264	155,156,771
Loan loss reserve	132,413,034	102,509,829
<b>Average loan sizes</b>		
Average outstanding loan size	26,102	21,617
Average gross loan portfolio	10,533,506,981	7,323,633,878
<b>Information about the Bank's assets/ liabilities</b>		
Total assets	16,692,433,678	13,289,656,542
Current assets	16,194,707,314	12,859,812,996
Fixed assets	322,919,698	275,183,756
Average total assets	14,991,045,110	11,621,636,327
Current liabilities	9,838,538,572	7,146,758,153
Bank's equity	3,285,461,348	2,752,487,691

**41. FINANCIAL RATIOS****Sustainability/ Profitability**

Return on equity	41.1	18.51%	7.97%
Adjusted return on equity	41.2	14.93%	1.71%
Return on assets	41.3	3.73%	1.79%
Adjusted return on assets	41.4	3.01%	0.38%
Operational self sufficiency	41.5	126.65%	114.78%
Financial self sufficiency	41.6	123.00%	107.76%
Profit margin	41.7	21.04%	13.08%

**Asset / Liability Management**

Current ratio	41.8	1.65	1.80
Yield on gross loan portfolio	41.9	29.83%	28.18%
Yield gap	41.10	9.92%	20.25%
Funding-expense ratio	41.11	7.67%	8.39%
Cost-of-funds ratio	41.12	7.26%	7.27%

**Portfolio Quality**

Portfolio at risk	41.13		
from 1 - 29 days		0.47%	0.33%
from 30 - 59 days		0.47%	0.36%
from 60 - 89 days		0.16%	0.15%
from 90 - 179 days		0.16%	0.17%
over 179 days		0.12%	0.11%
Write-off ratio	41.14	1.21%	2.12%
Risk coverage ratio	41.15	77.89%	103.52%

**Efficiency / Productivity**

Operating expense ratio	41.16	18.10%	21.02%
Cost per borrower (Rupees)	41.17	4,351	3,983
Personnel productivity	41.18	179	178
Loan officer productivity	41.19	518	578
Average disbursed loan size (Rupees)	41.20	28,292	24,205
Average outstanding loan size (Rupees)	41.21	26,102	21,617

- 41.1** Return on equity (RoE) calculates the rate of return on the average equity for the year. RoE calculations are net operating income less taxes divided by average equity for the year.
- 41.2** Adjusted return on equity is calculated on an adjusted basis to address the effects of subsidies, provision against non-performing advances and other items that are not in the Bank's net operating income.
- 41.3** Return on assets (RoA) measures how well the Bank uses its total assets to generate returns. RoA calculations are net operating income less taxes divided by average assets during the year.
- 41.4** Adjusted return on assets is calculated on an adjusted basis to address the effects of subsidies, provision against non-performing advances and other items that are not included in the Bank's net operating income.
- 41.5** Operational self sufficiency measures how well the Bank covers its costs through operating revenues. In addition to operating expenses, financial expenses and loan loss provision expense are also included in the calculation.
- 41.6** Financial self sufficiency measures how well the Bank covers its costs, taking into account a number of

adjustments to operating revenues and expenses. The purpose of these adjustments is to model how well the Bank covers its costs if its operations were unsubsidized and was funding its expansion with commercial-cost liabilities.

- 41.7** Profit margin measures the percentage of operating revenue that remains after all financial, loan loss provision and operating expenses are paid.
- 41.8** Current ratio measures how well the Bank matches the maturities of its assets and liabilities.
- 41.9** Yield on gross loan portfolio indicates the gross loan portfolio's ability to generate cash financial revenue from interest, fees and commission. It does not include any revenues that have been accrued but not paid in cash, or any non-cash revenues in the form of post-dated cheques, seized but unsold collateral, etc.
- 41.10** Yield gap compares revenue actually received in cash with revenue expected from microcredit advances.
- 41.11** Funding-expense ratio shows the blended interest rate the Bank is paying to fund its financial assets. This ratio can be compared with yield on the gross microcredit advances to determine the interest margin.
- 41.12** Cost-of-funds ratio gives a blended interest rate for all of the Bank's funding liabilities. Funding liabilities do not include interest payable or interest on loans to finance fixed assets.
- 41.13** Portfolio at risk ratio is the most accepted measure of portfolio quality. Portfolio at risk is the outstanding amount of all loans that have one or more installments of principal past due by certain number of days. Rescheduled loans are also included in the calculation.
- 41.14** Write-off ratio represents the percentage of the Bank's microcredit advances that have been removed from the balance of the gross microcredit advances because they are unlikely to be repaid.
- 41.15** Risk coverage ratio shows how much of the portfolio at risk is covered by the Bank's provision against non-performing advances. It is an indicator of how prepared the Bank is to absorb loan losses in the worst case scenario.
- 41.16** Operating expense ratio is the most commonly used efficiency indicator for Microfinance Banks. It includes all administrative and personnel expenses.
- 41.17** Cost per borrower provides a meaningful measure of efficiency for the Bank, by determining the average cost of maintaining an active borrower.
- 41.18** Personnel productivity measures the overall productivity of total Bank's human resources in managing clients who have an outstanding loan balance and are thereby contributing to the financial revenue of the Bank.
- 41.19** Loan officer productivity measures the average case load of each loan officer.
- 41.20** Average disbursed loan size measures the average loan size that is disbursed to clients.
- 41.21** Average outstanding loan size measures the average outstanding microcredit balance by client, which may be significantly less than the average disbursed loan size.

## **42. CORRESPONDING FIGURES**

- 42.1** Corresponding figures have been rearranged and reclassified, wherever necessary for the purposes of comparison and for better presentation. However, no significant reclassification has been made during the year except followings:


- 42.1.1** Surplus/(deficit) on revaluation of available for sale investments is charged through statement of comprehensive income in accordance with the PR -11('c) "Treatment of Surplus/(deficit)" of revised Prudential Regulations (PR) for Microfinance Banks dated June 10, 2014 issued by the State Bank of Pakistan. Therefore, corresponding figures have been reclassified accordingly.
- 42.1.2** Corresponding figures of "Particulars of non - performing advances" in the note 11.4 of these financial statements are stated inclusive of interest / markup of Rs. 12.20 million as required by revised the Prudential Regulations ( PR 8 A) for current year, therefore, corresponding figures have been changed for comparative purposes.
- 41.13** Portfolio at risk ratio is the most accepted measure of portfolio quality. Portfolio at risk is the outstanding amount of all loans that have one or more installments of principal past due by certain number of days. Rescheduled loans are also included in the calculation.
- 41.13** Portfolio at risk ratio is the most accepted measure of portfolio quality. Portfolio at risk is the outstanding amount of all loans that have one or more installments of principal past due by certain number of days. Rescheduled loans are also included in the calculation.

#### **43. DATE OF APPROVAL**

These financial statements were approved by the Board of Directors of the Bank in their meeting held on February 27, 2015.

#### **44. GENERAL**

- 44.1** Account captions as prescribed by BSD circular No. 11 dated December 30, 2003 which have nil balances, have not been reproduced in these financial statements.
- 44.2** Figures have been rounded off to the nearest rupee.



**PRESIDENT**



**CHAIRMAN**



**DIRECTOR**



**DIRECTOR**

## Branch Network

### Punjab

#### Chiniot

Chaudry Center Jhumra Chowk Jhang Road  
Chiniot  
Ph# 047-6332693  
Fax# 047-6332692

#### Lahore

15-Shadman, Near Shadman Chowk, Jail Road,  
Lahore.  
Ph# 042-37426224-6  
Fax# 042-37426226

#### Sheikhupura

Shop # 435 Near 32 Chowk Gujranwala Road  
Sheikhupura  
Ph# 056-3813566  
Fax# 056-3813563

#### Bhalwal

Noon Sugar Mill Road , Bhalwal  
Ph# 048-6642571/6642971  
Fax# 048-6642571

#### Chakwal

Near Warid Franchise, Rawalpindi Road,  
Chakwal  
Ph# 0543-550917  
Fax# 0543-550918

#### Faisalabad

Jimmy Plaza, Near Kinder Garton Girls High  
School, Eid Gah Road, Faisalabad.  
Ph# 041-2616148  
Fax#041-2616148

#### Jhang

Canal Colony Raod Near Distt. Courts Jhang  
Ph# 047-7620985  
Fax# 047-7627940

#### Khushab

Plot # 221 Block # 4 College Chowk  
Jauharabd , Distt. Khushab  
Ph# 0454-722131/723131  
Fax#0454-722131

#### Kamoki

197/162 Near Shifa Eye Hospital, Main G.T

Road Kamoki  
Ph# 055-6816240/41  
Fax# 055-6811164

#### Narowal

Siddique Pura Morr Circular road Narowal.  
Ph# 0542-414267  
Fax# 0542-414168

#### Pasrur

Faisal Colony, Near Gujjar PSO Petrol  
Pump, Pasrur  
Ph# 052-6442249  
Fax# 052-6442247

#### Sialkot

Small Industrial Estate, Near Alam Chowk,  
Shahabpura road Sialkot  
Ph# 052-3258442-1  
Fax# 052-3258440-1-2

#### Wazirabad

Near Veterinery Hospital, Foam market  
,Circular road , Wazirabad.  
Ph# 055-6604692/6604694  
Fax# 556609120

#### Rawalpindi

Ropyal Brothers Plaza, B-130, Main Muree  
Road, Chandni Chowk Rawalpindi.  
Ph# 051-4842548  
Fax# 051-4842549

#### Sadiq Abad

Jamal Din Wali road, near crispy sweets &  
bakers, Sadiqabad  
Ph# 068-5700326  
Fax# 068 5700426

#### Bhakkar

Plot# 155/2 Club Road Mandi Town Bhakkar  
Ph # 0453-513187,0453-9200087  
Fax# 0453-510187

#### Kot Addu

Opposite Faisal Motors, Near PSO Pump Main  
G.T Road, Kot Addu District Muzaffergadh  
Ph# 066-2241752

Fax# 066-2243852

#### Ahmedpur East

Near WAPDA Scarp colony, Katchery Road,  
Ahmedpur East  
Ph# 062-2273450  
Fax# 062-2271450

#### Lodhran

Near Alla Iqbal Commerce College, MTN  
Bahawalpur Road , Lodhran  
Ph# 0608-361321  
Fax# 0608-361324

#### Rajanpur

Kamran Market, Opposite Jamia Sheikh  
Darkhasti, Indus Highway, Rajanpur.  
Ph# 0604-689513  
Fax# 0604-690121

#### Kahrora Pacca

Union Council Bukshi Wali, Ward No. 16 / 8,  
Near Railway Chowk, Lodhran Road, Kahrora  
Pacca  
Ph# 0608-342125-3-6  
Fax# 0608-342126

#### Dunyapur

Near Al-Mulk Hospital, Railway Road,  
Dunyapur  
Ph# 0608-305317/0608-304317  
Fax# 0608-304317

#### Muzafar Garh

Old Chen One Building-Opp Bank Alfalah-  
Main Multan Road-Muzafar Garh.  
Ph# 066-2425492  
Fax# 66-2425491

#### Gojra

Saddiqui Commercial Centre P-499 tehseil raid  
Gojra, District Toba take Singh  
Ph# 046-3516505  
Fax# 046-3516504

#### Chowk Azam

Near Greenway Petrol Pump Fateh Pur Road  
Chowk Azam



Ph# 606 381058

Fax# 606 381057

**Umar Kot**

Saleem Shopping Center Shpo# 1 & 2  
Gulshan -E- Saleem Housing Society Main  
Chhore Cannt Road Opposite MA Jinnah Park  
Umarkot  
0238-500301  
0238-500302

**Mandi Bahauddin**

Shop # 5/201 Ward # 5 Near Alfatah Masjid  
Mandi Bahauddin  
Ph# 0546-500981  
Fax# 546-500981

**Mianwali**

Chah Gul Khanwala P.A.F Road Mianwali  
Ph# 0459-231020  
Fax# 0459231010

**Sargodha**

Ground Floor Zahoor Plaza Noori Gate  
Sargodha  
Ph# 048-3740861  
Fax# 048-3740288

**Arifwala**

21-A/Block Main Muhammad Road Karkhana  
bazar Arifwala Distt Pakpattan.  
Ph# 0457-835204  
Fax# 0457-830202

**Basirpur**

Plot # 416, Main Bazar Depalpur Road,  
Basirpur.  
Ph# 044-4771030/4771121-22  
Fax# 044-4771030

**Chichawatni**

Plot No. 18, 19 Main GT Road Near Lakar  
Mandi Pull Chichawatni  
Ph# 040-5483415/5480415  
Fax# 040-5480477

**Kasur**

Minhas Colony, Near Khan Mahal Cinema  
Main Lahore Road Kasur  
Ph# 049-2773202-3  
Fax# 049-2773204

**Okara**

Plot no.4033/8 M.A Jinnah Road Okara  
Ph# 044-2550046  
Fax# 044-2552246

**Hassanabdal**

Near Civil Hospital Main Hazara Road  
Hassanabdal.  
Ph# 057-2520098  
Fax# 057-2520097

**Fatehjang**

Ground Floor, Mudassar Awan Arcade,  
Rawalpindi Road,Fatehjang.  
Ph# 057-2212701  
Fax# 057-2212232

**Mankera**

Near UBL, Jhang Bhakkar Road, Tehsil  
Mankera, District Bhakkar  
Ph# 0453-410323  
Fax# 453410323

**Karor Lal Essan**

Khasra # 289, Sewag Plaza, Opp. PTCL  
Exchange, Fatehpur Road, Karor Lal Essan,  
Distt Layyah  
Ph# 0606-811505/810505-6  
Fax# 0606-811506

**Jalalpur Pirwala**

Al-Mehmood Plaza Permit Road Jalapur Pir  
Wala  
Ph# 061-4212300  
Fax# 061-4212292

**Taunsa Sharif**

Main Vehova Road, Taunsa Sharif  
Ph# 064-2601367  
Fax# 064-2601395

**Dera Ghazi Khan**

Railway road Block No."J", Opposite Civil Line  
Police Station D.G khan  
Ph# 064-2470721,  
Fax# 064-2470722

**Mian Channu**

Nishtar Road Near MCB Mian Channu  
Ph# 065-2660131  
Fax# 065-2660132

**Khanpur**

Opposite Saving center quaid-e-milat road  
khanpur  
Ph# 068-5576922  
Fax# 068-5576924

**Rahim Yar Khan**

29/30 Canal Bank Road, Near Jamea tul  
Farooq, Rahim Yar Khan  
Ph# 068-5886223  
Fax# 068-5879772

**Liaquatpur**

87-A Scheme # 2 Bank Road Opposite Qayyam  
Petroleum, Liaquat Pur  
Ph# 068-5795499  
Fax# 068-5792699

**Bahawalpur**

1-B, 1st Floor, Model Town-B, Ghalla Mandi  
Road, Bahawalpur  
Ph# 062-2889612  
Fax# 062-2882856

**Fazilpur**

M. Ismaeel Plaza,Traffic Chowk Main Indus  
Highway-Fazil Pur  
Ph# 0604-681660  
Fax# 0604-681090

**Jampur**

Pesticide Market, near Bilal Masjid,Dajal Road  
,Jampur  
Ph# 0604-568800  
Fax# 0604-568650

**Ali Pur**

Near city police station and Bahadur khan  
masjid Alipur  
Ph# 066-2700873/2700872  
Fax# 066-2700872

**Faisalabad-2**

B-339 Peoples Colony # 1,Main Satyana Road  
Faislabad  
Ph# 041-8711761  
Fax# 041-8711762

**Mandi Yazman**

Near Neher Wala Pull, Bahawalpur Road Mandi  
Yazman

Ph# 062-2702184-5  
Fax# 0622-702184

**Pakpattan**

Pakpattab Club Building, Club Road, Pakpattan  
Ph# 0457-352477  
045-7353559

**Pattoki**

Tariq Centre, Halla Road Pattoki  
Ph# 049-4426350/4425350  
Fax# 049-4423350

**Sahiwal**

Saeed Center, Jail Road, Sahiwal  
Ph# 040-4225313  
Fax# 040-4220113

**Toba Tek Singh**

Al-Aziz Center, Shorekot Road ,Toba Tek Singh  
Ph# 046-2517512-14  
Fax# 046-2154618

**Minchanabad**

Khata # 208, Khatoni # 208, Circular road,  
near MCB bank, Minchinabad  
Ph#063-2750135-136  
Fax# 063-2750137

**Gujrat**

Shehroz Plaza Near SA Fans GT Road, Gujrat  
Ph# 053-3536275  
Fax# 053-3510224

**Hafizabad**

Shop B1-185 Ghari Awan Kassoke Road  
Hafizabad  
Ph# 0547-541141-2  
Fax# 0547-541143

**Jhelum**

Opposite Tableeg ul Islam High School Near  
NADRA Office, Civil Line, Jhelum  
Ph# 0544-230107  
Fax# 0544-621261

**Shujahabad**

Jalal Pur road , Opposite KB stand ,  
Shujahabad  
Ph# 0641-4396006  
Fax# 061-4396195

**Tibbi**

Main Road Tibbi Qaisrani, Tehsil Taunsa,  
District D.G.Khan  
Ph# 064-2007202  
Fax# 064-2007513

**Leyyah**

Main Choubara Road, Layyah  
Ph# 0606-414704/ 5  
Fax# 0606-414506

**Hasilpur**

Khata # 34/29, Plot Adjacent Honda Motor  
Cycle Show Room Near Bus Stand Main  
Bahawalpur Road, Rasoolabad Colony,  
Hasilpur Distt Bahawalpur.  
Ph# 062-2449935  
Fax# 062-2443936

**Qadirpur Rawan**

Ali Building Near Twon Committee office, G.T  
Road, QadirPur Rawan  
Ph# 061-4578669  
Fax# 061-4578668

**Khairpur Tamewali**

khata # 119/111,khatooni 271-276 opposite  
chand resturnat Tehsil khairpur Tamewali Distt  
Bahawalpur  
Ph# 062-2262010  
Fax# 062-2262010

**Vehari**

Karkhana Bazar Vehari  
Ph# 067-3360301  
Fax# 067-3360304

**Chishtian**

KBL Plot # 47,Block-C,Qazi Wala Road  
Chishtian  
Ph# 063-2500334  
Fax# 632500332

**Khanewal**

Block # 02, street# 01, RCA Chowk Kahnewal  
Ph#0 65-2551529  
Fax# 065-2551528

**Bahawalnagar**

Plot#358 Jail Road, Jinah Colony  
Bahawalnagar

Ph#063-2279054/2279055  
Fax# 632279054

**Multan**

NIPCO House, 1st Floor, Abdali Road, Multan  
Ph# 061-4783057  
Fax# 061-4782356

**Haroonabad**

Plot# 221 Main Bazar road near Post Office  
Haroonabad  
Ph# 063-2250195  
Fax# 063-2250095

**Burewala**

3-C, opposite ptcl exchange, main multan  
road burewala  
Ph# 067-3354155, 067-3354159  
Fax# 067-3354157

**Fort Abbas**

Khata # 347/351 School Bazar Near Main  
Gate Ghallah Mandi Tehsil Fort Abbas Distt  
Bahawalnagar  
Ph# 063-2510594  
Fax# 063-2510592

**Chowk Sarwar Shaheed**

Near Mobilink Franchise MM Road Chowk  
Sarwar Shaheed  
Ph# 066-2210352  
Fax# 066-2210351

**Kalur Kot**

Near Al-Makkah Hotel, Housing Scheme,  
Kallur Kot  
Ph# 0453-200892  
Fax# 0453-200992

**Uch Sharif**

Near MCB Bank LTD, Main Ahmedpur East  
Road, Uch Sharif, TEHSIL Ahmedpur East,  
DISTT Bahawalpur  
Ph# 062-2551151  
Fax# 062-2551152

## Sindh

**Karachi**

Plot # 13, Commercial Area, Gulshan-e-Iqbal, Block: 10-A, main Rashid Minhas Road, Karachi

Ph# 021-34818323

Fax# 021-34818324

**Badin**

Survey # 33, Adjacent Abbasi Hospital, Main DCO Chowk, Karachi Road Badin

Ph# 0297-862330

Fax# 297-810149

**Mithi**

Shop # 2 & 3 Satyani Shopping Center Main Naukot Road Mithi Tharparkar

Ph# 0232-262304

Fax# 0232-262302

**Thatha**

Shop # 6, Al-Shahbaz Shops, National Highway Thatta.

Ph# 0298-550784

Fax# 0298-550784

**Hyderabad**

Shop # 2 & 3 Block 2 Defence Plaza Hyderabad.

Ph# 022-2108349

Fax# 022-2786621

**Tando Muhammad Khan**

Main Hyderabad Badin Road, Adjacent Bus Stop, Tando Muhammad Khan.

Ph# 0223-342738

Fax# 0223-342833

**Shikarpur**

Sattari Building, Opposite Jahaz Chowk, Station Road, Shikarpur.

Ph# 0726-513024-23

Fax# 0726-512202

**Rato Dero**

Main Bus Stand, Chowk, Ratodero

Ph# 074-4088189

Fax# 074-4088189

**Tando Allah Yar**

Main Mirpurkhas Road, Adjacent Main Eid Gah, Tando Allah Yar

Ph# 0223-892875

Fax# 0223-892874

**Hala**

Old National Highway, Near UBL Hala, District Mitari.

Ph# 0223-332350-52

Fax-0223-332352

**Nawabshah**

H.No A-306, Hospital Road, Otaq Quarter

Nawabshah

Ph# 0244-370093

Fax# 0244-370094

**Sanghar**

Choudhary Corner Main Nawab Shah Road Sanghar

Ph# 0235800161

Fax# 0235800161

**Mirpurkhas**

Plot # 7, Survey # 862/7, Ward-A, MP Colony, Main Umar Kot Road, Mirpurkhas

Ph# 0233-873163

Fax# 0233-876427

**Sukkur**

Military Road, Sukkur

Ph# 071-5633237

Fax# 071-5633237

**Ghotki**

Sada Bahar Shopping Center Near Bilal Masjid

Main GT Road Ghotki

Ph# 0723-600239/0723600220

Fax# 0723-600239

**Daherki**

Haq Plaza, Main GT Road, Daherki

Ph# 0723-642663

Fax# 0723-642663

**Qambar**

Opposite Govt Primary Main Boys school miro

Khan road Kambar

Ph# 0744-210072

Fax# 0744-210062

**Khairpur**

Near National Saving Centre, Kacheri Road

Khairpur Mirs.

Ph# 0243-714064

Fax-0243-714065

**Ranipur**

Near Mazhar Model School, National Highway

Ranipur City District Khairpur Mirs.

Ph#0243-730229-0243-730226

Fax# 0243-730229

**Dadu**

Opposite Govt: Pilot Girls School College Road

Dadu

Ph#025-4710007

Fax# 025-4710007

**Nosheroferoze**

Main National Highway, Noshero Feroze

Ph#0242-481270-71

Fax# 0242-481269

**Pano Aqil**

Near Eid Gah, Bajji Chawk, Pano Aqil

Ph# 071-5692033

Fax# 071-5690314

**Larkana**

Near Bank Albarka Square Bundar Larkana

Ph# 074-4044580-81

Fax# 074-4044570

**Badeh**

Main Naseerabad road, Badeh Distt: Larkana

Ph# 074-4081074

Fax# 074-4081232

## Khyber Pakhtunkhawa

### Abbotabad

Ground Floor, Ali Plaza, Supply bazar, Mansehra Road, Abbotabad.  
Ph# 0992-343108/ 330871  
Fax# 0992-343109

### Haripur

Pankad Area,Shahrah-e-Hazara,Haripur  
Ph# 0995-610181  
Fax# 0995-610353

### Mansehra

Mumtaz Plaza, Old HBL Building, Kashmir Road Mansehra  
Ph# 0997-304086  
Fax# 0997-304086

### Charsada

MG Plaza, Tangi Road, Charsadda.  
Ph# 091-6513301-02  
Fax# 091-6514589

### Havelian

Malik Cottage Main Bazar Havelain  
Ph# 099281083-84  
Fax# 99281083

## Balouchistan

### Nasirabad

Labor Chowk, Quetta Road, Dera Murad Jamali, Naseerabad, Balouchistan.  
Ph# 0838-711338-37  
Fax# 0838-711338

## Azad Kashmir

### Muzaffarabad

Raza Buliding , Poultry form road, opp AJK University Muzaffarabad  
Ph# 05822-920467  
Fax-05822-920469

## ICT

### Islamabad

Ground Floor, 94 west Jinnah Ave Blue Area Islamabad  
Ph# 051-2804191  
Fax# 051-9245120

### Kohat

Najam Complex near Police line hangu road Kohat  
Ph# 0922-860437  
Fax# 0922-860437

### Malakand Agency

Tahir plaza, Main Bazar, Batkhela, Malakand Agency  
Ph# 0932-415040  
Fax# 0932-415039

### Mardan

CB 445/A- 2, Saddar Bazar,The Mall, Mardan Cantt. Mardan.  
Ph# 0937-870194-5  
Fax# 937-870828

### Nowshera

Al-Jameel City Center,Near PSO Police Petrol pump,Main G.T Road, Nowshera.  
Ph# 0923-610158 / 0923-614558  
Fax# 0923-614558

### Swat (Mingora)

Ground Floor,Shahzad Plaza,Mukan Bagh,- Saidu Sharif Road,Mingora  
Ph# 0946-724744/ 0946-724743  
Fax# 0946-724742

### Swabi

Rehman Plaza,Mardan Road,Swabi.  
Ph#0938-223212-223113  
Fax# 0938-224587

### Peshawar

Zeb Plaza Bilal Town G.t Road Opposite Gulbhar Police Station Peshawar  
Ph# 091-2264055  
Fax# 091-2612061

### Dera Ismail Khan

Al-Zaman Building, West Circular Road, Dera Ismail Khan  
Ph# 0966-711382  
Fax# 0966-711382

### Rawlakot

AL Makah Shopping Plaza near ali ferdos clinic rawalakot district poonc azad kashmir  
Ph# 058-24920193  
Fax# 058-24920044

### Bagh

Ground Floor, Al-Noor Plaza, College Road Bagh  
Ph# 05823-920158  
Fax# 05823-920159





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