

The Power of *Inspiration*

Annual Report 2013

Tameer Bank
Micro Finance



تعمير بینک
مائیکرو فنانس

Empowering the Un-banked



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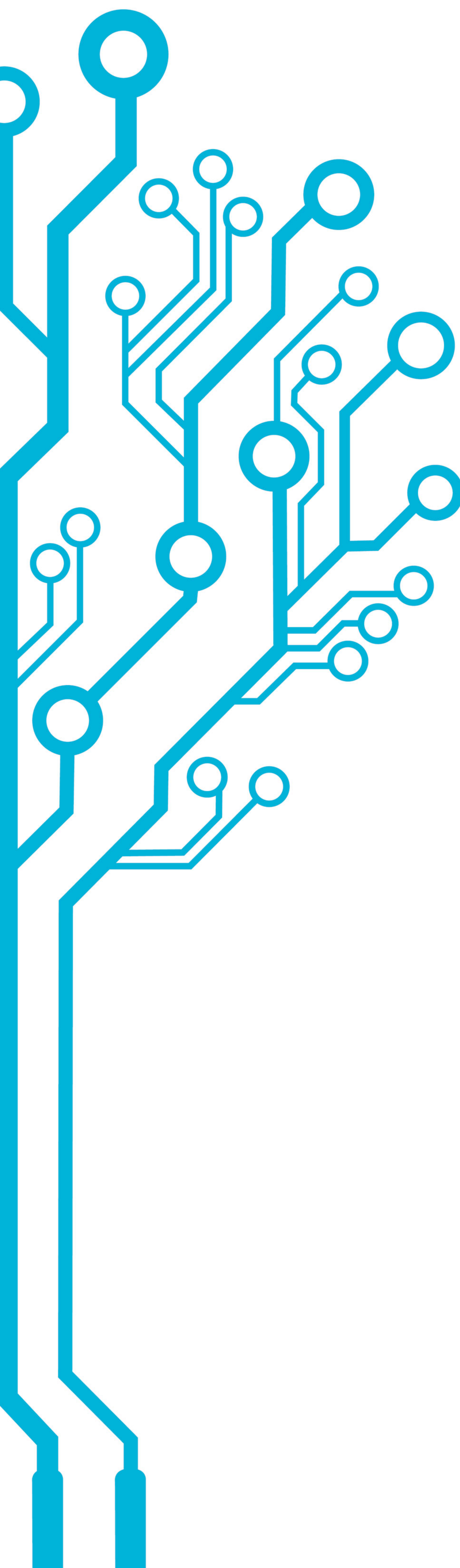
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Micro Finance



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Empowering the Un-banked





ہم خود تراشتے ہیں منازل کے سنگِ میل
ہم وہ نہیں ہیں جن کو زمانہ بنا گیا
اقبال

Tameer is inspired by Allama Iqbal's philosophy of being the master of one's own destiny. We have committed ourselves to provide financial services to the people at the bottom of pyramid.

Our holistic approach to financial inclusion focuses on lending, saving, health insurance and access to energy solutions. The annual report 2013 provides a glimpse into our efforts to help fulfill our vision of empowering the unbanked.

The Power of
Inspiration

Inspiration spreads *Hope*

Our local priorities with global commitments

Financial Inclusion: For 8 years Tameer has focused on providing inclusive financial services to Pakistan's unbanked. We continue to fulfill our promise to create socio economic empowerment by providing micro lending and micro saving opportunities for those at the bottom of the pyramid.

Health: Tameer has partnered with local insurance companies to provide stand alone health insurance that facilitates access to in patient health at hundreds of hospitals around Pakistan.

Education: In 2013, Tameer initiated a pilot to finance private schools in remote areas to enable access to education for the Pakistani people. These private schools no longer have to worry about access to finance and can focus on providing quality education.


Development Partnerships: Tameer works with various local and international organizations including Winrock, Care International, USDA, Mercy Corps, and IFAD on development initiatives that have financial inclusion components.

The Abbottabad Valley, KPK, Pakistan

About **Tameer Bank**

From our humble beginnings in 2005, we have grown to become a leader in microfinance banking. Our 198 thousand borrowers, 1.2 million savers and millions of easypaisa users are a testament to the trust we have created as a financial services provider.

We are present in Pakistan's 87 districts with 49 Branches, 66 Financial Centers, 10 Community and Sales Centers. Our 2,500 employees strive to meet the financial needs of thousands of clients daily and continue to provide best in class customer service.



Our reach extends from Pakistan's majestic mountains to its shining seas

Our value proposition

We strengthen the Economy by providing financial services to Pakistan's farmers, fishermen, merchants, youth and women.

We promote a culture of entrepreneurship by providing micro enterprise loans. We help realize dreams by giving people the financial means to pursue them.

We facilitate banking ubiquity through branchless banking services like Easypaisa, the world's third largest mobile financial service (MFS).

We provide employment and career development opportunities to our team members.

Gawadar, Baluchistan, Pakistan

Vision

To emerge as a global benchmark for innovative and commercially viable microfinance solutions to the unbanked for their socio-economic empowerment.

Mission

To set new standards of excellence in value added Microfinance and related services through innovative technology and a highly skilled/professional staff for customer convenience and satisfaction.

Core Values

Equal Opportunity

Equal opportunity is our highest ideal. We are an Equal Opportunity organization that does not discriminate on the basis of social status, creed, gender and ethnicity.



Respect

We believe that everyone deserves to be treated with equal dignity and regard, from the humblest loan applicant to the top level executive.



A decorative graphic on the left side of the page, resembling a circuit board or a stylized tree. It consists of a network of black lines of varying thicknesses, with many small circles at the junctions and endpoints. Three circular icons are integrated into the circuit: a medal with a star at the top left, a balance scale in the middle right, and a lightbulb at the bottom left.

Meritocracy

We take personal responsibility for our role as leaders in pursuit of excellence. We are a performance driven, result oriented organization where merit is the only criterion for reward and the true measure of greatness.

Integrity

Pioneering commercially viable microfinance activity in Pakistan means we have a duty to serve both the community at large and our stakeholders with the highest standard of integrity.

Innovation

In order to provide financial access to those who have none, and retain a vital edge against all competition, we are firm believers in the power of innovation. Through cutting edge technology, innovative products and distribution systems, a vibrant workforce and culture, we work together for the fruition of the ideas that drive us forward.



Inspiration drives *Ideas*

We are inspired by the opportunity to make a difference in peoples' lives through inclusive financial services. Our clients remain our biggest muse and continue to inspire us to become the most innovative microfinance bank in Pakistan.



Inspiration explores *Opportunities*

Micro and small enterprises present us with an opportunity to address the financial needs of business owners by providing them cash flow loans, intraday financing, inventory loans, business enhancement loans and 24/7 banking services.

Size of the
opportunity


PKR
220_{bn}

No. of loans
disbursed to date
(Started in mid 2013)

PKR
45_{mn}

No. of customers
served

175



In 2013, Tameer introduced the micro enterprise loan to facilitate the development and strengthening of entrepreneurial culture in Pakistan. We recognize the important role that micro and small enterprises play in a growing economy. We feel that the financial needs of these micro and small enterprises have traditionally been neglected by commercial banks leaving a PKR 220 billion opportunity virtually untapped.

We believe in the power of micro enterprise and over the next few years we will work diligently to provide loans and credit facilities to Pakistan's small entrepreneurs so that they may play their part in the country's economic development. After a successful pilot in 2013, we look forward to fulfilling the financial needs of entrepreneurs in agriculture, livestock and commerce across the country through our micro enterprise loans.

Pakistan is the 9th largest producer of wheat, 4th largest producer of cotton and 12th largest producer of rice in the world. The agriculture sector employs almost half of Pakistan's population and is responsible for a quarter of the GDP. Total financing requirements of agriculture sector are in excess of PKR 800 Billion.

Agricultural credit is an integral part of the process of modernization of agriculture and commercialization of the rural economy.

The introduction of easy and cheap credit is the quickest way for boosting agricultural production. Tameer's agri financing products protect the interests of the farmers by providing them bullet loans that aren't due till after the harvest.



Inspiration reaps *Rewards*

Our agriculture loans ensure that Pakistan's farmers get the financial services they need to grow crops without getting exploited by middle men. Our agriculture clients rely on us to facilitate opportunities so that they may earn fair compensation for their hard work.

Size of the
opportunity

PKR
800_{bn}

No. of loans
disbursed to date
(Started in 2008)

PKR
600_{mn}

No. of customers
served

37_{thousand}



Inspiration increases *Accessibility*

Bank on Wheels makes it possible for people in rural areas to have real time access to a complete array of financial services. We work as international agency partners to deliver donor funds to Pakistan's rural population through our fleet of satellite connected mobile service vehicles.

Amount
disbursed
(Started in late 2010)

PKR
2.5_{bn}

No. of vehicles
with online
transaction facility

11

No. of
beneficiaries
served

60_{thousand}



Tameer is recognized for its distributions strength, especially when working with donors in unreachable areas through its 'Bank on Wheels' initiative. These are custom designed armored mobile service vans (MSV) that act as mobile branches to increase the bank's outreach. Each MSV has an onboard satellite that enables real time connectivity to the bank's network.

Bank on Wheels is transforming microfinance banking by visiting remote communities and assisting in the development of a financial ecosystem to include those at the base of the pyramid. Tameer has disbursed more than PKR 2.5 billion since the start of Bank on Wheels service.



Initiating financial inclusion for the millions of unbanked people of Pakistan, Tameer Bank partnered with Telenor Pakistan to introduce branchless banking for the first time in Pakistan in 2009. Easypaisa is the third largest money service in the world winning the best mobile money launch award. This solution provided by Easypaisa to empower the masses was replicated by five competitors in the market.

Easypaisa as an innovative force empowers its consumers to address their financial needs with ease and convenience on regular basis.

Easypaisa service can be used through over the counter (OTC) transaction or mobile accounts. The mobile account offers services like international remittances, airtime purchase, Easypaisa ATM Card, Khushaal savings, insurance, disbursements and loan repayments.

Easypaisa also provides numerous employment opportunities to merchants who carry out Easypaisa transactions. This also brings in a lot of the money from the informal market into documented market.



from one place...

Inspiration brings *Convenience*

With close to 8 million transactions a month, easypaisa is Pakistan's largest mobile financial service that facilitates sending and receiving money, paying utility bills, opening bank accounts, repaying loans and building savings, without ever stepping into a branch.

Total value of
transactions
(Started in 2009)

PKR
1.3_{trn}

No. of
transactions per
month

10_{mn}

Unique monthly
users

6_{mn}

...to another

Inspiration promotes *Sustainability*

We have introduced financing of solar home systems in off-grid areas through partnerships with alternate energy startups. Access to energy inspires people to pursue their ambitions and realize those dreams that had been stowed away in darkness.

Off-grid villages
in Pakistan

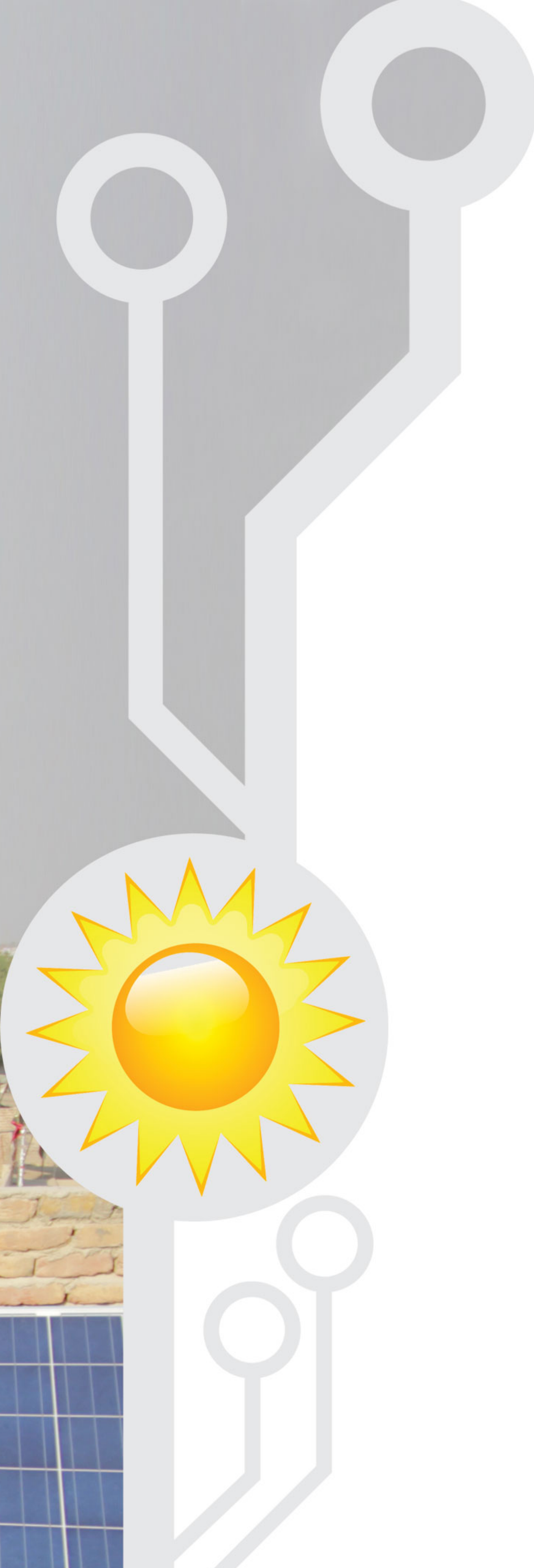
40 thousand

Potential size of
small & medium
Biogas market

PKR
300_{bn}

No. of loans
disbursed
(Started in late 2012)

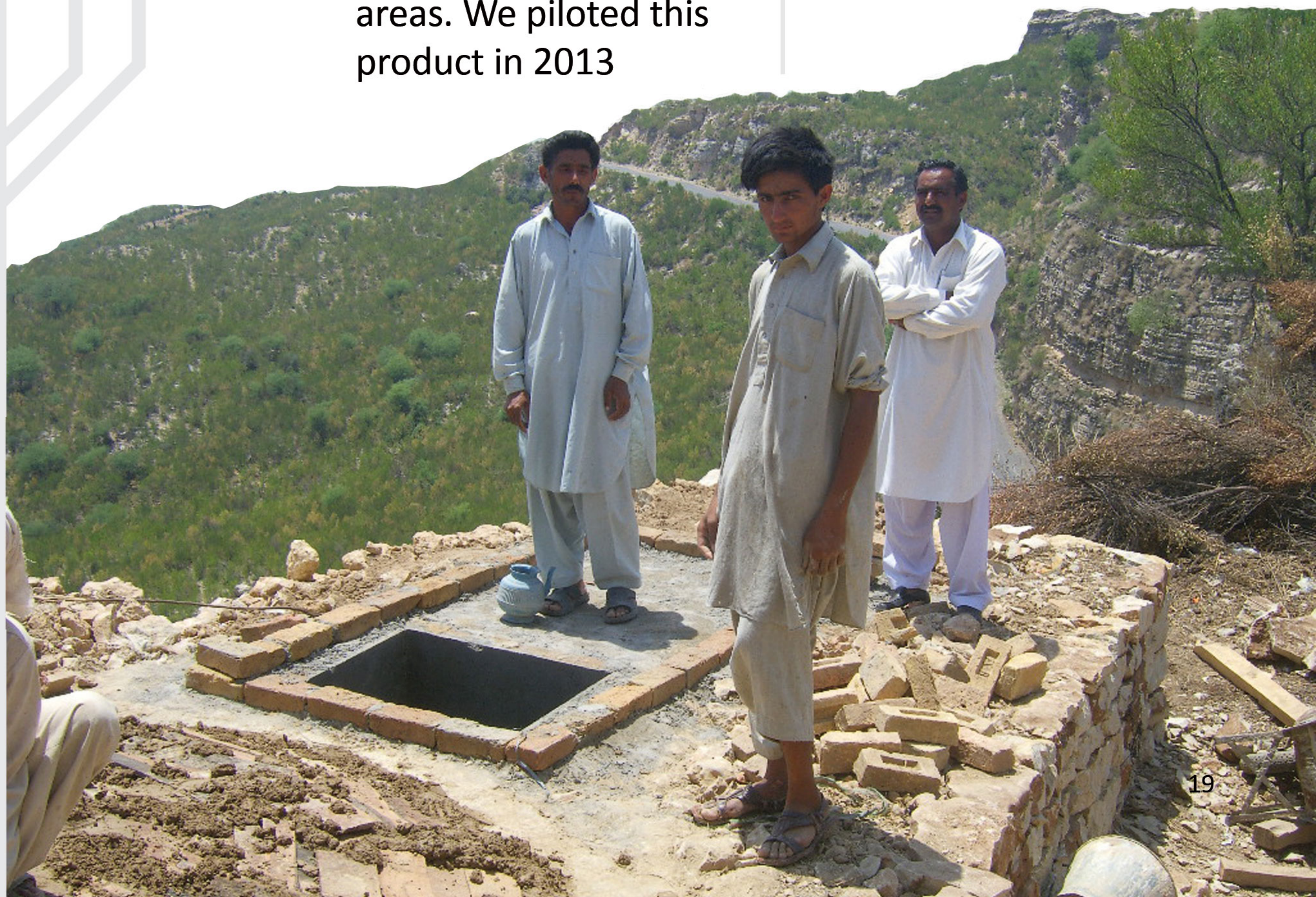
1.2_{mn}



Tameer Bank in partnership with local organizations is working towards providing solution to energy starved Pakistan with products like Solar Home Systems and Biogas plants. Our research indicates 68 million people in 40,000 villages live in off grid areas and can be considered 'energy poor'. It is for this reason that Tameer has partnered with local energy solutions provider to finance low power solar home systems in off-grid areas. We piloted this product in 2013

and after promising results, we will introduce these solutions in various other markets in need of access to affordable energy solutions.

Pakistan's large herd has the potential of contributing to alternate energy sources like biogas. Where 8 million households have 3 or more animals, which gives an indication of huge potential of domestic biogas plants.



Importance of livestock in Pakistan's economy may be realized from the fact that 30-35 million rural population is engaged in livestock farming with an average of 2-3 cattle/buffalo and 5-6 sheep/goat per household from which they derive 30-40% of income. Majority of national livestock-herd is distributed in small units throughout Pakistan. Small holders keep a major share of population in large ruminants, and 70% of cattle is raised by farmers with less than 6 animals per family.

There are 8 million farming households in Pakistan with a total herd size of 50 million animals. 97% of these farmers are not linked to formal markets and hence are not progressing in economic terms.

To facilitate credit requirement in livestock sector for low end farmers, Tameer launched livestock financing product in mid of 2012. Tameer has been able to disburse a total of PKR 150 million to date. Total financing requirements of livestock sector is PKR 130 Billion.





Inspiration yields *Productivity*

Our live stock products ensure that dairy and cattle farmers can increase the size of their respective herds and potentially increase their income.

Size of the
opportunity

PKR
130_{bn}

No. of loans
disbursed to date
(Started in mid 2012)

PKR
50_{mn}

No. of customers
served

750

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Corporate Information

Board of Directors

Ms. Tine Gottlob Wollebekk	Chairperson
Mr. Syed Nadeem Hussain	Founder, President & CEO
Mr. Lars Christian Luel	Director
Mr. Irfan Wahab Khan	Director
Mr. Karl Erik Broten	Director
Mr. Syed Salim Raza	Director
Mr. Nizar Noor Muhammad	Director

Chief Financial Officer & Company Secretary

Mr. Kabeer Naqvi

Auditors

Ernst & Young Ford Rhodes Sidat Hyder & Co
Chartered Accountants

Legal Advisors

Ebrahim Hosain

Registered Office

Tameer Micro Finance Bank Limited
15-A Block 7-8, Central Commercial Area, K.C.H.S. Union,
Karachi - 75350, Pakistan

Tel: +92-21-111-111-004

Website: www.tameerbank.com

Email: info@tameerbank.com

Board of Directors

Tine Gottlob Wollebekk

Chairperson

Nadeem Hussain

Founder, President & CEO

Syed Salim Raza

Director

Lars Christian Luel

Director

Nizar Noor Muhammad

Director

Irfan Wahab Khan

Director

Karl Erik Broten

Director

Our board of directors includes 7 experienced, diverse and committed individuals who understand the importance and urgency of creating opportunities for financial inclusion of un-banked Pakistanis. Tameer's board gives us the direction we need to fulfill our vision of creating socio economic empowerment through innovative micro finance solutions.



Tine Gottlob Wollebekk
Chairperson

Tine Gottlob Wollebekk is the current Vice President of Financial Services at Telenor ASA and the Chairperson of TMFB. She also serves as independent director and advisor at SEB Privatbanken ASA, M Iler Gruppen, Privtatebaniken and Goodtech amongst others and helped found the Initiative for Development & Entrepreneurship in Africa (The IDEA Foundation).

She has previously served as Managing Director of the card companies of SEB Kort AB in Norway, incl. Diners Club AS and Europay AS. Ms. Wollebekk served as Country Manager for SEB in Norway. She has also served as chairperson for Finn Clausen Gruppen AS and as Director at Andvord Tybring-Gjedde ASA. Ms. Wollebekk holds Bachelor of Commerce and Master of Science (Cand. Merc) from Copenhagen Business School.



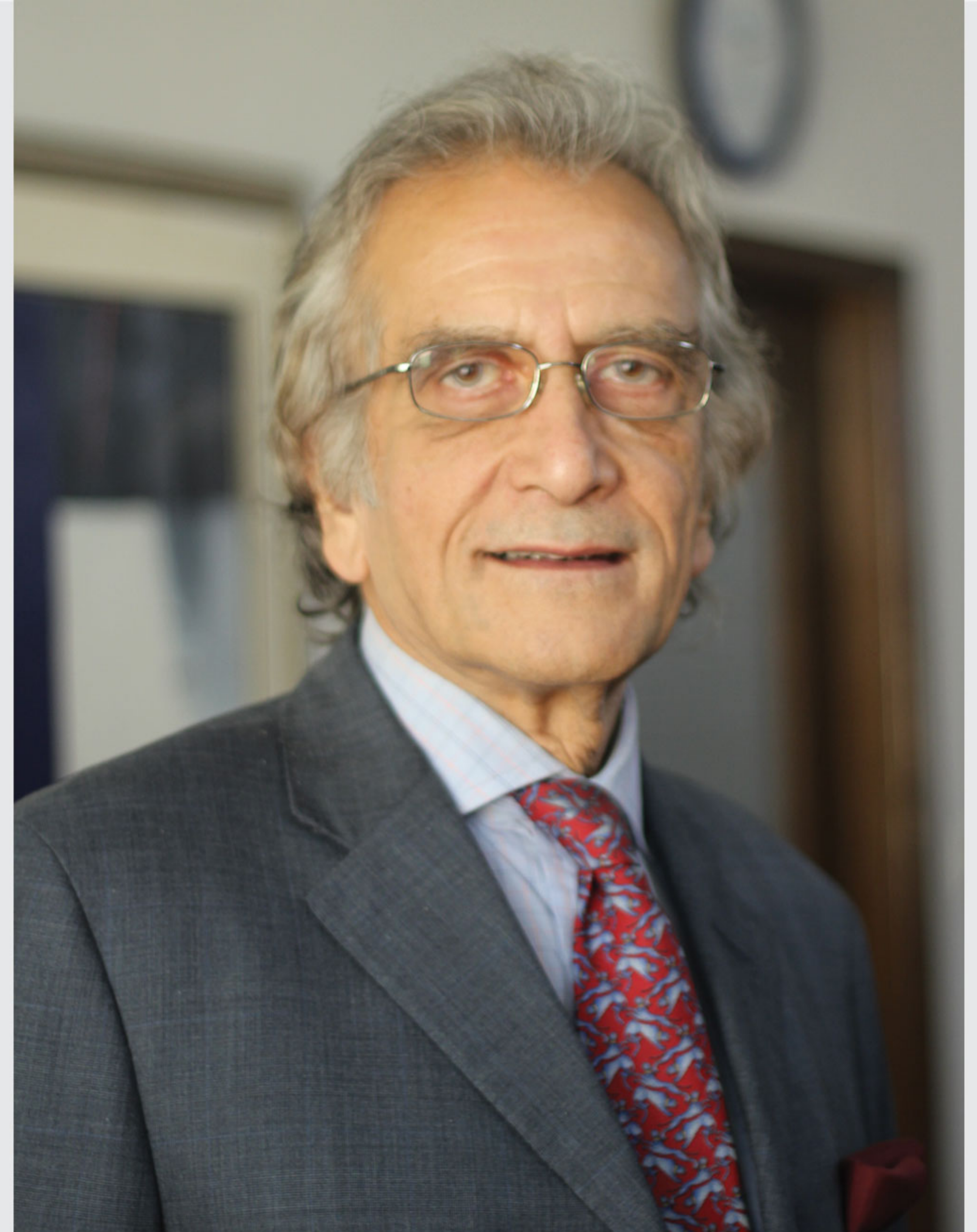
Nadeem Hussain

Founder, President & CEO

Nadeem Hussain's efforts towards financial inclusion of the economically marginalized have impacted over 10 million people by extending credit and mobile banking facilities to unbanked Pakistanis.

Mr. Hussain champions the causes of financial empowerment, access to health-care, environmental sustainability, affordable housing and provision of alternate energy to all Pakistanis. He has spent the last 8 years focusing on these areas through his leadership of TMFB and through his involvement with various organizations.

He is a prominent board member of the Pakistan Microfinance Network (PMN), Institute of Capital Markets and Asia Care Insurance. He also fulfills Trustee responsibilities for the Indus Foundation and the Jinnah Institute. Mr. Hussain is an active member of the State Bank's and SECP consultative groups on various initiatives including branchless banking.



Syed Salim Raza

Director

Syed Salim Raza is a Member of The Board of Directors of TMFB. He is also the former Governor of State Bank of Pakistan. Prior to his assumption of the office of SBP Governor, he was the CEO of Pakistan Business Council (PBC) since February 2006. He holds a Master's degree from Oxford University.

Mr. Raza brought TMFB Bank 38 years of international banking experience. He had been with Citibank, NA. in various positions that included Country and Regional Management across the Middle East, Africa and the UK, Central and Eastern Europe, based in London from 1989 to 2006.

His business experience covers credit and corporate finance, real estate and global asset (bonds & equities) management. He was also the Country Head for Citibank in Pakistan from 1983 to 1987. He has worked extensively on a variety of associated subjects, both exclusively at PBC, and also in partnership with multilateral organizations and Government bodies.



Nizar Noor Muhammad
Director

Nizar Noor Muhammad joined Eastern Garments (Pvt) Ltd in Karachi as Manager Production and Operations in September 1987. Eastern is a vertically integrated producer of knit apparel for the US and European markets. Basic responsibilities include formulating and implementing detailed operations plans to ensure timely completion of programs in accordance with customer-specific standards.

Promoted to Director Operations in 1992 and then to Managing Director in 1997. Eastern is now one of the top exporters of knit apparel from Pakistan with annual sales of around USD 22 million. Strong relationships exist with major US based customers such as Wal-Mart, Target, VF Corporation, Russell Athletic, Footlocker, WearGuard, Casual Male Big & Tall, Holloway Sportswear and Jansport etc.



Karl Erik Broten
Director

Karl Erik Broten, CFO of DiGi Com Malaysia, is helping bringing banking to the unbanked of Pakistan in a very integrated telecom/banking model.

Mr. Karl has been part of the Telenor Group for over 15 years, with extensive experience in the mobile communications industry and had been the CFO of Telenor Pakistan since July 2009. Joining Telenor in 1996, he has worked in Hungary and Norway in various capacities, holding at various times during his illustrious career, the positions of Chief Financial Officer, Finance Director, Deputy Chief, Head of Finance, and Controller roles.

Prior to joining Telenor Group he served as Investment Controller for the municipalities of Kristiansand and Oslo respectively, in his native Norway. Mr. Karl received his Master's degree in Business Administration from Agder University College, Norway.



Lars Christian Luel

Director

Lars Christian Luel is the CEO and Vice President of Telenor Pakistan.

Mr. Lars joined the Telenor Group in 1996, as Product Manager for Telenor AS, and has had an illustrious career with the Group ever since. He has extensive experience in the field of marketing and product coordination. Prior to joining Telenor he has worked in the UK as a Shipping Trainee in Mosvold UK Ltd, and as a sales consultant in Norway for Ost and Gront. He also served in the same capacity in Denmark at DAC-DATA, eventually becoming Marketing Coordinator.

Mr. Lars obtained his MBA in International Marketing and Business from the University of Sheffield in the UK.



Irfan Wahab Khan

Director

Irfan Wahab Khan is the current Chief Marketing Officer of Telenor Pakistan.

A graduate in Mobile and Personal Communications from the University of Westminster, Mr. Irfan brought with him a wealth of experience and expertise in the field of marketing and product coordination in telecommunication. In all, he has spent a total of 9 years with the Telenor Group, serving in both Norway and Thailand in addition to Pakistan in Vice-Presidential roles. Additionally he worked for a number of telecom companies across the globe, including Orange PCS UK, Ericsson in the Philippines and T-Mobile in the USA. He also served as Director of Telecom at the Ministry of Information Technology, Government of Pakistan.

Mr. Irfan holds a BA in engineering from the University of Engineering and Technology in Lahore.

Board Committees

Audit Committee

Mr. Syed Salim Raza	Chairman
Mr. Karl Erik Broten	Member
Mr. Nizar Noor Muhammad	Member

Branchless Banking Steering Committee

Mr. Irfan Wahab Khan	Chairman
Mr. Syed Nadeem Hussain	Member
Mr. Karl Erik Broten	Member
Ms. Tine Gottlob Wollebekk	Member
Mr. Lars Christian Luel	Member

Human Resources Management & Planning Committee

Mr. Lars Christian Luel	Chairman
Mr. Irfan Wahab Khan	Member
Mr. Nizar Noor Mohammed	Member

Risk Management Committee

Mr. Syed Salim Raza	Chairman
Ms. Tine Gottlob Wollebekk	Member
Mr. Karl Erik Broten	Member

Committee Functions

Audit Committee

The Audit Committee was formed to assist the Board in fulfilling its oversight responsibilities. This includes reviewing the financial information, systems of internal controls, risk management and the audit process, including the performance of internal and external auditors.

It also allows management to assess the Bank's process for adherence to the Code of Conduct; and for monitoring of compliance with laws, rules, regulations and directives issued by the regulatory authorities as well as the plans and policies issued by the Bank. The committee is meant to provide an open avenue of communication between the Board of Directors, Management, Internal Audit and the External Auditors.

Branchless Banking Steering Committee

The Branchless Banking Committee was set up to develop a framework for the future of the Branchless Banking and Mobile Banking Initiative, and help ease the path to implementation of said developments. The BBC provides a forum for discussion and proposal of solutions to any issues related to Branchless Banking that need to be decided by the Board of Directors.

Human Resources Management & Planning Committee


Given that the Human Resources possessed by a banking company are amongst the most valuable factors of business management and expansion, it is imperative that HR function is strong. The HR committee exists in light of this and is entrusted with the task of establishing human resources strategies that ensure optimization of all factors affecting the performance and efficiency of the staff function to ensure hiring, training, re-training, and motivation of all Tameerians so as to maximize operational stability.

Risk Management Committee

Banks are in the business of taking risk; therefore the RMC was constituted by the Board to perform the risk management activities on its behalf. The primary purpose of the committee is to formalize the Board's governance of the Bank's risk management process and to ensure compliance with the established risk tolerance guidelines.

Furthermore the RMC facilitates a better understanding of the risk reward paradigm and helps the BOD to make more informed decisions on the quantum and kind of risk the Bank must take to meet its growth plans. This committee is chaired by Syed Salim Raza.





TMFB has managed to keep its position as Pakistan's largest microfinance bank in terms of portfolio size. To reinforce its commitment to Financial Inclusion TMFB and the Branchless Banking division has also continued to enhance its footprint, growing its number of Easypaisa agents to 40,000; an impressive incremental 15,000 agents added to the network last year.

Message from the Chairperson

The year has also seen new initiatives by competition and it is noted that all telecom operators are offering mobile financial services in cooperation with local bank partners or wholly owned bank subsidiaries. While the initial uptake has been slowly scaled by competition it is expected that these initiatives will drive down the current market shares and relative performance of TMFB.

Considering these circumstances it has been a positive year for TMFB as well as for Easypaisa, the joint service between TMFB and Telenor Pakistan. In light of the unstable economic and political situation, it is very reassuring that the bank has managed to keep a solid and steady funding throughout the year. TMFB managed to effectively increase surplus funding in the beginning of the year to keep a buffer for unforeseen events and shortage of market liquidity and adjust to lower levels under more stable economic conditions in the second half of 2013.

TMFB has managed to keep its position as Pakistan's largest microfinance bank in terms of portfolio size. To reinforce its commitment to Financial Inclusion, TMFB and the Branchless Banking division has also continued to enhance its footprint, growing its number of Easypaisa agents to 40,000: or an impressive incremental 15,000 agents added to the network last year. The growth in agents has helped to further solidify the bank's standing as the financial institution with the largest number of customer touch points and reaffirming its commitment to empower the unbanked through innovation. Tameer branchless operations, easypaisa now service more than 6 million unique customers every month. With this extensively increased reach they have improved to bring access to financial services for the unbanked people of Pakistan.

Top line revenue growth for the year was impacted by the unstable situation in the country during the first two quarters, but still managed to increase with 32 % compared to last year. The profitability of the bank improved, posting a profit before tax of PKR 615 million compared to PKR 503 million in 2012.

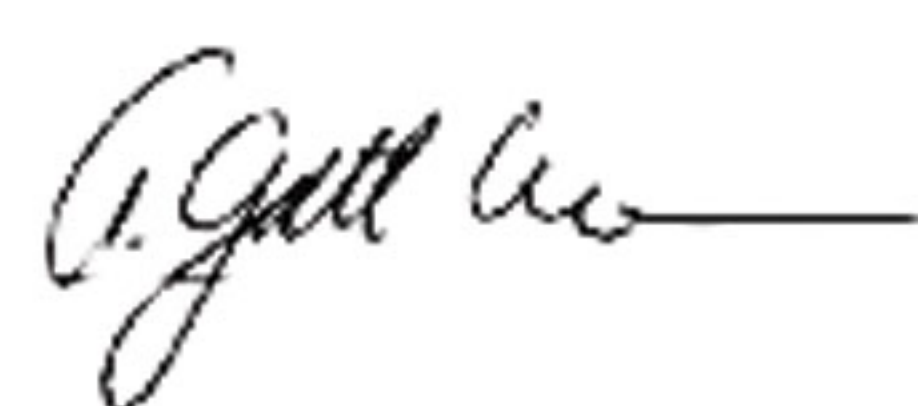
Especially positive is to see the advances at a growing rate during the year posting several months of PKR 1 billion in advances. While the advances have increased to PKR 8,311 million (2012: PKR 6,688 million) the bank has still managed to keep the delinquency at a very low rate even decreasing from previous year from 0.84% to 0.59% in 2013.

The first half of 2013 the bank attracted substantial deposits and savings with 27% increase in deposits for the year 2013. Furthermore, the concentration of large deposits decreased improving the overall stability of the funding by reducing the dependency of few large depositors. Concentration on top 10 depositors went from 21% to 10% in 2013.

Tameer's human capital is critical to its success, therefore, considerable effort has been and will be spent to define and develop the necessary competencies for employees. It is important to keep a high retention and motivation. The bank has through 2013 continued its program for development of key staff and talents.

Tameer Bank is committed to its vision of bringing financial inclusion to the unbanked people of Pakistan and will continue to work on strengthening its portfolio and market positioning. Easypaisa will continue to explore the market and will build on innovation and reach to further enhance the branchless banking eco system.

I would like to thank our valued customers for their support and reassure them of our commitment towards bringing financial inclusion to all. Our positive progress is the proud result of the work of our dedicated management team and employees. Under the clear and competent direction of the Tameer board members, Tameer is well on its way for yet another year of growth.



Tine Gottlob Wollebekk
Chairperson



Tameer catered to the financial needs of 1.8 million people that included 224,000 borrowers, 400,000 Benazir Income Support Programme beneficiaries, and 1.2 million depositors. Our revenue grew by 29% in 2013 while our profits before tax grew by 22%. We fortified our presence through 130 touch points and 36,000 branchless banking agents across Pakistan.

Message from the President & CEO

In 2013, we had a number of accomplishments which strengthened our position as a market leader in microfinance in Pakistan. Our Loan portfolio increased by 24% to PKR 8.3 Billion with a delinquency of 0.59%. Our deposits also increased by 27% to PKR 10.3 Billion. Tameer catered to the financial needs of 1.8 million people that included 197,811 borrowers, 436,212 Benazir Income Support Programme (BISP) beneficiaries, and 1.2 million depositors. Our revenue grew by 29% in 2013 while our profits before tax grew by 22%. We fortified our presence through 130 touch points and 36,000 branchless banking agents across Pakistan. We remained the largest Microfinance bank in terms of loans and deposits in Pakistan, while easypaisa, our Branchless banking service was ranked number 3 in the world.

Our focus for 2013 was to enhance our offerings for micro enterprise borrowers. We laid the foundation for this segment to become a big contributor to our growth in the coming years. We leveraged our agriculture and livestock loan products and offered a larger ticket size to micro-entrepreneurs. We also piloted repayment of EMI loans through branchless banking and introduced concepts like handset financing and credit facilities for Easypaisa's retail agents.

For the last five years, Tameer has led the industry by contributing to half of industry's revenues. The dynamics of the industry changed significantly this year as all major microfinance banks entered the individual gold collateralized lending space.

This poses a challenge to Tameer's market leadership position, for which we are fully prepared. Our depth of experience in low cost distribution, credit underwriting ability and reliance on technology allow to recognize and pursue opportunities that will help us maintain our competitive advantage over existing and upcoming market players.

We feel that 2014 will be a challenging but fruitful year for Tameer Bank. We will continue to grow our branch network by adding 27 new touch points, most of which will be in new markets. We will better leverage our branchless banking distribution channel, Easypaisa by launching products like Easy Sona, micro health insurance and GSM usage based financing. Our loan portfolio will benefit from rolling out handset financing and retail agent credit lines on mass scale.

We continue to rely on the dedication and commitment of our staff, our strategic partners that help us bring innovative products to market, and our management's ability to develop and execute our strategy for our successes. I look forward to building on our continued success in the coming year.



Nadeem Hussain
Founder, President & CEO

Management Committee

Nadeem Hussain

Founder, President & CEO

Tariq Mohar

Deputy CEO

Kabeer Naqvi

Chief of Staff, CFO & Company Secretary

Habib Ali

Head of Branchless Banking

Shyam Lal

Head of Risk

Tazeen Adnan

Head of Human Resource

Naresh Karia

Head of Compliance

Atif Aziz

Head of Information Technology

Atyab Tahir

Chief Strategy Officer

Umaina Sohaib

Chief Marketing Officer





Syed Nadeem Hussain

Founder, President & CEO

Nadeem Hussain is the founder, CEO and President of TMFB, Pakistan's first private sector microfinance bank and world leader in branchless banking. Prior to pursuing his passion of making a difference, he worked in international banking for over almost 3 decades with Citigroup in seven different countries and major financial centers of the world.

Mr. Hussain's illustrious banking career included working in corporate banking, consumer banking, risk management, insurance, transaction banking and treasury. He also served as board member of the Hong Kong Commodities Exchange. Nadeem Hussain is globally recognized for his dedication and service to financial inclusion.

He chaired the United Nation's MDG Session on Financial Inclusion in New York in September 2010, and is a frequent speaker at international forums on branchless banking and Microfinance. He was awarded the Global leader award in 2011 by C5 in Geneva.



Tariq Mohar

Deputy Chief Executive Officer

Tariq Mohar looks after Sales, Distribution and Business Support at TMFB. Prior to joining Tameer, Mr. Tariq served as Executive Vice President, Group Head Business Support & Collections at United Bank Limited (UBL). Before UBL, Mr. Tariq was Vice President, Branch Banking Head, Citibank, Pakistan from 2000 to 2003. Mr. Tariq retired as Brigadier in 1997 from the Pakistan Army and joined Citibank Pakistan as the Country Collections Manager in 1997. Prior to Citigroup, he served as Director Budget Pakistan Army from 1992 to 1993 where he introduced structured mechanisms to articulate end operational / strategic directions.

Mr. Tariq was also Commander of the Artillery Brigade, 1993 to 1995. In addition to operational responsibilities, he had the additional task of internal security duties in Sindh. Mr. Tariq has a Masters in Political Science and a BA (Hons.) in War Studies and is a Graduate of the US Army Finance School and a Graduate of Pak Army Command and Staff College.



Kabeer Naqvi

Chief of Staff, Company Secretary & CFO

Kabeer Naqvi is responsible for contributing to strategy making and execution for the core microfinance lending and branchless banking businesses, to oversee the financial control, treasury and corporate secretarial departments as well as act as the central overseer for all staff activities.

He has had vast exposure in the field of Accounting and Finance with expertise in the areas of Audit and Tax as he started his career as an audit trainee at Ford Rhodes Sidat Hyder & Co. Chartered Accountant.

At Tameer, Mr. Naqvi has been instrumental in designing a back-end accounting and integration methodology for the Branchless banking platform. He has also been responsible in designing a framework for management accounting in order to facilitate the flow of information between Tameer and Telenor Pakistan.



Habib Ali

Head of Branchless Banking

Habib Ali is responsible for Branchless Banking and Easypaisa Operations in TMFB.

Mr. Habib joined Tameer Bank in 2009. He has been in the banking industry for over 22 years and worked for Citibank Pakistan for 17 years. Mr. Habib has, during his Citibank Career worked in corporate banking, Trade, Treasury, Cash Management, Electronic Payment Systems and International Remittance business.

Mr. Habib is a member of easypaisa management team and also TMFB management committee. He is a founder member of easypaisa.



Shyam Lal
Head of Risk Management

Prior to joining Tameer, Shyam served as Chief Financial Officer and Company Secretary at Saudi Pak Leasing Company Limited. Before Saudi Pak, Shyam also served as Audit Senior and Assistant Manager at KPMG Dubai and Pakistan respectively.

Mr. Lal has immense exposure in the field of audit and planning as he audited many well known organizations during his association with KPMG. He also had an opportunity to work with KPMG IT team to formalize manual working into computerized system.

He was involved as a team member for conducting induction courses for new trainees inducted by KPMG.



Tazeen Adnan
Head of Human Resources

Prior to joining Tameer, Tazeen served as Head of Human Resources at Abudawood Group Pakistan and as Group Manager Human Resources System at Cupola Pakistan Limited where she streamlined entire HR processes alongside introduction of various HR practices to produce productive results.

Having in-depth knowledge and vast experience of HR practices / functions, Tazeen had also established HR department at Advanced Financial Application being a Manager Human Resources. Her dynamic personality and team oriented proficiency has contributed a lot for the success of TMFB.



Naresh Karia

Head of Compliance

Naresh Karia responsible for managing the bank's relationships with its regulators, taxman & external legal advisers and the establishment of compliance culture in the bank.

Before joining Tameer Bank, Mr. Naresh spent six years with Oasis Group based in Europe, Middle East and South Africa and nearly three years with KPMG Dubai and PICIC Bank Pakistan in a number of roles, including Auditor, Compliance, Credit Risk and IS and IT auditor.

A Fellow Chartered Accountant, Mr. Naresh worked with Ernst & Young for five years, before starting his career in banking. He also holds a Masters in Accountancy and Certified Financial Planning (I&II) from South Africa. Currently he is member of Financial Sector and Accounting, IFRS committee of the Institute of Chartered Accountants of Pakistan and member of compliance forum of State Bank of Pakistan.



Atif Aziz

Head of Information Technology

Atif Aziz brings with him 19+ years of diverse, local as well as international experience. He currently leads the information technology division at TMFB where his areas of influence include technology vision, strategy, procurement, operations and project deployments.

Prior to Tameer Bank, Atif has worked at renowned Pakistani stock brokers including KASB Securities and AKD Securities, where he headed the Information Technology teams. He started his career in 1993 from IBM Pakistan, where he worked as a systems engineer for two years before leaving for Canada and then US in 1996 to work at AT&T Research Labs, New Jersey. He came back to Pakistan in January 2000 to work as a senior project manager at an off-shore software project development company. Mr. Atif holds Masters and Bachelors in Computer Science degrees from National University of Computer and Emerging Sciences FAST-NU, Karachi.



Atyab Tahir
Chief Strategy Officer

Atyab Tahir offers 14 years of achievement driving organizational growth, performance and profitability for incredibly diverse, multi-national organization in highly competitive markets.

At Tameer, he is responsible for developing the bank's business strategy by exploring white spaces and possible expansion opportunities to provide access to financial services to unbanked people of Pakistan. He is involved in strategic decision making at the top level to ensure bank's sustainability and profitability.

Mr. Atyab works with international donors and development organizations to facilitate financial inclusion. He represents the bank on various national and international fora as a thought leader in financial inclusion, branchless banking and microfinance.



Umaina Sohaib
Chief Marketing Officer

Umaina is the newest member of management committee and is responsible for Product Management and Marketing.

Umaina brings with her a well-rounded business experience of managing diverse lending products and channels. An MBA from IBA, she started her career with Citibank as a Management Trainee in Consumer Banking in 2001. Over the next seven years, she managed Sales and various Lending Products before moving to Barclays in 2008 as the Head of Project Management. After successfully delivering Barclays Pakistan launch project, she served as the Head of Corporate Affairs for four years, responsible for areas like Internal and External Communications, Media Relations, Events and Community Investment.

Umaina has over 11 years of extensive experience in Consumer Banking, Business Development, Project Management and Corporate Communications. She is an avid reader and an active volunteer at her preferred NGOs.



Focusing on opportunities for women & helping them in communities to play their active role in economy across Pakistan

Tameer Bank has a firm policy of encouraging females in the work force within the organization and of empowering women in communities to become Tameerians and enable themselves to become economically contributing members of their household.

Tameer's growing female force, work side by side with men and reach out to females deep in community neighborhoods into households where men are not allowed.

Female bankers are spread across Tameer's geographic reach and the bank also has an active "women's wing" which is dedicated specifically to those female customers who do not leave the home or have lost the principal earning male member or where male members are too young to become livelihood earners. Women field teams have gained a deeper understanding of community dynamics and bring back knowledge which is area and business specific.

Director's Report to the Shareholders

31st December, 2013

It is our privilege to present on behalf of the Board of Directors the 9th Annual Report and audited financial statements of Tameer Micro Finance Bank Limited ('The Bank') for the year ended December 31, 2013. By the grace of Almighty Allah, the Bank has shown tremendous progress as compared to the last year and is on the right track and fully committed to achieve its long-term goals of fast track growth and prosperity.

Overall the Bank has increased its balance sheet footing by 14% from Rs. 13.350 billion last year to Rs. 15.191 billion in the current year. The increase is mainly attributable to the increase in net advances by 24% from Rs. 6.688 billion last year to Rs. 8.311 billion during this year. Apart from increase in core banking business, Branchless Banking business has also shown a huge growth as compared to the last year. On the other side deposits also increased by 27% from Rs. 8.372 billion to Rs. 10.628 billion during the current year.

FINANCIAL RESULTS

	December 31, 2012 (Rs'000) Restated	December 31, 2013 (Rs'000)
Profit before taxation	503,395	615,432
Less: Taxation-Current	(13,356)	(115,477)
-Deferred	(115,700)	(118,200)
Profit after taxation	374,339	381,755
Earnings per share (Rupees)	2.78	2.83

TRANSFER to RESERVES

As per the requirements of Microfinance Institution Ordinance, 2001 and the Prudential Regulations for Microfinance Banks issued by the State Bank of Pakistan, the Bank has transferred an amount equivalent to 20% of profit after tax to the statutory reserve (Rs.76,422,000) and 5% of profit after tax to the Depositors' Protection Fund (Rs.24,672,000).

CAPITAL ADEQUACY RATIO

The Banks Capital Adequacy Ratio as on Balance Sheet date stood at 64% compared to 73% as at the end of December 2012.

BOARD of DIRECTORS

Two casual vacancies occurred during the year 2013, which were subsequently filled up by the Board.

HOLDING COMPANY

Telenor Pakistan (Private) Limited with a holding of 51% shares is the holding company for Tameer Microfinance Bank Limited. Telenor ASA a listed Telecom company in Norway is an ultimate parent of the Bank.

CORPORATE GOVERNANCE

The Board of Directors of the Bank is responsible to the shareholders for the management of the Bank. It acknowledges the responsibility for the system of sound internal controls and is committed to uphold the highest standards of Corporate Governance.

STATEMENT of CORPORATE GOVERNANCE

The Directors are pleased to state that:

- a) The financial statements, prepared by the management of the Bank present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- b) Proper books of account of the Bank have been maintained.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d) These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, the Microfinance Institutions Ordinance, 2001 and the regulations / directives issued by the SECP and SBP. Wherever the requirements of the Companies Ordinance, 1984, the Microfinance Institutions Ordinance, 2001 or the regulations / directives issued by the SECP and SBP differ with the requirements of IFRSs, the requirements of the Companies Ordinance, 1984, the Microfinance Institutions Ordinance, 2001 or the requirements of the said regulations / directives shall prevail.
- e) The system of internal control is sound in design and has been effectively implemented and monitored. The ultimate responsibility of the effectiveness of internal control system and its monitoring lies with the Board. An Audit Committee has been formed for the purpose that meets periodically and independently throughout the year with the management and also the internal and external auditors to discuss the effectiveness of internal control system and other financial reporting matters. In addition, there are financial forecasts and budgetary control procedures in place, which are reviewed and monitored throughout the year to indicate and evaluate the variances from the budget.
- f) There are no significant doubts upon the bank's ability to continue as a going concern.
- g) During the year 5 board meetings were held. These meetings were attended by the directors as under:

Name of Directors	Designation	Number of meetings	
		Held during the year during tenor	Attended
Ms. Tine Wollebekk	Chairperson	3	3
Mr. Nadeem Hussain	Chief Executive	5	5
Mr. Karl Eric Broten	Director	5	1*
Mr. Lars Christian Luel	Director	5	4*
Mr. Irfan Wahab Khan	Director	3	3
Mr. Salim Raza	Director	5	4*
Mr. Nizar Noor Muhammad	Director	5	5
Mr. Jon Eddy Abdullah	Director	2	2
Mr. Roar Bjaerum	Director	2	2

* Leaves of absences were granted to Mr. Karl Eric Broten, Mr. Lars Christian Luel and Mr. Salim Raza who could not attend certain Board Meetings.



The following changes have taken place in the Board of Directors during the year ended December 31, 2013:

- Ms. Tine Gottlob Kirstan Wollebekk & Mr. Irfan Wahab Khan joined the Board in place of Mr. Jon Eddy Abdullah & Mr. Roar Bjaerum respectively, who resigned from the Board in the 41st Board meeting of the Bank, held on April 26th, 2013.
- h) The key information as to operating and financial data of the bank is available in the annual report. The categories and pattern of shareholding as required by the Companies Ordinance, 1984 are also included in the annual report.
- i) No director has acquired any shares in the bank during the year and no trading was carried out in the shares of the bank during the year by the Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary, Chief Internal Auditor or their spouses and minor children.

AUDIT COMMITTEE

The Audit Committee consist of three Non-executive directors namely Mr. Salim Raza, Mr. Karl Eric Broten and Mr. Nizar Noor Muhammad.

CREDIT RATING

Based on the results for the year ended December 31, 2013, the credit rating company PACRA upgraded the long-term entity rating of Tameer Microfinance Bank Limited (TMBL) to "A+"(Single A Plus) [Previous: "A"] while maintaining the short-term rating at "A1" (A One).

AUDITORS

The present auditor Messrs Ernst & Young Ford Rhodes Sidat Hyder & Co. Chartered Accountants retire and being eligible offer themselves for re-appointment for the next term.

EVENTS AFTER BALANCE SHEET DATE

There have not been any material events that occurred subsequent to the date of the Balance Sheet that require adjustments to the enclosed financial statements, except those which have already been made or disclosed.

PATTERN of SHAREHOLDING

The pattern of Shareholding as at December 31, 2013 is annexed with this report.

FINANCIAL HIGHLIGHTS

Key financial highlights are summarized and annexed to this report.

EARNINGS PER SHARE

Earnings per share of the bank for the year ending 2013 is 2.83 compared to 2.78 as at end of year 2012.

STATEMENT of INVESTMENTS of PROVIDENT & GRATUITY FUND

Value of investments including accrued income of provident and gratuity funds as at December 31, 2013 on the basis of un-audited accounts is:

Provident Fund	141,162,640
Gratuity Fund	103,043,228

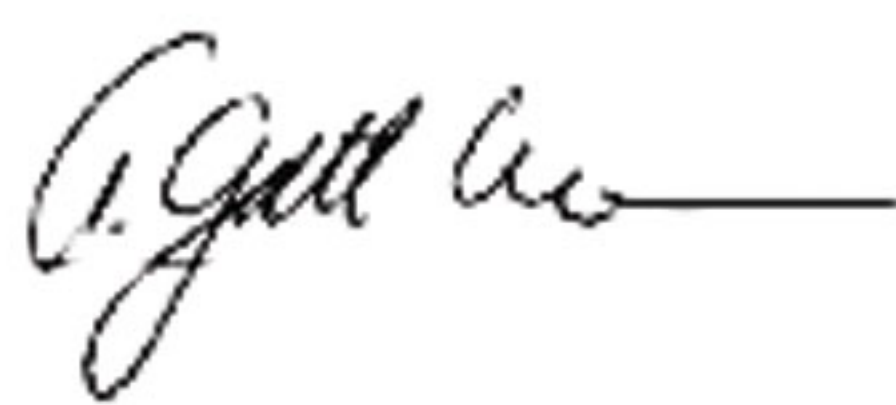
APPRECIATION & ACKNOWLEDGEMENT

We take this opportunity to express our gratitude to our customers and business partners for their continued support and trust. We offer sincere appreciation to the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan for their guidance and cooperation extended to the bank. Finally, we are also thankful to our associates, staff and colleagues for their committed services provided to our valued customers.

On behalf of the Board



Nadeem Hussain
President / Chief Executive Officer



Tine Wollebekk
Chairperson

Place : Karachi
Dated : March 03, 2014

Statement of Compliance with the Code of Corporate Governance for the year ended December 31, 2013.

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 Chapter XI of listing regulations of the Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the CCG in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

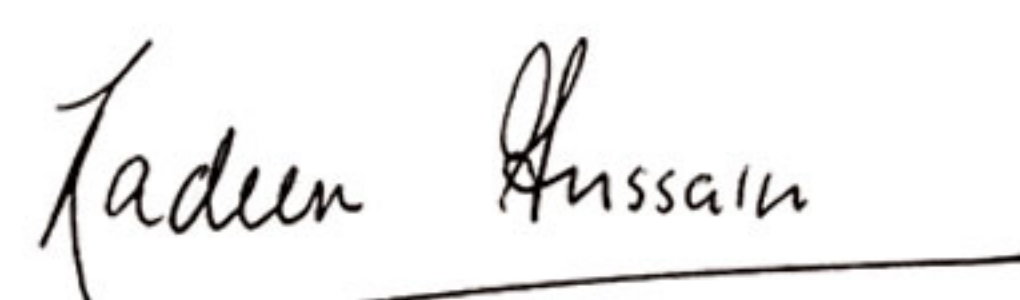
Category	Names
Independent Directors	Mr. Salim Raza
Executive Directors	Mr. Nadeem Hussain
Non-Executive Directors	Ms. Tine Wollbekk
	Mr. Lar Christian Iuel
	Mr. Roar Bjaerum
	Mr. Irfan Khan
	Mr. Nizar Noor Mohammed

The independent directors meet the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurring on the board on 26th April, 2013 and was filled up by the directors within the same day.
5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.

8. The meetings of the board were presided over by the Chairman and, in his/her absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.
13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the CCG.
15. The board has formed an Audit Committee. It comprises three members, of whom two are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises of three members, all of whom are non-executive directors including the chairman of the committee.
18. The board has set up an effective internal audit function which is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, ' employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the CCG have been complied with except for:

Trainings for directors were not conducted during the year.



Nadeem Hussain
Founder, President & CEO



REVIEW REPORT TO THE SHAREHOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE BESTPRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) for the year ended 31 December 2013 prepared by the Board of Directors of Tameer Micro Finance Bank Limited (the Bank) to comply with Listing Regulation No. 35 (Chapter XI) of The Karachi Stock Exchange Limited, where the Term Finance Certificates (TFCs) of the Bank are listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Bank. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the Bank's compliance with the provisions of the Code of report if it does not. A review is limited primarily to inquiries of the Bank's personnel and review of various documents prepared by the Bank to comply with the Code.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal controls covers all risk and controls, or to form an opinion on the effectiveness of such internal controls, the Bank's corporate governance producers and risks.

Further, the Listing Regulations require the Bank to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required to have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review nothing has come to our attention which causes us to believe that the Statements does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code as applicable to the Bank for the year ended 31 December 2013.

We draw you attention to clause 23 of the Statement which describe the non-compliance with the Code.

Our conclusion in not qualified in respect of the above matter.

Chartered Accountants

Date: March 03, 2014

Karachi

AUDITOR'S REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Tameer Micro Finance Bank Limited (the Bank) as at 31 December 2013 and the related profit and loss account, statement of the 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, of the best of our knowledge and belief, were necessary for the purpose of our audit.

It is the responsibility of the Bank's Board of Directors 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 report that:

- (a) in our opinion, proper books of account have been kept by the Bank as required by the Microfinance Institutions Ordinance, 2001 and the Companies Ordinance, 1984:
- (b) In our opinion:
 - (i) The balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Microfinance Institutions Ordinance, 2001 and the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the changes as stated in note 5.1 to the financial statements with which we concur;
 - (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 & fair view of the state of the Bank's affairs as at 31 December 2013 and of the profit, its comprehensive income, cash flows and changes in equity for the year 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.

Chartered Accountants

Audit Engagement Partner: Shabbir Yunus

Date: March 03, 2014

Karachi:

Balance Sheet

As At December 31, 2013

	Note	2013 (Rupees in '000)	2012 (Restated)
ASSETS			
Cash and balances with State Bank of Pakistan and National Bank of Pakistan	8	1,225,227	730,133
Balances with other banks	9	571,006	927,509
Lending to financial institutions		-	-
Investments	10	3,471,857	3,604,983
Advances - net of provisions	11	8,311,128	6,687,865
Operating fixed assets	12	480,237	349,240
Other assets	13	1,131,244	948,668
Deferred tax asset - net	14	-	101,466
Total assets		15,190,699	13,349,864

LIABILITIES

Deposits and other accounts	15	10,627,546	8,371,951
Borrowings	16	501,280	1,391,257
Subordinated debt	17	989,757	971,886
Other liabilities	18	854,124	775,513
Deferred tax liabilities	14	8,567	-
Total liabilities		12,981,274	11,510,607
Net assets		2,209,425	1,839,257

REPRESENTED BY:

Share capital	19	1,346,939	1,346,939
Reserves		641,705	540,611
Accumulated profit / (loss)		205,787	(61,041)
		2,194,431	1,826,509
Deficit on revaluation of assets - net of tax	20	(1,388)	(55)
Deferred grants	21	16,382	12,803
		2,209,425	1,839,257

MEMORANDUM / OFF BALANCE SHEET ITEMS

The annexed notes 1 to 41 form an integral part of these financial statements.




President &
Chief Executive Officer



Chairman



Director



Director

Profit and Loss Account

For the year ended December 31, 2013

	Note	2013 (Rupees in '000)	2012 (Restated)
Mark-up / return / interest earned	22	2,519,124	1,951,549
Mark-up / return / interest expensed	23	(1,035,160)	(773,757)
Net mark-up / interest income		1,483,964	1,177,792
Provision against non-performing loans and advances	11.2	(11,390)	(11,416)
Provision for diminution in the value of investments		-	-
Bad debts written off directly	11.3	(30,632)	(11,721)
		(42,022)	(23,137)
Net mark-up / interest income after provisions		1,441,942	1,154,655
Non mark-up / interest income			
Fee, commission and brokerage income	24	876,464	627,838
Dividend income		-	-
Other income	25	69,796	91,786
Total non mark-up / interest income		946,260	719,624
		2,388,202	1,874,279
Non mark-up / interest expenses			
Administrative expenses	26	(1,745,878)	(1,353,755)
Other provisions / write offs		(14,232)	(6,535)
Other charges	27	(12,660)	(10,594)
Total non mark-up / interest expenses		(1,772,770)	(1,370,884)
		615,432	503,395
Extraordinary / unusual items		-	-
Profit before taxation		615,432	503,395
Taxation - current	28	(115,477)	(13,356)
- prior		-	-
- deferred	14.1	(118,200)	(115,700)
		(233,677)	(129,056)
Profit after taxation		381,755	374,339
			(Rupees)
Basic and diluted earnings per share	29	2.83	2.78

Appropriations are reflected in the statement of changes in equity.

The annexed notes 1 to 41 form an integral part of these financial statements.


President &
Chief Executive Officer


Chairman


Director


Director

Statement of Comprehensive Income

For the year ended December 31, 2013

	2013 (Rupees in '000)	2012 (Restated)
Net profit for the year	381,755	374,339
Other comprehensive income not to be reclassified to profit and loss account in subsequent periods		
Actuarial (loss) / gain on defined benefit plan	(21,282)	158
Effect of taxation	7,449	(55)
	(13,833)	103
Total comprehensive income for the year	367,922	374,442

Surplus / (deficit) on revaluation of available-for-sale investments is presented under a separate account below equity in accordance with the format of financial statements as prescribed under BSD Circular No. 11 dated December 30, 2003 issued by the State Bank of Pakistan (SBP).

The annexed notes 1 to 41 form an integral part of these financial statements.



President &
Chief Executive Officer



Chairman



Director



Director

Statement of Changes In Equity

For the year ended December 31, 2013


	Capital reserves					Total
	Share capital	Share premium	Statutory reserve	Depositors' Protection Fund	Accumulated loss / (profit)	
	(Rupees in '000)					
Balance as at January 01, 2012	1,346,939	343,469	76,768	19,193	(328,145)	1,458,224
Effect of change in accounting policy - net of tax (note 5.1.1)	-	-	-	-	(6,157)	(6,157)
Balance as at January 01, 2012 (restated)	1,346,939	343,469	76,768	19,193	(334,302)	1,452,067
Net profit for the year (restated)	-	-	-	-	374,339	374,339
Other comprehensive income	-	-	-	-	103	103
Total comprehensive income for the year	-	-	-	-	374,442	374,442
Transfer to statutory reserve *	-	-	74,822	-	(74,822)	-
Contribution to Depositors' Protection Fund **	-	-	-	26,359	(26,359)	-
Balance as at December 31, 2012 (restated)	1,346,939	343,469	151,590	45,552	(61,041)	1,826,509
Net profit for the year	-	-	-	-	381,755	381,755
Other comprehensive income	-	-	-	-	(13,833)	(13,833)
Total comprehensive income for the year	-	-	-	-	367,922	367,922
Transfer to statutory reserve *	-	-	76,422	-	(76,422)	-
Contribution to Depositors' Protection Fund **	-	-	-	24,672	(24,672)	-
Balance as at December 31, 2013	1,346,939	343,469	228,012	70,224	205,787	2,194,431

* In accordance with the requirements of the Microfinance Institution Ordinance, 2001 and the Prudential Regulations for Microfinance Banks issued by the SBP (Prudential Regulations), the Bank has transferred an amount equivalent to 20% of profit after tax to the statutory reserve.

** In accordance with the requirements of the Microfinance Institution Ordinance, 2001 and the Prudential Regulations, the Bank has transferred an amount equivalent to 5% of profit after tax to the Depositors' Protection Fund, plus the return earned on such funds.

The annexed notes 1 to 41 form an integral part of these financial statements.


President &
Chief Executive Officer


Chairman


Director



Director

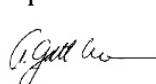
Cash Flow Statement

For the year ended December 31, 2013


	2013	2012
	(Rupees in '000)	
	Note	(Restated)
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	615,432	503,395
Adjustments for non cash items		
Depreciation	103,878	78,049
Amortisation	11,388	11,130
Finance charges on leased assets	1,937	2,559
Provision against non-performing loans and advances	42,022	23,137
Provision for gratuity	18,506	21,619
Other provisions	14,232	6,535
Amortisation of discount on investments	(288,447)	(136,319)
Loss on derivative financial instrument	-	328
Grant income	3,423	(40,208)
Gain on sale of operating fixed assets	(1,684)	(4,705)
	(94,744)	(37,875)
Increase in operating assets		
Advances	(1,661,956)	(1,641,529)
Other assets	(184,398)	(315,680)
	(1,846,354)	(1,957,209)
Increase in operating liabilities		
Deposits and other accounts	2,255,595	3,859,422
Other liabilities	40,508	258,917
	2,296,103	4,118,339
Income tax paid	(90,175)	(21,037)
Gratuity paid	(35,466)	(22,966)
Net cash inflow from operating activities	844,796	2,582,647
CASH FLOW FROM INVESTING ACTIVITIES		
Investments in available-for-sale securities	(38,100,381)	(13,193,258)
Investments in operating fixed assets	(253,615)	(192,890)
Proceeds from redemption of available-for-sale securities	38,517,455	10,052,776
Sale proceeds from disposal of operating fixed assets	9,036	13,713
Net cash used in investing activities	172,496	(3,319,659)
CASH FLOW FROM FINANCING ACTIVITIES		
Grant received	156	35,373
Borrowings from financial institutions	(889,977)	(410,269)
Subordinated debt	17,871	1,000,000
Payments of lease obligation	(6,750)	(6,052)
Net cash inflow from financing activities	(878,701)	619,052
Net increase in cash and cash equivalents	138,591	(117,960)
Cash and cash equivalents at beginning of the year	1,657,642	1,775,602
Cash and cash equivalents at end of the year	30 1,796,233	1,657,642

The annexed notes 1 to 41 form an integral part of these financial statements.


President &
Chief Executive Officer


Chairman


Director


Director

Notes to the Financial Statements

For the year ended December 31, 2013

1. STATUS AND NATURE OF BUSINESS

Tameer Micro Finance Bank Limited (the Bank) was incorporated in Pakistan on August 01, 2005 as a public limited company under the Companies Ordinance, 1984. The Bank obtained Microfinance banking license from the SBP on August 05, 2005 to operate on a nationwide basis and received the certificate of commencement of business from the Securities and Exchange Commission of Pakistan (SECP) on 05 September 2005. The Bank is a subsidiary of Telenor Pakistan (Private) Limited (the Holding Company) which owns 51% shareholding in the Bank. The Bank's registered office is situated at 15-A, Block 7 & 8, KCHS Union, Karachi. The Bank's principal business is to provide micro finance banking and related services to the poor and underserved segment of the society with a view to alleviate poverty under the Microfinance Institutions Ordinance, 2001. In 2009, the Bank also started Branchless Banking services with the Holding Company under the Branchless Banking license from the SBP.

2. BASIS OF PRESENTATION

These financial statements have been prepared in compliance with the format as prescribed under the BSD Circular No. 11 dated December 30, 2003 issued by the SBP.

3. STATEMENT OF COMPLIANCE

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

The SBP vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and IAS 40, "Investment Property" for Banking companies till further instructions. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. Further, the SECP vide its S.R.O No. 411 (I) / 2008 dated 28 April 2008 has deferred the applicability of International Financial Reporting Standard (IFRS) 7 "Financial Instruments: Disclosures", which is applicable for annual periods beginning on or after July 01, 2009, till further orders.

4. BASIS OF MEASUREMENT

- 4.1 These financial statements have been prepared under historical cost convention except for derivative financial instruments and available-for-sale investments which are measured at fair value.
- 4.2 These financial statements have been presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

Notes to the Financial Statements

For the year ended December 31, 2013

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 Standards, interpretations and amendments effective in current year

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as follows:

Standard or interpretation

IAS 1 – Presentation of Financial Statements –
Presentation of items of other comprehensive income (Amendment)

IAS 19 – Employee Benefits – (Revised)

IFRS 7 – Financial Instruments : Disclosures – (Amendments)

– Amendments enhancing disclosures about offsetting
of financial assets and financial liabilities

IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine

Improvements to Accounting Standards Issued by the IASB

IAS 1 – Presentation of Financial Statements -
Clarification of the requirements for comparative information

IAS 16 – Property, Plant and Equipment – Clarification of Servicing Equipment

IAS 32 – Financial Instruments: Presentation – Tax Effects
of Distribution to Holders of Equity Instruments

IAS 34 – Interim Financial Reporting – Interim Financial Reporting
and Segment Information for Total Assets and Liabilities

The adoption of the above amendments, revisions, improvements to accounting standards and interpretations did not have any effect on the financial statements except for revision in IAS-19 - Employee Benefits as described below:

5.1.1 Change in accounting policy

Amendments to IAS 19 range from fundamental changes to simple clarification and rewording. The significant changes to IAS 19 include the following:

- For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e., the corridor approach) has been removed. As revised, actuarial gains and losses are recognized in other comprehensive income when they occur. Amounts recorded in profit and loss are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit asset (liability) are recognised in other comprehensive income with no subsequent recycling to profit and loss.

Notes to the Financial Statements

For the year ended December 31, 2013

- The distinction between short-term and other long-term employee benefits will be based on the expected timing of settlement rather than the employee's entitlement to the benefits.
- Objectives for disclosures of defined benefit plans are explicitly stated in the revised standard, along with new or revised disclosure requirements. These new disclosures include quantitative information regarding the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.

This change in accounting policy has been accounted for retrospectively as required under International Accounting Standard - 8 'Accounting Policies, Changes in Accounting Estimates and Errors', and the comparative financial statements have been re-stated.

The effects of the retrospective application of the change in accounting policies are as follows:

	2013	2012
	(Rupees in '000)	
Increase in the staff retirement gratuity	(21,282)	(8,961)
Increase in deferred tax asset	7,449	3,136
Net decrease in equity	<u>(13,833)</u>	<u>(5,825)</u>
Decrease in opening unappropriated profit	-	(9,472)
Increase / (decrease) in other comprehensive income (OCI)	(21,282)	158
Increase in profit or loss	<u>(21,282)</u>	<u>353</u>
Effect of taxation	7,449	3,136
Net decrease in equity	<u>(13,833)</u>	<u>(5,825)</u>

5.2 Cash and cash equivalents

These include cash in hand, balances with SBP and NBP and balances with other banks.

5.3 Sale of securities under repurchase obligation

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the balance sheet and are measured in accordance with accounting policies for investments. Amounts received under these agreements are recorded as repurchase agreement borrowings. The difference between sale and repurchase price is amortised as expense over the term of the repo agreement.

5.4 Investments

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

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



Notes to the Financial Statements

For the year ended December 31, 2013

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

Held-for-trading

These represent securities, which are either acquired for the purpose of generating profit from short-term fluctuations in prices or dealer's margin or are securities included in the portfolio in which a pattern of short-term profit making exists. After initial measurement, such investments are carried at fair value and the surplus / (deficit) arising as a result of revaluation is taken to profit and loss account.

Held-to-maturity

These are securities with fixed or determinable payments and fixed maturities which the Bank has the intention and ability to hold till maturity. After initial measurement, such investments are carried at amortised cost.

Available-for-sale

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

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

Provision for impairment in the value of equity securities is made after considering objective evidence of impairment. Provision for diminution in the value of debt securities is made as per the Prudential Regulations.

5.5 Advances

Advances are stated net of specific and general provisions which are determined on the basis of the Prudential Regulations. Advances are written off according to the Prudential Regulations or when there is no realistic prospect of recovery.

5.6 Financial instruments

Financial assets and financial liabilities are recognised at the time when the Bank becomes a party to the contractual provision of the instrument. Financial assets are de-recognised when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of ownership of the asset. Financial liabilities are de-recognised when obligation is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liability is recognised in the profit and loss account.

Notes to the Financial Statements

For the year ended December 31, 2013

5.7 Derivative financial instruments

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

5.8 Off setting

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

5.9 Operating fixed assets

Property and equipment - owned

These are stated at cost less accumulated depreciation and impairment (if any). Depreciation is charged using the straight-line basis over the estimated useful lives of assets. Full month's depreciation is charged in the month of addition and no depreciation is charged for the month in which the disposal is made. The residual value, depreciation methods and useful lives are reviewed and adjusted (if appropriate) at each balance sheet date. Gains and losses on disposal of assets are determined by comparing the sale proceeds with the carrying amount are included in the profit and loss account. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit and loss account.

Property and equipment - leased

Leases in terms of which the Bank assumes substantially all the risks and rewards of ownership are classified as assets subject to finance lease. These are stated at amounts equal to the lower of their fair value and the present value of minimum lease payments at inception of the lease, less accumulated depreciation and impairment (if any). Financial charges are allocated over the period of the lease term so as to provide a constant periodic rate of financial charge on the outstanding liability. Depreciation is charged on the basis similar to owned assets.

Capital work-in-progress

These are stated at cost less impairment loss (if any).



Notes to the Financial Statements

For the year ended December 31, 2013

Intangible assets

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

Impairment

The carrying value of the fixed assets is reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the relevant asset is estimated. An impairment loss is recognised in profit and loss account whenever the carrying amount of an asset exceeds its recoverable amount. An impairment loss is reversed if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

5.10 Provisions

Provisions are recognised when the Bank has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

5.11 Taxation

Income tax on the profit or loss for the year comprises of current and deferred tax. Income tax is recognised in the profit and loss account, except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current

Provision for current taxation is based on the taxable income for the year determined in accordance with the Income Tax Ordinance, 2001. The charge for tax also includes adjustments, where considered necessary relating to prior years.

Deferred

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. A deferred tax asset is recognised only to the extent it is probable that future taxable profits will be available against which the asset can be realised. Deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the balance sheet date.

Notes to the Financial Statements

For the year ended December 31, 2013



5.12 Staff retirement benefits

Defined benefit plan

The Bank operates a funded gratuity scheme for its eligible permanent and contractual employees. Provision is made annually on the basis of actuarial recommendations based on projected unit credit method.

Defined contribution plan

The Bank also operates a recognised provident fund scheme for its eligible employees. Equal monthly contributions are made, both by the Bank and the employees, to the Fund at the rate of 10% of the basic salary.

5.13 Revenue recognition

Mark-up / interest / return on advances and investments is recognised on accrual basis, except in case of advances classified under the Prudential Regulations on which mark-up is recognised on receipt basis.

Return on bank balances is recognised on accrual basis.

Gain or loss on sale of securities is accounted for in the period in which the sale / settlement occurs.

Fee, commission and brokerage income is recognised as services are rendered

5.14 Foreign currency transactions

Foreign currency transactions are translated into Pak Rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into rupees at the exchange rates prevailing at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using exchange rates at the date when the fair value was determined. Exchange gains or losses are included in profit and loss account.

5.15 Grant

The grant related to an asset is recognised in the balance sheet initially as deferred income when there is reasonable certainty that it will be received and that the Bank will comply with the conditions attached to it. Grants that compensate the Bank for expenses incurred are recognised as revenue in the profit and loss account on a systematic basis in the same period in which the expenses are incurred. Grants that compensate the Bank for the cost of an asset are recognised in the profit and loss account on a systematic basis over the useful life of the asset.

5.16 Dividend distribution

Declaration of dividend to holders of the equity instruments of the Bank is recognised as liability in the period in which it is declared.



Notes to the Financial Statements

For the year ended December 31, 2013

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

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

Standard or interpretation	Effective date (accounting periods beginning on or after)
IAS 32 – Offsetting Financial Assets and Financial liabilities – (Amendment)	January 01, 2014
IAS 36 – Recoverable Amount for Non-Financial Assets – (Amendment)	January 01, 2014
IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting – (Amendment) (see note 3 below)	January 01, 2014
IFRIC 21 – Levies	January 01, 2014

The Bank expects that the adoption of the above revisions and amendments of the standards will not materially affect the Bank's financial statements in the period of initial application.

In addition to the above, 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	IASB effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2015
IFRS 10 – Consolidated Financial Statements	January 01, 2013
IFRS 11 – Joint Arrangements	January 01, 2013
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 – Fair Value Measurement	January 01, 2013

Notes to the Financial Statements

For the year ended December 31, 2013

7. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In the process of applying the accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

	Note
Classification and valuation of investments	5.4 & 10
Provision against non-performing loans and advances	5.5 & 11
Residual values, useful lives of assets and methods of depreciation / amortisation	5.9 & 12
Recognition of current and deferred taxation	5.11 & 14
Provision for defined benefit plan	5.12 & 32

8. CASH AND BALANCES WITH STATE BANK OF PAKISTAN (SBP) AND NATIONAL BANK OF PAKISTAN (NBP)

	Note	2013 (Rupees in '000)	2012
Cash in hand		374,334	333,527
Balance with SBP		821,266	356,488
Balance with NBP		29,626	40,118
	8.1	850,893	396,606
		1,225,227	730,133

- 8.1 This represents current accounts maintained with SBP and NBP to meet the minimum balance requirement equivalent to 5% as cash reserve and 10% as liquidity reserve of the Bank's time and demand liabilities in accordance with the Prudential Regulations.

Notes to the Financial Statements

For the year ended December 31, 2013

	Note	2013 (Rupees in '000)	2012
9. BALANCES WITH OTHER BANKS			
In Pakistan			
- Current accounts		6,718	11,032
- PLS deposit accounts	9.1	414,288	616,477
- Term deposit accounts	9.2	150,000	300,000
		<u>571,006</u>	<u>927,509</u>

9.1 These represents demand deposits with commercial banks carrying mark-up ranging from 6.50% to 12% (2012: 6% to 12%) per annum.

9.2 These represents term deposits with commercial banks carrying mark-up rate 9.50% (2012: 9.75%) per annum.

	Note	2013 (Rupees in '000)	2012
10. INVESTMENTS			
Federal Government Securities - available-for-sale			
Market Treasury Bills	10.1	3,473,994	3,605,068
Deficit on revaluation	20	(2,136)	(85)
		<u>3,471,857</u>	<u>3,604,983</u>

10.1 These carry interest rates ranging between 9.75% to 10.30% (2012: 9.15% to 9.43%) per annum and have maturity upto February 2014. These securities have an aggregate face value of Rs.3,500 million (2012: Rs.3,630 million).

11. ADVANCES - net of provisions

	Note	2013		2012	
		Number of loans	(Rupees in '000)	Number of loans	(Rupees in '000)
Micro credit					
- Secured		94,998	6,667,472	81,708	5,778,855
- Unsecured		102,813	1,664,082	73,265	921,375
		<u>197,811</u>	<u>8,331,554</u>	<u>154,973</u>	<u>6,700,230</u>
Less: Provision held					
- Specific	11.1	189	(1,533)	456	(1,466)
- General	11.2	-	(18,893)	-	(10,899)
	11.2		<u>(20,426)</u>		<u>(12,365)</u>
			<u>8,311,128</u>		<u>6,687,865</u>

11.1 Particulars of non-performing advances

Advances include Rs.49.489 million (2012: Rs.56.686 million) which have been placed under non-performing status as detailed below:

Notes to the Financial Statements

For the year ended December 31, 2013

	2013			2012		
	Amount outstanding	Provision required	Provision held	Amount outstanding	Provision required	Provision held
	.....(Rupees in '000).....			.....(Rupees in '000).....		
Other Assets Especially Mentioned (OAEM)	41,685	-	-	29,600	-	-
Substandard	4,202	58	58	16,893	42	42
Doubtful	2,340	477	477	8,424	614	614
Loss	1,262	998	998	1,769	810	810
	49,489	1,533	1,533	56,686	1,466	1,466

11.2 Particulars of provision against non-performing advances

	Note	2013			2012		
		Specific	General	Total	Specific	General	Total
		.....(Rupees in '000).....			.....(Rupees in '000).....		
Opening balance		1,466	10,899	12,365	5,978	10,147	16,125
Charge for the year		8,783	7,994	16,777	16,707	752	17,459
Reversals		(5,387)	-	(5,387)	(6,043)	-	(6,043)
		3,396	7,994	11,390	10,664	752	11,416
Amount written off	11.3	(3,329)	-	(3,329)	(15,176)	-	(15,176)
Closing balance		1,533	18,893	20,426	1,466	10,899	12,365

11.3 Particulars of write offs

	Note	2013 (Rupees in '000)	2012
Against provisions		3,329	15,176
Directly charged to profit and loss account		30,632	11,721
		33,961	26,897

12. OPERATING FIXED ASSETS

Property and equipment	12.1	406,055	321,172
Intangible assets	12.2	32,407	20,997
Capital work-in-progress - advance against purchase of fixed assets		41,775	7,071
		480,237	349,240

Notes to the Financial Statements

For the year ended December 31, 2013

12.1 Property and equipment

	2013							
	Cost			Depreciaition		Book value		Rate of depreciation per annum %
	As at January 01, 2013	Additions / (disposals)	As at December 31, 2013	As at January 01, 2013	Charge / (on disposals)	As at December 31, 2013	As at December 31, 2013	
	(Rupees in '000)							
Owned								
Leasehold improvement	67,502	26,189	93,691	16,987	8,158	25,145	68,546	10
Office furniture and fixtures	95,689	28,130	123,819	31,723	11,346	43,069	80,750	10
Office equipment	111,345	49,623	160,968	55,686	21,759	77,445	83,523	20
Computer equipment	162,254	41,309 (5,939)	197,623	101,835	38,187 (5,737)	134,284	63,339	33
Vehicles	101,845	50,862 (12,496)	140,211	30,186	20,618 (6,397)	44,407	95,805	20
	538,635	196,113 (18,435)	716,313	236,417	100,067 (12,134)	324,350	391,962	
Leased								
Vehicles	22,799	- (1,402)	21,397	3,845	3,810 (351)	7,305	14,092	20
	561,434	196,113 (19,837)	737,710	240,262	103,878 (12,485)	331,655	406,055	

	2012							
	Cost			Depreciaition		Book value		Rate of depreciation per annum %
	As at January 01, 2012	As at December 31, 2012	As at January 01, 2012	As at December 31, 2012	As at December 31, 2012	As at December 31, 2012		
Additions / (disposals)	Charge/ (on disposals)							
.....(Rupees in ‘000).....								
Owned								
Leasehold improvement	43,652	23,850	67,502	11,465	5,522	16,987	50,515	10
Office furniture and fixtures	74,057	21,632	95,689	22,933	8,790	31,723	63,966	10
Office equipment	77,647	35,227 (1,529)	111,345	42,185	15,030 (1,529)	55,686	55,659	20
Computer equipment	104,826	57,622 (194)	162,254	72,277	29,628 (70)	101,835	60,419	33
Vehicles	92,013	29,558 (19,726)	101,845	25,494	15,533 (10,841)	30,186	71,659	20
	392,195	167,889 (21,449)	538,635	174,354	74,503 (12,440)	236,417	302,218	
Leased								
Vehicles	9,961	12,838	22,799	299	3,546	3,845	18,954	20
	402,156	180,727 (21,449)	561,434	174,653	78,049 (12,440)	240,262	321,172	

Notes to the Financial Statements

For the year ended December 31, 2013

12.1.1 Property and equipment include assets costing Rs.128.050 million (2012: Rs.92.490 million) which are fully depreciated and still in use.

12.1.2 Deletion of fixed assets during the year with original cost or book value in excess of Rs.1,000,000 or Rs.250,000 respectively (whichever is lesser) are as follows:

Vehicles - Owned	Cost	Accumulated depreciation	Written down value	Sale proceeds	Mode of disposal	Particulars of buyers
	(Rupees in '000)					
Honda City	1,076	904	172	710	Auction	Muhammad Bilal Khan, Karachi
Suzuki Alto	742	234	508	660	Insurance claim	EFU General Insurance Ltd
Honda City	1,329	997	332	133	Bank's Policy	Tayyab Khan, Employee
Toyota Corolla	1,436	861	575	144	Bank's Policy	Tariq Anwer, Employee
Toyota Corolla	1,436	861	575	144	Bank's Policy	Asgher Ali, Employee
Suzuki Cultus	896	484	412	771	Auction	Ali Ajmal, Lahore
Suzuki Bolan	637	175	462	602	Auction	Fayyaz Mehmood Khan, Karachi
Suzuki Bolan	609	244	365	506	Auction	Azber Khan, Karachi
Suzuki Bolan	663	149	514	585	Auction	Azber Khan, Karachi
Suzuki Bolan	634	48	586	634	Insurance claim	Adamjee Insurance Co. Ltd
Suzuki Bolan	658	206	453	575	Auction	Muhammad Arif, Karachi
Suzuki Bolan	663	199	464	570	Auction	Muhammad Arif, Karachi
Suzuki Bolan	609	327	282	532	Auction	Khawar Mehmood Butt, Lahore
2013	11,389	5,688	5,701	6,565		
2012	14,936	7,760	7,175	9,001		

Vehicles - Owned	Cost	Accumulated depreciation	Written down value	Sale proceeds	Mode of disposal	Particulars of buyers
	(Rupees in '000)					
Suzuki Bolan	701	158	543	510	Auction	Syed Muhammad Aleem, Karachi
Suzuki Bolan	701	193	508	721	Insurance claim	Adamjee Insurance Co. Ltd.
2013	1,402	351	1,052	1,231		
2012	-	-	-	-		

12.2 Intangible assets

	2013						
	Cost		Amortisation			Book value	
	As at January 01, 2013	As at December 31, 2013	As at January 01, 2013	Charge for the year	As at December 31, 2013	As at December 31, 2013	Rate of depreciation per annum %
Computer software	55,982	22,798	78,780	34,985	11,388	46,373	32,407
							33

Notes to the Financial Statements

For the year ended December 31, 2013

	2012							
	Cost		Amortisation			Book value		Rate of depreciation per annum %
	As at		As at		As at	As at		
	January 01,		December 31,	Charge	December 31,	December		
2012	Additions	2012	for the year	2012	31, 2012			
	(Rupees in '000).....							
Computer software	34,946	21,036	55,982	23,855	11,130	34,985	20,997	33

12.2.1 Intangible assets include software costing Rs.28.681 million (2012: Rs.18.766 million) which are fully amortised and still in use.

	Note	2013 (Rupees in '000)	2012 (Restated)
13. OTHER ASSETS			
Mark-up / return / interest accrued		801,473	714,564
Loans to employees	13.1	105,569	74,386
Security deposits		7,500	6,124
Prepayments - rent		45,139	33,443
- others		29,420	11,723
Taxation - net		-	1,822
Branchless banking transaction fee receivable		114,653	82,679
Others		27,491	23,927
		<u>1,131,244</u>	<u>948,668</u>

13.1 These represent interest free loans to staff and executives of the Bank for a maximum period of 36 months. These are secured against the retirement benefits of employees.

	2013 (Rupees in '000)	2012 (Restated)
14. DEFERRED TAX (LIABILITY) / ASSET - net		

Deductible temporary differences arising in respect of:

Carry forward tax losses	-	68,469
Turnover tax	-	45,167
Provision against non-performing loans and advances	7,086	4,328
Deferred grant	5,734	4,481
Deficit on revaluation of assets	748	30
Actuarial effect on defined benefit plan	10,585	3,136
	<u>24,153</u>	<u>125,611</u>

Taxable temporary differences arising in respect of:

Accelerated tax depreciation allowance	(29,975)	(24,145)
Un-amortized transaction cost	(2,745)	-
	<u>(32,720)</u>	<u>(24,145)</u>
	<u>(8,567)</u>	<u>101,466</u>

Notes to the Financial Statements

For the year ended December 31, 2013

14.1 Reconciliation of deferred tax

Balance as at January 01, 2012	Recognised in profit and loss account	Recognised in other comprehensive income / (deficit on revaluation of assets) *	Balance as at December 31, 2012	Recognised in profit and loss account	Recognised in other comprehensive income / (deficit on revaluation of assets) *	Balance as at December 31, 2013
.....(Rupees in '000).....						

Deductible temporary
differences arising
in respect of:

Carry forward tax losses	232,903	(164,434)	-	68,469	(68,469)	-	-
Provision against non-performing loans and advances	5,644	(1,316)	-	4,328	2,758	-	7,086
Deferred grant	6,174	(1,693)	-	4,481	1,253	-	5,734
Deficit on revaluation of assets	10	-	20 *	30	-	718 *	748
Turnover tax carried forward	-	45,167	-	45,167	(45,167)	-	-
Actuarial effect on defined benefit plan	3,315	(124)	(55)	3,136	-	7,449	10,585
	<u>248,046</u>	<u>(122,400)</u>	<u>(35)</u>	<u>125,611</u>	<u>(109,625)</u>	<u>8,167</u>	<u>24,153</u>

Taxable temporary
differences arising
in respect of:

Accelerated tax depreciation allowance	(22,561)	(1,584)	-	(24,145)	(5,830)	-	(29,975)
Unrealised gain on derivative financial instruments	(8,284)	8,284	-	-	-	-	-
Un-amortised transaction cost	-	-	-	-	(2,745)	-	(2,745)
	<u>(30,845)</u>	<u>6,700</u>	<u>-</u>	<u>(24,145)</u>	<u>(8,575)</u>	<u>-</u>	<u>(32,720)</u>
	<u>217,201</u>	<u>(115,700)</u>	<u>(35)</u>	<u>101,466</u>	<u>(118,200)</u>	<u>8,167</u>	<u>(8,567)</u>

Notes to the Financial Statements

For the year ended December 31, 2013

15. DEPOSITS AND OTHER ACCOUNTS

	2013		2012	
	Number	(Rupees in '000)	Number	(Rupees in '000)
Current deposits	1,624,432	4,823,720	908,239	2,009,679
Fixed deposits	13,120	4,966,394	11,283	5,441,130
Saving deposits	5,761	837,432	4,441	921,142
	<u>1,643,313</u>	<u>10,627,546</u>	<u>923,963</u>	<u>8,371,951</u>

15.1 Particulars of deposits by ownership

	2013		2012	
	Number	(Rupees in '000)	Number	(Rupees in '000)
Individual depositors	1,643,158	9,141,036	923,794	5,749,716
Institutional depositors				
- Corporations / firms etc	147	1,352,630	161	2,160,067
- Banks / financial institutions	8	133,880	8	462,168
	<u>1,643,313</u>	<u>10,627,546</u>	<u>923,963</u>	<u>8,371,951</u>

16. BORROWINGS

	Note	2013 (Rupees in '000)	2012 (Rupees in '000)
Banks / financial institutions outside Pakistan		-	-
Banks / financial institutions in Pakistan		<u>501,280</u>	<u>1,391,257</u>
		<u>501,280</u>	<u>1,391,257</u>
16.1 Details of borrowings - unsecured			
From commercial banks			
Microfinance Credit Guarantee Facility (MCGF)	16.2	<u>503,750</u>	<u>1,000,139</u>
Unamortised transaction cost		<u>(2,470)</u>	<u>(3,905)</u>
		<u>501,280</u>	<u>996,234</u>
Call borrowings		-	100,000
Borrowings under repurchase agreements		-	295,023
		<u>501,280</u>	<u>1,391,257</u>

- 16.2 The Bank has obtained financing from commercial banks under the MCGF scheme introduced by the SBP to facilitate and promote channelization of funds from banks / DFIs to Microfinance institutions. These carry mark-up rate of 6 months' KIBOR plus 2% (2012: 6 months' KIBOR plus 2%) and are repayable in fixed installments over a period of 2-5 years.

Notes to the Financial Statements

For the year ended December 31, 2013

	Note	2013 (Rupees in '000)	2012
17. SUB - ORDINATED DEBTS			
Listed			
Term Finance Certificate (TFCs) - I (Quoted)	17.1 & 17.3	498,800	500,000
Unamortised transaction cost	17.4	(987)	(14,326)
		497,813	485,674
Term Finance Certificate (TFCs) - II (Quoted)	17.2 & 17.3	498,800	500,000
Unamortised transaction cost	17.4	(6,856)	(13,788)
		491,944	486,212
		989,757	971,886
17.1 Term Finance Certificates (TFCs) - I (Quoted)			
Total issue	Rupees 500 million		
Rating	A		
Rate	Monthly profit at the rate of 12% per annum		
Redemption	Taken redemption of Re.1 per certificate per month and the rest at the time of maturity		
Tenor	13 Months		
Maturity	Jan-14		
17.2 Term Finance Certificates (TFCs) - II (Quoted)			
Total issue	Rupees 500 million		
Rating	A		
Rate	Monthly profit at the rate of 12.5% per annum		
Redemption	Taken redemption of Re.1 per certificate per month and the rest at the time of maturity		
Tenor	24 Months		
Maturity	Dec-14		
17.3	During the year, the Bank issued Term Finance Certificates (TFC I and TFC II) which are partially (40%) secured against guarantee under SBP Micro Credit Guarantee Facility. The TFC Holders have no special interest or other interest in the property, assets and / or profit of the Bank except as the holders of the TFC.		
17.4	This represent advisory, structuring and marketing fee payable to the bankers to the issue.		

Notes to the Financial Statements

For the year ended December 31, 2013

	Note	2013 (Rupees in '000)	2012 (Restated)
18. OTHER LIABILITIES			
Mark-up / return / interest payable		111,275	131,133
Accrued expenses		53,965	68,216
Provision for staff bonus		57,000	70,000
Withholding tax payable		6,927	6,542
Liabilities against assets subject to finance lease	18.1	12,652	17,465
Payable to defined contribution plan		2,664	4,338
Payable to defined benefit plan	33.3	11,846	7,524
Payable to Workers' Welfare Fund		12,713	10,419
Taxation - net		23,480	-
Payable against branchless banking transactions		534,110	428,796
Others		27,493	31,080
		<u>854,124</u>	<u>775,513</u>

	2013		2012	
	Minimum lease payment	Present value	Minimum lease payment	Present value
	.....(Rupees in '000).....			
18.1 Liabilities against assets subject to finance lease				
Not later than one year	4,924	4,392	5,915	3,858
Later than one year and not later than five years	10,543	8,260	16,362	13,607
	<u>15,467</u>	<u>12,652</u>	<u>22,277</u>	<u>17,465</u>
Less: Financial charges allocable to future periods	(2,815)	-	(4,812)	-
Present value of minimum lease payments	<u>12,652</u>	<u>12,652</u>	<u>17,465</u>	<u>17,465</u>

- 18.1.1 The Bank has entered into agreements with a Modaraba for lease of vehicles. Lease rentals are payable on quarterly basis with mark-up at the rate of 6 months' KIBOR plus 2% - 2.25% per annum with a floor and cap of 12% - 13% and 23% per annum, respectively. The Bank intends to exercise its option to purchase the above assets upon completion of the lease period.

Notes to the Financial Statements

For the year ended December 31, 2013

19. SHARE CAPITAL

Authorised share capital

2013	2012		2013	2012
(Number of shares in '000)		Note	(Rupees in '000)	
<u>270,000</u>	<u>270,000</u>	Ordinary shares of Rs.10 each	<u>2,700,000</u>	<u>2,700,000</u>

Issued, subscribed and paid-up capital

2013	2012			
(Number of shares in '000)				
<u>134,694</u>	<u>134,694</u>	Ordinary shares of Rs.10 each full paid in cash	<u>1,346,939</u>	<u>1,346,939</u>

20. DEFICIT ON REVALUATION OF ASSETS - NET OF DEFERRED TAX

Available-for-sale investments		
Federal Government Securities	(2,136)	(85)
Related deferred tax	748	30
	<u>(1,388)</u>	<u>(55)</u>

21. DEFERRED GRANTS

Grant received from			
State Bank of Pakistan	21.1	5,203	19,108
Consultative Group to Assist the Poor	21.2	3,872	8,198
Soros Economic Development Fund	21.3	149	149
The Aga Khan Agency for Microfinance	21.4	64	68
Financial Sector Strengthening Programme	21.5	219	219
Frankfurt School of Management	21.6	1,892	1,344
Winrock International	21.7	1,449	1,300
Gates Foundation	21.8	111	22,625
		<u>12,959</u>	<u>53,011</u>
Reversal of grant income / (grant income recognised) during the year			
State Bank of Pakistan		5,178	(11,821)
Consultative Group to Assist the Poor		(296)	(4,326)
Soros Economic Development Fund		-	-
The Aga Khan Agency for Microfinance		-	(4)
Frankfurt School of Management		(10)	(243)
Winrock International		(1,449)	(1,300)
Gates Foundation		-	(22,514)
	25	<u>3,423</u>	<u>(40,208)</u>
		<u>16,382</u>	<u>12,803</u>

Notes to the Financial Statements

For the year ended December 31, 2013

- 21.1 Represents USD grant received from SBP under the Institutional Strengthening Fund of the Financial Inclusion Program (FIP) sponsored by Department of International Development - UK for the inclusive economic growth and improved livelihood opportunities for poor and marginalized groups in Pakistan and improved access to financial services for these groups. During the year, the Bank repaid a grant amounting to Rs.7.85 million due to certain grant conditions not being met according to the SBP as per the agreement.
- 21.2 Represents USD grant received from International Bank for Reconstruction and Development and International Development Association for Consultative Group to Assist the Poor to assist the Bank in achieving its growth goals for financial services to lower income clients via institutional capacity building and training and to develop, launch and scale up mobile banking using agent distribution network and cell phone technologies.
- 21.3 Represents USD grant received from Soros Economic Development Fund to assist the Bank in expanding the outreach of microfinance services to low and moderate income clients by connecting to an interbank ATM switch and a payment settlement network.
- 21.4 Represents USD grant received from Aga Khan Agency for Microfinance to provide finance for life insurance premium of specific depositors.
- 21.5 Represents USD grant received from Swiss Agency for Development and Corporation under the Financial Sector Strengthening program to provide technical support for maintenance of IT infrastructure of the Bank.
- 21.6 Represents USD grant received from Frankfurt School of Management to provide financial support to implement a project on Promotion of Renewable Energy Technologies.
- 21.7 Represents USD grant received from Winrock International to provide financial support to operate a branch in Quetta.
- 21.8 Represents USD grant received from Bill and Malinda Gates Foundation to provide financial support to establish branchless banking operations.

	2013	2012
Note	.....(Rupees in '000).....	

22. MARK-UP / RETURN / INTEREST EARNED

On:		
Loans and advances	2,116,598	1,715,788
Available-for-sale investments	288,447	136,319
Deposits with financial institutions	63,591	44,806
Call money lendings	26,221	49,998
Repurchase agreement lendings	24,269	4,638
	<u>2,519,124</u>	<u>1,951,549</u>

23. MARK-UP / RETURN / INTEREST EXPENSED

On:		
Deposits	791,414	488,512
Borrowings	101,111	272,196
Sub-ordinated debt	142,634	13,049
	<u>1,035,160</u>	<u>773,757</u>

Notes to the Financial Statements

For the year ended December 31, 2013

	Note	2013 .....(Rupees in '000).....	2012
24. FEE, COMMISSION AND BROKERAGE INCOME			
Loan processing fee		192,264	151,744
Income from branchless banking	24.1	659,618	444,780
Others		24,582	31,314
		<u>876,464</u>	<u>627,838</u>
24.1 This represents income from branchless banking operations (Easy Paisa) carried out by the Bank together with the Holding Company under the SBP's Branchless Banking Regulations. As per the agreement with the Holding Company, income from Easy Paisa is shared between the Bank and the Holding Company in the ratio of 14% and 86% net of agents' commission (2012: 13% and 87% net of agents' commission), respectively.			
	Note	2013	2012
25. OTHER INCOME			
		.....(Rupees in '000).....	
Grant income	21	(3,423)	40,208
Cheque book fees, ATM fees and other service charges		51,299	38,228
Recoveries against advances written off		20,236	8,645
Gain on sale of operating fixed assets		1,684	4,705
		<u>69,796</u>	<u>91,786</u>
	Note	2013	2012
26. ADMINISTRATIVE EXPENSES			
		.....(Rupees in '000).....	(Restated)
Salaries and other allowances		872,935	696,434
Contribution to defined contribution plan		15,395	22,576
Charge for defined benefit plan	33.7	18,506	21,619
Staff welfare		22,165	19,312
Training and capacity building		2,794	3,897
Rent and taxes		77,185	65,580
Legal and professional charges		11,427	6,242
Utilities		32,005	22,840
Communication		89,355	59,504
Finance charges on leased assets		1,937	2,559
Travelling and conveyance		56,748	50,365
Insurance		81,089	57,927
Printing and stationery		65,831	48,042
Repairs and maintenance		68,611	58,803
Depreciation	12.1	103,878	78,049
Amortisation	12.2	11,388	11,130
Auditors' remuneration	26.1	2,245	1,867
Advertisement		55,148	28,102
Security services		29,694	21,582
Customer verification charges		23,727	15,678
Professional consultancy charges		12,451	12,719
Bank charges		33,035	22,982
Deposit mobilization commission	26.2	56,313	24,278
Other expenses		2,013	1,668
		<u>1,745,878</u>	<u>1,353,755</u>

Notes to the Financial Statements

For the year ended December 31, 2013

	2013	2012
	.....(Rupees in '000).....	
26.1 Auditors' remuneration		
Audit fee	1,200	1,000
Half yearly review fee	480	400
Other certifications	290	100
Out-of-pocket expenses	208	367
	2,178	1,867
Sale tax	67	-
	2,245	1,867
26.2 Deposit mobilization commission		
Represents commission on deposit mobilization services provided by Holding Company to the Bank in respect of its Branchless Banking Services under an agreement.		
	2013	2012
	.....(Rupees in '000).....	
27. OTHER CHARGES		
Net loss on derivative financial instruments	-	328
Workers' Welfare Fund	12,560	10,266
Penalty imposed by SBP	100	-
	12,660	10,594
28. TAXATION		
	2013	2012
	.....(Rupees in '000).....	
28.1 Relationship between tax expense and accounting profit		(Restated)
Profit before taxation	615,432	503,395
Tax at the rate of 34%	209,249	176,189
Tax effects of:		
Non deductible expenses	25,935	2,371
Exempt income	(1,507)	(14,073)
Minimum tax	-	(31,811)
Others	-	(3,620)
	233,677	129,056
28.2 The tax holiday available to the Bank pursuant to Clause (66- XVIII) of part I of Second Schedule to the Income Tax Ordinance, 2001 expired on June 30, 2012.		
28.3 The Bank has filed returns upto tax year 2013 which are deemed to be orders under section 120 of the Income Tax Ordinance, 2001 unless any ammendments have been made by the Tax Authorities.		

Notes to the Financial Statements

For the year ended December 31, 2013

	Note	2013 .....(Rupees in '000).....	2012 (Restated)
29. BASIC AND DILUTED EARNINGS PER SHARE			
Net profit for the year (Rupees in '000)		381,755	374,339
Weighted average ordinary shares (Numbers in '000)		134,694	134,694
Basic and diluted earnings per share (Rupees)		2.83	2.78

	Note	2013 .....(Rupees in '000).....	2012
30. CASH AND CASH EQUIVALENTS			
Cash and balances with SBP and NBP	8	1,225,227	730,133
Balances with other banks	9	571,006	927,509
		1,796,233	1,657,642

	2013 .....(Number).....			2012 .....(Number).....		
	Credit / sales staff	Banking / support staff	Total	Credit / sales staff	Banking / support staff	Total
31. NUMBER OF EMPLOYEES						
Permanent	271	655	926	232	556	788
Temporary / on contractual basis	324	442	766	337	370	707
	595	1,097	1,692	569	926	1,495

	2013 .....(Rupees in '000).....	2012
32. NUMBER OF BRANCHES		
As at January 01	45	42
Opened during the year	4	3
As at December 31	49	45

33. DEFINED BENEFIT PLAN

33.1 General description

The Bank operates a funded gratuity scheme for all its employees, who have completed minimum qualifying period of service. Contributions to the fund are made in accordance with the rules of the fund. The benefit is equal to one month's last drawn basic salary for each year of eligible service or part thereof, subject to a minimum of three years of service.

Notes to the Financial Statements

For the year ended December 31, 2013

33.2 Principal actuarial assumptions

The latest actuarial valuation of the gratuity scheme was carried out as at 31 December, 2013. Following are the significant assumptions used in the valuation:

	2013	2012
	(% per annum)	
- Discount rate	13.00	11.50
- Salary increase rate	13.00	11.50
- Expected rate of return on plan assets	13.00	11.50

33.3 Movement in defined benefit plan

	2013	2012
	.....(Rupees in '000).....	
	(Restated)	
Opening balance	7,523	9,028
Expense charged in the current year	18,506	22,040
Remeasurements recognized in OCI during the year	21,282	(579)
Contributions to gratuity fund	(35,466)	(22,966)
Closing balance	11,845	7,523

33.4 Reconciliation of defined benefit plan

Present value of defined benefit obligations	114,889	66,990
Fair value of plan assets	(103,044)	(59,467)
	11,845	7,523

33.5 Movement in present value of defined benefit obligations

Opening balance	66,990	62,978
Current service cost	19,825	21,830
Interest cost	7,415	6,272
Actuarial loss on obligations	25,682	1,582
Benefits paid	(5,023)	(25,672)
Closing balance	114,889	66,990

33.6 Movement in fair value of plan assets

Opening balance	59,467	52,064
Contributions to the fund	35,466	22,966
Benefits paid	(5,023)	(25,672)
Expected return on plan assets	8,734	7,943
Actuarial (loss) / gain on plan assets	4,400	2,166
Closing balance	103,044	59,467

Notes to the Financial Statements

For the year ended December 31, 2013

	2013	2012
	.....(Rupees in '000).....	
33.7 Charge for defined benefit plan		(Restated)
Current service cost	19,825	21,830
Interest cost	7,415	6,268
Expected return on plan assets	(8,734)	(7,943)
Reversal of Opening Receivable	-	1,886
	<u>18,506</u>	<u>22,041</u>
33.8 Actual return on plan assets	<u>13,133</u>	<u>10,110</u>
33.9 Plan assets consist of		
TDR	100,687	59,255
Bank balances	2,356	212
	<u>103,043</u>	<u>59,467</u>
33.10 Historical information		

	2013	2012	2011	2010	2009
	.....(Rupees in '000).....				
Present value of defined benefit obligations	114,889	66,990	62,978	45,575	23,901
Fair value of plan assets	(103,044)	(59,467)	(52,064)	(40,173)	(22,770)
Deficit / (surplus)	<u>11,845</u>	<u>7,523</u>	<u>10,914</u>	<u>5,402</u>	<u>1,131</u>

	2013	2012
	.....(Rupees in '000).....	
33.11 Remeasurements recognized in other comprehensive income, expense / (income) during the year		(Restated)
Remeasurements: Actuarial gain / (loss) on obligation:		
Loss due to change in experience adjustments	25,681	1,586
Total actuarial loss on obligation	<u>25,681</u>	<u>1,586</u>
Remeasurements: Actuarial gain / (loss) on assets:		
Actual net return on plan assets	13,133	10,110
Less: Interest income on plan assets	(8,734)	(7,943)
Total remeasurements recognised in OCI during the year	<u>4,399</u>	<u>2,167</u>

Notes to the Financial Statements

For the year ended December 31, 2013

	2013 Year	2012 Year
33.12 Maturity profile of defined benefit obligation		
Weighted average duration of the present value of defined benefit obligation	12	10
Distribution of timing of benefit payments	2013 Benefit Payments .....(Rupees in '000).....	2012
Years		
1	23,256	13,924
2	13,039	6,489
3	27,999	7,364
4	9,194	17,645
5	8,780	4,697
6 - 10	38,484	20,142
11 - 15	67,658	31,425
16 - 20	123,984	54,811
20+	645,158	253,099
33.13 Expected contribution to the plan		
Based on actuarial advice, the management estimates that the charge in respect of defined benefit plan for the year ending December 31, 2014 would be Rs.29.335 million.		
33.14 Sensitivity analysis on significant actuarial assumptions: Actuarial liability		
Base	114,888	66,990
Discount rate +1%	105,425	61,472
Discount rate -1%	115,802	67,523
Future salary increases +1%	127,091	74,105
Future salary increases -1%	116,537	67,951

34. DEFINED CONTRIBUTION PLAN

- 34.1 The Bank operates an approved funded contributory provident fund for all its permanent employees to which monthly contributions are made both by the Bank and the employees at the rate of 10 % of basic salary.

Notes to the Financial Statements

For the year ended December 31, 2013

	2013 .....(Rupees in '000).....	2012 .....(Rupees in '000).....
34.2 Disclosures relating to Provident Fund		
Size of the fund	146,912	133,678
Cost of investments made	128,883	120,925
Percentage of investments made	88%	90%
Fair value of investments	141,163	126,696
Break-up of investments		
TDR's	137,280	125,971
Bank balances	3,883	725
	<u>141,163</u>	<u>126,696</u>

The figures for 2013 are based on the un-audited financial statements of the Provident Fund. Investments out of Provident Fund have been made in accordance with the provisions of section 227 of the Ordinance and the rules formulated for this purpose.

35. REMUNERATION OF DIRECTORS AND EXECUTIVES

	2013			2012		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	.....(Rupees in 000).....			.....(Rupees in 000).....		
Fees	-	225	-	-	200	-
Managerial remuneration	19,487	-	105,949	18,501	-	91,443
Charge for defined benefit plan	1,453	-	8,829	1,542	-	7,620
Contribution to defined contribution plan	1,743	-	10,217	1,850	-	9,056
Rent and house maintenance	13,576	-	31,785	12,295	-	27,433
Utilities	4,695	-	10,595	3,847	-	9,144
Medical	2,833	-	17,217	2,415	-	13,594
Conveyance	1,314	-	11,433	1,224	-	8,662
Others	180	-	2,593	198	-	1,912
Membership fee	157	-	1,628	905	-	3,717
	<u>45,438</u>	<u>225</u>	<u>200,245</u>	<u>42,777</u>	<u>200</u>	<u>172,580</u>
Number of persons	<u>1</u>	<u>7</u>	<u>76</u>	<u>1</u>	<u>7</u>	<u>66</u>

35.1 In addition to the above, the Chief Executive and certain executives are provided with use of Company maintained car.

36. RELATED PARTY TRANSACTIONS

Related parties of the Bank comprise of the Holding Company, associates (including entities having directors in common with the Bank), retirement benefit funds, major share holders, directors and key management personnel and their close family members. Transactions with related parties, other than remuneration of directors and executives as disclosed in note 33 to the financial statements, are summarised as follows:

Notes to the Financial Statements

For the year ended December 31, 2013

	2013				2012			
	Holding company	Directors and key management personnel	Others	Total	Holding company	Directors and key management personnel	Others	Total
	.....(Rupees in '000).....				.....(Rupees in '000).....			
Advances								
At January 01	-	22,469	-	22,469	-	4,784	-	4,784
Given during the year	-	16,568	-	16,568	-	28,518	-	28,518
Repaid during the year	-	(7,423)	-	(7,423)	-	(10,833)	-	(10,833)
At December 31	-	31,614	-	31,614	-	22,469	-	22,469
Deposits								
At January 01	200,972	6,586	17,498	225,056	213,432	820	-	214,252
Received during the year	469,932	7,450	12,767	490,149	414,404	7,406	17,498	439,308
Withdrawn during the year	(571,036)	(11,731)	(17,215)	(599,982)	(426,864)	(1,640)	-	(428,504)
At December 31	99,868	2,305	13,050	115,223	200,972	6,586	17,498	225,056
Mark-up expense	9,981	104	992	11,077	10,166	392	841	11,399
Communication expenses	4,571	-	-	4,571	4,977	-	-	4,977
Sale of vehicles	-	4,201	-	4,201	-	3,692	-	3,692
Payable against branchless banking transactions	147,070	-	-	147,070	132,324	-	-	132,324
Mark-up payable	417	-	6	423	1,007	-	73	1,080
Rent and taxes	10,200	-	-	10,200	10,200	-	-	10,200
Exp payable	13,550	-	-	13,550	3,999	-	-	3,999
Deposit mobilization fee	56,313	-	-	56,313	24,278	-	-	24,278

37. MATURITIES OF ASSETS AND LIABILITIES

The table below summarises the maturity profile of the expected cash flows of the Bank's financial assets and liabilities. The demand deposits of the Bank are classified as payable within one month. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

	2013				
	Total	Upto one Month	Over one month upto 6 months	Over 6 months upto 1 year	Over one Year upto 5 years
	.....(Rupees in '000).....				
Assets					
Cash and balances with SBP and NBP	1,225,227	1,225,227	-	-	-
Balances with other banks / NBFIs / MFBs	571,006	421,006	150,000	-	-
Investments	3,471,857	1,992,955	1,478,902	-	-
Advances	8,311,129	688,490	3,735,183	3,489,045	398,411
Operating fixed assets	480,237	-	-	-	480,237
Other assets	1,131,243	147,771	472,004	291,776	219,691
	15,190,699	4,475,450	5,836,089	3,780,821	1,098,339

Notes to the Financial Statements

For the year ended December 31, 2013

2013				
Total	Upto one Month	Over one month upto 6 months	Over 6 months upto 1 year	Over one Year upto 5 years
.....(Rupees in '000).....				

Liabilities

Deposits and other accounts	10,627,546	6,211,683	1,556,123	1,413,467	1,446,273
Borrowings	501,279	8,333	123,194	131,528	238,224
Subordinated debt	989,757	497,813	-	491,944	-
Other liabilities	854,125	601,582	115,510	54,407	82,625
Deferred tax liabilities	8,567	-	8,567	-	-
	12,981,274	7,319,411	1,803,394	2,091,346	1,767,122
Net assets	2,209,425	(2,843,962)	4,032,695	1,689,475	(668,783)

Represented by:

Share capital	1,346,939
Statutory and general reserves	571,481
Depositors' Protection Fund	70,224
Accumulated Profit / (Loss)	205,787
	2,194,431
Surplus / (deficit) on revaluation of assets	(1,388)
Deferred grants	16,382
	2,209,425

2012				
Total	Upto one Month	Over one month upto 6 months	Over 6 months upto 1 year	Over one Year upto 5 years
.....(Rupees in '000).....				

Assets

Cash and balances with SBP and NBP	730,133	730,133	-	-	-
Balances with other banks / NBFIs / MFBs	927,509	927,509	-	-	-
Investments	3,604,983	2,469,217	1,135,766	-	-
Advances	6,687,865	439,260	2,702,305	3,375,425	170,875
Operating fixed assets	349,240	-	-	-	349,240
Other assets - Restated	948,668	113,348	418,164	339,819	77,337
Deferred tax assets - Restated	101,466	-	101,466	-	-
	13,349,864	4,679,467	4,357,701	3,715,244	597,452

Liabilities

Deposits and other accounts	8,371,951	3,842,624	1,351,938	1,883,157	1,294,232
Borrowings	1,391,257	303,357	339,861	141,944	606,095
Subordinated debt	971,886	-	-	-	971,886
Other liabilities - Restated	775,513	531,067	124,844	80,197	39,405
	11,510,607	4,677,048	1,816,643	2,105,298	2,911,618
Net assets	1,839,257	2,419	2,541,058	1,609,946	(2,314,166)

Represented by:

Share capital	1,346,939
Statutory and general reserves	495,059
Depositors' Protection Fund	45,552
Accumulated Profit / (Loss) - Restated	(61,041)
	1,826,509
Surplus / (deficit) on revaluation of assets	(55)
Deferred grants	12,803
	1,839,257

Notes to the Financial Statements

For the year ended December 31, 2013

38. FINANCIAL RISK MANAGEMENT

38.1 Interest / mark-up rate risk

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates.

The Bank interest rate exposure is low due to the short-term nature of the majority of business transactions. Interest rate risk is also controlled through flexible credit pricing mechanism and variable deposit rates. Optimization of yield is achieved through the Bank's investment strategy which aims on attaining abalance between yield and liquidity under the strategic guidance of ALCO.

The advances and deposits of the Bank are on periodic basis based on interest rates scenario are as under:

2013						
Effective yield/ interest rate %	Exposed to yield / interest risk					
	Total	Upto one Month	One month to six month	Over six month to one year	Over one year to five years	
Assets						
Balances with other banks / MFBs	6.5% to 12%	564,288	414,288	150,000	-	-
Investment	9.75% to 10.30%	3,471,857	1,992,955	1,478,902	-	-
Advances	18% to 35%	8,311,129	688,490	3,735,183	3,489,045	398,411
		12,347,275	3,095,734	5,364,085	3,489,045	398,411
Liabilities						
Deposits	6% to 16%	5,803,826	1,387,963	1,556,123	1,413,467	1,446,273
Borrowings	Kibor + 2%	501,279	8,333	123,194	131,528	238,224
Subordinated debt	12% to 12.5%	989,757	497,813	-	491,944	-
		7,294,862	1,894,109	1,679,317	2,036,939	1,684,497
		5,052,412	1,201,624	3,684,768	1,452,106	(1,286,086)
2012						
Effective yield/ interest rate %	Exposed to yield / interest risk					
	Total	Upto one Month	One month to six month	Over six month to one year	Over one year to five years	
Assets						
Balances with other banks / MFBs	6% to 12%	916,477	916,477			
Investment	9.15% to 9.43%	3,604,983	2,469,217	1,135,766		
Advances	18% to 35%	6,687,865	439,260	2,702,305	3,375,425	170,875
		11,209,325	3,824,954	3,838,071	3,375,425	170,875
Liabilities						
Deposits	6% to 16%	6,362,272	1,832,945	1,351,938	1,883,157	1,294,232
Borrowings	9.5% to 13%/Kibor + 2%	1,391,257	303,357	339,861	141,944	606,095
Subordinated debt	12% to 12.5%	971,886	-	-	-	971,886
		8,725,415	2,136,302	1,691,799	2,025,101	2,872,213
		2,483,910	1,688,652	2,146,272	1,350,324	(2,701,338)

Notes to the Financial Statements

For the year ended December 31, 2013

38.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Bank's credit risk is primarily attributable to its "advances" balances at banks and investments. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The Bank has an effective loan disbursement and recovery monitoring system which allows it to evaluate borrowers' credit worthiness and identify potential problem loans. A provision for loan losses is maintained as required by the Prudential Regulations. Investments are mainly in the government securities or other securities having good credit rating. Maximum amount of financial assets which are subject to credit risk amount to Rs.3,377 million (2012: Rs.2,501 million).

38.3 Liquidity risk

Liquidity risk is the risk that the Bank will not be able to raise funds to meet its commitments. At present the bank is not exposed to this risk as there is sufficient cash placed with various commercial banks at the year end.

38.4 Fair value of financial Instruments

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair value.

39. CAPITAL MANAGEMENT

The Bank's objectives when managing its capital are:

- To comply with the capital requirements set by the SBP.
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders.
- To maintain a strong capital base to support the development of its business.

As of the balance sheet date, the Bank's net equity and Capital Adequacy Ratio stood at Rs.2,184 million (2012: Rs.1,823 million (restated)) and 64% (2012: 73%) respectively, as against the minimum requirement of Rs.500 million and 15% prescribed by SBP.

40. GENERAL

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

40.2 Figures have been rounded off to the nearest thousand rupees.

41. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Bank on 3rd March, 2014.



President &
Chief Executive Officer



Chairman



Director



Director

SHAREHOLDING STRUCTURE OF TAMEER MICRO FINANCE BANK LIMITED AS AT DECEMBER 31ST, 2013

S. No.	Name of the Shareholder	Address	No. of Shares	%	Nationality	Citizenship	Current Country of Residence
1	Telenor Pakistan	38, Paris Plaza, Markaz F-11, Islamabad, Pakistan	68,693,878	51.0000%	N/A	N/A	N/A
2	EMC	49, Old Clifton, Karachi, Pakistan	39,599,960	29.4000%	N/A	N/A	N/A
3	Kamal Uddin Azfar	31-F, Block 4, KDA Scheme Np. 5, Shahrah e Firdousi, Clifton, Karachi, Pakistan	10	0.0000%	Pakistani	Pakistani	Pakistan
4	Mansoor Alam	D-73, Block 4, Clifton, Karachi, Pakistan	10	0.0000%	Pakistani	Pakistani	Pakistan
5	Mayada Moussa Baydas	2325, Isle Royale Ln, Davis USA	10	0.0000%	American	Pakistani	USA
6	Mumtaz Saeed	94, Khyaban-e-Ghazi, DHA, Phase 6, Karachi, Pakistan	10	0.0000%	Pakistani	Pakistani	Pakistan
7	IFC	2121 Pennsylvania Avenue, NW, Washington, DC, 20433, United States of America	6,600,000	4.9000%	N/A	N/A	N/A
8	Centurion	45, Bangalore Town, Tipu Sultan Road, Karachi, Pakistan	9,900,000	7.3500%	Pakistani	N/A	N/A
9	Nizar Noor Muhammed	F-65, Block 7, Clifton, Karachi	4,950,000	3.6750%	Pakistani	Pakistani	Pakistan
10	Noor Muhammad Mewawalla	F-65, Block 7, Clifton, Karachi	4,950,000	3.6750%	Pakistani	Pakistani	Pakistan
				100%			

Kabeer Naqvi
Company Secretary

Design & Concept
Tameer Micro Finance Bank (TMFB) Limited
Marketing & Strategy Departments

Photography
TMFB In-house Creative Unit
Concoction Studios, Karachi, Pakistan

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