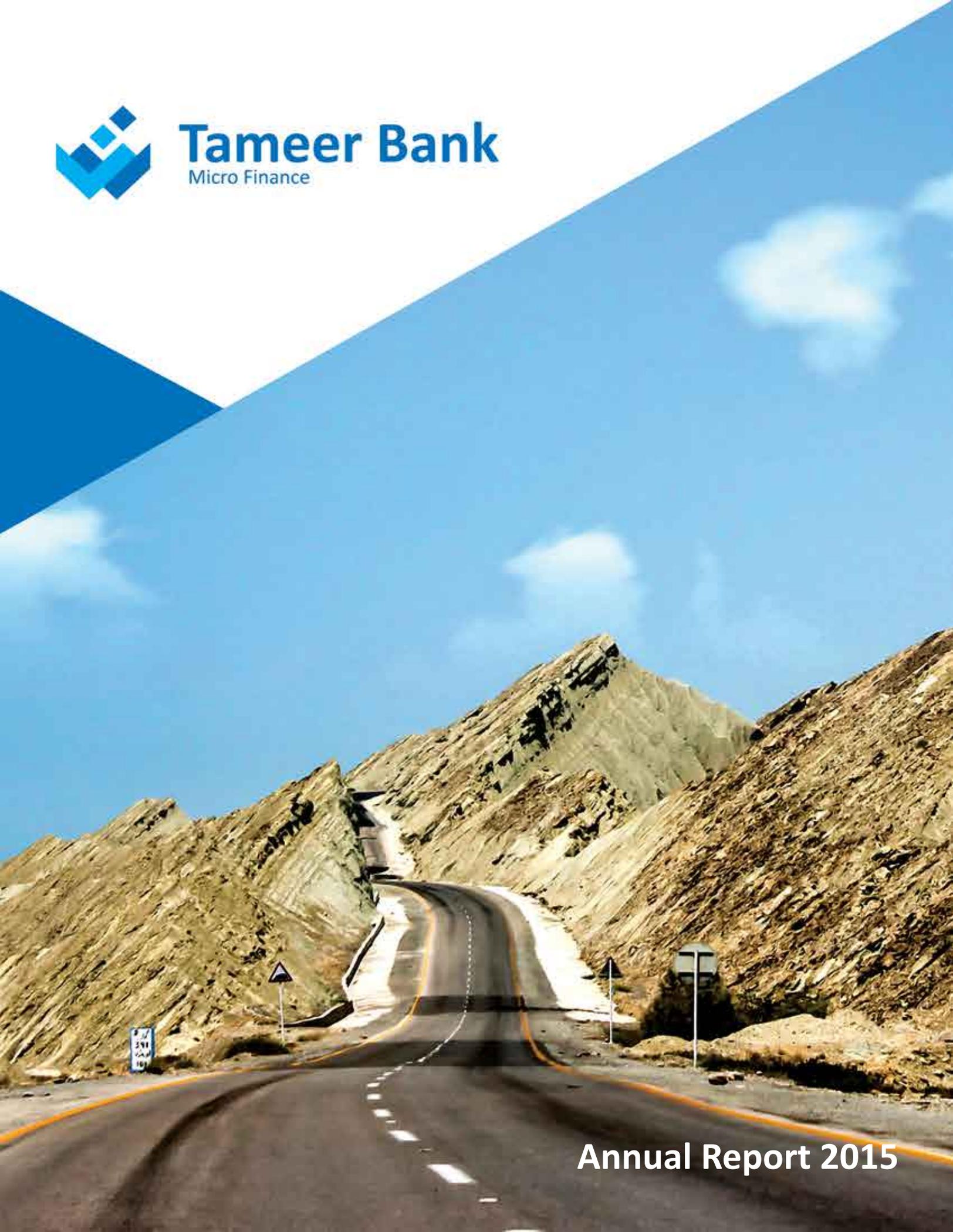




**Tameer Bank**  
Micro Finance



**Annual Report 2015**



”ہم خود تراشتے ہیں منازل کے سنگِ میل  
ہم وہ نہیں ہیں جن کو زمانہ بنا گیا“  
پاکستان

Our journey started off with a **Dream**, to avail the **Opportunity** of improving lives in every home. During the last 10 years, we have faced challenges with **Resilience**, leading to **Innovation, Diversity** and **Growth**.

We remain **Focused** on creating an ecosystem for financial **Inclusion** and **Empowerment**. In pursuit of our vision, we continue to enable positive **Change** to build a stronger Pakistan, supported by the **Passion** of all Tameerians.

## **10-Year Journey**

Annual Report 2015

# At a Glance

As of December 31<sup>st</sup>, 2015



ENR

PKR  
**12**  
billion

PKR  
**18**  
billion

Loans  
Disbursed

PBT

PKR  
**1.28**  
billion

**10**  
million

Mobile  
Accounts

Employee  
Satisfaction  
Score

**87**%

Long Term

**A+**

Short Term

**A1**

Rated by  
JCR-VIS & PACRA

# Dream



## Mission

To “improve lives by building the ecosystem for the unbanked through innovation, best in class talent and customer care, in a sustainable manner”



## Vision

To “improve lives in every home”



## Values

**Respect**  
**Innovation**  
**Integrity**  
**Meritocracy**  
**Equal Opportunity**





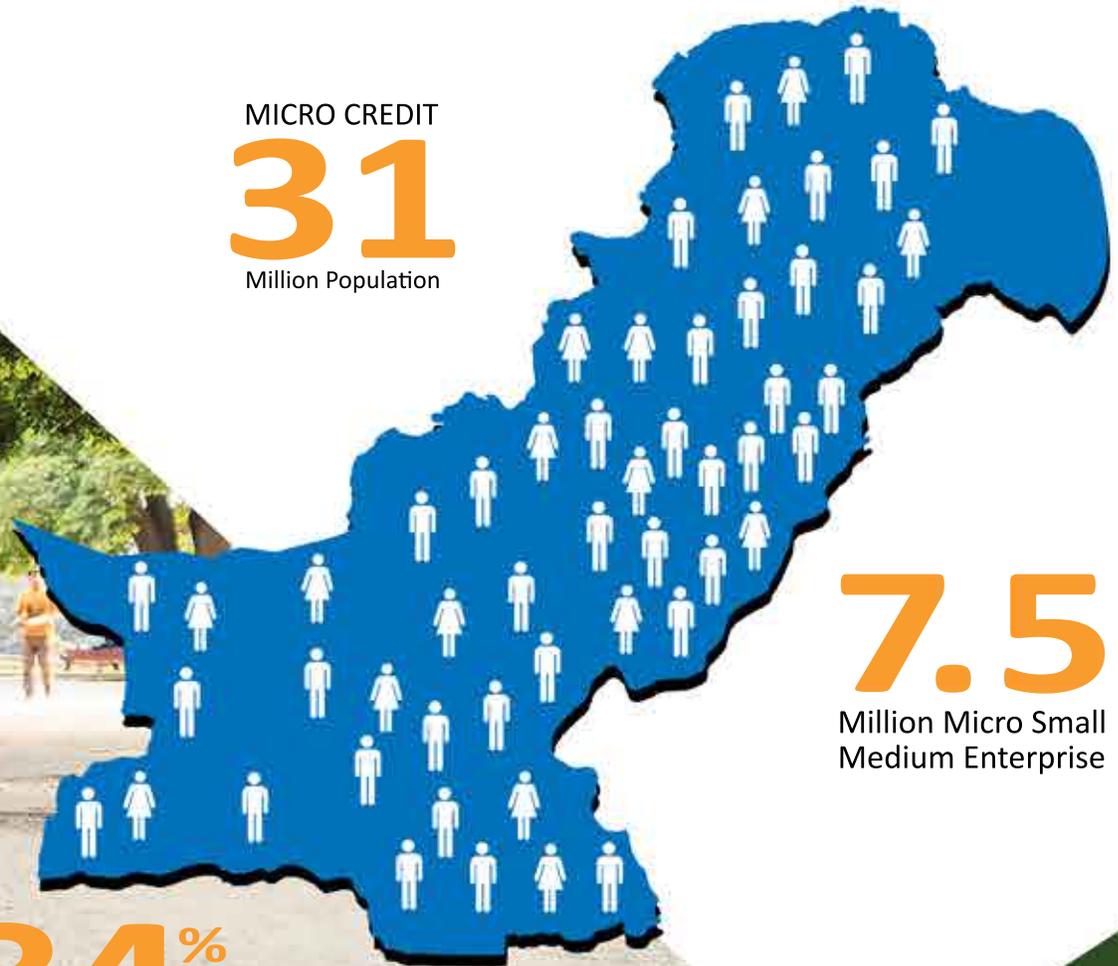


# Opportunity

MICRO CREDIT

31

Million Population



7.5

Million Micro Small  
Medium Enterprise

84%

Without Bank Account

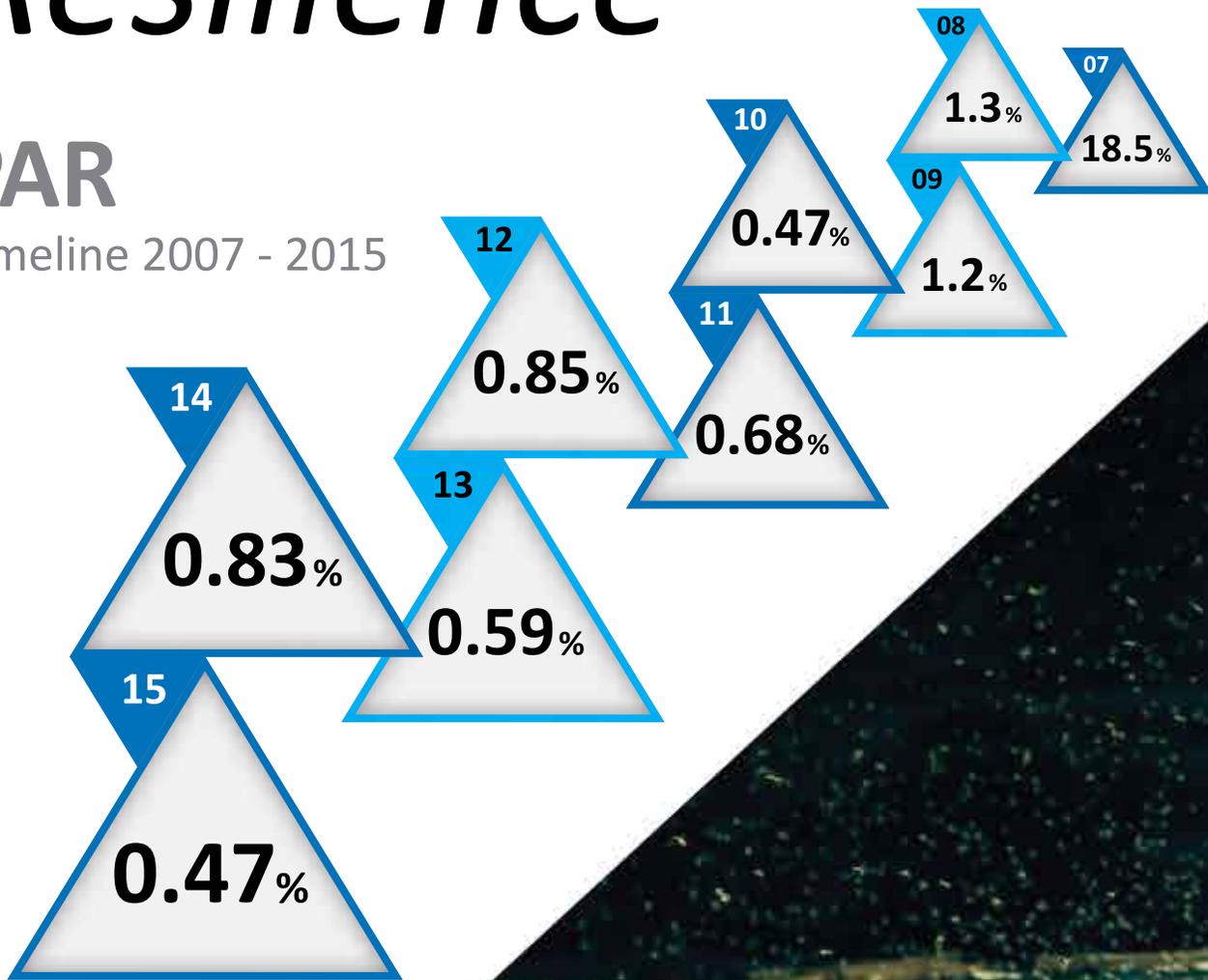
77%

of Adult Population  
Without Access to  
**FORMAL**  
Financial Services

# Resilience

## PAR

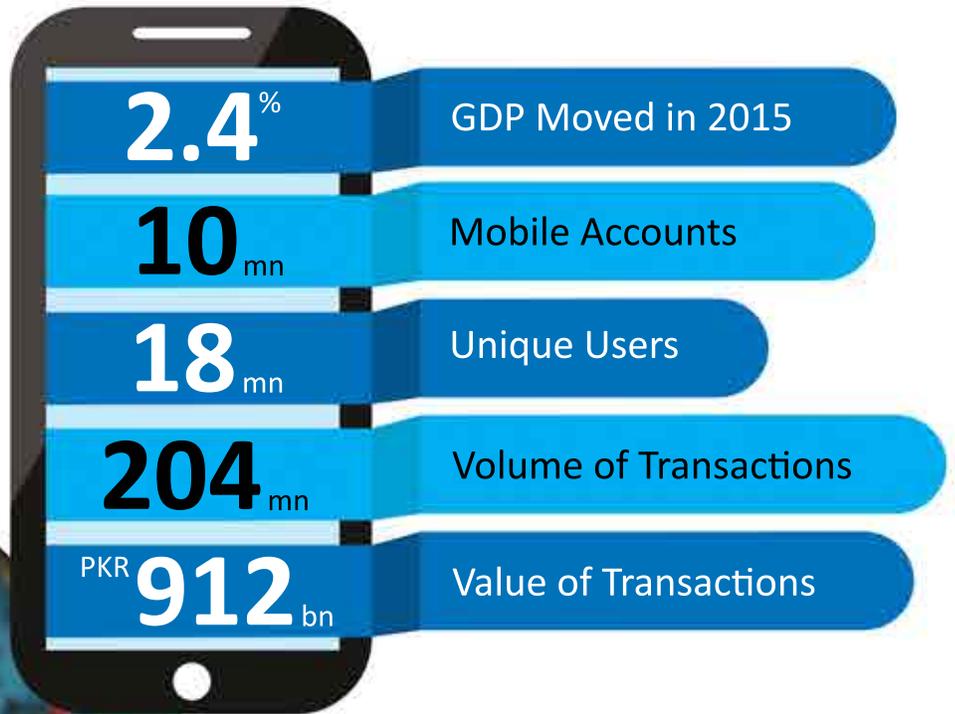
Timeline 2007 - 2015







# Innovation



# Diversity

## Products & Services



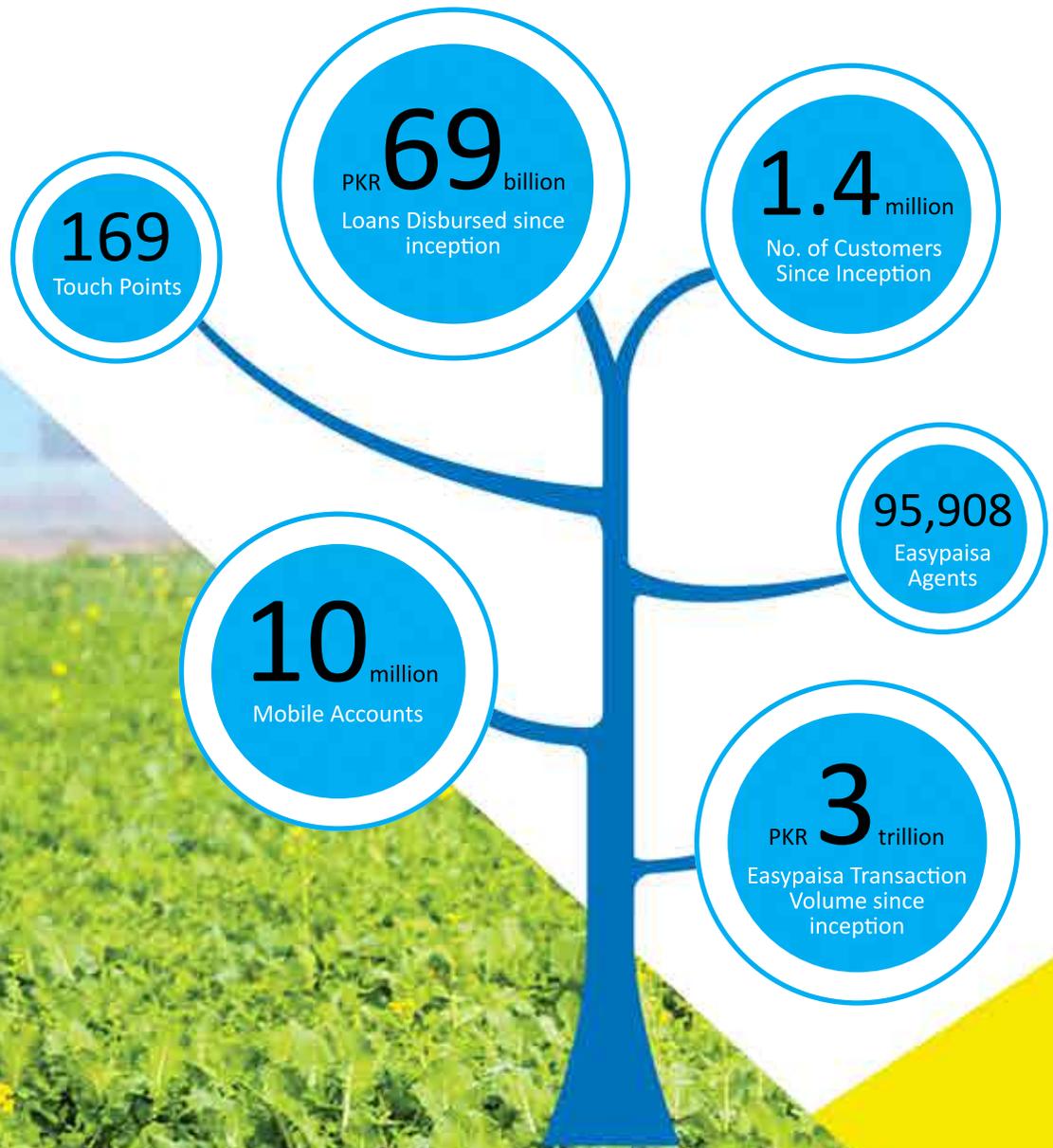


## Colleagues





# Growth



# Focus

## Last Mile Banking

Taking Financial Services to the Last Mile







# Inclusion



Sehat O Sakoon  
Health Insurance Policies

**83,985**



Branchless Banking  
Health Insurance Policies

**100,000**



Branchless Banking  
Life Insurance Policies

**350,000**



Sehat O Sakoon  
Free Medical Camps

**11**



Free Medical Camp  
Beneficiaries

**3,500**



# Empowerment

Loans Disbursed to **350,000** Customers

Share in Industry **11%** of Customers

Share in MFBs **30%** of Customers

Female Borrowers **33%** of Loan Disbursed

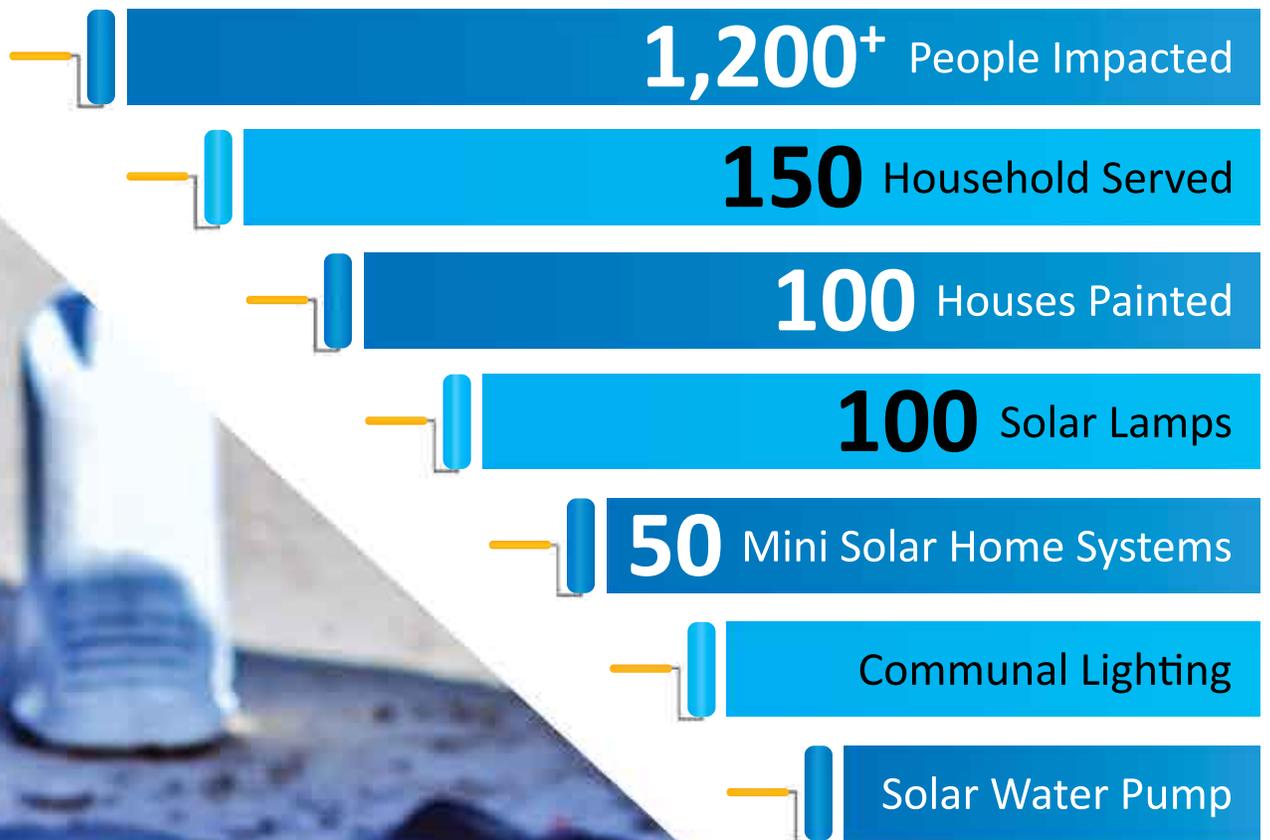
Female Borrowers **35%** of Active Borrowers







# TAMEER@WORK



Tameer launched its first flagship community investment program, “Tameer@Work” last year. The program integrates our direct investments with colleague engagement & volunteering for a deeper impact and wider ownership.



Tameer’s agenda of “developing local communities” is based on phase wise interventions to improve lives at the bottom of the pyramid in a sustainable manner, by focusing on:

- Energy & Water: through environmentally sustainable solutions
- Health: through easy & convenient Micro-health insurance coverage
- Income generation: through capacity building initiatives
- Banking & Money Transfer Services: through Mobile Accounts

Our first project under “Tameer@Work” program was rolled out at an off-grid remote village, More Ji Wand in district Tharparkar. Residents claim that the village it is at least 200 years. The village, inhabited by over 150 households, is located around 15 KMs from the city of Mithi.

Prior to Tameer’s multi-level intervention, supported by internal funding and colleagues volunteering, the village lacked the most basic facilities like access to energy, clean water and health facilities.

The main source of income for these villagers is rearing livestock and working as day laborers in the closest urban centers (mainly Mithi). The women in the village make handicraft that they then sell at the local fairs to earn some extra income. There are 2 primary schools in the village (one for boys and the other for girls) but the standard of education remains low. Not quite surprising though is that fact that most villagers possess a mobile phone but due to the unavailability of electricity, they have to visit the city centers to charge their phones at a cost of PKR 10 to 15 per charge.

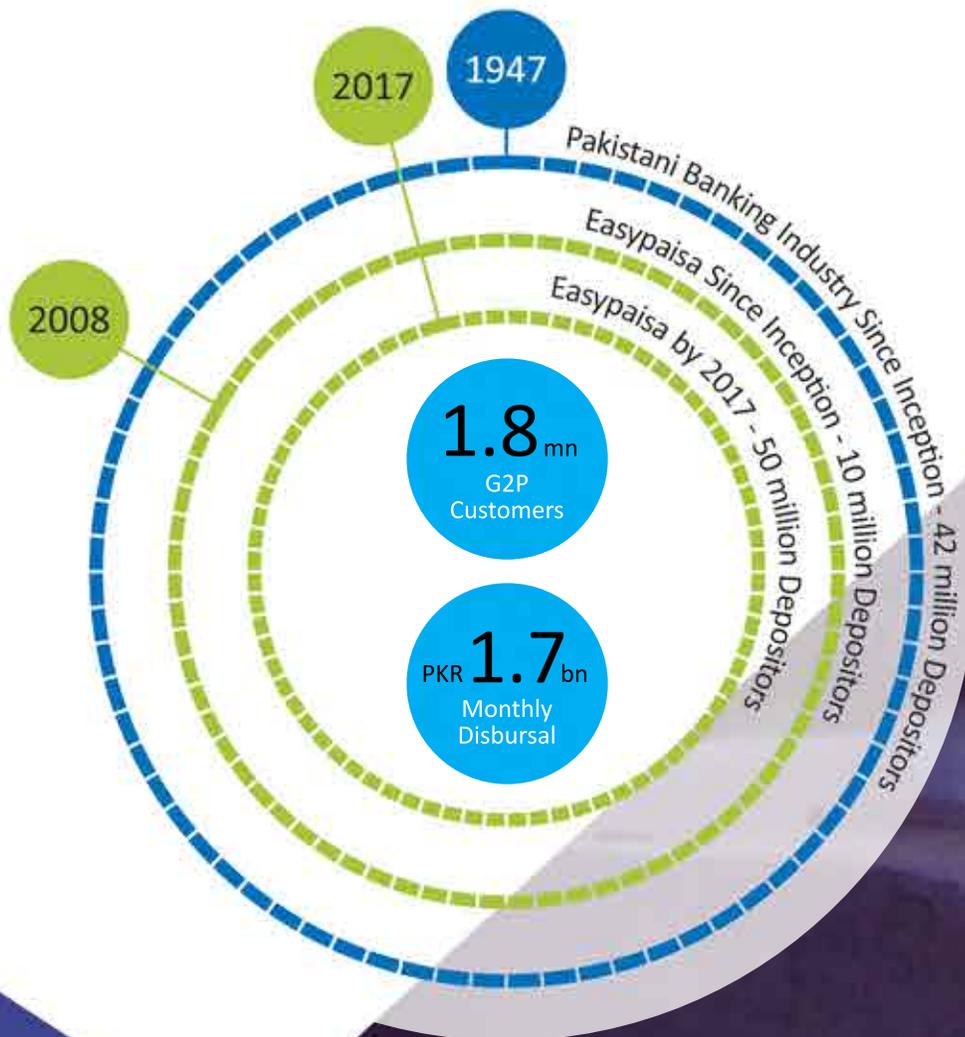
As of December 2015, our project has successfully completed the first two phases. Today, the residents have communal lighting, portable solar lights (with mobile charging facility) for each home, Solar powered water pump, Water collection tank with filters, and health insurance coverage with Mithi’s main hospital on the panel for a cashless transaction.







# Change







# Passion

**7.10**

Training Hours Per Employee

**224**

Female Staff

**1,200**

Hours Volunteered

**2,855**

Number of Employees

**20,258**

Total Training Hours



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# Corporate Information

## Board of Directors

|                          |                          |
|--------------------------|--------------------------|
| Mr. Michael P. Foley     | Chairman                 |
| Mr. Nadeem Hussain       | Founder, President & CEO |
| Mr. Irfan Wahab Khan     | Director                 |
| Mr. Roar Bjaerum         | Director                 |
| Mr. Salim Raza           | Independent Director     |
| Mr. Nizar Noor Mohammed  | Director                 |
| Mr. Aslam Hayat          | Director                 |
| Ms. Mayada Moussa Baydas | Independent Director     |
| Mr. Henning Throsen      | Director                 |

## Board Committees

### Audit Committee

|                         |          |
|-------------------------|----------|
| Mr. Salim Raza          | Chairman |
| Mr. Henning Throsen     | Member   |
| Mr. Roar Bjaerum        | Member   |
| Mr. Nizar Noor Mohammed | Member   |

### Branchless Banking Sub Committee

|                          |          |
|--------------------------|----------|
| Mr. Irfan Wahab Khan     | Chairman |
| Mr. Nadeem Hussain       | Member   |
| Mr. Roar Bjaerum         | Member   |
| Mr. Nizar Noor Mohammed  | Member   |
| Mr. Salim Raza           | Member   |
| Mr. Michael P. Foley     | Member   |
| Ms. Mayada Moussa Baydas | Member   |
| Mr. Aslam Hayat          | Member   |

### Risk Management Committee

|                     |          |
|---------------------|----------|
| Mr. Salim Raza      | Chairman |
| Mr. Roar Bjaerum    | Member   |
| Mr. Henning Throsen | Member   |

## Human Resource Management, Planning & Remuneration Committee

|                         |          |
|-------------------------|----------|
| Mr. Irfan Wahab Khan    | Chairman |
| Mr. Nizar Noor Mohammed | Member   |
| Mr. Michael P. Foley    | Member   |

## Executive Compensation Review Committee

|                      |          |
|----------------------|----------|
| Mr. Michael P. Foley | Chairman |
| Mr. Salim Raza       | Member   |
| Mr. Aslam Hayat      | Member   |

## Chief Financial Officer

Mr. Salman Lakhani (Acting)

## Company Secretary

Ms. Sana Tariq

## Auditors

KPMG Taseer Hadi & Co.

## Legal Advisors

Ali & Ali, Barristers and Corporate Consultants

## 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](http://www.tameerbank.com)

Email: [info@tameerbank.com](mailto:info@tameerbank.com)

# Board of Directors



**Michael P. Foley**  
Chairman  
Re-Elected on 23rd April, 2015



**Salim Raza**  
Independent Director  
Re-Elected on 23rd April, 2015



**Nadeem Hussain**  
Founder, President & CEO  
Re-Elected on 23rd April, 2015



**Nizar Noor Mohammed**  
Director  
Re-Elected on 23rd April, 2015



**Irfan Wahab Khan**  
Director  
Re-Elected on 23rd April, 2015



**Aslam Hayat**  
Director  
Appointed via Resolution  
Dated 5th June, 2015



**Roar Bjaerum**  
Director  
Re-Elected on 23rd April, 2015



**Mayada Moussa Baydas**  
Independent Director  
Elected on 23rd April, 2015



**Henning Thronsen**  
Director  
Appointed via Resolution  
Dated 17th June, 2015



**Tine Gottlob Wollebekk**  
Director  
Resigned on 24th April, 2015

# Management Committee



**Nadeem Hussain**  
Founder, President & CEO



**Tazeen Adnan**  
Chief Human Resource Officer



**Tariq Mohar**  
Deputy CEO



**Umaima Sohaib**  
Chief Marketing & Strategy Officer



**Salman Lakhani**  
Acting Chief Financial Officer



**Atif Aziz**  
Head of Information Technology



**Naresh Karia**  
Head of Compliance



**Atyab Tahir**  
Chief Risk Officer



**Noor Ali**  
Head of Branchless Banking



**Tariq Anwar**  
Head of Business

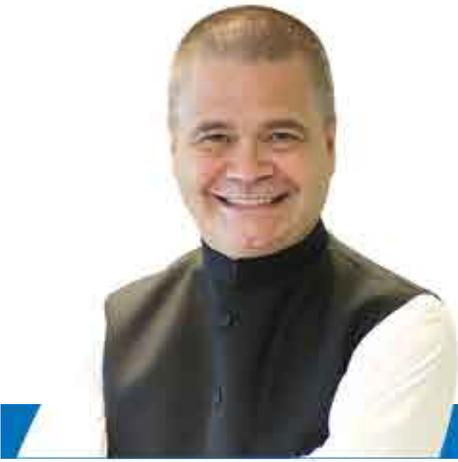


**Muhammad Aslam**  
Head of Business Support  
& Administration

## Internal Audit Function



**Asad Abbas**  
Head of Internal Audit



# Message from the Chairman

Tameer is simply an extraordinary Pakistani Institution. Over the course of 10 years it has become a global example of entrepreneurship in the public interest, of innovation for the benefit, of the disenfranchised and of foreign investment in the cause of national empowerment.

The cause of financial inclusion is one that has lacked sustainable business models for decades. It is the relatively recent marriage of Microfinance and Mobile Telephony that has engendered new and creative services and service delivery models. Tameer and Telenor introduced EasyPaisa, EasyPay and a host of other new offerings with the objective of providing the poor with the same variety of services offered to other consumers in Pakistan.

In fact, our palette of services often surpasses that of much larger conventional financial institutions and has even begun to attract clients from those banks.

At the core of the success of Tameer is a constant strong focus on financial discipline, governance and in particular risk management. This year again the bank has delivered superior results across the board. However, we are far from being complacent. The size of the opportunity for Microfinance and Mobile financial services industry is immense and we have, even after a decade, only scratched the surface.

Microfinance and Mobile Telephony have an impact footprint far broader than that defined in Goal no 8 of the Sustainable Development Goals and we expect to continue to make a positive impact on the lives of our customers and the competitiveness of our national economy. This is because people are on a mission to build a better Pakistan, one household and small business at a time.

Along with our regulator and our partners Tameer is committed, as a growth company, to serving 10's of millions of our citizens and to contribute to the eradication of poverty in our land while delivering superior and sustainable returns to our shareholders.

**Michael Foley**  
Chairman

# Message from the President & CEO



Tameer Bank is an inspiration for financial and development institutions inside and outside Pakistan. Our 10 year journey has improved millions of lives, given birth to a new model of financial services that has swept the banking industry off its feet, and brought invaluable learnings to industries we touch on a daily basis. We are proud to have with us passionate and ambitious people who strive to exceed expectations every day.

While our Bank has grown exceptionally in the last few years, I must emphasize the importance of continuing hard work and passion to take on the trajectory of the next 10 years. We have merely scrapped the surface on financial and social empowerment in the country. The gap on financial inclusion remains wide, and ours is the institution, and the industry best positioned to galvanize much needed change in Pakistan. Through easypaisa, we have demonstrated year after year our commitment to innovation and change, utilizing our malleability and organizational strength to stand with the big 5 of the financial sector. Today, we are a force to be reckoned with, and for me personally that sets our 10 years apart from any other point in my career.

I am extremely pleased to report the Bank's performance for 2015:

- Our reach spread to more than 5.2 Mn customers, with 287,285 borrowers, 1 Mn G2P beneficiaries and 4 Mn depositors.
- We rolled out PKR 18 Bn in loans, the industry's highest disbursement for the year. The Bank's performance on loans

continues to exceed expectations as we aspire for greater success.

- Our portfolio went up to PKR 12. Bn with a lower PAR of 0.47%.
- We ended the year with a pre-tax profit of PKR 1.3 Bn, an increase of 26% on the previous year.
- We added PKR 3.2 Bn to ENR, the highest recorded increase since Tameer's inception.
- Our rating of A+/A-1 was reaffirmed by JCR VIS and PACRA.
- We won the Fintech Innovation Award at the Pakistan Innovation Forum 2015 for Easypaisa, while the runner up award was given to Tameer Bank for its industry leading, non-embedded micro-health insurance product.
- We've ensured our commitment to CSR through an exciting village uplift program, Mori Ji Wand in Tharparker, Sindh. Nearly 120 households are being financially and socially impacted on an on-going basis through volunteers of the Tameer family.

Our mantra' we chisel our own destiny will continue to be our guiding light. Tameer's true potential remains to be fully unlocked as we march on this journey of empowering Pakistan; social development through access to finance, energy, health and payment services will chart all future courses of action.

Tameer Bank is proud to report sales of nearly 10,000 standalone micro health insurance policies every month. In a

country of low literacy and little knowledge of insurance services, we have managed to create fantastic impact as a result of our commitment to the spirit of microfinance.

In branchless banking, easypaisa continues to be leaps and bounds ahead of the industry. We have over 8 Mn mobile accounts with easypaisa while we remain laser focused on improving the activation to account ratio. We are proud to have piloted algorithm based credit products suited to benefit millions of Pakistani's that fall outside the current folds of financial services. The ecosystem based on the 4-As of mobile financial services is coming together through biometric and string based account opening, an expanding network of merchants on digital payments and a growing set of credit, savings, insurance and payment services on the mobile account.

All of the above and more would not be possible if it weren't for the untiring determination of the people of Tameer. The ones who make every step a success, living the Tameer dream. The talent and hard work of our colleagues make for a winning combination. We come together from different circumstances and stages in life, but at Tameer the circle of financial success stories weave us into one, unbeatable team with an unbeatable mission.

**Nadeem Hussain**  
Founder, President & CEO

## Director's Report to the Shareholders

It is our privilege to present on behalf of the Board of Directors the 11th Annual Report and audited financial statements of Tameer Micro Finance Bank Limited ('The Bank') for the year ended December 31, 2015. By the grace of God, the Bank has shown tremendous progress as compared to the last year and is on the right track to achieve its vision to improve lives in every home.

Overall the Bank has increased its balance sheet footing by 28% from Rs. 16.393 billion last year to Rs. 21.058 billion in the current year. The increase is mainly attributable to the increase in net advances by 36% from Rs. 8.942 billion last year to Rs. 12.126 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 28% from Rs. 12.261 billion to Rs. 15.679 billion during the current year.

### Financial Results

|                             | 2015                         | 2014      |
|-----------------------------|------------------------------|-----------|
|                             | ----- (Rupees in '000) ----- |           |
| Profit before taxation      | 1,282,294                    | 1,020,489 |
| Less: Taxation-Current      | (414,004)                    | (318,119) |
| -Prior                      | (29,952)                     | -         |
| -Deferred                   | 13,402                       | 6,123     |
| Profit after taxation       | 851,740                      | 708,493   |
| Earnings per share (Rupees) | 6.32                         | 5.26      |

### Transfer to Reserves

As per the requirements of Microfinance Institutions 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.170,348,000) and 5% of profit after tax to the Depositors' Protection Fund (Rs.52,462,000).

### Capital Adequacy Ratio

The Banks Capital Adequacy Ratio as on Balance Sheet date stood at 37% compared to 64% as at the end of December 2014, under the revised regulations (risk weight of 20% on loan secured by Gold and 3 % on average gross income as per audited accounts of last three years).

### Board of Directors

One casual vacancy occurred during the year 2015 created by Ms. Wollebekk's resignation, which was subsequently filled by the Board, with the appointment of Mr. Henning Thronsen.

### 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 the ultimate parent of the Bank.

During the year, the Telenor Group has signed a sales purchase deal with the Bank of the remaining 49% of minority shareholders. The Bank has submitted the required paperwork for SBP's approval which is pending for approval as of to date.

### 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 tenure | Attended |
| Mr. Michael Patrick Foley | Chairperson     | 5                                  | 5        |
| Mr. Syed Nadeem Hussain   | Chief Executive | 5                                  | 5        |
| Mr. Aslam Hayat           | Director        | 2                                  | 2        |
| Mr. Irfan Wahab Khan      | Director        | 5                                  | 4*       |
| Mr. Salim Raza            | Director        | 5                                  | 5        |
| Ms. Mayada Moussa Baydas  | Director        | 3                                  | 1*       |
| Mr. Nizar Noor Muhammad   | Director        | 5                                  | 3*       |
| Mr. Roar Bjaerum          | Director        | 5                                  | 3*       |
| Mr. Henning Thronson      | Director        | 1                                  | 1        |
| Ms. Tine Wollebakk        | Director        | 3                                  | 1*       |

\* Leaves of absences were granted to Mr. Irfan Wahab Khan, Mr. Roar Bjaerum, Ms. Mayada Moussa Baydas, Ms. Tine Wollebakk and Mr. Nizar Noor Mohammad who could not attend certain Board Meetings.

---

The following changes have taken place in the Board of Directors during the year ended December 31, 2015:

- Mr. Henning Thronsen joined the Board on 28th October, 2015 in 54th Board meeting, in place of Ms. Tine Wollebakk, who resigned on 21st August, 2015 in the 53rd Board Meeting. Furthermore, Mr. Aslam Hayat was appointed in 53rd Board Meeting and Ms. Mayada Moussa Baydas was appointed in 10th AGM held on 23rd April, 2015.
- 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 consists of four Non-executive directors namely Mr. Salim Raza, Mr. Roar Bjaerum Mr. Nizar Noor Muhammad and Mr. Henning Thronsen.

## **Credit Rating**

Based on the results for the year ended December 31, 2014, 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).

The entity ratings of the Bank would be updated after reviewing the impact of the acquisition.

## **Auditors**

The present auditor Messrs KPMG Taseer Hadi & Co. Chartered Accountants, were retired and since they were eligible, offer their services for re-appointment for another 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, 2015 is annexed with this report.

## **Financial Highlights**

Key performance highlights for the last six years are summarized and annexed to this report.

## **Earnings Per Share**

Earnings per share of the bank for the year ended 2015 is 6.32 compared to 5.26 as at end of year 2014.

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## Statement of Investments of Provident & Gratuity Fund

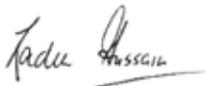
Value of investments including accrued income of provident and gratuity funds as at December 31, 2015 on the basis of un-audited accounts is:

|                |             |
|----------------|-------------|
| Provident Fund | 191,156,000 |
| Gratuity Fund  | 211,004,000 |

## Appreciation & Acknowledgment

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*



**Michael Foley**  
*Chairperson*

Place : Karachi

Dated : March 03, 2016

## پراویڈنٹ فنڈ اور گریجویٹ فنڈ کی سرمایہ کاری کا بیان

31 دسمبر 2015 کی سرمایہ کاری کی بنیاد غیر آڈٹ اکاؤنٹ پر مشتمل ہے جس میں پراویڈنٹ اور گریجویٹ فنڈز سے جمع ہونے والی آمدنی کی تفصیل درج ذیل ہے۔

|              |             |
|--------------|-------------|
| پراویڈنٹ فنڈ | 191,156,000 |
| گریجویٹ      | 211,004,000 |

## تعریف اور اعتراف

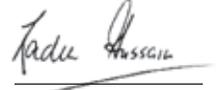
آخر میں ہم اپنے کسٹمرز اور کاروباری شراکت داروں کے مشکور ہیں جنہوں نے اپنی مسلسل حمایت اور ہمراہی اعتماد کا مظاہرہ کیا جس سے ہمیں انکی رہنمائی اور تعاون حاصل ہوا۔ اسٹیٹ بینک آف پاکستان اور پاکستان کی سیکورٹیز اینڈ ایکسچینج کمیشن کے ہم معترف ہیں انہوں نے ہم سے ہمیشہ اپنی رہنمائی اور ہدایات سے اپنے قابل قدر صارفین کو اپنی خدمات پیش کیں۔ ان خدمات میں ہم اپنے ساتھیوں، عملے کے بھی شکر گزار ہیں کہ انہوں نے بینک سے اپنی وفاداری کا مظاہرہ کیا۔

بورڈ کی معرفت



مانگل فو لے

چئیر پرسن



ندیم حسین

صدر / چیف ایگزیکٹو آفیسر

کراچی

مورخہ 03 مارچ، 2016

۳۱ دسمبر ۲۰۱۵ کے سال میں بورڈ آف مینٹنگ میں درج ذیل ترمیمات کی گئیں۔

\* جناب ہینری تھروٹن نے مسماٹ ٹائن وولیک کے مورخہ 21 اگست 2015 میں استعفیٰ کہ وجہ سے 28 اکتوبر 2015 کو بورڈ جو ائین کیا۔ اس کے علاوہ جناب اسلم حیات تریپنویس بورڈ آف مینٹنگ میں بھرتی ہوئے اور محترمہ مایادہ موسیٰ بیداس دسویں AGM کی مینٹنگ جو کہ مورخہ ۲۳ اپریل ۲۰۱۵ کو منعقد ہوئی، بھرتی ہوئیں۔

(ج) آپریٹنگ اور بینک کی مالیاتی اعداد و شمار اور اہم معلومات سالانہ رپورٹ میں دستیاب ہے۔ زمرہ جات کے طور پر پیمینیز آرڈیننس ۱۹۸۳ کے مطابق ضروری ہولڈنگ بھی سالانہ رپورٹ میں شامل ہے۔

(ح) سال کے دوران کسی ڈائریکٹر نے کوئی شیئر حاصل نہیں کیا اور نہ کوئی شیئر کی ٹریڈنگ ہوئی۔ چیف ایگزیکٹو آفیسر، کمپنی بیکریٹری، چیف اندرونی آڈیٹریا ان کی بیویوں اور نابالغ بچوں کی طرف سے سال کے دوران بینک حصص میں نہیں کیا گیا۔

## آڈٹ کمیٹی

آڈٹ کمیٹی چار نامان ایگزیکٹو ڈائریکٹرز (۱) جناب سلیم رضا (۲) جناب روبر بیجارم، (۳) جناب نظام نور محمد (۴) جناب ہینٹنگ تھروٹن پر مشتمل ہے۔

## کریڈٹ کا میزانیہ

۳۱ دسمبر ۲۰۱۳ کے اختتام پر نتائج کی بنیاد پر کریڈٹ ریٹنگ پی اے سی آراے کمپنی محدود مدتی اندراج کو تعمیر بینک لمیٹڈ میں اپ گریڈ کیا۔ (ٹی ایم بی ایل) سے "A+" (سنگل اے پلس) جو کہ ماضی میں "A" تھا جبکہ محدود مدتی ریٹنگ A1 (اے ون) تھی۔

بینک کے موجودہ ریٹنگ کے حصول کا جائزہ لینے کے بعد اپڈیٹ کر دیا جائے گا۔

## آڈیٹرز

موجودہ آڈیٹرز KPMG تا تیرہ ماہ کی مدت کے لیے مقرر ہوئے۔ مگر وہ اس عہدے کے اہل تھے، لہذا ان کو اگلی مدت کیلئے نئی شرائط پر دوبارہ بھرتی کی پیشکش کی گئی ہے۔

## بیلنس شیٹ کی تاریخ کے بعد ہونے والے واقعات

بیلنس شیٹ کی تاریخ کے بعد مالیاتی ایڈجسٹمنٹ کی ضرورت ہوتی ہے اس کی تاریخ کے بعد کسی بھی مواد کے انکشافات نہیں ہیں

## شیئر ہولڈنگ کا نمونہ

۳۱ دسمبر ۲۰۱۵ کا شیئر ہولڈنگ کا نمونہ اس رپورٹ کے ساتھ منسلک ہے۔

## مالیاتی سرخیاں

گزشتہ چھ سالوں کی مالی سرخیاں اس رپورٹ کے ساتھ منسلک ہیں۔

## فی شیئر آمدنی

بینک کے آمدنی برائے ۲۰۱۵ 6.32 ہے جبکہ سال ۲۰۱۳ سے موازنہ کیا جائے تو 5.26 تھی۔

## کارپوریٹ گورننس

بینک کا بورڈ آف ڈائریکٹرز بینک کے انتظام کیلئے حصص یافتگان کا ذمہ دار ہے۔ یہ بورڈ اندرونی کنٹرول کے نظام کو تسلیم کرتا ہے اور کارپوریٹ گورننس کے اعلیٰ ترین معیار کو برقرار رکھنے کیلئے مصروف عمل ہے۔

## کارپوریٹ گورننس کی اسٹیٹمنٹ

ڈائریکٹرز درج ذیل بیان کا حلف اٹھاتے ہیں:

(الف) مالی بیانات، موجودہ امور انتظامیہ کی طرف سے تیار، اس کی کاروائیوں، نقدی بہاؤ اور ایکٹیوٹیوں میں تبدیلیوں کا نتیجہ ہے۔

(ب) اکاؤنٹ کی بکس درست ترتیب دی گئی ہیں۔

(پ) مناسب اکاؤنٹنگ پالیسی کو مدنظر رکھ کر فنانشل اسٹیٹمنٹ اور اکاؤنٹنگ اسٹیٹمنٹ کو صحیح فیصلے کے تحت ترتیب دی گئی ہیں۔

(ت) یہ مالیاتی اسٹیٹمنٹ منظور شدہ اکاؤنٹنگ کے معیار کو برقرار رکھتے ہوئے ترتیب دی گئی ہیں جو کہ پاکستان میں لاگو ہیں۔ منظور شدہ اکاؤنٹنگ معیار جو کہ بین الاقوامی مالیاتی رپورٹس کے معیار جس کو (IFRSs) نے منظور کیا ہے اور جو کہ کمپنیز آرڈیننس ایکٹ 1984 کے مطابق ہے۔

(ث) اندرونی نظام اور اس کا وضع قطع بہت موثر ہے اور بڑے موثر انداز میں اس پر عمل درآمد ہو رہا ہے۔ اس نظام کی تمام تر ذمہ داری بورڈ کی ہے جس پر پورا سال مشاورت کر کے عمل درآمد کیا جاتا ہے۔ اس پر پورے سال وقتاً فوقتاً مشاورت سے آزاد طور پر انتظامیہ کے ذریعے عمل درآمد کیا جاتا ہے۔ اور اس میں اندرونی و بیرونی نظام اور دیگر امور پر عمل درآمد پر مشاورت کرتے ہیں۔ مزید برآں مالی پیشگوئی اور بجٹ کنٹرول کے طریقہ کار سے بجٹ کا اندازہ کرنے کیلئے جائزہ لیا جاتا ہے۔ اور پورے سال اس کی نگرانی کی جاتی ہے۔

(ث) یہاں پر بینک کی ذمہ داریوں پر کوئی شکوک و شبہات نہیں ہیں۔

(ج) سال کے دوران پانچ میٹنگز منعقد ہوئیں جس میں درج ذیل ڈائریکٹرز حضرات نے شرکت کی۔

| میٹنگز کی تعداد |                         | عہدہ         | ڈائریکٹرز کا نام         |
|-----------------|-------------------------|--------------|--------------------------|
| شرکت کنندہ      | سال بھر میٹنگز کی تعداد |              |                          |
| ۵               | ۵                       | چیرمین       | جناب مانگل پیٹرک فولے    |
| ۵               | ۵                       | چیف ایگزیکٹو | جناب سید ندیم حسین       |
| ۲               | ۲                       | ڈائریکٹر     | جناب اسلم حیات           |
| *۴              | ۵                       | ڈائریکٹر     | جناب عرفان و ہاب خان     |
| ۵               | ۵                       | ڈائریکٹر     | جناب سلیم رضا            |
| *۱              | ۳                       | ڈائریکٹر     | محترمہ مایادہ موہی بیداس |
| *۳              | ۵                       | ڈائریکٹر     | جناب نظار نور محمد       |
| *۳              | ۵                       | ڈائریکٹر     | جناب روبرو بیجارم        |
| ۱               | ۱                       | ڈائریکٹر     | جناب ہیٹنگ تھروسن        |
| *۱              | ۳                       | ڈائریکٹر     | جناب ٹائن وولہیک         |

\* جناب عرفان و ہاب خان، جناب روبرو بیجارم، محترمہ مایادہ موہی بیداس، محترمہ ٹائن وولہیک اور نظار نور محمد چھٹیوں کی بناء پر غیر حاضر تھے جس کی وجہ سے انہوں نے میٹنگ میں شرکت نہیں کی۔

# شیئر ہولڈرز کو ڈائریکٹر کی رپورٹ

یہ ہماری خوش قسمتی ہے کہ ہم بورڈ آف ڈائریکٹر کی معرفت گیارہویں سالانہ رپورٹ پیش کریں اور تعمیر مائیکرو فنانس بینک لمیٹڈ (بینک) کا آڈٹ فنانشل اسٹیٹمنٹ برائے ۳۱ دسمبر ۲۰۱۵ پیش کریں۔ الحمد للہ بینک نے ہر گھر میں زندگی بہتر بنانے کے اپنے خواب کے حصول کے لئے گزشتہ سال کے مقابلے میں اور صحیح راستے پر جہت آگیز ترقی کی۔

مجموعی طور پر بینک کے گزشتہ سال 8.942 روپے پر ۲۸ فیصد اضافہ ہوا اور موجودہ سال میں 21.058 ارب روپے تک کا اضافہ ہوا۔ جبکہ اضافے کی شرح سے ۳۶ فیصد میٹ ایڈوانسز کی وجہ سے 8.942 ارب روپے گزشتہ کے مقابلے میں اس سال 12.126 ارب روپے کا اضافہ ہوا ہے۔ اس کے علاوہ بنیادی بینکاری کے کاروبار میں اضافہ گزشتہ سال کے مقابلے میں برانچ لیس بینکاری کے کاروبار میں بھی بہت بڑا اضافہ ہوا ہے۔ دوسری جانب ذخائر پر بھی گزشتہ سال 12.261 ارب روپے کا اضافہ ہوا جبکہ اس سال ۲۸ فیصد کا اضافہ ہو کر ذخائر 15.679 ارب روپے تک پہنچ گئے۔

## مالیاتی نتائج

| 2015                         | 2014      |
|------------------------------|-----------|
| ----- (Rupees in '000) ----- |           |
| 1,282,294                    | 1,020,489 |
| (414,004)                    | (318,119) |
| (29,952)                     | -         |
| 13,402                       | 6,123     |
| 851,740                      | 708,493   |
| 6.32                         | 5.26      |

قبل از ٹیکس منافع

منفی: کرنٹ ٹیکس

- قبل

- مؤخر

بعد از ٹیکس منافع

آمدنی فی حصص (روپے)

## زخائر کی منتقلی:

مائیکرو فنانس آرڈیننس 2001 کے مطابق اور اسٹیٹ بینک کی جانب سے بینکوں کیلئے قواعد و ضوابط کے مطابق بینک قانونی ریزرو کے ٹیکس کے بعد ایک رقم کا 20 فیصد کے برابر مبلغ -/Rs.170,348,000 روپے کی رقم منتقل کر سکتے ہیں۔ اور جمع کنندہ کے پروفیشنل فنڈ میں ٹیکس کے بعد منافع کا ۵۵ فیصد مبلغ -/Rs.52,462,000 جمع کروا چکے ہیں۔

## سرمایہ کا مناسب تناسب:

بینک کے بیلینس شیٹ کی تاریخ پر بینکوں کو سرمایہ پر مناسب تناسب دسمبر ۲۰۱۴ کے آخر میں ۶۴ فیصد کے مقابلے میں ۳۷ فیصد تک پہنچا دیا ہے۔ نظر ثانی شدہ قواعد و ضوابط کے تحت سونے اشیاء پر قرض ۲۰ فیصد اور گزشتہ تین سالوں کے آڈٹ اکاؤنٹس کے مطابق اوسط مجموعی آمدنی ۳ فیصد بچت کی گئی۔

## بورڈ آف ڈائریکٹرز

بورڈ کی جانب سے ایک آرام دہ اور پرسکون نوکری پر ۲۰۱۵ میں محترمہ دلویو بیک نے استعفیٰ منظور کیا گیا اور اس کے بعد جناب ہیڈنگ تھروٹن کو بھرتی کیا گیا جس دوران پیداوار واقع ہوئی ہے۔

## ہولڈنگ کمپنی

ٹیلی نارپاکستان (پرائیویٹ) لمیٹڈ تعمیر مائیکرو فنانس بینک لمیٹڈ کا ۵۱ فیصد شیئر ہولڈر ہے، جبکہ ٹیلی نار اے ایس اے ناروے میں ایک لمیٹڈ ٹیلی کام کمپنی بینک کا حتمی سربراہ ہے۔

سال کے دوران ٹیلی نار گروپ کے اقلیتی حصص یافتگان کی بقیہ 49% کے شیئرز بینک نے ایک بیلز پر چیز کے معاہدے پر دستخط کئے ہیں۔ اس ڈیل کو اسٹیٹ بینک کی منظوری کیلئے ضروری کاغذی کارروائی کے لئے پیش کر دیا گیا ہے۔ جو کہ ابھی تک تاخیر کا شکار ہے۔

# Six - Year Financial Summary

For The Year Ended 31 December 2015

|                                               | 2015              | 2014              | 2013              | 2012              | 2011             | 2010             |
|-----------------------------------------------|-------------------|-------------------|-------------------|-------------------|------------------|------------------|
| ----- (Rupees in '000) -----                  |                   |                   |                   |                   |                  |                  |
| <b>Balance Sheet</b>                          |                   |                   |                   |                   |                  |                  |
| <b>Assets</b>                                 |                   |                   |                   |                   |                  |                  |
| Cash and balances with SBP & NBP              | 1,588,338         | 1,371,733         | 1,225,227         | 730,133           | 516,706          | 310,485          |
| Balances with other banks                     | 1,118,190         | 717,070           | 571,006           | 927,509           | 1,258,896        | 926,107          |
| Lending to financial institutions             | 346,702           | -                 | -                 | -                 | -                | -                |
| Investments                                   | 3,784,189         | 3,775,640         | 3,471,857         | 3,604,983         | 328,236          | 177,724          |
| Advances - net of provisions                  | 12,125,628        | 8,941,759         | 8,311,128         | 6,687,865         | 5,054,297        | 3,045,537        |
| Operating fixed assets                        | 645,474           | 556,761           | 480,237           | 349,240           | 252,812          | 188,611          |
| Other assets                                  | 1,433,577         | 1,030,330         | 1,131,244         | 948,668           | 656,273          | 341,431          |
| Deferred tax asset - net                      | 16,025            | -                 | -                 | 101,466           | 213,886          | 289,205          |
| <b>Total Assets</b>                           | <b>21,058,123</b> | <b>16,393,293</b> | <b>15,190,699</b> | <b>13,349,864</b> | <b>8,281,106</b> | <b>5,279,100</b> |
| <b>Liabilities</b>                            |                   |                   |                   |                   |                  |                  |
| Deposits and other accounts                   | 15,678,541        | 12,261,354        | 10,627,546        | 8,371,951         | 4,512,529        | 2,954,653        |
| Borrowings                                    | 85,474            | 239,211           | 501,280           | 1,391,257         | 1,801,725        | 661,608          |
| Subordinated debt                             | -                 | -                 | 989,757           | 971,886           | -                | -                |
| Other liabilities                             | 1,604,825         | 1,044,847         | 854,124           | 775,513           | 491,007          | 311,587          |
| Deferred tax liabilities                      | -                 | 3,960             | 8,567             | -                 | -                | -                |
| <b>Total Liabilities</b>                      | <b>17,368,840</b> | <b>13,549,372</b> | <b>12,981,274</b> | <b>11,510,607</b> | <b>6,805,261</b> | <b>3,927,848</b> |
| <b>Net Assets</b>                             | <b>3,689,283</b>  | <b>2,843,921</b>  | <b>2,209,425</b>  | <b>1,839,257</b>  | <b>1,475,845</b> | <b>1,351,252</b> |
| <b>REPRESENTED BY:</b>                        |                   |                   |                   |                   |                  |                  |
| Share capital                                 | 1,346,939         | 1,346,939         | 1,346,939         | 1,346,939         | 1,346,939        | 1,346,939        |
| Reserves                                      | 1,050,952         | 828,142           | 641,705           | 540,611           | 439,430          | 405,812          |
| Accumulated Profit / (Loss)                   | 1,260,896         | 646,831           | 205,787           | (61,041)          | (328,145)        | (428,997)        |
|                                               | <b>3,658,787</b>  | <b>2,821,912</b>  | <b>2,194,431</b>  | <b>1,826,509</b>  | <b>1,458,224</b> | <b>1,323,754</b> |
| Deficit on revaluation of assets - net of tax | (836)             | (959)             | (1,388)           | (55)              | (17)             | (289)            |
| Deferred grants                               | 31,332            | 22,968            | 16,382            | 12,803            | 17,638           | 27,787           |
|                                               | <b>3,689,283</b>  | <b>2,843,921</b>  | <b>2,209,425</b>  | <b>1,839,257</b>  | <b>1,475,845</b> | <b>1,351,252</b> |

# Six - Year Financial Summary

For The Year Ended 31 December 2015

|                                                                  | 2015               | 2014               | 2013               | 2012               | 2011               | 2010             |
|------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|------------------|
| ----- (Rupees in '000) -----                                     |                    |                    |                    |                    |                    |                  |
| <b>Profit and Loss Statement</b>                                 |                    |                    |                    |                    |                    |                  |
| Mark-up / return / interest earned                               | 3,503,342          | 3,054,770          | 2,519,124          | 1,951,549          | 1,277,002          | 753,406          |
| Mark-up / return / interest expensed                             | (662,922)          | (766,186)          | (1,035,160)        | (773,757)          | (445,874)          | (181,769)        |
| Net mark-up / interest income                                    | 2,840,420          | 2,288,584          | 1,483,964          | 1,177,792          | 831,128            | 571,637          |
| Reversal / (provision) against non-performing loans and advances | (43,262)           | (26,120)           | (11,390)           | (11,416)           | 21,404             | (24,864)         |
| Provision for diminution in the value of investments             | -                  | -                  | -                  | -                  | -                  | -                |
| Bad debts written off directly                                   | (36,514)           | (89,462)           | (42,058)           | (11,721)           | (3,263)            | (384)            |
|                                                                  | (79,776)           | (115,582)          | (53,448)           | (23,137)           | 18,141             | (25,248)         |
| <b>Net mark-up / interest income after provisions</b>            | <b>2,760,644</b>   | <b>2,173,002</b>   | <b>1,430,516</b>   | <b>1,154,655</b>   | <b>849,269</b>     | <b>546,389</b>   |
| <b>Non mark-up / interest income</b>                             |                    |                    |                    |                    |                    |                  |
| Fee, commission and brokerage income                             | 1,427,207          | 1,195,071          | 876,464            | 627,838            | 350,899            | 194,054          |
| Dividend income                                                  | -                  | -                  | -                  | -                  | -                  | -                |
| Other income                                                     | 166,851            | 99,164             | 69,796             | 91,786             | 56,978             | 117,294          |
| <b>Total non mark-up / interest income</b>                       | <b>1,594,058</b>   | <b>1,294,235</b>   | <b>946,260</b>     | <b>719,624</b>     | <b>407,877</b>     | <b>311,348</b>   |
|                                                                  | 4,354,702          | 3,467,237          | 2,376,776          | 1,874,279          | 1,257,146          | 857,737          |
| <b>Non mark-up / interest expenses</b>                           |                    |                    |                    |                    |                    |                  |
| Administrative expenses                                          | (3,045,569)        | (2,425,400)        | (1,745,878)        | (1,353,755)        | (1,011,568)        | (825,298)        |
| Other provisions / write offs                                    | -                  | (309)              | (2,806)            | (6,535)            | (3,271)            | (3,511)          |
| Other charges                                                    | (26,839)           | (21,039)           | (12,660)           | (10,594)           | (15,586)           | (21,861)         |
| <b>Total non mark-up / interest expenses</b>                     | <b>(3,072,408)</b> | <b>(2,446,748)</b> | <b>(1,761,344)</b> | <b>(1,370,884)</b> | <b>(1,030,425)</b> | <b>(850,670)</b> |
|                                                                  | 1,282,294          | 1,020,489          | 615,432            | 503,395            | 226,721            | 7,067            |
| Extraordinary / unusual items                                    | -                  | -                  | -                  | -                  | -                  | -                |
| <b>Profit before taxation</b>                                    | <b>1,282,294</b>   | <b>1,020,489</b>   | <b>615,432</b>     | <b>503,395</b>     | <b>226,721</b>     | <b>7,067</b>     |
| Taxation                                                         | (430,554)          | (311,996)          | (233,677)          | (129,056)          | (92,251)           | 242,305          |
| <b>Profit after taxation</b>                                     | <b>851,740</b>     | <b>708,493</b>     | <b>381,755</b>     | <b>374,339</b>     | <b>134,470</b>     | <b>249,372</b>   |

# Six - Year Financial Summary

For The Year Ended 31 December 2015

|                                                    | 2015             | 2014             | 2013             | 2012             | 2011             | 2010             |
|----------------------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| ----- (Rupees in '000) -----                       |                  |                  |                  |                  |                  |                  |
| <b>Cashflow statement - Summary</b>                |                  |                  |                  |                  |                  |                  |
| Cash flow from operating activities                | <b>682,078</b>   | 1,814,795        | 844,795          | 2,582,647        | (378,538)        | 191,023          |
| Cash flow from investing activities                | <b>56,200</b>    | (243,206)        | 172,497          | (3,319,659)      | (213,992)        | (181,417)        |
| Cash flow from financing activities                | <b>(120,553)</b> | (1,279,019)      | (878,700)        | 619,052          | 1,131,540        | 400,818          |
| Net increase in cash and cash equivalents          | <b>617,725</b>   | 292,570          | 138,592          | (117,960)        | 539,010          | 410,424          |
| Cash and cash equivalents at beginning of the year | <b>2,088,803</b> | 1,796,233        | 1,657,642        | 1,775,602        | 1,236,592        | 826,168          |
| Cash and cash equivalents at end of the year       | <b>2,706,528</b> | <b>2,088,803</b> | <b>1,796,234</b> | <b>1,657,642</b> | <b>1,775,602</b> | <b>1,236,592</b> |

|                                   | 2015        | 2014        | 2013        | 2012        | 2011        | 2010        |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Financial Ratios:</b>          |             |             |             |             |             |             |
| Return On Equity (ROE)            | <b>23%</b>  | 25%         | 17%         | 20%         | 9%          | 18%         |
| Return On Assets (RoA)            | <b>4%</b>   | 4%          | 3%          | 3%          | 2%          | 5%          |
| Deposits to Liabilities           | <b>90%</b>  | 90%         | 82%         | 73%         | 66%         | 75%         |
| Advance to Deposit                | <b>77%</b>  | 73%         | 78%         | 80%         | 112%        | 103%        |
| Borrowing to Liability (%)        | <b>0.5%</b> | 2%          | 11%         | 21%         | 26%         | 17%         |
| Total Asset to Shareholders' Fund | <b>5.71</b> | 5.76        | 6.88        | 7.26        | 5.61        | 3.91        |
| Capital Adequacy ratio (CAR)      | <b>37%</b>  | 64%         | 64%         | 73%         | 60%         | 39%         |
| Earning Per Share                 | <b>6.32</b> | <b>5.26</b> | <b>2.83</b> | <b>2.78</b> | <b>1.00</b> | <b>1.85</b> |

|                           | 2015             | 2014             | 2013             | 2012           | 2011           | 2010           |
|---------------------------|------------------|------------------|------------------|----------------|----------------|----------------|
| <b>Other Information:</b> |                  |                  |                  |                |                |                |
| Number of Branches        | <b>66</b>        | 57               | 49               | 45             | 42             | 40             |
| Number of Employees       | <b>2,520</b>     | 2,058            | 1,692            | 1,495          | 744            | 786            |
| Number of Borrowers       | <b>287,285</b>   | 226,870          | 197,811          | 154,973        | 132,728        | 111,153        |
| Number of Depositors      | <b>4,958,736</b> | <b>3,841,340</b> | <b>1,643,313</b> | <b>923,963</b> | <b>641,386</b> | <b>228,634</b> |

## Auditors' Report to the Members

We have audited the annexed balance sheet of **Tameer Micro Finance Bank Limited** ("the Bank") as at 31 December 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, where necessary for the purposes of our audit.

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

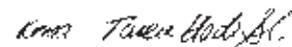
We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, 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 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 Companies Ordinance, 1984 and the Microfinance Institution Ordinance, 2001, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the change described 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 to 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 Companies Ordinance, 1984 and the Microfinance Institution Ordinance, 2001 in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at 31 December 2015 and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and
- d) In our opinion zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that ordinance.

The financial statements of the Bank for the year ended 31 December 2014 were audited by another firm of Chartered Accountants, who vide their report dated 3 March 2015, addressed to the members, had expressed an unmodified opinion thereon.

Dated : March 03, 2016

Karachi



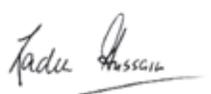
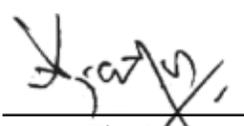
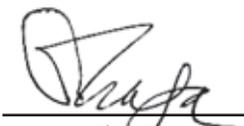
KPMG Taseer Hadi & Co.  
Chartered Accountants  
Mazhar Saleem

# Balance Sheet

As At 31 December 2015

|                                                                             | 2015                         | 2014       |
|-----------------------------------------------------------------------------|------------------------------|------------|
| Note                                                                        | ----- (Rupees in '000) ----- |            |
| <b>ASSETS</b>                                                               |                              |            |
| Cash and balances with State Bank of Pakistan and National Bank of Pakistan | 6 <b>1,588,338</b>           | 1,371,733  |
| Balances with other banks                                                   | 7 <b>1,118,190</b>           | 717,070    |
| Lending to financial institutions                                           | 8 <b>346,702</b>             | -          |
| Investments                                                                 | 9 <b>3,784,189</b>           | 3,775,640  |
| Advances - net of provisions                                                | 10 <b>12,125,628</b>         | 8,941,759  |
| Operating fixed assets                                                      | 11 <b>645,474</b>            | 556,761    |
| Other assets                                                                | 12 <b>1,433,577</b>          | 1,030,330  |
| Deferred tax asset - net                                                    | 13 <b>16,025</b>             | -          |
| <b>Total assets</b>                                                         | <b>21,058,123</b>            | 16,393,293 |
| <b>LIABILITIES</b>                                                          |                              |            |
| Deposits and other accounts                                                 | 14 <b>15,678,541</b>         | 12,261,354 |
| Borrowings                                                                  | 15 <b>85,474</b>             | 239,211    |
| Subordinated debt                                                           | -                            | -          |
| Other liabilities                                                           | 16 <b>1,604,825</b>          | 1,044,847  |
| Deferred tax liabilities-net                                                | -                            | 3,960      |
| <b>Total liabilities</b>                                                    | <b>17,368,840</b>            | 13,549,372 |
| <b>Net assets</b>                                                           | <b>3,689,283</b>             | 2,843,921  |
| <b>REPRESENTED BY:</b>                                                      |                              |            |
| Share capital                                                               | 17 <b>1,346,939</b>          | 1,346,939  |
| Reserves                                                                    | <b>1,050,952</b>             | 828,142    |
| Accumulated profit                                                          | <b>1,260,896</b>             | 646,831    |
|                                                                             | <b>3,658,787</b>             | 2,821,912  |
| Deficit on revaluation of assets - net of deferred tax                      | 18 <b>(836)</b>              | (959)      |
| Deferred grants                                                             | 19 <b>31,332</b>             | 22,968     |
|                                                                             | <b>3,689,283</b>             | 2,843,921  |
| <b>MEMORANDUM / OFF BALANCE SHEET ITEMS</b>                                 | 20                           | -          |

The annexed notes 1 to 40 form an integral part of these financial statements.

|                                                                                     |                                                                                     |                                                                                      |                                                                                       |
|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
|  |  |  |  |
| President &<br>Chief Executive Officer                                              | Chairman                                                                            | Director                                                                             | Director                                                                              |

# Profit And Loss Account

For The Year Ended 31 December 2015

|                                                                                            |      | 2015                         | 2014               |
|--------------------------------------------------------------------------------------------|------|------------------------------|--------------------|
|                                                                                            | Note | ----- (Rupees in '000) ----- |                    |
| Mark-up / return / interest earned                                                         | 21   | 3,503,342                    | 3,054,770          |
| Mark-up / return / interest expensed                                                       | 22   | (662,922)                    | (766,186)          |
| <b>Net mark-up / interest income</b>                                                       |      | <b>2,840,420</b>             | <b>2,288,584</b>   |
| Provision against non-performing loans and advances                                        | 10.5 | (43,262)                     | (26,120)           |
| Provision for diminution in the value of investments                                       |      | -                            | -                  |
| Bad debts written off directly                                                             | 10.6 | (36,514)                     | (89,462)           |
|                                                                                            |      | (79,776)                     | (115,582)          |
| <b>Net mark-up / interest income after provisions</b>                                      |      | <b>2,760,644</b>             | <b>2,173,002</b>   |
| <b>NON MARK UP / NON INTEREST INCOME</b>                                                   |      |                              |                    |
| Fee, commission and brokerage income                                                       | 23   | 1,427,207                    | 1,195,071          |
| Dividend income                                                                            |      | -                            | -                  |
| Other income                                                                               | 24   | 166,851                      | 99,164             |
| <b>Total non mark-up / non interest income</b>                                             |      | <b>1,594,058</b>             | <b>1,294,235</b>   |
|                                                                                            |      | <b>4,354,702</b>             | <b>3,467,237</b>   |
| <b>NON MARK UP / NON INTEREST EXPENSES</b>                                                 |      |                              |                    |
| Administrative expenses                                                                    | 25   | (3,045,569)                  | (2,425,400)        |
| Other provisions / write offs                                                              |      | -                            | (309)              |
| Other charges                                                                              | 26   | (26,839)                     | (21,039)           |
| <b>Total non mark-up / non interest expenses</b>                                           |      | <b>(3,072,408)</b>           | <b>(2,446,748)</b> |
|                                                                                            |      | <b>1,282,294</b>             | <b>1,020,489</b>   |
| Extraordinary / unusual items                                                              |      | -                            | -                  |
| <b>PROFIT BEFORE TAXATION</b>                                                              |      | <b>1,282,294</b>             | <b>1,020,489</b>   |
| Taxation - current                                                                         | 27   | (414,004)                    | (318,119)          |
| - prior                                                                                    | 27   | (29,952)                     | -                  |
| - deferred                                                                                 | 27   | 13,402                       | 6,123              |
|                                                                                            |      | (430,554)                    | (311,996)          |
| <b>PROFIT AFTER TAXATION</b>                                                               |      | <b>851,740</b>               | <b>708,493</b>     |
| <b>OTHER COMPREHENSIVE INCOME</b>                                                          |      |                              |                    |
| Items not to be reclassified to profit and loss account in subsequent periods - net of tax |      | (14,865)                     | (29,559)           |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>                                             |      | <b>836,875</b>               | <b>678,934</b>     |
| Interim cash dividend @ Rs. Nil (2014: Re. 0.38 per share)                                 |      | -                            | (51,453)           |
| Accumulated profit brought forward                                                         |      | 646,831                      | 205,787            |
| <b>Profit available for appropriation</b>                                                  |      | <b>1,483,706</b>             | <b>833,268</b>     |

## Profit And Loss Account (Cont'd)

For The Year Ended 31 December 2015

### APPROPRIATIONS:

Transfer to:

Statutory reserve

Capital reserve

Depositors' Protection Fund

Contribution to MSDF / DPF / RMF

Revenue reserve

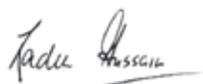
Proposed cash dividend

**ACCUMULATED PROFIT CARRIED FORWARD**

**Earnings per share - Basic and diluted**

The annexed notes 1 to 40 form an integral part of these financial statements.

|      | 2015                         | 2014      |
|------|------------------------------|-----------|
| Note | ----- (Rupees in '000) ----- |           |
|      | <b>(170,348)</b>             | (141,699) |
|      | -                            | -         |
|      | <b>(52,462)</b>              | (44,738)  |
|      | -                            | -         |
|      | -                            | -         |
|      | -                            | -         |
|      | <b>1,260,896</b>             | 646,831   |
|      | ----- (Rupees) -----         |           |
| 28   | <b>6.32</b>                  | 5.26      |



President &  
Chief Executive Officer



Chairman



Director



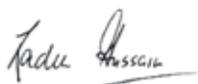
Director

# Statement Of Comprehensive Income

For The Year Ended 31 December 2015

|                                                                                      | 2015                         | 2014     |
|--------------------------------------------------------------------------------------|------------------------------|----------|
| Note                                                                                 | ----- (Rupees in '000) ----- |          |
| <b>Profit after taxation</b>                                                         | <b>851,740</b>               | 708,493  |
| <b>Other Comprehensive Income</b>                                                    |                              |          |
| <i>Items not to be reclassified to profit and loss account in subsequent periods</i> |                              |          |
| Remeasurement loss of defined benefit liability                                      | 32.3.4 (21,544)              | (28,319) |
| Related tax impact                                                                   | 6,679                        | (1,240)  |
|                                                                                      | (14,865)                     | (29,559) |
| <b>Comprehensive income for the year transferred to equity</b>                       | <b>836,875</b>               | 678,934  |
| <b>Component of comprehensive income for the year not transferred to equity</b>      |                              |          |
| Surplus on revaluation of 'available for sale' investments                           | 13.2 219                     | 705      |
| Related tax impact                                                                   | (96)                         | (276)    |
|                                                                                      | 123                          | 429      |
| <b>Total comprehensive income for the year</b>                                       | <b>836,998</b>               | 679,363  |

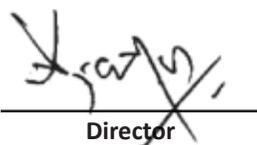
The annexed notes 1 to 40 form an integral part of these financial statements.



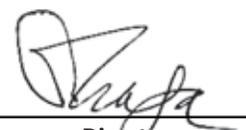
President &  
Chief Executive Officer



Chairman



Director



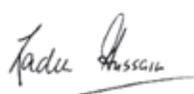
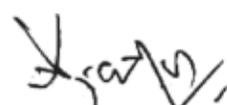
Director

# Statement Of Changes In Equity

For The Year Ended 31 December 2015

|                                                                         | Capital reserves |                |                   |                             | Accumulated profit | Total            |
|-------------------------------------------------------------------------|------------------|----------------|-------------------|-----------------------------|--------------------|------------------|
|                                                                         | Share capital    | Share premium  | Statutory reserve | Depositors' Protection Fund |                    |                  |
| ----- (Rupees in '000) -----                                            |                  |                |                   |                             |                    |                  |
| <b>Balance as at 1 January 2014</b>                                     | <b>1,346,939</b> | <b>343,469</b> | <b>228,012</b>    | <b>70,224</b>               | <b>205,787</b>     | <b>2,194,431</b> |
| <b>Transactions with shareholders:</b>                                  |                  |                |                   |                             |                    |                  |
| Interim cash dividend - 31 March 2014<br>@ Re. 0.38 per share           | -                | -              | -                 | -                           | (51,453)           | (51,453)         |
| <b>Total comprehensive income for the year:</b>                         |                  |                |                   |                             |                    |                  |
| Profit after tax for the year                                           | -                | -              | -                 | -                           | 708,493            | 708,493          |
| Other comprehensive income - net of tax                                 | -                | -              | -                 | -                           | (29,559)           | (29,559)         |
|                                                                         | -                | -              | -                 | -                           | 678,934            | 678,934          |
| Transfer to statutory reserve                                           | -                | -              | 141,699           | -                           | (141,699)          | -                |
| Transfer to Depositors' Protection Fund<br>- 5% of the profit after tax | -                | -              | -                 | 35,425                      | (35,425)           | -                |
| - return on investment - net of tax                                     | -                | -              | -                 | 9,313                       | (9,313)            | -                |
|                                                                         | -                | -              | -                 | 44,738                      | (44,738)           | -                |
| <b>Balance as at 31 December 2014</b>                                   | <b>1,346,939</b> | <b>343,469</b> | <b>369,711</b>    | <b>114,962</b>              | <b>646,831</b>     | <b>2,821,912</b> |
| <b>Total comprehensive income for the year:</b>                         |                  |                |                   |                             |                    |                  |
| Profit after tax for the year                                           | -                | -              | -                 | -                           | 851,740            | 851,740          |
| Other comprehensive income - net of tax                                 | -                | -              | -                 | -                           | (14,865)           | (14,865)         |
|                                                                         | -                | -              | -                 | -                           | 836,875            | 836,875          |
| Transfer to statutory reserve                                           | -                | -              | 170,348           | -                           | (170,348)          | -                |
| Transfer to Depositors' Protection Fund<br>- 5% of the profit after tax | -                | -              | -                 | 42,587                      | (42,587)           | -                |
| - return on investment - net of tax                                     | -                | -              | -                 | 9,875                       | (9,875)            | -                |
|                                                                         | -                | -              | -                 | 52,462                      | (52,462)           | -                |
| <b>Balance as at 31 December 2015</b>                                   | <b>1,346,939</b> | <b>343,469</b> | <b>540,059</b>    | <b>167,424</b>              | <b>1,260,896</b>   | <b>3,658,787</b> |

The annexed notes 1 to 40 form an integral part of these financial statements.

|                                                                                     |                                                                                     |                                                                                      |                                                                                       |
|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
|  |  |  |  |
| President &<br>Chief Executive Officer                                              | Chairman                                                                            | Director                                                                             | Director                                                                              |

# Cash Flow Statement

For The Year Ended 31 December 2015

|                                                            | 2015                         | 2014         |
|------------------------------------------------------------|------------------------------|--------------|
| Note                                                       | ----- (Rupees in '000) ----- |              |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                 |                              |              |
| <b>Profit before taxation</b>                              | <b>1,282,294</b>             | 1,020,489    |
| Adjustments for non cash items                             |                              |              |
| Depreciation                                               | 25 <b>148,238</b>            | 138,902      |
| Amortisation                                               | 25 <b>19,715</b>             | 20,667       |
| Finance charges on leased assets                           | 25 <b>1,050</b>              | 1,604        |
| Provision against non-performing loans and advances        | 10.5 <b>43,262</b>           | 26,120       |
| Bad debts written off directly                             | 10.6 <b>36,514</b>           | 89,462       |
| Provision for gratuity                                     | 25 <b>37,656</b>             | 28,637       |
| Other provisions                                           | -                            | 309          |
| Amortisation of discount on available for sale investments | 21 <b>(318,801)</b>          | (294,214)    |
| Grant income                                               | 24 <b>(33,031)</b>           | (24,471)     |
| Gain on sale of operating fixed assets                     | 24 <b>(2,839)</b>            | (1,751)      |
|                                                            | <b>(68,236)</b>              | (14,735)     |
| <b>(Increase) in operating assets</b>                      |                              |              |
| Lending to financial institutions                          | <b>(346,702)</b>             | -            |
| Advances                                                   | <b>(3,263,645)</b>           | (746,522)    |
| Other assets (excluding advance taxation)                  | <b>(393,424)</b>             | 100,914      |
|                                                            | <b>(4,003,771)</b>           | (645,608)    |
| <b>Increase in operating liabilities</b>                   |                              |              |
| Deposits and other accounts                                | <b>3,417,187</b>             | 1,633,808    |
| Other liabilities (excluding current taxation)             | <b>576,599</b>               | 206,733      |
|                                                            | <b>3,993,786</b>             | 1,840,541    |
| Income tax paid                                            | <b>(456,795)</b>             | (338,583)    |
| Gratuity paid                                              | <b>(65,200)</b>              | (47,309)     |
| Net cash inflows from operating activities                 | <b>682,078</b>               | 1,814,795    |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>                 |                              |              |
| Investments in available-for-sale securities               | <b>(29,651,261)</b>          | (26,832,470) |
| Investments in operating fixed assets                      | <b>(269,223)</b>             | (244,327)    |
| Proceeds from redemption of available-for-sale securities  | <b>29,961,287</b>            | 26,823,606   |
| Sale proceeds from disposal of operating fixed assets      | <b>15,397</b>                | 9,985        |
| Net cash inflows from / (used in) investing activities     | <b>56,200</b>                | (243,206)    |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>                 |                              |              |
| Grant received                                             | <b>41,395</b>                | 31,057       |
| Borrowings from financial institutions                     | <b>(153,737)</b>             | (262,069)    |
| Payments of subordinated debt                              | -                            | (989,757)    |
| Cash dividend paid to shareholders                         | <b>(2,521)</b>               | (48,932)     |
| Payments of lease obligation                               | <b>(5,690)</b>               | (9,318)      |
| Net cash used in financing activities                      | <b>(120,553)</b>             | (1,279,019)  |
| <b>Net increase in cash and cash equivalents</b>           | <b>617,725</b>               | 292,570      |
| Cash and cash equivalents at beginning of the year         | <b>2,088,803</b>             | 1,796,233    |
| Cash and cash equivalents at end of the year               | 29 <b>2,706,528</b>          | 2,088,803    |

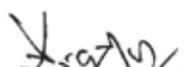
The annexed notes 1 to 40 form an integral part of these financial statements.



**President &  
Chief Executive Officer**



**Chairman**



**Director**



**Director**

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# Notes To The Financial Statements

For The Year Ended 31 December 2015

## 1. STATUS AND NATURE OF BUSINESS

Tameer Micro Finance Bank Limited (the Bank) was incorporated in Pakistan on 1st August 2005 as a public limited company under the Companies Ordinance, 1984. The Bank obtained Microfinance banking license from the State Bank of Pakistan (SBP) on 05 August 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. As at 31 December 2015, the Bank has 66 branches (2014: 57) in operation across all provinces of Pakistan.

The credit rating company PACRA upgraded the long-term entity rating of Tameer to "A+" while remaining the short term rating at "A1" as of 27 February 2015.

During the year, the Holding Company has signed a sales purchase deal with the Bank of the remaining 49% of minority shareholders. The Bank has submitted the required paperwork for SBP's approval which is pending for approval as of to date.

## 2. BASIS OF PRESENTATION

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

## 3. STATEMENT OF COMPLIANCE

**3.1** 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 provisions of and directives issued under the requirements of the Companies Ordinance, 1984, the Microfinance Institutions Ordinance, 2001, the Prudential Regulations for Microfinance Banks and the directives issued by the SECP and SBP. Wherever the requirements of the Companies Ordinance, 1984, the Microfinance Institutions Ordinance, 2001, the Prudential Regulations for Microfinance Banks and the 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, the Prudential Regulations for Microfinance Banks or the requirements of the said directives shall prevail.

**3.2** The SBP vide BSD Circular No. 10, dated 26 August 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. Further, the SECP vide its SRO 633 (I)/ 2014, dated 10 July 2014 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement", IAS 40, "Investment Property" and International Financial Reporting Standard (IFRS) 7 "Financial Instruments: Disclosures" for banking companies till further instructions. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by SBP through various circulars / regulations.

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## 4. BASIS OF MEASUREMENT

### 4.1 Accounting convention

These financial statements have been prepared under historical cost convention except for available-for-sale investments which are measured at fair value.

### 4.2 Functional and presentation currency

These financial statements have been presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below:

### 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 for the following standards, which became effective during the year:

IFRS10 'Consolidated Financial Statements', IFRS11 'Joint Arrangements', IFRS12 'Disclosure of Interests in Other Entities', IFRS13 'Fair Value Measurements'. These standards became applicable from 1 January 2015, as per the adoption status of IFRS in Pakistan.

IFRS 10 replaces the current guidance on consolidation in IAS 27 Consolidated and Separate Financial Statements. It introduces a single model of assessing control where by an investor controls an investee when it has the power, exposure to variable returns and the ability to use its power to influence the returns of the investee. IFRS 10 also includes specific guidance on defacto control, protective rights and the determination of whether a decision maker is acting as principal or agent, all of which influence the assessment of control. The application of IFRS 10 did not result in any investee being in control of the company.

IFRS11 replaces IAS31 Interests in Joint Ventures. It requires all joint ventures to be equity accounted thereby removing the option in IAS31 for proportionate consolidation. It also removes the IAS31 concept of jointly controlled assets. The application of IFRS 11 did not result in identification of any associate as a joint venture.

IFRS12 prescribes additional disclosures around significant judgements and assumptions made in determining whether an entity controls another entity and has joint control or significant influence over another entity. The standard also requires disclosures on the nature and risks associated with interests in unconsolidated structured entities. The application of IFRS 12 did not result in additional disclosures.

IFRS13 Fair Value Measurement, consolidates the guidance on how to measure fairvalue, which was spread across various IFRS, into one comprehensive standard. It introduces the use of an exit price, as well as extensive disclosure requirements, particularly the inclusion of non-financial instruments in to the fair value hierarchy. The application of IFRS 13 does not have an impact on the financial statements of the Company. As a result, the Company has included additional disclosures in this regard (see Note 37.4).

### 5.2 Accounting standards not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2016:

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization

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for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company's financial statements.

- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures) [effective for annual periods beginning on or after 1 January 2016] clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity; and (c) how an entity that is not an investment entity should apply the equity method of accounting for its investment in an associate or joint venture that is an investment entity. The amendments are not likely to have an impact on Company's financial statements.
- Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2016) clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The amendments are not likely to have an impact on Company's financial statements.
- Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016) allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is not likely to have an impact on Company's financial statements.
- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendments are not likely to have an impact on Company's financial statements.
- Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following 'standards':
  - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.
  - IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety are in the scope of its disclosure requirements. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for 'inclusion in condensed interim financial statements for all interim periods.
  - IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.
  - IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

The above amendments are not likely to have an impact on Company's financial statements.

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### 5.3 Cash and cash equivalents

These include cash in hand, balances with SBP and National Bank of Pakistan (NBP) and balances with other banks. These are carried at cost in the balance sheet.

### 5.4 Lendings to financial institutions

Lendings includes term lendings and unsecured lendings to financial institutions. These are stated net of provision, if any.

### 5.5 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.

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 as a result of one or more events that may have an impact on the estimated future cash flows of these investments. A significant or prolonged decline in the value of security is also considered as an objective evidence of impairment. Provision for diminution in the value of debt securities is made as per the Prudential Regulations. In the event of impairment of available for sale securities, the cumulative loss that had been recognized directly in surplus on revaluation of securities on the balance sheet below equity is thereof removed and recognized in the profit and loss account.

### 5.6 Advances

Advances are stated net of specific and general provisions which are determined on the basis of the Prudential Regulations for Microfinance Banks issued by SBP. Advances are written off according to the Prudential Regulations or when there is no realistic prospect of recovery. These regulations prescribe a time based criteria for classification of non-performing advances into the following categories:

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

These are advances in arrears (payment / instalments overdue) of 30 days or more but less than 60 days.

#### b) Substandard

These are advances in arrears (payment / instalments overdue) for 60 days or more but less than 90 days.

#### c) Doubtful

These are advances in arrears (payment / instalments overdue) for 90 days or more but less than 180 days.

#### d) Loss

These are advances in arrears (payment / instalments overdue) for 180 days or more.

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

In accordance with the Regulations, the Bank maintains specific provision for potential loan losses for all non-performing advances as follows:

|             |                                                                                                                                       |
|-------------|---------------------------------------------------------------------------------------------------------------------------------------|
| <b>OAEM</b> | Nil                                                                                                                                   |
| Substandard | 25% of outstanding principal net of cash collaterals and gold (ornaments and bullion) realizable without recourse to a Court of Law.  |
| Doubtful    | 50% of outstanding principal net of cash collaterals and gold (ornaments and bullion) realizable without recourse to a Court of Law.  |
| Loss        | 100% of outstanding principal net of cash collaterals and gold (ornaments and bullion) realizable without recourse to a Court of Law. |

In addition, a general provision is made in accordance with the requirements of the Prudential Regulations for Microfinance Banks issued by SBP equivalent to 1% (2014: 1%) of the net outstanding balance (advances net of specific provisions) for potential loan losses.

Non-performing advances are written off one month after the loan is classified as "Loss". However, the Bank continues its efforts for recovery of the written off balances.

Under exceptional circumstances management reschedules repayment terms for clients who have suffered catastrophic events and who appear willing and able to fully repay their loans. The classification made as per Regulation is not changed due to such rescheduling.

## 5.7 Operating fixed assets

### 5.7.1 Property and equipment

#### a) Owned

These are stated at cost less accumulated depreciation and impairment (if any). Cost includes expenditure that are directly attributable to the acquisition of items. 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

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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. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

#### **b) 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.

### **5.7.2 Capital work-in-progress**

All expenditure connected with specific assets incurred during installation and development period are carried under capital work in progress. These are transferred to specific assets as and when these are available for use. Capital work in progress is stated at cost less accumulated impairment losses, if any.

### **5.7.3 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.

## **5.8 Impairment**

### **5.8.1 Non-Financial Asset (except for deferred tax assets)**

The Bank assesses at end of each reporting period whether there is any indication that non-financial assets except deferred tax assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the amount which would have been determined had there been no impairment. Reversal of impairment loss is recognized as income.

### **5.8.2 Financial Assets**

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

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

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

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

## **5.9 Financial instruments**

### **5.9.1 Financial assets and financial liabilities**

All financial assets and financial liabilities are recognised at the time when the Bank becomes a party to the contractual provisions of the instrument. At the time of initial recognition, all the financial assets and financial liabilities are measured at cost, which is the fair value of the consideration given or received for it. Subsequently, these are stated at their nominal values as reduced by appropriate allowances for estimated irrecoverable amounts, if any. All the financial assets are derecognised at the time when the Bank loses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognised at the time when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled, or expired. Any gain or loss on derecognition of financial assets and financial liabilities is taken to profit and loss account.

### **5.9.2 Off setting**

Financial assets and financial liabilities are off-set and the net amount is reported in the balance sheet when there is a legally enforceable right to off-set the recognised amounts and the Bank intends to settle either on a net basis, or to realise the assets and to settle the liabilities simultaneously.

Income and expenses are presented on a net basis only when permitted by the approved accounting standards, or for gains and losses arising from a group of similar transactions.

## **5.10 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.

## **5.11 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.

## **5.12 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 estimates.

## **5.13 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

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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 acquired from grant proceeds.

## 5.14 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. Qualifying service period is three years. Remeasurement gain/loss is recognized in statement of comprehensive income in the year in which they arise.

### 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.

## 5.15 Revenue recognition

- Mark-up / interest / return on advances and investments is recognised on accrual time proportion 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.
- Dividend income is recognised when the right to receive dividend is established.
- Other income are recognised on accrual basis when financial services are rendered.

## 5.16 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.

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## 5.17 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 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.

## 5.18 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 and approved by the appropriate authorities.

## 5.19 Statutory reserve

The Bank is required under the Microfinance Institutions Ordinance, 2001 to maintain a statutory reserve to which an appropriation equivalent to 20% of the annual after tax profit is made.

## 5.20 Depositors' protection fund

The Bank is required under the Microfinance Institutions Ordinance, 2001 to contribute 5% of its annual after tax profit to the Depositors' protection fund for the purpose of providing security or guarantee to persons depositing money in the Bank.

## 5.21 Earnings per share

The Bank presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS, if any, is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. There were no dilutive potential ordinary shares in issue at 31 December 2015.

## 5.22 Critical 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 the 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 historical experience, including expectations of future events that are believed to be reasonable under the circumstances. Revision to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to the Bank's financial statements or where judgment was exercised in the application of accounting policy are as follows:

### i) Classification and provisioning of investments (notes 5.5 and 9)

#### Held-to-maturity securities

As described in note 5.5, held-to-maturity securities are investments where the management has positive intent and ability to hold to maturity. The classification of these securities involves management judgment as to whether the financial assets are held-to-maturity investments. Impairment loss in respect of investments is recognized based on management's assessment.

### Held-for-trading securities

Investments classified as held-for-trading are those which the Bank has acquired with an intention to trade by taking advantage of short term market interest rate movements and are to be sold within 90 days.

### Available-for-sale securities

Investments which are not classified as held-for-trading or held-to-maturity are classified as available-for-sale. Impairment loss in respect of investments is recognized based on management's assessment.

#### ii) Provision against advances (notes 5.6 and 10)

Apart from the provision determined on the basis of time based criteria given in the Prudential Regulations of the SBP, management also applies subjective criteria of classification and accordingly the classification of an advance may be downgraded on the basis of evaluation of the credit worthiness of the borrower, its cash flows, operations in its account and adequacy of security in order to ensure accurate measurement of the provision.

#### iii) Provision for current and deferred taxation (notes 5.16, 13 and 27)

In making the estimates for income taxes currently payable by the Bank, the management looks at the current income tax laws and the decisions of appellate authorities on certain issues in the past. In making the provision for deferred taxes, estimates of the Bank's future taxable profits are taken into account.

#### iv) Provision for staff retirement benefits (notes 5.14, 16 and 25)

The key actuarial assumptions concerning the valuation of the defined benefit plan and the sources of estimation are disclosed in note 26 to these financial statements.

#### v) Fixed assets, depreciation and amortization (notes 5.7, 11 and 25)

In making estimates of the depreciation / amortization method, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Bank.

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

|                  | Note | 2015                         | 2014             |
|------------------|------|------------------------------|------------------|
|                  |      | ----- (Rupees in '000) ----- |                  |
| Cash in hand     |      | 659,883                      | 558,280          |
| Balance with SBP |      | 872,087                      | 763,620          |
| Balance with NBP |      | 56,368                       | 49,833           |
|                  | 6.1  | 928,455                      | 813,453          |
|                  |      | <b>1,588,338</b>             | <b>1,371,733</b> |

**6.1** 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.

## 7. BALANCES WITH OTHER BANKS

|                         | Note | 2015<br>----- (Rupees in '000) ----- | 2014           |
|-------------------------|------|--------------------------------------|----------------|
| In Pakistan             |      |                                      |                |
| - Current accounts      |      | 14,926                               | 7,953          |
| - PLS deposit accounts  | 7.1  | 903,264                              | 709,117        |
| - Term deposit accounts | 7.2  | 200,000                              | -              |
|                         |      | <b>1,118,190</b>                     | <b>717,070</b> |

**7.1** This represents demand deposits with commercial banks carrying mark-up at rates ranging from 4.00% to 5.30% (2014: 6.50% to 9%) per annum.

**7.2** These represents term deposit with a commercial bank carrying mark-up at a rate of 7.50% (2014: Nil) per annum and having maturity upto February 2016.

## 8. LENDING TO FINANCIAL INSTITUTIONS

|                                              |     |                |   |
|----------------------------------------------|-----|----------------|---|
| Repurchase agreement lendings (reverse repo) | 8.1 | <b>346,702</b> | - |
|----------------------------------------------|-----|----------------|---|

**8.1** This represents reverse repo transactions with Pak China Investment Company carrying mark-up at a rate of 6.10% (2014: Nil) per annum and having maturity upto January 2016. As at 31 December 2015, the Bank held market treasury bills amounting to Rs. 365 million as collateral against these reverse repo transactions.

## 9. INVESTMENTS

### Federal Government Securities - available-for-sale

|                        |     |                  |                  |
|------------------------|-----|------------------|------------------|
| Market Treasury Bills  | 9.1 | <b>3,785,401</b> | 3,777,071        |
| Deficit on revaluation | 18  | <b>(1,212)</b>   | (1,431)          |
|                        |     | <b>3,784,189</b> | <b>3,775,640</b> |

**9.1** These carry interest rates ranging between 6.25% to 6.95% (2014: 9.41% to 9.95%) per annum and having maturity upto April 2016. These securities have an aggregate face value of Rs. 3,813 million (2014: Rs.3,800 million).

## 10. ADVANCES - net of provisions

| Loan Type            | Note | 2015                        |                   | 2014                        |                  |
|----------------------|------|-----------------------------|-------------------|-----------------------------|------------------|
|                      |      | Number of loans outstanding | (Rupees in '000)  | Number of loans outstanding | (Rupees in '000) |
| <b>Micro credit</b>  |      |                             |                   |                             |                  |
| - Secured            | 10.1 | <b>101,947</b>              | <b>6,399,122</b>  | 92,491                      | 5,967,304        |
| - Unsecured          | 10.2 | <b>185,338</b>              | <b>5,786,968</b>  | 134,379                     | 3,014,086        |
|                      |      | <b>287,285</b>              | <b>12,186,090</b> | 226,870                     | 8,981,390        |
| Less: Provision held |      |                             |                   |                             |                  |
| - Specific           | 10.3 | <b>214</b>                  | <b>(2,619)</b>    | 625                         | (9,586)          |
| - General            | 10.4 | -                           | <b>(57,843)</b>   | -                           | (30,045)         |
|                      | 10.5 |                             | <b>(60,462)</b>   |                             | (39,631)         |
|                      |      |                             | <b>12,125,628</b> |                             | <b>8,941,759</b> |

**10.1** These are secured by gold and carry interest rates ranging from 16% to 31% (2014: 24% to 31%) per annum.

**10.2** These are secured by personal guarantees carrying interest rates ranging from 14 % to 35 % (2014: 18 % to 33%) per annum.

### 10.3 Particulars of non-performing advances

|                                          | 2015                         |               |               | Provision required | Provision held |
|------------------------------------------|------------------------------|---------------|---------------|--------------------|----------------|
|                                          | Amount outstanding           |               |               |                    |                |
|                                          | Secured                      | Unsecured     | Total         |                    |                |
|                                          | ----- (Rupees in '000) ----- |               |               |                    |                |
| Other Assets Especially Mentioned (OAEM) | 27,566                       | 5,398         | 32,964        | -                  | -              |
| Substandard                              | 17,682                       | 715           | 18,397        | 178                | 178            |
| Doubtful                                 | 1,206                        | 3,072         | 4,278         | 1,536              | 1,536          |
| Loss                                     | 244                          | 905           | 1,149         | 905                | 905            |
|                                          | <u>46,698</u>                | <u>10,090</u> | <u>56,788</u> | <u>2,619</u>       | <u>2,619</u>   |

|                                          | 2014                         |               |               | Provision required | Provision held |
|------------------------------------------|------------------------------|---------------|---------------|--------------------|----------------|
|                                          | Amount outstanding           |               |               |                    |                |
|                                          | Secured                      | Unsecured     | Total         |                    |                |
|                                          | ----- (Rupees in '000) ----- |               |               |                    |                |
| Other Assets Especially Mentioned (OAEM) | 39,115                       | 4,123         | 43,238        | -                  | -              |
| Substandard                              | 3,608                        | 2,359         | 5,967         | 590                | 590            |
| Doubtful                                 | 11,787                       | 5,278         | 17,065        | 2,639              | 2,639          |
| Loss                                     | 1,754                        | 6,357         | 8,111         | 6,357              | 6,357          |
|                                          | <u>56,264</u>                | <u>18,117</u> | <u>74,381</u> | <u>9,586</u>       | <u>9,586</u>   |

**10.3.1** Advances include Rs.56.788 million (2014: Rs.74.381 million) which have been placed under non-performing status.

**10.4** This represents general provision equivalent to 1% (2014: 1%) of the net outstanding unsecured advances (advances net of specific provisions) held in accordance with the requirements of the Prudential Regulations for Microfinance Banks.

### 10.5 Particulars of provision against non-performing advances

| Note                | 2015                         |         |          | 2014     |         |         |
|---------------------|------------------------------|---------|----------|----------|---------|---------|
|                     | Specific                     | General | Total    | Specific | General | Total   |
|                     | ----- (Rupees in '000) ----- |         |          |          |         |         |
| Opening balance     | 9,586                        | 30,045  | 39,631   | 1,533    | 18,893  | 20,426  |
| Charge for the year | 35,074                       | 27,798  | 62,872   | 19,619   | 11,152  | 30,771  |
| Reversals           | (19,610)                     | -       | (19,610) | (4,651)  | -       | (4,651) |
|                     | 15,464                       | 27,798  | 43,262   | 14,968   | 11,152  | 26,120  |
| Amount written off  | (22,431)                     | -       | (22,431) | (6,915)  | -       | (6,915) |
| Closing balance     | 2,619                        | 57,843  | 60,462   | 9,586    | 30,045  | 39,631  |

### 10.6 Particulars of write offs

|                                             | 2015                         | 2014          |
|---------------------------------------------|------------------------------|---------------|
|                                             | ----- (Rupees in '000) ----- |               |
| Against provisions                          | 22,431                       | 6,915         |
| Directly charged to profit and loss account | 36,514                       | 89,462        |
|                                             | <u>58,945</u>                | <u>96,377</u> |

## 11. OPERATING FIXED ASSETS

|                                                                     |      |                |                |
|---------------------------------------------------------------------|------|----------------|----------------|
| Property and equipment                                              | 11.1 | 565,060        | 491,148        |
| Intangible assets                                                   | 11.2 | 28,048         | 34,958         |
| Capital work-in-progress - advance against purchase of fixed assets | 11.3 | 52,366         | 30,655         |
|                                                                     |      | <u>645,474</u> | <u>556,761</u> |

## 11.1 Property and equipment

|                               | 2015                 |                         |           |                        |                      |                      |           |                        |                        |                                |
|-------------------------------|----------------------|-------------------------|-----------|------------------------|----------------------|----------------------|-----------|------------------------|------------------------|--------------------------------|
|                               | Cost                 |                         |           |                        | Depreciation         |                      |           | Book value             |                        |                                |
|                               | As at 1 January 2015 | Additions / (disposals) | Transfers | As at 31 December 2015 | As at 1 January 2015 | Charge / (reversals) | Transfers | As at 31 December 2015 | As at 31 December 2015 | Rate of depreciation per annum |
|                               | (Rupees in '000)     |                         |           |                        |                      |                      |           |                        |                        | (%)                            |
| Owned                         |                      |                         |           |                        |                      |                      |           |                        |                        |                                |
| Leasehold improvement         | 138,023              | 41,569                  | -         | 179,592                | 36,979               | 16,084               | -         | 53,063                 | 126,529                | 10                             |
| Office furniture and fixtures | 163,119              | 34,377<br>(46)          | -         | 197,450                | 57,344               | 17,931<br>(43)       | -         | 75,232                 | 122,218                | 10                             |
| Office equipment              | 221,127              | 59,129<br>(64)          | -         | 280,192                | 108,241              | 39,515<br>(64)       | -         | 147,692                | 132,500                | 20                             |
| Computer equipment            | 256,789              | 47,528<br>(142)         | -         | 304,175                | 183,259              | 48,382<br>(81)       | -         | 231,560                | 72,615                 | 33                             |
| Vehicles                      | 159,241              | 52,104<br>(27,137)      | 7,402     | 191,610                | 69,250               | 24,196<br>(14,644)   | 4,519     | 83,321                 | 108,289                | 20 - 25                        |
|                               | 938,299              | 234,707<br>(27,389)     | 7,402     | 1,153,019              | 455,073              | 146,108<br>(14,832)  | 4,519     | 590,868                | 562,151                |                                |
| Leased                        |                      |                         |           |                        |                      |                      |           |                        |                        |                                |
| Vehicles                      | 16,167               | -                       | (7,402)   | 8,765                  | 8,245                | 2,130                | (4,519)   | 5,856                  | 2,909                  | 20                             |
|                               | 954,466              | 234,707<br>(27,389)     | -         | 1,161,784              | 463,318              | 148,238<br>(14,832)  | -         | 596,724                | 565,060                |                                |

|                               | 2014                 |                         |           |                        |                      |                      |           |                        |                        |                                |
|-------------------------------|----------------------|-------------------------|-----------|------------------------|----------------------|----------------------|-----------|------------------------|------------------------|--------------------------------|
|                               | Cost                 |                         |           |                        | Depreciation         |                      |           | Book value             |                        |                                |
|                               | As at 1 January 2014 | Additions / (disposals) | Transfers | As at 31 December 2014 | As at 1 January 2014 | Charge / (reversals) | Transfers | As at 31 December 2014 | As at 31 December 2014 | Rate of depreciation per annum |
|                               | (Rupees in '000)     |                         |           |                        |                      |                      |           |                        |                        | (%)                            |
| Owned                         |                      |                         |           |                        |                      |                      |           |                        |                        |                                |
| Leasehold improvement         | 93,691               | 44,332                  | -         | 138,023                | 25,145               | 11,834               | -         | 36,979                 | 101,044                | 10                             |
| Office furniture and fixtures | 123,819              | 39,399<br>(99)          | -         | 163,119                | 43,069               | 14,335<br>(60)       | -         | 57,344                 | 105,775                | 10                             |
| Office equipment              | 160,968              | 60,389<br>(230)         | -         | 221,127                | 77,445               | 31,026<br>(230)      | -         | 108,241                | 112,886                | 20                             |
| Computer equipment            | 197,624              | 59,231<br>(66)          | -         | 256,789                | 134,285              | 49,014<br>(40)       | -         | 183,259                | 73,530                 | 33                             |
| Vehicles                      | 140,211              | 28,878<br>(15,078)      | 5,230     | 159,241                | 44,407               | 29,603<br>(6,909)    | 2,149     | 69,250                 | 89,991                 | 20 - 25                        |
|                               | 716,313              | 232,229<br>(15,374)     | 5,230     | 938,299                | 324,351              | 135,812<br>(7,179)   | 2,149     | 455,073                | 483,226                |                                |
| Leased                        |                      |                         |           |                        |                      |                      |           |                        |                        |                                |
| Vehicles                      | 21,397               | -                       | (5,230)   | 16,167                 | 7,304                | 3,090                | (2,149)   | 8,245                  | 7,922                  | 20                             |
|                               | 737,710              | 232,229<br>(15,374)     | -         | 954,466                | 331,655              | 138,902<br>(2,149)   | -         | 463,318                | 491,148                |                                |

Property and equipment include assets costing Rs.270.191 million (2014: Rs.175.308 million) which are fully depreciated and still in use.

**11.1.2** Deletions 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 less) are as follows:

| Vehicles - Owned             | Cost          | Accumulated depreciation | Written down value | Sale proceeds | Gain / (loss) | Mode of disposal | Particulars of buyers      |
|------------------------------|---------------|--------------------------|--------------------|---------------|---------------|------------------|----------------------------|
| ----- (Rupees in '000) ----- |               |                          |                    |               |               |                  |                            |
| Suzuki Cultus                | 1,000         | 390                      | 610                | 775           | 165           | Auction          | Ashfaq Ahmed, Karachi.     |
| Suzuki Bolan                 | 721           | 99                       | 622                | 477           | (145)         | Auction          | Imran, Karachi.            |
| Suzuki Bolan                 | 667           | 225                      | 442                | 565           | 123           | Auction          | Rizwan Shah, Karachi       |
| Suzuki Bolan                 | 650           | 235                      | 415                | 564           | 149           | Auction          | Rizwan Shah, Karachi       |
| Suzuki Bolan                 | 645           | 242                      | 403                | 563           | 160           | Auction          | Rizwan Shah, Karachi       |
| Toyota Corolla               | 1,483         | 1,135                    | 348                | 148           | (200)         | Bank's Policy    | Muhammad Aslam, Employee   |
| Honda City                   | 1,359         | 1,162                    | 197                | 197           | -             | Bank's Policy    | Atif Aziz, Employee        |
| Honda City                   | 1,490         | 1,050                    | 440                | 149           | (291)         | Bank's Policy    | Jouhar Naqvi, Employee     |
| Honda City                   | 1,736         | 677                      | 1,059              | 1,059         | -             | Bank's Policy    | Tayyab Khan, Employee      |
| Honda City                   | 1,705         | 614                      | 1,091              | 1,091         | -             | Bank's Policy    | Mubashir Shahani, Employee |
| Honda City                   | 1,762         | 687                      | 1,075              | 1,075         | -             | Bank's Policy    | Tariq Anwer, Employee      |
| Suzuki Cultus                | 1,083         | 211                      | 872                | 851           | (21)          | Auction          | Asif Saif, Lahore          |
| Suzuki Bolan                 | 950           | 285                      | 665                | 577           | (88)          | Auction          | Ashraf Ali Khan, Lahore    |
| <b>2015</b>                  | <b>15,251</b> | <b>7,012</b>             | <b>8,239</b>       | <b>8,091</b>  | <b>(148)</b>  |                  |                            |
| <b>2014</b>                  | <b>9,567</b>  | <b>4,714</b>             | <b>4,853</b>       | <b>5,594</b>  | <b>741</b>    |                  |                            |

| Vehicles - Leased            | Cost         | Accumulated depreciation | Written down value | Sale proceeds | Gain / (loss) | Mode of disposal | Particulars of buyers     |
|------------------------------|--------------|--------------------------|--------------------|---------------|---------------|------------------|---------------------------|
| ----- (Rupees in '000) ----- |              |                          |                    |               |               |                  |                           |
| Suzuki Bolan                 | 701          | 324                      | 377                | 607           | 230           | Auction          | Imran, Karachi            |
| Suzuki Bolan                 | 711          | 311                      | 400                | 621           | 221           | Auction          | Muhammad Waqas, Karachi   |
| Suzuki Bolan                 | 711          | 311                      | 400                | 634           | 234           | Insurance Claim  | EFU General Insurance Ltd |
| Toyota Corolla               | 1,570        | 966                      | 604                | 604           | -             | Bank's Policy    | Atyab Tahir, Employee     |
| Honda Civic                  | 2,135        | 1,473                    | 662                | 662           | -             | Bank's Policy    | Kabeer Naqvi, Employee    |
| Toyota Corolla               | 1,574        | 1,134                    | 440                | 440           | -             | Bank's Policy    | Noor Ali, Employee        |
| <b>2015</b>                  | <b>7,402</b> | <b>4,519</b>             | <b>2,883</b>       | <b>3,568</b>  | <b>685</b>    |                  |                           |
| <b>2014</b>                  | <b>5,230</b> | <b>2,149</b>             | <b>3,081</b>       | <b>4,128</b>  | <b>1,047</b>  |                  |                           |

**11.2 Intangible assets**

|                              | 2015                 |           |                        |                      |                     |                        |                        |    |                                    |
|------------------------------|----------------------|-----------|------------------------|----------------------|---------------------|------------------------|------------------------|----|------------------------------------|
|                              | Cost                 |           |                        | Amortisation         |                     |                        | Book value             |    | Rate of depreciation per annum (%) |
|                              | As at 1 January 2015 | Additions | As at 31 December 2015 | As at 1 January 2015 | Charge for the year | As at 31 December 2015 | As at 31 December 2015 |    |                                    |
| ----- (Rupees in '000) ----- |                      |           |                        |                      |                     |                        |                        |    |                                    |
| Computer software            | 101,998              | 12,805    | 114,803                | 67,040               | 19,715              | 86,755                 | 28,048                 | 33 |                                    |

|                              | 2014                 |           |                        |                      |                     |                        |                        |    |                                    |
|------------------------------|----------------------|-----------|------------------------|----------------------|---------------------|------------------------|------------------------|----|------------------------------------|
|                              | Cost                 |           |                        | Amortisation         |                     |                        | Book value             |    | Rate of depreciation per annum (%) |
|                              | As at 1 January 2014 | Additions | As at 31 December 2014 | As at 1 January 2014 | Charge for the year | As at 31 December 2014 | As at 31 December 2014 |    |                                    |
| ----- (Rupees in '000) ----- |                      |           |                        |                      |                     |                        |                        |    |                                    |
| Computer software            | 78,780               | 23,218    | 101,998                | 46,373               | 20,667              | 67,040                 | 34,958                 | 33 |                                    |

**11.2.1** Intangible assets include software costing Rs.56.971 million (2014: Rs.34.945 million) which are fully amortised and still in use.

### 11.3 Capital work-in-progress

|                               | 2015                         |                |                  |                              |
|-------------------------------|------------------------------|----------------|------------------|------------------------------|
|                               | As at<br>1 January<br>2015   | Additions      | Transfers        | As at<br>31 December<br>2015 |
|                               | ----- (Rupees in '000) ----- |                |                  |                              |
| Leasehold improvement         | 2,602                        | 16,425         | (17,250)         | 1,777                        |
| Office furniture and fixtures | 469                          | 2,789          | (3,258)          | -                            |
| Office equipment              | 5,266                        | 3,654          | (8,068)          | 852                          |
| Computer equipment            | 10,411                       | 32,314         | (25,551)         | 17,174                       |
| Vehicles                      | 11,606                       | 70,764         | (52,104)         | 30,266                       |
| Computer software             | 301                          | 7,807          | (5,811)          | 2,297                        |
|                               | <b>30,655</b>                | <b>133,753</b> | <b>(112,042)</b> | <b>52,366</b>                |

|                               | 2014                         |               |                  |                              |
|-------------------------------|------------------------------|---------------|------------------|------------------------------|
|                               | As at<br>1 January<br>2014   | Additions     | Transfers        | As at<br>31 December<br>2014 |
|                               | ----- (Rupees in '000) ----- |               |                  |                              |
| Leasehold improvement         | 8,390                        | 25,856        | (31,644)         | 2,602                        |
| Office furniture and fixtures | 215                          | 3,431         | (3,177)          | 469                          |
| Office equipment              | 6,818                        | 15,695        | (17,247)         | 5,266                        |
| Computer equipment            | 17,124                       | 15,768        | (22,481)         | 10,411                       |
| Vehicles                      | 6,575                        | 33,909        | (28,878)         | 11,606                       |
| Computer software             | 2,653                        | 1,666         | (4,018)          | 301                          |
|                               | <b>41,775</b>                | <b>96,325</b> | <b>(107,446)</b> | <b>30,655</b>                |

### 12. OTHER ASSETS

|                                               | Note | 2015                         | 2014             |
|-----------------------------------------------|------|------------------------------|------------------|
|                                               |      | ----- (Rupees in '000) ----- |                  |
| Mark-up / return / interest accrued           |      | 726,150                      | 590,163          |
| Loans to employees                            | 12.1 | 171,054                      | 143,077          |
| Security deposits                             |      | 10,713                       | 8,898            |
| Prepayments - rent                            |      | 64,768                       | 53,576           |
| Others                                        |      | 17,406                       | 8,928            |
| Branchless banking transaction fee receivable |      | 263,482                      | 171,948          |
| Advance tax - net                             | 12.2 | 9,823                        | -                |
| Others                                        |      | 170,181                      | 53,740           |
|                                               |      | <b>1,433,577</b>             | <b>1,030,330</b> |

**12.1** 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.

### 12.2 Movement in Advance tax - net

|                           |              |                |
|---------------------------|--------------|----------------|
| Balance as at 1 January   | (3,016)      | (23,480)       |
| Tax paid                  | 456,795      | 338,583        |
| Provision for taxation    | (443,956)    | (318,119)      |
| Balance as at 31 December | <b>9,823</b> | <b>(3,016)</b> |

### 13. DEFERRED TAX ASSET- Net

13.1 Deferred tax asset comprises of deductible / (taxable) timing differences in respect of the following:

#### Deductible temporary differences

- Provision against non-performing advances
- Deficit on revaluation of assets
- Remeasurment of defined benefit liability

#### Taxable temporary differences

- Accelerated tax depreciation allowance

|  | 2015                         | 2014     |
|--|------------------------------|----------|
|  | ----- (Rupees in '000) ----- |          |
|  | <b>18,743</b>                | 13,078   |
|  | <b>376</b>                   | 472      |
|  | <b>16,024</b>                | 9,345    |
|  | <b>35,143</b>                | 22,895   |
|  | <b>(19,118)</b>              | (26,855) |
|  | <b>16,025</b>                | (3,960)  |

13.2 Movement in deferred tax assets / (liability) is as follows:

|                                                                | Balance as at 1 January 2014 | Recognised in profit and loss account | Recognised in other comprehensive income | Deficit on revaluation of assets | Balance as at 31 December 2014 | Recognised in profit and loss account | Recognised in other comprehensive income | Deficit on revaluation of assets | Balance as at 31 December 2015 |
|----------------------------------------------------------------|------------------------------|---------------------------------------|------------------------------------------|----------------------------------|--------------------------------|---------------------------------------|------------------------------------------|----------------------------------|--------------------------------|
|                                                                | ----- (Rupees in '000) ----- |                                       |                                          |                                  |                                |                                       |                                          |                                  |                                |
| <b>Deductible temporary differences arising in respect of:</b> |                              |                                       |                                          |                                  |                                |                                       |                                          |                                  |                                |
| - Provision against non-performing advances                    | 7,086                        | 5,992                                 | -                                        | -                                | 13,078                         | 5,665                                 | -                                        | -                                | 18,743                         |
| - Deferred grant                                               | 5,734                        | (5,734)                               | -                                        | -                                | -                              | -                                     | -                                        | -                                | -                              |
| - Deficit on revaluation of assets                             | 748                          | -                                     | -                                        | (276)                            | 472                            | -                                     | -                                        | (96)                             | 376                            |
| - Remeasurment of defined benefit liability                    | 10,585                       | -                                     | (1,240)                                  | -                                | 9,345                          | -                                     | 6,679                                    | -                                | 16,024                         |
|                                                                | <b>24,153</b>                | <b>258</b>                            | <b>(1,240)</b>                           | <b>(276)</b>                     | <b>22,895</b>                  | <b>5,665</b>                          | <b>6,679</b>                             | <b>(96)</b>                      | <b>35,143</b>                  |
| <b>Taxable temporary differences arising in respect of:</b>    |                              |                                       |                                          |                                  |                                |                                       |                                          |                                  |                                |
| - Accelerated tax depreciation allowance                       | (29,975)                     | 3,120                                 | -                                        | -                                | (26,855)                       | 7,737                                 | -                                        | -                                | (19,118)                       |
| - Un-amortised transaction cost                                | (2,745)                      | 2,745                                 | -                                        | -                                | -                              | -                                     | -                                        | -                                | -                              |
|                                                                | <b>(32,720)</b>              | <b>5,865</b>                          | <b>-</b>                                 | <b>-</b>                         | <b>(26,855)</b>                | <b>7,737</b>                          | <b>-</b>                                 | <b>-</b>                         | <b>(19,118)</b>                |
|                                                                | <b>(8,567)</b>               | <b>6,123</b>                          | <b>(1,240)</b>                           | <b>(276)</b>                     | <b>(3,960)</b>                 | <b>13,402</b>                         | <b>6,679</b>                             | <b>(96)</b>                      | <b>16,025</b>                  |

### 14. DEPOSITS AND OTHER ACCOUNTS

|                  | 2015             |                   | 2014             |                   |
|------------------|------------------|-------------------|------------------|-------------------|
|                  | Number           | (Rupees in '000)  | Number           | (Rupees in '000)  |
| Current deposits | 4,830,083        | 9,529,917         | 3,462,746        | 6,757,528         |
| Fixed deposits   | 8,556            | 4,602,374         | 11,983           | 4,638,659         |
| Saving deposits  | 120,097          | 1,546,250         | 6,611            | 865,167           |
|                  | <b>4,958,736</b> | <b>15,678,541</b> | <b>3,481,340</b> | <b>12,261,354</b> |

| 14.1 Particulars of deposits by ownership | 2015             |                   | 2014             |                   |
|-------------------------------------------|------------------|-------------------|------------------|-------------------|
|                                           | Number           | (Rupees in '000)  | Number           | (Rupees in '000)  |
| Individual depositors                     | 4,958,110        | 12,004,424        | 3,480,944        | 10,630,350        |
| Institutional depositors                  |                  |                   |                  |                   |
| - Corporations / firms etc                | 605              | 3,610,325         | 382              | 1,595,357         |
| - Banks / financial institutions          | 21               | 63,792            | 14               | 35,647            |
|                                           | <b>4,958,736</b> | <b>15,678,541</b> | <b>3,481,340</b> | <b>12,261,354</b> |

## 15. BORROWINGS

| Note | 2015                         | 2014 |
|------|------------------------------|------|
|      | ----- (Rupees in '000) ----- |      |

|                                                 |               |                |
|-------------------------------------------------|---------------|----------------|
| Banks / financial institutions outside Pakistan | -             | -              |
| Banks / financial institutions in Pakistan      | 85,474        | 239,211        |
|                                                 | <b>85,474</b> | <b>239,211</b> |

### 15.1 Details of borrowings from commercial banks - unsecured

|                                               |        |               |                |
|-----------------------------------------------|--------|---------------|----------------|
| Microfinance Credit Guarantee Facility (MCGF) | 15.1.1 | 85,972        | 240,695        |
| Unamortised transaction cost                  |        | (498)         | (1,484)        |
|                                               |        | <b>85,474</b> | <b>239,211</b> |

**15.1.1** 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 at a rate of 6 months' KIBOR plus 2% (2014: 6 months' KIBOR plus 2%) and are repayable in fixed installments over a period of 2-5 years.

## 16. OTHER LIABILITIES

|                                                     |      |                  |                  |
|-----------------------------------------------------|------|------------------|------------------|
| Mark-up / return / interest payable                 |      | 105,190          | 93,777           |
| Accrued expenses                                    |      | 283,995          | 178,783          |
| Provision for staff bonus                           |      | 125,000          | 100,000          |
| Withholding tax payable                             |      | 29,591           | 34,496           |
| Liabilities against assets subject to finance lease | 16.1 | 298              | 4,938            |
| Payable to defined contribution plan                |      | 6,319            | 6,149            |
| Payable to defined benefit plan                     | 32.4 | 15,492           | 21,492           |
| Payable to Workers' Welfare Fund                    |      | 59,708           | 33,539           |
| Taxation - Net                                      |      | -                | 3,016            |
| Payable against branchless banking transactions     | 16.2 | 916,546          | 525,305          |
| Others                                              |      | 62,686           | 43,352           |
|                                                     |      | <b>1,604,825</b> | <b>1,044,847</b> |

### 16.1 Movement in Liabilities against assets subject to finance lease

|                 |            |              |
|-----------------|------------|--------------|
| Opening Balance | 4,938      | 12,652       |
| Repayments      | (4,640)    | (7,714)      |
| Closing Balance | <b>298</b> | <b>4,938</b> |

### 16.1.1 Lease payment due are as under

|                                                            | 2015                         |               | 2014                         |               |
|------------------------------------------------------------|------------------------------|---------------|------------------------------|---------------|
|                                                            | Minimum lease payment        | Present value | Minimum lease payment        | Present value |
|                                                            | ----- (Rupees in '000) ----- |               | ----- (Rupees in '000) ----- |               |
| <b>Liabilities against assets subject to finance lease</b> |                              |               |                              |               |
| Not later than one year                                    | 313                          | 298           | 1,507                        | 535           |
| Later than one year and not later than five years          | -                            | -             | 4,578                        | 4,403         |
|                                                            | <b>313</b>                   | <b>298</b>    | <b>6,085</b>                 | <b>4,938</b>  |
| Less: Financial charges allocable to future periods        | (15)                         | -             | (1,147)                      | -             |
| Present value of minimum lease payments                    | <b>298</b>                   | <b>298</b>    | <b>4,938</b>                 | <b>4,938</b>  |

**16.1.2** 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.

**16.2** This includes Rs. 219 million outstanding since more than one year in respect of over the counter transactions.

## 17. SHARE CAPITAL

### 17.1 Authorised share capital

| 2015                       | 2014    |                               | 2015                         | 2014      |
|----------------------------|---------|-------------------------------|------------------------------|-----------|
| (Number of shares in '000) |         | Note                          | ----- (Rupees in '000) ----- |           |
| <b>270,000</b>             | 270,000 | Ordinary shares of Rs.10 each | <b>2,700,000</b>             | 2,700,000 |

### 17.2 Issued, subscribed and paid-up share capital

| 2015                       | 2014    |                                                  | 2015             | 2014      |
|----------------------------|---------|--------------------------------------------------|------------------|-----------|
| (Number of shares in '000) |         |                                                  |                  |           |
| <b>134,694</b>             | 134,694 | Ordinary shares of Rs.10 each fully paid in cash | <b>1,346,939</b> | 1,346,939 |

## 18. DEFICIT ON REVALUATION OF ASSETS - net of deferred tax

### Available-for-sale investments

|                               |    |              |              |
|-------------------------------|----|--------------|--------------|
| Federal Government Securities |    | (1,212)      | (1,431)      |
| Related deferred tax effect   | 13 | 376          | 472          |
|                               |    | <b>(836)</b> | <b>(959)</b> |

## 19. DEFERRED GRANTS

|                                                                             | Note | 2015                         | 2014            |
|-----------------------------------------------------------------------------|------|------------------------------|-----------------|
|                                                                             |      | ----- (Rupees in '000) ----- |                 |
| <b>Grant received from</b>                                                  |      |                              |                 |
| State Bank of Pakistan                                                      | 19.1 | 13,573                       | 26,129          |
| Consultative Group to Assist the Poor                                       | 19.2 | 3,410                        | 3,576           |
| Soros Economic Development Fund                                             | 19.3 | 149                          | 149             |
| The Aga Khan Agency for Microfinance                                        | 19.4 | 64                           | 64              |
| Financial Sector Strengthening Programme                                    | 19.5 | 219                          | 219             |
| Frankfurt School of Management                                              | 19.6 | 2,451                        | 3,548           |
| Winrock International                                                       | 19.7 | 1,793                        | 536             |
| Gates Foundation                                                            | 19.8 | 40,499                       | 13,218          |
| GSMA Mobile for Development Foundation Inc (GSMA Foundation)                | 19.9 | 2,205                        | -               |
|                                                                             |      | <b>64,363</b>                | <b>47,439</b>   |
| <b>Reversal of grant income / (grant income recognised) during the year</b> |      |                              |                 |
| State Bank of Pakistan                                                      |      | (6,513)                      | (12,556)        |
| Consultative Group to Assist the Poor                                       |      | (55)                         | (166)           |
| Frankfurt School of Management                                              |      | -                            | (1,097)         |
| Winrock International                                                       |      | (1,793)                      | (536)           |
| Gates Foundation                                                            |      | (24,670)                     | (10,116)        |
|                                                                             | 24   | <b>(33,031)</b>              | <b>(24,471)</b> |
|                                                                             |      | <b>31,332</b>                | <b>22,968</b>   |

- 19.1** 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.
- 19.2** 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.
- 19.3** 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.
- 19.4** Represents USD grant received from Aga Khan Agency for Microfinance to provide finance for life insurance premium of specific depositors.
- 19.5** 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.
- 19.6** Represents USD grant received from Frankfurt School of Management to provide financial support to implement a project on Promotion of Renewable Energy Technologies.
- 19.7** Represents USD grant received from Winrock International to provide financial support to operate a branch in Gawader.
- 19.8** Represents USD grant received from Bill and Malinda Gates Foundation to provide financial support to establish branchless banking operations.
- 19.9** Represents GBP grant received from GSMA Foundation for implementing Solar financing project.

**20. MEMORANDUM / OFF BALANCE SHEET ITEMS**

|                                                 | 2015                         | 2014     |
|-------------------------------------------------|------------------------------|----------|
|                                                 | ----- (Rupees in '000) ----- |          |
| Bills for collection                            | -                            | -        |
| Acceptances, endorsements and other obligations | -                            | -        |
| Contingent liabilities                          | -                            | -        |
|                                                 | <u>-</u>                     | <u>-</u> |

**21. MARK-UP / RETURN / INTEREST EARNED**

|                                                         |                  |                  |
|---------------------------------------------------------|------------------|------------------|
| On:                                                     |                  |                  |
| Advances                                                | 3,050,200        | 2,608,276        |
| Available-for-sale investments in government securities | 318,801          | 294,214          |
| Deposits with financial institutions / banks            | 65,102           | 73,020           |
| Call money lendings                                     | 32,956           | 31,615           |
| Repurchase agreement lendings                           | 36,283           | 47,645           |
|                                                         | <u>3,503,342</u> | <u>3,054,770</u> |

**22. MARK-UP / RETURN / INTEREST EXPENSED**

|                      | 2015                         | 2014           |
|----------------------|------------------------------|----------------|
|                      | ----- (Rupees in '000) ----- |                |
| On:                  |                              |                |
| - Deposits           | 644,096                      | 640,636        |
| - Borrowings         | 18,826                       | 51,346         |
| - Sub-ordinated debt | -                            | 74,204         |
|                      | <u>662,922</u>               | <u>766,186</u> |

**23. FEE, COMMISSION AND BROKERAGE INCOME**

|                                | 2015                         | 2014             |
|--------------------------------|------------------------------|------------------|
|                                | ----- (Rupees in '000) ----- |                  |
| Loan processing fee            | 348,872                      | 306,614          |
| Income from branchless banking | 1,045,976                    | 868,811          |
| Others                         | 32,359                       | 19,646           |
|                                | <u>1,427,207</u>             | <u>1,195,071</u> |

Note

23.1

**23.1** 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% (2014: 14% and 86%), respectively.

**24. OTHER INCOME**

|                                                      | 2015                         | 2014          |
|------------------------------------------------------|------------------------------|---------------|
|                                                      | ----- (Rupees in '000) ----- |               |
| Grant income                                         | 33,031                       | 24,471        |
| Cheque book fees, ATM fees and other service charges | 109,296                      | 62,011        |
| Recoveries against advances written off              | 21,685                       | 10,931        |
| Gain on sale of operating fixed assets               | 2,839                        | 1,751         |
|                                                      | <u>166,851</u>               | <u>99,164</u> |

## 25. ADMINISTRATIVE EXPENSES

|                                           | Note   | 2015<br>----- (Rupees in '000) ----- | 2014             |
|-------------------------------------------|--------|--------------------------------------|------------------|
| Salaries and other allowances             |        | 1,370,711                            | 1,155,631        |
| Contribution to defined contribution plan |        | 40,779                               | 34,184           |
| Charge for defined benefit plan           | 32.3.3 | 37,656                               | 28,637           |
| Staff welfare                             |        | 37,111                               | 25,960           |
| Training and capacity building            |        | 11,785                               | 5,672            |
| Rent and taxes                            |        | 138,171                              | 103,760          |
| Legal and professional charges            |        | 16,666                               | 21,058           |
| Utilities                                 |        | 43,955                               | 41,940           |
| Communication                             |        | 81,823                               | 107,249          |
| Finance charges on leased assets          |        | 1,050                                | 1,604            |
| Travelling and conveyance                 |        | 56,940                               | 61,222           |
| Insurance                                 |        | 122,885                              | 93,582           |
| Printing and stationery                   |        | 78,133                               | 96,043           |
| Repairs and maintenance                   |        | 103,164                              | 86,880           |
| Auditors' remuneration                    | 25.1   | 3,667                                | 2,074            |
| Depreciation                              | 11.1   | 148,238                              | 138,902          |
| Amortisation                              | 11.2   | 19,715                               | 20,667           |
| Advertisement                             |        | 38,161                               | 42,993           |
| Security services                         |        | 70,613                               | 50,477           |
| Customer verification charges             |        | 342,194                              | 120,561          |
| Professional consultancy charges          |        | 18,570                               | 22,805           |
| Bank charges                              |        | 99,609                               | 56,102           |
| Deposit mobilization commission           | 25.2   | 155,018                              | 102,744          |
| Other expenses                            |        | 8,955                                | 4,653            |
|                                           |        | <b>3,045,569</b>                     | <b>2,425,400</b> |

### 25.1 Auditors' remuneration

|                        |  |              |              |
|------------------------|--|--------------|--------------|
| Audit fee              |  | 1,200        | 1,200        |
| Half yearly review fee |  | 480          | 480          |
| Special certifications |  | 246          | 88           |
| Tax services           |  | 1,255        | -            |
| Out-of-pocket expenses |  | 385          | 222          |
|                        |  | <b>3,566</b> | <b>1,990</b> |
| Sales tax              |  | 101          | 84           |
|                        |  | <b>3,667</b> | <b>2,074</b> |

**25.2** Represents commission on deposit mobilization services provided by Holding Company to the Bank under an agreement with the Holding Company.

## 26. OTHER CHARGES

|                        |  |               |               |
|------------------------|--|---------------|---------------|
| Workers' Welfare Fund  |  | 26,169        | 20,826        |
| Penalty imposed by SBP |  | 670           | 213           |
|                        |  | <b>26,839</b> | <b>21,039</b> |

## 27. TAXATION

|                   |      |                |                |
|-------------------|------|----------------|----------------|
| <b>Current</b>    |      |                |                |
| - for the year    |      | 414,004        | 318,119        |
| - for prior years | 27.3 | 29,952         | -              |
| <b>Deferred</b>   | 13.2 | (13,402)       | (6,123)        |
|                   |      | <b>430,554</b> | <b>311,996</b> |

## 27.1 Relationship between tax expense and accounting profit

|                                    | Note | 2015                         | 2014           |
|------------------------------------|------|------------------------------|----------------|
|                                    |      | ----- (Rupees in '000) ----- |                |
| Profit before taxation             |      | 1,282,294                    | 1,020,489      |
| Tax at the rate of 32% (2014: 33%) |      | 410,334                      | 336,761        |
| <b>Tax effects of:</b>             |      |                              |                |
| Change in rate                     |      | 192                          | -              |
| Prior year tax                     |      | 29,952                       | -              |
| Permanent differences              |      |                              |                |
| - Penalty                          |      | 214                          | 70             |
| - Exempt income                    |      | (10,570)                     | (8,076)        |
| - Other provision                  |      | -                            | 102            |
| Non deductible expenses            |      | -                            | (16,861)       |
| Others                             |      | 432                          | -              |
|                                    |      | <b>430,554</b>               | <b>311,996</b> |

**27.2** The Bank has filed returns upto tax year 2015 which are deemed to be assessed orders under section 120 of the Income Tax Ordinance, 2001 unless any amendments have been made by the Tax Authorities.

**27.3** This represents super tax imposed as per Finance Act 2015 at the rate of 3% of income for Tax Year 2015 for rehabilitation of displaced persons.

## 28. BASIC AND DILUTED EARNINGS PER SHARE - Basic and Diluted

|                                                     |         |         |
|-----------------------------------------------------|---------|---------|
| Profit after taxation for the year (Rupees in '000) | 851,740 | 708,493 |
| Weighted average ordinary shares (Numbers in '000)  | 134,694 | 134,694 |
| Earnings per share - Basic and Diluted (Rupees)     | 6.32    | 5.26    |

## 29. CASH AND CASH EQUIVALENTS

|                                    |   |                  |                  |
|------------------------------------|---|------------------|------------------|
| Cash and balances with SBP and NBP | 6 | 1,588,338        | 1,371,733        |
| Balances with other banks          | 7 | 1,118,190        | 717,070          |
|                                    |   | <b>2,706,528</b> | <b>2,088,803</b> |

## 30. NUMBER OF EMPLOYEES

|                                | 2015                  |                         |              | 2014                  |                         |              |
|--------------------------------|-----------------------|-------------------------|--------------|-----------------------|-------------------------|--------------|
|                                | Credit / sales staff  | Banking / support staff | Total        | Credit / sales staff  | Banking / support staff | Total        |
|                                | ----- (Numbers) ----- |                         |              | ----- (Numbers) ----- |                         |              |
| Permanent                      | 250                   | 1,028                   | 1,278        | 234                   | 830                     | 1,064        |
| Temporary/on contractual basis | 650                   | 592                     | 1,242        | 472                   | 522                     | 994          |
|                                | <b>900</b>            | <b>1,620</b>            | <b>2,520</b> | <b>706</b>            | <b>1,352</b>            | <b>2,058</b> |

## 31. NUMBER OF BRANCHES

As at January 01  
Opened during the year  
As at December 31

| 2015                  | 2014      |
|-----------------------|-----------|
| ----- (Numbers) ----- |           |
| 57                    | 49        |
| 9                     | 8         |
| <b>66</b>             | <b>57</b> |

## 32. DEFINED BENEFIT PLAN

### 32.1 General description

As disclosed in note 5.14 , 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 six months of service.

### 32.2 Principal actuarial assumptions

The latest actuarial valuation of the gratuity scheme was carried out as at 31 December, 2015. Following are the significant assumptions used in the valuation:

|                                          | 2015                      | 2014                |
|------------------------------------------|---------------------------|---------------------|
|                                          | ----- (% Per annum) ----- |                     |
| - Discount rate                          | 9.00                      | 11.50               |
| - Salary increase rate                   | 9.00                      | 11.25               |
| - Expected rate of return on plan assets | 9.00                      | 11.50               |
|                                          | <b>2015</b>               | <b>2014</b>         |
| - Mortality rates assumed                | <u>SLIC 2001-05</u>       | <u>SLIC 2001-05</u> |

### 32.3 Amount recognised in the Balance sheet

Present value of defined benefit obligations  
Fair value of plan assets

| 2015                         | 2014          |
|------------------------------|---------------|
| ----- (Rupees in '000) ----- |               |
| 226,496                      | 170,646       |
| (211,004)                    | (149,154)     |
| <b>15,492</b>                | <b>21,492</b> |

#### 32.3.1 Movement in present value of defined benefit obligations

Balance as at 1 January  
Current service cost  
Interest cost  
Benefits paid by the plan  
Remeasurement loss on obligations  
Balance as at 31 December

| 2015                         | 2014           |
|------------------------------|----------------|
| ----- (Rupees in '000) ----- |                |
| 170,646                      | 114,889        |
| 38,934                       | 30,172         |
| 18,456                       | 13,830         |
| (20,311)                     | (17,012)       |
| 18,771                       | 28,767         |
| <b>226,496</b>               | <b>170,646</b> |

### 32.3.2 Movement in fair value of plan assets

|                                            | 2015                         | 2014     |
|--------------------------------------------|------------------------------|----------|
|                                            | ----- (Rupees in '000) ----- |          |
| Balance as at 1 January                    | 149,154                      | 103,044  |
| Contributions to the fund                  | 65,200                       | 47,309   |
| Benefits paid by the plan                  | (20,311)                     | (17,012) |
| Expected return on plan assets             | 19,734                       | 15,365   |
| Remeasurement (loss) / gain on plan assets | (2,773)                      | 448      |
| Balance as at 31 December                  | 211,004                      | 149,154  |

### 32.3.3 Amount recognised in the Profit and loss account

|                                |          |          |
|--------------------------------|----------|----------|
| Current service cost           | 38,934   | 30,172   |
| Interest cost                  | 18,456   | 13,830   |
| Expected return on plan assets | (19,734) | (15,365) |
|                                | 37,656   | 28,637   |

### 32.3.4 Remeasurements recognized in other comprehensive income (OCI)

|                                            |        |        |
|--------------------------------------------|--------|--------|
| Remeasurement loss on obligation           | 18,771 | 28,767 |
| Remeasurement of fair value of plan assets | 2,773  | (448)  |
| Remeasurement loss for the year - net      | 21,544 | 28,319 |

#### 32.3.4.1 Remeasurement loss / (gain) on obligation:

|                                                      |        |         |
|------------------------------------------------------|--------|---------|
| Loss / (gain) due to change in financial assumptions | 5,330  | (3,705) |
| Loss due to change in demographic assumptions        | -      | 994     |
| Loss due to change in experience adjustments         | 13,441 | 31,478  |
|                                                      | 18,771 | 28,767  |

#### 32.3.4.2 Remeasurement (loss) / gain on plan assets:

|                                      |          |          |
|--------------------------------------|----------|----------|
| Actual net return on plan assets     | 16,961   | 15,813   |
| Less: Interest income on plan assets | (19,734) | (15,365) |
|                                      | (2,773)  | 448      |

### 32.4 Movement in defined benefit plan

|                                                  |          |          |
|--------------------------------------------------|----------|----------|
| Balance as at 1 January                          | 21,492   | 11,845   |
| Expense charged in the current year              | 37,656   | 28,637   |
| Remeasurements recognized in OCI during the year | 21,544   | 28,319   |
| Contributions to gratuity fund                   | (65,200) | (47,309) |
| Balance as at 31 December                        | 15,492   | 21,492   |

### 32.5 Plan assets consist of

|               |         |         |
|---------------|---------|---------|
| TDR           | 208,816 | 145,653 |
| Bank balances | 2,188   | 3,501   |
|               | 211,004 | 149,154 |

### 32.6 Maturity profile of defined benefit obligation

Weighted average duration of the present value of defined benefit obligation

| 2015                         | 2014 |
|------------------------------|------|
| ----- (Rupees in '000) ----- |      |
| 9.9                          | 9    |

#### Distribution of timing of benefit payments

##### Years

|                              | 2015    | 2014    |
|------------------------------|---------|---------|
| ----- (Rupees in '000) ----- |         |         |
| 1                            | 45,145  | 33,697  |
| 2                            | 19,492  | 31,412  |
| 3                            | 17,940  | 12,312  |
| 4                            | 15,978  | 11,506  |
| 5                            | 13,725  | 10,622  |
| 6 - 10                       | 57,808  | 43,247  |
| 11 - 15                      | 61,426  | 67,474  |
| 16 - 20                      | 91,721  | 117,684 |
| 20+                          | 514,502 | 554,979 |

### 32.7 Sensitivity analysis on significant actuarial assumptions: Defined benefit liability

|                             |         |         |
|-----------------------------|---------|---------|
| Base                        | 226,496 | 170,646 |
| Discount rate +1%           | 206,197 | 157,372 |
| Discount rate -1%           | 251,057 | 186,540 |
| Future salary increases +1% | 250,811 | 157,235 |
| Future salary increases -1% | 206,026 | 170,682 |

### 32.8 Expected expense and contribution to the plan

Based on actuarial advice, the management estimates that the charge in respect of defined benefit plan for the year ending 31 December 2016 would be Rs.47.024 million.

## 33. DEFINED CONTRIBUTION PLAN

33.1 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.

### 33.2 Disclosures relating to Provident Fund

|                                | 2015<br>(Unaudited) | 2014<br>(Audited) |
|--------------------------------|---------------------|-------------------|
| ----- (Rupees in '000) -----   |                     |                   |
| Size of the fund               | 198,775             | 185,853           |
| Cost of investments made       | 170,229             | 163,029           |
| Percentage of investments made | 86%                 | 88%               |
| Fair value of investments      | 191,156             | 177,966           |
| <b>Break-up of investments</b> |                     |                   |
| TDR's                          | 183,927             | 177,937           |
| Bank balances                  | 7,229               | 29                |
|                                | 191,156             | 177,966           |

The figures for 2015 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.

### 34. REMUNERATION OF DIRECTORS AND EXECUTIVES

|                                           | 2015                         |              |                | 2014                         |            |                |
|-------------------------------------------|------------------------------|--------------|----------------|------------------------------|------------|----------------|
|                                           | President / Chief Executive  | Directors    | Executives     | President / Chief Executive  | Directors  | Executives     |
|                                           | ----- (Rupees in '000) ----- |              |                | ----- (Rupees in '000) ----- |            |                |
| Fees                                      | -                            | 1,000        | -              | -                            | 900        | -              |
| Managerial remuneration                   | 24,339                       | -            | 183,786        | 21,642                       | -          | 162,997        |
| Charge for defined benefit plan           | 1,815                        | -            | 15,316         | 1,612                        | -          | 13,583         |
| Contribution to defined contribution plan | 2,166                        | -            | 17,256         | 1,934                        | -          | 18,300         |
| Rent and house maintenance                | 16,197                       | -            | 55,136         | 15,621                       | -          | 48,899         |
| Utilities                                 | 6,925                        | -            | 18,378         | 4,996                        | -          | 16,300         |
| Medical                                   | 3,539                        | -            | 29,865         | 3,243                        | -          | 26,717         |
| Conveyance                                | 3,663                        | -            | 9,946          | 2,412                        | -          | 10,110         |
| Others                                    | -                            | -            | 5,131          | 468                          | -          | 2,025          |
| Membership fee                            | 248                          | -            | 1,725          | 214                          | -          | 215            |
|                                           | <b>58,892</b>                | <b>1,000</b> | <b>336,539</b> | <b>52,142</b>                | <b>900</b> | <b>299,146</b> |
| Number of persons                         | <b>1</b>                     | <b>8</b>     | <b>142</b>     | <b>1</b>                     | <b>7</b>   | <b>125</b>     |

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

**34.2** Executive means employees other than President / Chief Executive & Directors whose basic salary exceeds Rs. 500,000 in a financial year.

### 35. 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. Contribution to the accounts in respect of staff retirement benefits are made in accordance with actuarial valuation / terms of the contribution plan. Remuneration of key management personnel are in accordance with the terms of their employment. Other transactions are carried out as per agreed terms.

Transactions with related parties, other than those which have been specifically disclosed elsewhere in the financial statements, are summarised as follows:

|                           | 2015             |                                        |           |              | 2014             |                                        |           |              |
|---------------------------|------------------|----------------------------------------|-----------|--------------|------------------|----------------------------------------|-----------|--------------|
|                           | Holding company  | Directors and key management personnel | Others    | Total        | Holding company  | Directors and key management personnel | Others    | Total        |
|                           | (Rupees in '000) |                                        |           |              | (Rupees in '000) |                                        |           |              |
| <b>Advances</b>           |                  |                                        |           |              |                  |                                        |           |              |
| At 1 January              | -                | 33,526                                 | -         | 33,526       | -                | 31,614                                 | -         | 31,614       |
| Given during the year     | -                | 33,300                                 | -         | 33,300       | -                | 25,062                                 | -         | 25,062       |
| Repaid during the year    | -                | (19,039)                               | -         | (19,039)     | -                | (23,150)                               | -         | (23,150)     |
| At 31 December            | -                | 47,787                                 | -         | 47,787       | -                | 33,526                                 | -         | 33,526       |
| <b>Deposits</b>           |                  |                                        |           |              |                  |                                        |           |              |
| At 1 January              | 75,979           | 5,787                                  | 318,856   | 400,622      | 99,868           | 2,305                                  | 233,789   | 335,962      |
| Received during the year  | 59,094,533       | 285,583                                | 588,271   | 59,968,387   | 54,625,681       | 404,962                                | 319,890   | 55,350,533   |
| Withdrawn during the year | (58,887,659)     | (280,756)                              | (499,687) | (59,668,102) | (54,649,570)     | (401,480)                              | (234,823) | (55,285,873) |
| At 31 December            | 282,853          | 10,614                                 | 407,440   | 700,907      | 75,979           | 5,787                                  | 318,856   | 400,622      |

|                                                 | 2015             |                                        |        |         | 2014             |                                        |        |         |
|-------------------------------------------------|------------------|----------------------------------------|--------|---------|------------------|----------------------------------------|--------|---------|
|                                                 | Holding company  | Directors and key management personnel | Others | Total   | Holding company  | Directors and key management personnel | Others | Total   |
|                                                 | (Rupees in '000) |                                        |        |         | (Rupees in '000) |                                        |        |         |
| <b>Mark-up expense</b>                          |                  |                                        |        |         |                  |                                        |        |         |
| Communication expenses                          | -                | 30                                     | 48,577 | 48,607  | 7,777            | 109                                    | 31,582 | 39,468  |
| Sale of vehicles                                | 2,789            | -                                      | -      | 2,789   | 6,307            | -                                      | -      | 6,307   |
| Payable against branchless banking transactions | -                | 14,815                                 | -      | 14,815  | -                | 5,847                                  | -      | 5,847   |
| Mark-up payable                                 | 195,692          | -                                      | -      | 195,692 | 166,604          | -                                      | -      | 166,604 |
| Rent and taxes                                  | -                | -                                      | 33,120 | 33,120  | -                | -                                      | 25,520 | 25,520  |
| Miscellaneous payable                           | -                | -                                      | -      | -       | 6,800            | -                                      | -      | 6,800   |
| Deposit mobilization fee                        | 83,224           | -                                      | -      | 83,224  | 12,791           | -                                      | -      | 12,791  |
| Other receivable                                | 155,018          | -                                      | -      | 155,018 | 102,744          | -                                      | -      | 102,744 |
| Payable to defined contribution plan            | 51,591           | -                                      | 11     | 51,602  | -                | -                                      | 11     | 11      |
| Payable to defined benefit plan                 | -                | -                                      | 6,319  | 6,319   | -                | -                                      | 6,149  | 6,149   |
|                                                 | -                | -                                      | 15,492 | 15,492  | -                | -                                      | 21,492 | 21,492  |

### 36. SCHEDULE OF MATURITY DISTRIBUTION OF MARKET RATE ASSETS AND LIABILITIES

|                                              | 2015             |                |                                |                               |               |
|----------------------------------------------|------------------|----------------|--------------------------------|-------------------------------|---------------|
|                                              | Total            | Upto one Month | Over one month upto six months | Over six months upto one year | Over one year |
|                                              | (Rupees in '000) |                |                                |                               |               |
| <b>Market rate assets</b>                    |                  |                |                                |                               |               |
| Advances                                     | 12,125,628       | 544,514        | 3,951,291                      | 5,324,824                     | 2,304,999     |
| Investments                                  | 3,784,189        | 1,933,110      | 1,851,079                      | -                             | -             |
| Lending to financial institutions            | 346,702          | 346,702        | -                              | -                             | -             |
| Balances with other banks - deposit accounts | 1,103,264        | 903,264        | 200,000                        | -                             | -             |
|                                              | 17,359,783       | 3,727,590      | 6,002,370                      | 5,324,824                     | 2,304,999     |
| <b>Other non-earning assets</b>              |                  |                |                                |                               |               |
| Cash and balances with SBP and NBP           | 1,588,338        | 659,883        | -                              | -                             | 928,455       |
| Balances with other banks - current accounts | 14,926           | 14,926         | -                              | -                             | -             |
| Operating fixed assets                       | 645,474          | -              | -                              | -                             | 645,474       |
| Other assets                                 | 1,433,577        | 85,430         | 813,305                        | 321,810                       | 213,032       |
| Deferred tax asset - net                     | 16,025           | -              | -                              | 16,025                        | -             |
|                                              | 3,698,340        | 760,239        | 813,305                        | 337,835                       | 1,786,961     |
| <b>Total assets</b>                          | 21,058,123       | 4,487,829      | 6,815,675                      | 5,662,659                     | 4,091,960     |

|                                                            | 2015              |                   |                                |                               |               |
|------------------------------------------------------------|-------------------|-------------------|--------------------------------|-------------------------------|---------------|
|                                                            | Total             | Upto one Month    | Over one month upto six months | Over six months upto one year | Over one year |
|                                                            | (Rupees in '000)  |                   |                                |                               |               |
| <b>Market rate liabilities</b>                             |                   |                   |                                |                               |               |
| Large time deposits above Rs. 100,000                      | 4,560,064         | 618,346           | 2,086,067                      | 1,769,492                     | 86,159        |
| All other time deposits<br>(including fixed rate deposits) | 42,310            | 5,402             | 22,113                         | 13,238                        | 1,557         |
| Other cost bearing deposits                                | 1,546,250         | 1,546,250         | -                              | -                             | -             |
| Borrowings                                                 | 85,474            | -                 | 51,960                         | 33,514                        | -             |
|                                                            | <b>6,234,098</b>  | <b>2,169,998</b>  | <b>2,160,140</b>               | <b>1,816,244</b>              | <b>87,716</b> |
| <b>Other non-cost bearing liabilities</b>                  |                   |                   |                                |                               |               |
| Current deposits                                           | 9,529,917         | 9,529,917         | -                              | -                             | -             |
| Other liabilities                                          | 1,604,825         | 1,059,909         | 466,766                        | 77,779                        | 371           |
|                                                            | <b>11,134,742</b> | <b>10,589,826</b> | <b>466,766</b>                 | <b>77,779</b>                 | <b>371</b>    |
| <b>Total liabilities</b>                                   | <b>17,368,840</b> | <b>12,759,824</b> | <b>2,626,906</b>               | <b>1,894,023</b>              | <b>88,087</b> |

|                                                            | 2014              |                  |                                |                               |                  |
|------------------------------------------------------------|-------------------|------------------|--------------------------------|-------------------------------|------------------|
|                                                            | Total             | Upto one Month   | Over one month upto six months | Over six months upto one year | Over one year    |
|                                                            | (Rupees in '000)  |                  |                                |                               |                  |
| <b>Market rate assets</b>                                  |                   |                  |                                |                               |                  |
| Advances                                                   | 8,941,759         | 934,865          | 4,243,873                      | 2,891,875                     | 871,146          |
| Investments                                                | 3,775,640         | 2,490,984        | 1,284,656                      | -                             | -                |
| Balances with other banks - deposit accounts               | 709,117           | 709,117          | -                              | -                             | -                |
|                                                            | <b>13,426,516</b> | <b>4,134,966</b> | <b>5,528,529</b>               | <b>2,891,875</b>              | <b>871,146</b>   |
| <b>Other non-earning assets</b>                            |                   |                  |                                |                               |                  |
| Cash and balances with SBP and NBP                         | 1,371,733         | 558,280          | -                              | -                             | 813,453          |
| Balances with other banks - current accounts               | 7,953             | 7,953            | -                              | -                             | -                |
| Operating fixed assets                                     | 556,761           | -                | -                              | -                             | 556,761          |
| Other assets                                               | 1,030,330         | 139,570          | 345,102                        | 386,969                       | 158,689          |
|                                                            | <b>2,966,777</b>  | <b>705,803</b>   | <b>345,102</b>                 | <b>386,969</b>                | <b>1,528,903</b> |
| <b>Total assets</b>                                        | <b>16,393,293</b> | <b>4,840,769</b> | <b>5,873,631</b>               | <b>3,278,844</b>              | <b>2,400,049</b> |
| <b>Market liabilities</b>                                  |                   |                  |                                |                               |                  |
| Large time deposits above Rs. 100,000                      | 4,575,653         | 307,082          | 1,442,586                      | 2,443,888                     | 382,097          |
| All other time deposits<br>(including fixed rate deposits) | 63,006            | 6,143            | 23,857                         | 29,049                        | 3,957            |
| Other cost bearing deposits                                | 865,167           | 865,167          | -                              | -                             | -                |
| Borrowings                                                 | 239,211           | 8,334            | 73,194                         | 73,195                        | 84,488           |
|                                                            | <b>5,743,037</b>  | <b>1,186,726</b> | <b>1,539,637</b>               | <b>2,546,132</b>              | <b>470,542</b>   |
| <b>Other non-cost bearing liabilities</b>                  |                   |                  |                                |                               |                  |
| Current deposits                                           | 6,757,528         | 6,757,528        | -                              | -                             | -                |
| Other liabilities                                          | 1,044,847         | 771,486          | 188,608                        | 74,528                        | 10,225           |
| Deferred tax liabilities-net                               | 3,960             | -                | -                              | 3,960                         | -                |
|                                                            | <b>7,806,335</b>  | <b>7,529,014</b> | <b>188,608</b>                 | <b>78,488</b>                 | <b>10,225</b>    |
| <b>Total liabilities</b>                                   | <b>13,549,372</b> | <b>8,715,740</b> | <b>1,728,245</b>               | <b>2,624,620</b>              | <b>480,767</b>   |



### 37.3 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.

The Assets and Liability Management Committee (ALCO) of the Bank is responsible for the oversight of liquidity management and meets on a monthly basis or more frequently, if required. The Bank's approach to liquidity management is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking sustained damage to business franchises. A centralized approach is adopted, based on an integrated framework incorporating an assessment of all material known and expected cash flows and the availability of collateral which could be used to secure additional funding if required. The framework entails careful monitoring and control of the daily liquidity position, and regular liquidity stress testing under a variety of scenarios. These encompass both normal and stressed market conditions, including general market crises and the possibility that access to markets could be impacted by a stress event affecting some part of the Bank's business.

### 37.4 Fair value of financial Instruments

Fair value is an amount for which an asset can be exchanged, or liability settled, between knowledgeable willing parties in arm's length transaction. Consequently, differences may arise between the carrying values and the fair values estimates. The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs use in making the measurements:

**Level 1:** Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2:** Fair value measurements using input other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

**Level 3:** Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

#### On balance sheet financial instruments

|                                                         |                    | 2015                      |                       |                             |                      |            |           |         |           |
|---------------------------------------------------------|--------------------|---------------------------|-----------------------|-----------------------------|----------------------|------------|-----------|---------|-----------|
|                                                         |                    | Carrying amount           |                       |                             |                      | Fair value |           |         |           |
|                                                         | Available for sale | Cash and cash equivalents | Loans and receivables | Other financial liabilities | Charge / (reversals) | Level 1    | Level 2   | Level 3 | Total     |
| <b>Note</b>                                             |                    | (Rupees in '000)          |                       |                             |                      |            |           |         |           |
| Financial assets measured at fair value                 |                    |                           |                       |                             |                      |            |           |         |           |
| - Investments - market treasury bills                   | 3,785,401          | -                         | -                     | -                           | 3,785,401            | -          | 3,784,189 | -       | 3,784,189 |
| Financial assets not measured at fair value 37.4.1      |                    |                           |                       |                             |                      |            |           |         |           |
| - Cash and bank balances with SBP and NBP               | -                  | 1,588,338                 | -                     | -                           | 1,588,338            | -          | -         | -       | -         |
| - Balances with other banks                             | -                  | 1,118,190                 | -                     | -                           | 1,118,190            | -          | -         | -       | -         |
| - Lending to financial instruments                      | -                  | -                         | 346,702               | -                           | 346,702              | -          | -         | -       | -         |
| - Advances                                              | -                  | -                         | 12,125,628            | -                           | 12,125,628           | -          | -         | -       | -         |
| - Other assets                                          | -                  | -                         | 1,341,580             | -                           | 1,341,580            | -          | -         | -       | -         |
|                                                         | 3,785,401          | 2,706,528                 | 13,813,910            | -                           | 20,305,839           | -          | 3,784,189 | -       | 3,784,189 |
| Financial liabilities not measured at fair value 37.4.1 |                    |                           |                       |                             |                      |            |           |         |           |
| - Deposits and other accounts                           | -                  | -                         | -                     | (15,678,541)                | (15,678,541)         | -          | -         | -       | -         |
| - Borrowings                                            | -                  | -                         | -                     | (85,474)                    | (85,474)             | -          | -         | -       | -         |
| - Other liabilities                                     | -                  | -                         | -                     | (1,604,825)                 | (1,604,825)          | -          | -         | -       | -         |
|                                                         | -                  | -                         | -                     | (17,368,840)                | (17,368,840)         | -          | -         | -       | -         |
|                                                         | 3,785,401          | 2,706,528                 | 13,813,910            | (17,368,840)                | 2,936,999            | -          | 3,784,189 | -       | 3,784,189 |

|                                                         | 2014                         |                           |                       |                             |                      |            |           |         |           |
|---------------------------------------------------------|------------------------------|---------------------------|-----------------------|-----------------------------|----------------------|------------|-----------|---------|-----------|
|                                                         | Carrying amount              |                           |                       |                             |                      | Fair value |           |         |           |
|                                                         | Available for sale           | Cash and cash equivalents | Loans and receivables | Other financial liabilities | Charge / (reversals) | Level 1    | Level 2   | Level 3 | Total     |
| <b>Note</b>                                             | ----- (Rupees in '000) ----- |                           |                       |                             |                      |            |           |         |           |
| Financial assets measured at fair value                 |                              |                           |                       |                             |                      |            |           |         |           |
| - Investments - market treasury bills                   | 3,777,071                    | -                         | -                     | -                           | 3,777,071            | -          | 3,775,640 | -       | 3,775,640 |
| Financial assets not measured at fair value 37.4.1      |                              |                           |                       |                             |                      |            |           |         |           |
| - Cash and bank balances with SBP and NBP               | -                            | 1,371,733                 | -                     | -                           | 1,371,733            |            |           |         |           |
| - Balances with other banks                             | -                            | 717,070                   | -                     | -                           | 717,070              |            |           |         |           |
| - Advances                                              | -                            | -                         | 8,941,759             | -                           | 8,941,759            |            |           |         |           |
| - Other assets                                          | -                            | -                         | 967,826               | -                           | 967,826              |            |           |         |           |
|                                                         | 3,777,071                    | 2,088,803                 | 9,909,585             | -                           | 15,775,459           | -          | 3,775,640 | -       | 3,775,640 |
| Financial liabilities not measured at fair value 37.4.1 |                              |                           |                       |                             |                      |            |           |         |           |
| - Deposits and other accounts                           | -                            | -                         | -                     | (12,261,354)                | (12,261,354)         |            |           |         |           |
| - Borrowings                                            | -                            | -                         | -                     | (239,211)                   | (239,211)            |            |           |         |           |
| - Other liabilities                                     | -                            | -                         | -                     | (1,041,831)                 | (1,041,831)          |            |           |         |           |
|                                                         | -                            | -                         | -                     | (13,542,396)                | (13,542,396)         | -          | -         | -       | -         |
|                                                         | 3,777,071                    | 2,088,803                 | 9,909,585             | (13,542,396)                | 2,233,063            | -          | 3,775,640 | -       | 3,775,640 |

**37.4.1** The fair value of financial assets and liabilities not carried at fair value are not significantly different from their carrying values since these assets and liabilities are either short term in nature or in case of loans are frequently repriced.

## 38. CAPITAL RISK MANAGEMENT

**38.1** The objective of managing capital is to safeguard the Bank's ability to continue as a going concern, so that it could continue to provide adequate returns and benefits to stakeholders by pricing products and services commensurately with the level of risk. It is the policy of the Bank to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

### 38.2 Goals of managing capital

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.

### 38.3 Statutory minimum capital requirement and management of capital

As per amendments on Prudential Regulations (R-1) issued vide BPRD Circular No. 10 of 2015 dated 3 June 2015, the minimum paid up capital requirement (MCR), free of losses for Microfinance Banks operating at national level is Rs. 1,000 million as at 31 December 2015. As of 31 December 2015, the share capital of the Bank stood at Rs. 1,346.939 million (2014: 1,346.939) and paid up capital of the Bank free of losses is Rs. 3,671 million (2014: 2,818 million).

The capital of the Bank is managed keeping in view the minimum CAR (15%) required by the Prudential Regulations for Microfinance Banks / Institutions. The adequacy of the capital is tested with reference to the risk-weighted assets of the Bank. The calculation of capital adequacy enables the Bank to assess the long-term soundness. As the Bank conducts business on a wide area network basis, it is critical that it is able to continuously monitor the exposure across the entire organization.

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The Bank manages its capital structure and makes adjustments to it in light of changes in regulatory and economic conditions. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend paid to shareholders, return capital to shareholders or issue new shares.

As at 31 December 2015, the Bank's Capital adequacy ration (CAR) was appropriately 37% (2014: 64%) of its weighted exposure, as against the minimum requirement of 15% prescribed by SBP.

### 39. GENERAL

**39.1** Captions, as prescribed by BSD Circular No. 11, dated 30 December 2003 issued by SBP, 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.

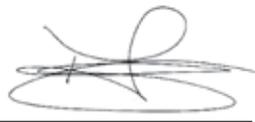
**39.2** Figures have been rounded off to the nearest thousand rupees, unless otherwise specified.

### 40. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Bank on **March 03, 2016**.



President &  
Chief Executive Officer



Chairman



Director



Director

## Shareholding Structure of Tameer Micro Finance Bank Limited As at December 31st, 2015

| 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    | Emkan Finance, Sadat Street, Sadat Tower, 5th Floor, Beirut, Lebanon            | 10            | 0.0000%     | Lebanon     | Lebanon     | 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                     |
|        |                         |                                                                                 |               | <b>100%</b> |             |             |                              |

Sana Tariq  
Company Secretary

## Credits

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Tameer Micro Finance Bank (TMFB) Limited  
In-house creative unit

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

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