



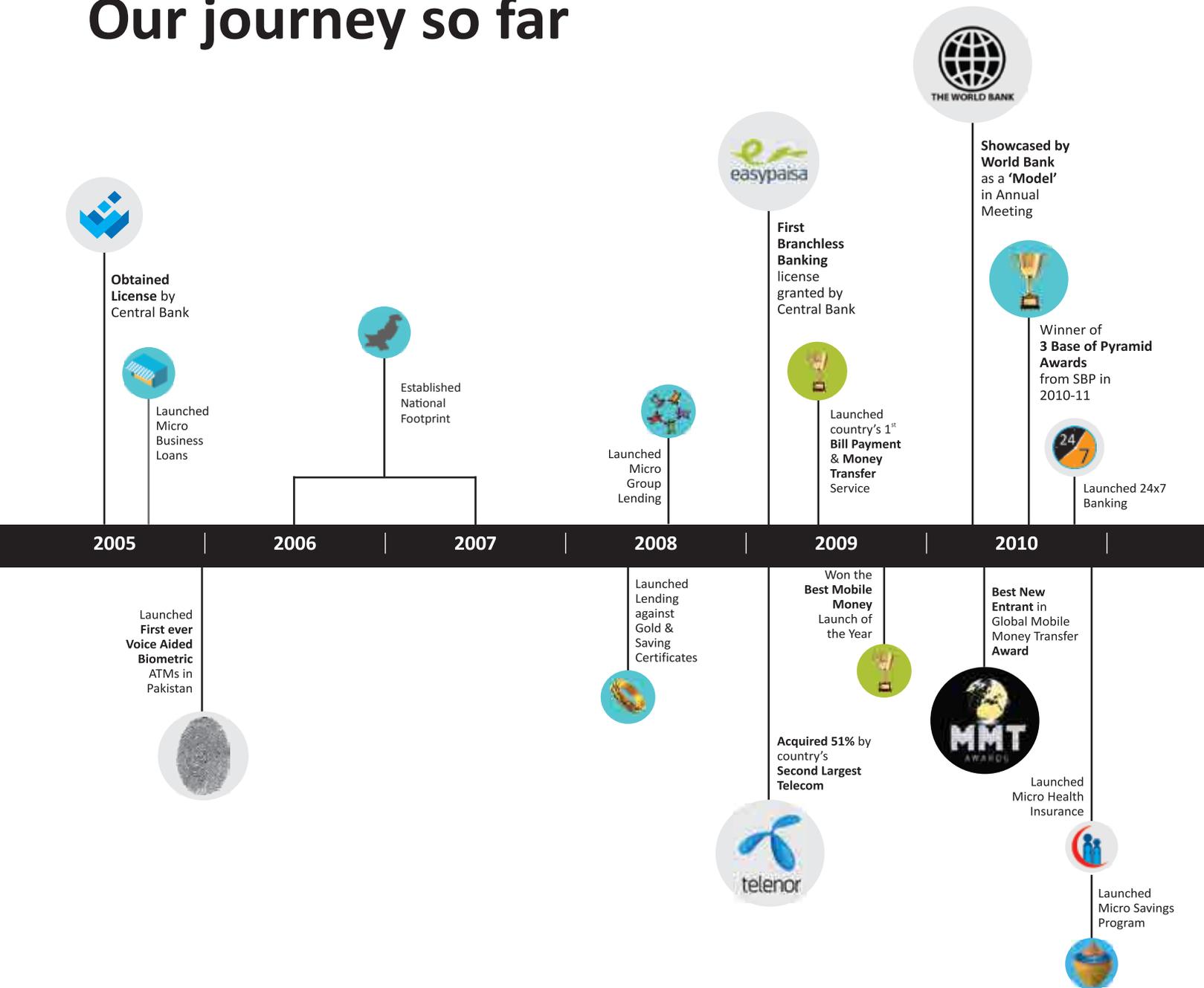
Tameer Bank
Micro Finance



Annual Report 2016



Our journey so far





Shortlisted by International Finance Corporation for **Sustainable Finance Awards**



Consumer Choice Award Best Microfinance Bank in Pakistan



Launched Home Based Solar Financing



Launched Private School Financing



GSMA Award Winner 2014 Best Mobile Product



Launched Smart Business Shops pilot LMFCs (Last Mile Financial Centers)



Entered 5 year partnership with Govt of Punjab to provide PKR 100b loans to 450,000 farmers through digital platform

Telenor completed 100% acquisition

2011

2012

2013

2014

2015

2016

First Retail Microfinance Bank to be listed at the KSE



Launched Senior Citizen Savings Product



Launched Dairy & Animal Financing



CSR Business Excellence Award of Environmental Sustainability



Launched Agri Group Financing



Launched Gold Savings Program



Launched Micro Enterprise Loan



Launched Handset Financing



Launched Phone banking Doorstep money transfer

Launched Easypaisa Sehat Sahara

Won People's Choice Award for easypay



Won "Bank the Unbanked" and "Best Microfinance Bank" award at Pakistan Banking Awards



Launched Easypaisa Android app, Car insurance, Digital lending (pilot)



About Us

From humble beginnings in 2005, we continue to grow and carve new milestones. Our **1.9** million borrowers, **3.1** million savers and **9.2** million Easypaisa mobile accounts are a testament to the trust we have created as a financial services provider.

We have established an impressive financial services footprint over the years with **184** touchpoints and approximately **110** thousand Easypaisa agents across Pakistan. Our **3,473** employees strive to meet the financial needs of thousands of clients daily and continue to focus on providing best in class customer service.

Vision

To improve lives in every home.

Mission

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

Core Values

Innovation



Respect

Meritocracy



Integrity



Equal Opportunity

At a Glance

90
Bn

Loans disbursed
(since inception - PKR)

Borrowers
(since inception)

1.9
Mn

627
K

Female borrowers
(since inception)

Depositors
(since inception)

3.1
Mn

110
K

Branchless banking agents
(nationwide)

Value of branchless banking transactions
(for 2016- PKR)

1.0
Tr

298
K

Health insurance beneficiaries
(since inception)

Profit Before Tax
(for 2016- PKR)

1.36
Bn

Long Term Short Term

A+

A1

Rated by
JCR-VIS & PACRA



Customer Connectivity

Asiya Qaiser

Asiya Qaiser, mother of 4, resides in Chakwal and receives her stipend from an Easypaisa shop in her village. Economically empowered, Asiya has bought a sewing machine and works as a tailor to support her family. The convenience and ease of collecting her stipend from Easypaisa shop has saved Asiya the trouble of traveling to the banks which are far from her home.



Nasir Francis

Nasir Francis, from Sialkot settled in Karachi, dreamed of starting his own business since he was a teenager. He took Karobar Loan from Tameer Bank and today runs his own Lighting & Decoration business. He is well-established and shares his success with all his family, relatives and friends.



Salma Parveen

Salma's family used to live in a rented house and was facing economic issues. Instead of succumbing to the circumstances, Salma decided to work towards improving her life. She took a loan from Tameer Bank to start her own beauty parlor on a small scale. Today, she has her own house and is able to support her family.



Muhammad Salman

Salman, a farmer from Khanewal, barely made ends meet to support his large family. During an accident at work, he fractured his leg. The medical treatment expense was far beyond what he could afford. Since he had subscribed to Easypaisa's Sehat Sahara, his medical expenses were covered. He was able to save thousands of rupees through this Health Insurance coverage.







Delivering Innovation

No. of mobile accounts

9.2 Mn

Volume of transactions

81.4 Mn



Value of transactions (PKR)

645.1 Bn

Over the counter (OTC)

Volume of transactions

145.2 Mn



Value of transactions (PKR)

449.8 Bn



No. of agents nationwide

110 K
(approx.)

As of December 31, 2016

Inspiring Talent



Number of employees

3,473

Number of training sessions

270



Training hours per employee

6.3

Total training hours

22,080



Number of female staff

264



Message from the Chairperson

2016 brought about a lot of changes for Tameer Microfinance Bank. Despite the transformation following the new ownership structure, increased competition in the microfinance industry and demanding market conditions, I am very pleased to announce that Tameer Microfinance Bank recorded its best year ever. Carrying forth its tradition, the bank posted a profit before tax of PKR 1.369 billion, improving the profitability by 6.8% compared to last year.



The bank's strong commitment to its vision of empowering societies through digital financial inclusion resulted the highest ever disbursement exceeding PKR 20.9 billion for the year, increasing total advances to 15.945 billion. During the year the bank attracted substantial deposits & savings with a 78.9% increase, while current deposits increased by 33.2%.

Competition has been very active and the Pakistan market for microfinance has seen increased activity and considerable margin pressure. Tameer Microfinance Bank has managed to keep its position as Pakistan's largest Microfinance bank in terms of portfolio size. The bank's branchless banking division has grown the number of Easypaisa agents to 64,858 (90 days active). The increase in agents has helped to further strengthen the bank's standing as the financial institution with the largest number of customer touch points, reaffirming the commitment to empowering the unbanked through innovation. Tameer Microfinance Bank branchless operations now serve a customer base of 21.0 million customers (90 day active) as of December 31st, 2016 under the brand Easypaisa. Tameer Microfinance Bank employees are critical to its success. Therefore, considerable effort has been and will be spent to define and develop the necessary competencies for colleagues. It is important to keep a high level of retention and motivation.

This year, Tameer Microfinance Bank became a wholly owned entity within Telenor Group. This acquisition strengthens the bank's leadership position in digitizing financial services in Pakistan and gives the bank an even stronger platform to provide wide scale financial services to the unbanked population in the country.

We are very pleased with the efforts of our colleagues and want to thank them for their hard work and dedication that has been the driving force behind this year's good results.

A handwritten signature in black ink, appearing to read 'Tine Wollebekk'.

Tine Wollebekk
Chairperson

Message from the President & CEO



The journey of innovating financial services ecosystem in Pakistan started with Telenor Pakistan acquiring 51% stake in Tameer Microfinance Bank and the subsequent launch of Easypaisa in 2009, the first branchless banking service in the country. This has been a unique success story of positively impacting lives of the underprivileged and unbanked people of Pakistan.

The success is evident in 21 million unbanked Pakistanis using Easypaisa to instantly transfer over PKR 200 billion across the country, in 2016, as well as over a million people having affordable access to capital through Tameer Bank, in the last 10 years.

The year 2016 turned out to be a monumental year for Tameer in many respects. Telenor completed 100% acquisition of Tameer Microfinance Bank, which represents a significant foreign direct investment in the banking sector. Pakistan Banking Association recognized Tameer as “Best Microfinance Bank”, and the combination of Easypaisa and Tameer won “Bank the unbanked” award, beating large commercial banks and other branchless banking initiatives.

Our ambition is to serve over 30 million customers by 2020. We have big opportunities in front of us. Early adoption of mobile financial services has already demonstrated the power that technology has, to reach the underserved on an unprecedented scale. It is a matter of immense pride and honor for me to be a part of this journey of driving financial inclusion – through our focus on Colleagues, Customers and responsible Conduct.

I would like to express gratitude to all our customers, it is a privilege for us to serve you. I would also like to thank our shareholders and the Board of Directors, for your confidence and continued support.

A handwritten signature in black ink, appearing to read 'Ali Riaz Chaudhry'. The signature is stylized and written in a cursive-like font.

Ali Riaz Chaudhry
President & CEO

Corporate Information

Board of Directors

Ms. Tine Wollebekk	Chairperson
Mr. Ali Riaz Chaudhry	President and Chief Executive Officer
Mr. Irfan Wahab Khan	Director
Mr. Mr. Roar Bjaerum	Director
Mr. Salim Raza	Independent Director
Mr. Aslam Hayat	Director
Mr. Henning Thronsen	Director
Ms. Uzma Khan	Independent Director

Company Secretary

Ms. Sana Tariq

Chief Financial Officer

Mr. Murtaza Ali

People Committee

Mr. Irfan Wahab Khan	Chairman
Ms. Tine Wollebekk	Member
Mr. Salim Raza	Member

Audit Sub-Committee

Mr. Salim Raza	Chairman
Mr. Henning Thronsen	Member
Mr. Roar Bjaerum	Member

Risk Management Committee

Mr. Salim Raza	Chairman
Mr. Henning Thronsen	Member
Mr. Roar Bjaerum	Member

Auditors

KPMG Taseer Hadi & Co.

Legal Advisors

Ali & Ali, Barristers and Corporate Consultants

Registered Office

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

Tel: +92 021 111 111 004

Website: www.tameerbank.com

Email: info@tameerbank.com

Executive Committee

Ali Riaz Chaudhry

President and Chief Executive Officer

Khawaja Asif Javed

Chief Operating Officer

Murtaza Ali

Chief Financial Officer

Naresh Karia

Chief Compliance Officer

Sana Tariq

Chief Legal Officer and Company Secretary

Tariq Anwar

Chief Risk Officer

Umaima Sohaib

Chief People Officer

Internal Audit Function

Asad Abbas

Head of Internal Audit

Six - Year Financial Summary

For The Year Ended 31 December 2016

	2016	2015	2014	2013	2012	2011
	----- (Rupees in '000) -----					
Balance Sheet						
Assets						
Cash and balances with SBP & NBP	3,116,926	1,588,338	1,371,733	1,225,227	730,133	516,706
Balances with other banks	2,558,937	1,118,190	717,070	571,006	927,509	1,258,896
Lending to financial institutions	323,215	346,702	-	-	-	-
Investments	11,568,227	3,784,189	3,775,640	3,471,857	3,604,983	328,236
Advances - net of provisions	15,835,248	12,125,628	8,941,759	8,311,128	6,687,865	5,054,297
Operating fixed assets	1,041,611	645,474	556,761	480,237	349,240	252,812
Other assets	1,844,687	1,433,577	1,030,330	1,131,244	948,668	656,273
Deferred tax asset - net	14,795	16,025	-	-	101,466	213,886
Total Assets	36,303,646	21,058,123	16,393,293	15,190,699	13,349,864	8,281,106
Liabilities						
Deposits and other accounts	27,829,780	15,555,258	12,261,354	10,627,546	8,371,951	4,512,529
Borrowings	-	85,474	239,211	501,280	1,391,257	1,801,725
Subordinated debt	-	-	-	989,757	971,886	-
Other liabilities	3,887,957	1,728,108	1,044,847	854,124	775,513	491,007
Deferred tax liabilities	-	-	3,960	8,567	-	-
Total Liabilities	31,717,737	17,368,840	13,549,372	12,981,274	11,510,607	6,805,261
Net Assets	4,585,909	3,689,283	2,843,921	2,209,425	1,839,257	1,475,845
REPRESENTED BY:						
Share capital	1,346,939	1,346,939	1,346,939	1,346,939	1,346,939	1,346,939
Reserves	1,286,756	1,050,952	828,142	641,705	540,611	439,430
Accumulated Profit / (Loss)	1,943,880	1,260,896	646,831	205,787	(61,041)	(328,145)
	4,577,575	3,658,787	2,821,912	2,194,431	1,826,509	1,458,224
Deficit on revaluation of assets - net of tax	(1,527)	(836)	(959)	(1,388)	(55)	(17)
Deferred grants	9,861	31,332	22,968	16,382	12,803	17,638
	4,585,909	3,689,283	2,843,921	2,209,425	1,839,257	1,475,845

Six - Year Financial Summary

For The Year Ended 31 December 2016

	2016	2015	2014	2013	2012	2011
----- (Rupees in '000) -----						
Profit and Loss Statement						
Mark-up / return / interest earned	4,486,604	3,503,342	3,054,770	2,519,124	1,951,549	1,277,002
Mark-up / return / interest expensed	(1,113,495)	(662,922)	(766,186)	(1,035,160)	(773,757)	(445,874)
Net mark-up / interest income	3,373,109	2,840,420	2,288,584	1,483,964	1,177,792	831,128
Reversal / (provision) against non-performing loans and advances	(66,384)	(43,262)	(26,120)	(11,390)	(11,416)	21,404
Provision for diminution in the value of investments	-	-	-	-	-	-
Bad debts written off directly	(37,171)	(36,514)	(89,462)	(42,058)	(11,721)	(3,263)
	(103,555)	(79,776)	(115,582)	(53,448)	(23,137)	18,141
Net mark-up / interest income after provisions	3,269,554	2,760,644	2,173,002	1,430,516	1,154,655	849,269
Non mark-up / non interest income						
Fee, commission and brokerage income	1,530,390	1,475,761	1,195,071	876,464	627,838	350,899
Dividend income	-	-	-	-	-	-
Other income	122,830	118,297	99,164	69,796	91,786	56,978
Total non mark-up / non interest income	1,653,220	1,594,058	1,294,235	946,260	719,624	407,877
	4,922,774	4,354,702	3,467,237	2,376,776	1,874,279	1,257,146
Non mark-up / non interest expenses						
Administrative expenses	(3,485,207)	(3,045,569)	(2,425,400)	(1,745,878)	(1,353,755)	(1,011,568)
Other provisions / write offs	(37,396)	-	(309)	(2,806)	(6,535)	(3,271)
Other charges	(30,886)	(26,839)	(21,039)	(12,660)	(10,594)	(15,586)
Total non mark-up / non interest expenses	(3,553,489)	(3,072,408)	(2,446,748)	(1,761,344)	(1,370,884)	(1,030,425)
	1,369,285	1,282,294	1,020,489	615,432	503,395	226,721
Extraordinary / unusual items	-	-	-	-	-	-
Profit before taxation	1,369,285	1,282,294	1,020,489	615,432	503,395	226,721
Taxation	(473,931)	(430,554)	(311,996)	(233,677)	(129,056)	(92,251)
Profit after taxation	895,354	851,740	708,493	381,755	374,339	134,470

Six - Year Financial Summary

For The Year Ended 31 December 2016

	2016	2015	2014	2013	2012	2011
----- (Rupees in '000) -----						
Cashflow statement - Summary						
Cash flow from operating activities	11,129,496	682,078	1,814,795	844,795	2,582,647	(378,538)
Cash flow from investing activities	(8,073,713)	56,200	(243,206)	172,497	(3,319,659)	(213,992)
Cash flow from financing activities	(86,448)	(120,553)	(1,279,019)	(878,700)	619,052	1,131,540
Net increase in cash and cash equivalents	2,969,335	617,725	292,570	138,592	(117,960)	539,010
Cash and cash equivalents at beginning of the year	2,706,528	2,088,803	1,796,233	1,657,642	1,775,602	1,236,592
Cash and cash equivalents at end of the year	5,675,863	2,706,528	2,088,803	1,796,234	1,657,642	1,775,602

	2016	2015	2014	2013	2012	2011
Financial Ratios:						
Return On Equity (ROE)	20%	23%	25%	17%	20%	9%
Return On Assets (RoA)	2%	4%	4%	3%	3%	2%
Deposits to Liabilities	88%	90%	90%	82%	73%	66%
Advance to Deposit	57%	77%	73%	78%	80%	112%
Borrowing to Liability (%)	-	0.5%	2%	11%	21%	26%
Total Asset to Shareholders' Fund	7.92	5.71	5.76	6.88	7.26	5.61
Capital Adequacy ratio (CAR)	31%	37%	64%	64%	73%	60%
Earnings Per Share	6.65	6.32	5.26	2.83	2.78	1.00

	2016	2015	2014	2013	2012	2011
Other Information:						
Number of Branches	74	66	57	49	45	42
Number of Employees	3,473	2,520	2,058	1,692	1,495	744
Number of Borrowers	385,417	287,285	226,870	197,811	154,973	132,728
Number of Depositors	8,573,293	4,958,736	3,841,340	1,643,313	923,963	641,386

Director's Report to the Shareholders

We are pleased to present the Directors' Report and audited financial statements of Tameer Microfinance Bank Limited ('The Bank') for the year ended December 31, 2016. The Bank has shown commendable 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 72% from Rs. 21.058 billion last year to Rs. 36.304 billion in the current year. Net advances grew by 31% from Rs. 12.126 billion last year to Rs. 15.835 billion during this year. Deposits increased by 79% from Rs. 15.555 billion to Rs. 27.830 billion during the current year. Investments stood at Rs. 11.568 billion as compared with Rs. 3.784 billion of last year.

Financial Results

	2016	2015
	----- (Rupees in '000) -----	
Profit before taxation	1,369,285	1,282,294
Less: Taxation-Current	(453,569)	(414,004)
-Prior	(28,897)	(29,952)
-Deferred	8,535	13,402
Profit after taxation	895,354	851,740
Earnings per share (Rupees)	6.65	6.32

Transfer to Reserves

As per the requirements of Microfinance Institution Ordinance, 2001 and the Prudential Regulations for Microfinance Banks issued by the State Bank of Pakistan, the Bank has transferred an amount equivalent to 20% of profit after tax to the statutory reserve (Rs.179. 071 million) and 5% of profit after tax to the Depositors' Protection Fund (Rs. 56.733 million) during 2016.

Capital Adequacy Ratio

The Banks Capital Adequacy Ratio as on Balance Sheet date stood at 31% compared to 37% as at the end of 31 December 2015, under the revised regulations.

Change in Composition in Board of Directors

Casual vacancies occurred during the year 2016 created by the resignations of the directors, which were replaced as follows:

Outgoing Directors

Mr. Syed Nadeem Hussain
 Mr. Michael Patrick Foley
 Ms. Mayada Moussa Baydas
 Mr. Nizar Noor Muhammad

Incoming Directors

Mr. Ali Riaz Chaudhry
 Ms. Tine Wollebek
 Ms. Uzma Khan
Will be filled in due course

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 through Telenor Pakistan B.V. (a joint stock company based in Amsterdam) has acquired remaining 49% of the shares of the bank. The Group eventually plans to transfer its existing shareholding (51%) from Telenor Pakistan (Private) Limited to Telenor Pakistan B.V., to make it wholly owned subsidiary of Telenor Pakistan B.V., subject to regulatory approvals.

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, five 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	4	4
Ms. Tine Wollebekk	Chairperson	1	1
Mr. Syed Nadeem Hussain **	Chief Executive	3	3
Mr. Ali Riaz Chaudhry	Chief Executive	2	2
Mr. Aslam Hayat	Director	5	4*
Mr. Irfan Wahab Khan	Director	5	5
Mr. Salim Raza	Director	5	5
Ms. Mayada Moussa Baydas **	Director	3	2*
Mr. Nizar Noor Muhammad **	Director	2	1*
Mr. Roar Bjaerum	Director	5	4*
Mr. Henning Thronson	Director	5	5
Ms. Tine Wollebekk	Director	1	1

* Leaves of absences were granted to Mr. Aslam Hayat, Mr. Roar Bjaerum, Ms. Mayada Moussa Baydas, and Mr. Nizar Noor Muhammad who could not attend certain Board Meetings.

** These directors resigned during the year.

The following changes have taken place in the Board of Directors during the year ended December 31, 2016:

- Mr. Ali Riaz Chaudhry attended the 58th Board of Directors' (BOD) meeting on 19 August 2016, in place of Mr. Syed Nadeem Hussain as President and CEO of the Bank. His resignation was approved in the 57th Board Meeting dated 29 April, 2016. Furthermore, Ms. Tine Wollebekk attended 59th BOD Meeting dated 04 October 2016 and Ms. Uzma Khan was approved by the State Bank of Pakistan as an Independent Director on 16 November 2016.
- 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 except Mr. Salim Raza, who holds 10 token shares have acquired any shares in the bank during the year 2016 and all the shareholders except the shares in the name of minority shareholders, were transferred to Telenor Pakistan B.V. Limited, no trading except as mentioned above 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 Two Non-executive directors and one Independent Director namely, Mr. Roar Bjaerum, Mr. Henning Thronsen and Mr. Salim Raza.

Credit Rating

Based on the results for the year ended December 31, 2015, the credit rating company PACRA/JCR VIS has retained the long-term entity rating of Tameer Microfinance Bank Limited (TMBL) to "A+"(Single A Plus) [Previous: "A"] while maintaining the short-term rating at "A1" (A One).

Auditors

The present auditor Messrs. KPMG Taseer Hadi & Co. Chartered Accountants (KPMG) retire and, being eligible, have offered themselves for re-appointment in the forthcoming Annual General Meeting. The Audit Committee of the Board has recommended the re-appointment of KPMG for the next term.

Events after Balance Sheet Date

Subsequent to the year ended 31 December 2016, the name of the Bank has been changed from Tameer Microfinance Bank Limited to Telenor Microfinance Bank Limited.

The Bank has terminated its revenue sharing agreement with Telenor Pakistan (Private) Limited. Accordingly, from 01 January 2017, whole revenue and expenses related to branchless banking business shall be recognized by the Bank. Previously, 14% share was recognized by the Bank under the above mentioned revenue sharing agreement.

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, 2016 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 2016 is Rs. 6.65 compared to Rs. 6.32 as at end of year 2015.

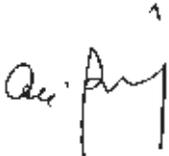
Employee Benefits Schemes

Value of investments including accrued income of provident and gratuity funds as at December 31, 2016 on the basis of un-audited financial statements are:

Provident Fund	Rs. 277,156,000
Gratuity Fund	Rs. 237,570,000

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 co-operation extended to the bank. Finally, we are also thankful to our associates, staff and colleagues for their committed services provided to our valued customers.



Ali Riaz Chaudhry

President / Chief Executive Officer

On behalf of the Board



Tine Wollebakk

Chairperson

Place : Karachi

Dated : February 15, 2017

حصص داری کا ڈھانچہ:

31 دسمبر 2016ء کا حصص داری کا ڈھانچہ اس رپورٹ کے ساتھ منسلک ہے۔

مالیاتی کارکردگی کی جھلکیاں:

گذشتہ 6 سالوں کی مالیاتی کارکردگی کی جھلکیاں اس رپورٹ کے ساتھ منسلک ہیں۔

فی حصص آمدنی:

بینک کی آمدنی برائے 2016ء 6.65 ہے جبکہ سال 2015ء سے موازنہ کیا جائے تو 6.32 تھی۔

پراویڈنٹ فنڈ اور گریجویٹ فنڈ کی اسکیمیں:

ان فنڈ کی سرمایہ کاری کی مالیت بشمول مجموعی آمدنی برطابق 31-December-2016 کے غیر آڈٹ شدہ مالیاتی گوشواروں کی بنیاد پر درج ذیل ہیں۔

پراویڈنٹ فنڈ: 277,156,000

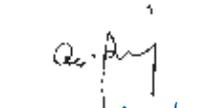
گریجویٹ فنڈ: 237,570,000

قدر شناسی اور مقبولیت:

ہم اس موقع کا فائدہ اٹھاتے ہوئے اپنے صارفین اور کاروباری شراکت داروں کی مستقل حمایت اور بھروسے کے حاصل ہونے پر اظہار تشکر پیش کرتے ہیں۔ ہم سٹیٹ بینک آف پاکستان اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے شکرگزار ہیں کہ ان کی مستقل رہنمائی اور تعاون بینک کے شامل حال رہی۔ ہم صارفین کو دی گئی پر عزم خدمات کے لیے اپنے ملازمین کا شکریہ ادا کرتے ہیں۔

منجانب بورڈ آف ڈائریکٹرز:


یونسف الالبیک
چیئر پرسن


علی ریاض چوہدری
صدر/ چیف ایگزیکٹو آفیسر
مقام: کراچی
بتاریخ: 15 فروری 2017ء

رواں سال 2016 کے دوران بورڈ آف ڈائریکٹرز میں مندرجہ ذیل تبدیلیاں ہوئیں:

- محترم علی ریاض چوہدری نے بینک کے نئے صدر اور چیف ایگزیکٹو آفیسر کی حیثیت سے بورڈ آف ڈائریکٹرز کے 58th اجلاس میں محترم سید ندیم حسین کے متبادل شرکت کی۔ انکا استعفیٰ 57th بورڈ آف ڈائریکٹرز کے منعقدہ اجلاس مورخہ 29 April 2016 میں منظور ہوا۔ مزید برآں، محترمہ بیٹا والیک نے 59th بورڈ آف ڈائریکٹرز کے منعقدہ اجلاس مورخہ 04 October 2016 میں شرکت کی اور سیٹ بینک آف پاکستان نے محترمہ عظمیٰ خان کو بحیثیت غیر جانبدار ڈائریکٹر مورخہ 16 November 2016 کو منظور کیا۔

- بینک کے آپریٹنگ اور مالیاتی اعداد و شمار اس سالانہ رپورٹ میں شامل ہیں۔ بینک کے حصص داری کی ساخت اور اقسام تحت کمپنیز آرڈیننس 1984ء بھی اس سالانہ رپورٹ کا حصہ ہیں۔ محترم سلیم رضا جو بینک کے 10 ٹوکن حصص کے حاصل کنندہ ہیں، انکے علاوہ کسی بھی ڈائریکٹر نے بینک کے حصص حاصل نہیں کئے۔ علاوہ ازیں اقلیتی شیئر ہولڈر کے حصص ٹیلی نار پاکستان (BV) لمیٹڈ کو منتقل ہوئے۔ مندرجہ بالا لین دین کے علاوہ بینک کے ڈائریکٹرز، چیف ایگزیکٹو آفیسر، چیف فنانشل آفیسر، کمپنی سیکرٹری، چیف انٹرنل آڈیٹر سمیت انکے شریک حیات اور نابالغ بچوں نے بینک کے حصص کی لین دین نہیں کی۔

آڈٹ کمیٹی

آڈٹ کمیٹی دو غیر ایگزیکٹو جبکہ ایک آڈٹ ڈائریکٹر پر مشتمل ہے جنکے نام محترم روویر بیچارم، محترم ہیڈنگ تھرونسن اور محترم سلیم رضا ہیں۔

کریڈٹ ریٹنگ

31 دسمبر 2015ء کے اختتامی نتائج کی بنیاد پر PACRA اور JCR-VIS، کریڈٹ کی ریٹنگ کمپنیز نے تعمیر مائیکرو فنانس بینک لمیٹڈ کی طویل المدت ریٹنگ کو "A+" اور مختصر المدت ریٹنگ کو "A-1" پر برقرار رکھا۔

آڈیٹرز

موجودہ آڈیٹرز میسرز KPMG تا شریہادی اینڈ کو چارٹرڈ اکاؤنٹنٹس ریٹائر ہو رہے ہیں۔ اور اہلیت کی بنیاد پر آئندہ اجلاس عام میں خود کو دوبارہ تقرری کے لئے پیش کرتے ہیں۔ بورڈ آڈٹ کمیٹی پر میسرز KPMG تا شریہادی اینڈ کو چارٹرڈ اکاؤنٹنٹس کو بینک کے آڈیٹرز کی حیثیت سے دوبارہ تقرری کی سفارش پیش کرتے ہیں۔

بیلنس شیٹ کی تاریخ کے بعد رونما ہونے والے واقعات:

بعد ازاں سال 2016 بینک کا نام تعمیر مائیکرو فنانس بینک لمیٹڈ سے تبدیل ہو کر ٹیلی نار مائیکرو فنانس بینک کر دیا گیا ہے۔

بینک نے ٹیلی نار پاکستان (پرائیویٹ) لمیٹڈ کے ساتھ اشتراک آمدنی کا معاہدہ منقطع کر دیا گیا ہے۔ لہذا مورخہ 01-January-2017 سے برانچ لیس بینکاری سے متعلقہ کل آمدنی اور لاگت بینک کے کھاتوں میں شامل ہوگی۔ اس سے پہلے اس کا 14 فیصد حصہ بینک کے کھاتوں میں شامل ہوتا تھا۔

مالیاتی گوشواروں کی تاریخ سے اب تک کوئی ایسا قابل ذکر واقعہ رونما نہیں ہوا جس کی وجہ مالیاتی مطابقت کی ضرورت محسوس کی گئی ہو سوائے ان کے جن کو پہلے ہی شامل کر لیا گیا ہے۔

- مالیاتی گوشواروں کی تیاری میں مستقل مناسب کھاتے داری کی پالیسیوں کا اطلاق کیا گیا ہے۔ نیز کھاتے داری کے مالیاتی تخمینے موزوں اور محتاط اندازوں پر مبنی ہیں۔

- یہ مالیاتی گوشوارے پاکستان میں لاگو منظور کھاتے داری کے معیار کے مطابق تیار کیے گئے ہیں۔ ان کھاتے داری کے معیار میں یہ شامل ہیں بین الاقوامی مالیاتی رپورٹنگ کے معیار (IFRSs) جو کہ بین الاقوامی کھاتے داری کے معیار کے بورڈ (IASB) کے جاری کردہ ہیں، کمپنیز آرڈیننس، 1984، مائیکروفنانس ادارے آرڈیننس، 2001، سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) اور سٹیٹ بینک آف پاکستان (SBP) کے جاری کردہ قواعد و ضوابط کے تحت منظور شدہ ہیں۔ بصورت دیگر بین الاقوامی مالیاتی رپورٹنگ کے معیار (IFRSs) کے قواعد اور کمپنیز آرڈیننس، 1984 کی ضروریات، مائیکروفنانس ادارے آرڈیننس 2001 یا سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) اور سٹیٹ بینک آف پاکستان (SBP) کے جاری کردہ قواعد و ضوابط / ہدایات میں اختلاف درپہ ہو، اس صورت میں کمپنیز آرڈیننس، 1984 کی ضروریات، مائیکروفنانس ادارے آرڈیننس 2001 یا (SECP) اور (SBP) کے جاری کردہ قواعد و ضوابط غالب ہوں گے۔

- اندرونی انضباط کے نظام کا ڈھانچہ کارآمد ہے اور موثر طریقے سے عملدرآمد بھی ہے۔ اندرونی انضباط کے نظام اور اس کی نگرانی کی حتمی ذمہ داری بورڈ پر لازم ہے۔ آڈٹ کمیٹی کی تشکیل کے مقاصد میں شامل ہے کہ وہ اندرونی انضباط کے نظام اور دیگر مالیاتی امور کی رپورٹنگ کے موثر اطلاق کی نگرانی کے لیے اندرونی اور بیرونی آڈیٹرز اور انتظامیہ کے ساتھ سال بھر وقفے وقفے سے آزادانہ طور پر مشوراتی ملاقاتیں کرتا ہے۔ مزید برآں مکمل سال مسلسل مالی پشمن گوئی اور بجٹ کنٹرول کے ذریعہ کارکردگی کی نگرانی کی جاتی ہے۔

- بینک کے کاروبار جاری و ساری رکھنے کی اہلیت پر کوئی قابل ذکر خدشات نہیں ہیں۔

- رواں سال کے دوران پانچ بورڈ کے اجلاس منعقد ہوئے جن میں ڈائریکٹرز کی شرکت مندرجہ ذیل ہے:

ڈائریکٹرز کے نام	عہدہ	سال بھر منعقدہ اجلاس کی تعداد	اجلاس کی تعداد	شرکت کی تعداد
محترم مائیکل پیٹرک فولے**	چیئر پرسن	4	4	4
محترمہ ٹینا والیک	چیئر پرسن	1	1	1
محترمہ سیدندیم حسین**	چیف ایگزیکٹو	3	3	3
محترم علی ریاض چوہدری	چیف ایگزیکٹو	2	2	2
محترم اسلم حیات	ڈائریکٹر	5	5	*4
محترم عرفان وہاب خان	ڈائریکٹر	5	5	5
محترم سلیم رضا	ڈائریکٹر	5	5	5
محترمہ میادہ موسیٰ بیداس**	ڈائریکٹر	3	3	*2
محترم نظر نور محمد**	ڈائریکٹر	2	2	*1
محترم روبرو بیجارم	ڈائریکٹر	5	5	*4
محترم ہینگ تھرونسن	ڈائریکٹر	5	5	5
محترمہ ٹینا والیک	ڈائریکٹر	1	1	1

* محترم اسلم حیات، محترم روبرو بیجارم، محترمہ میادہ موسیٰ بیداس اور محترم نظر نور محمد جو بورڈ کے چند اجلاسوں میں شرکت نہیں کر سکے اور بورڈ نے انکی غیر حاضری منظور کی۔
** ڈائریکٹرز رواں سال میں اپنے عہدے سے مستعفی ہوئے۔

بورڈ آف ڈائریکٹرز کی ساخت میں تبدیلیاں

اس سال ڈائریکٹرز کے استعفوں سے متوقع آسامیاں درج ذیل طور پر کی گئیں۔

سبکدوش ہونے والے ڈائریکٹرز	نئے ڈائریکٹرز
محترم سید ندیم حسین	محترم علی ریاض چوہدری
محترم مائیکل پیٹرک فوئی	محترمہ ٹینا والبلک
محترمہ میادہ موسیٰ بیداس	محترمہ عظمیٰ خان
محترم نظر نور محمد	مقررہ وقت پر آسامی پُر ہو جائے گی

ہولڈنگ کمپنی

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

اس عرصے میں ٹیلی نار گروپ (ٹیلی نار پاکستان BV، ایک جوائنٹ سٹاک کمپنی ہے جس کا ایمسٹرڈم سے تعلق ہے) نے بینک کی اقلیتی حصص یافتگان سے بینک کے 49 فیصد حصص حاصل کر لیے ہیں۔ گروپ نے ارادہ کیا ہے کہ اپنی موجودہ شرح برائے حصص (51 فیصد) ٹیلی نار پاکستان (پرائیویٹ) لمیٹڈ سے ٹیلی نار پاکستان BV کو دے دی جائے تاکہ انتظامیہ کی رضامندی سے اسے 100 فیصد ذاتی کمپنی بنا دیا جائے۔

کارپوریٹ گورننس کی پاسداری

بینک کے بورڈ آف ڈائریکٹرز بینک کے انتظام کے لئے حصص یافتگان کے سامنے ذمہ دار ہیں۔ یہ بورڈ اندرونی انضباط کے نظام کے لئے ذمہ داری کو تسلیم کرتا ہے اور کارپوریٹ گورننس کے اعلیٰ ترین معیار کو برقرار رکھنے کے لئے مصروف عمل ہے۔

کارپوریٹ گورننس کے تحت بیان

ڈائریکٹرز کارپوریٹ گورننس کے تحت مطلوبہ درج ذیل نقاط بمصرت پیش کرتے ہیں:

- بینک کی انتظامیہ کی طرف سے تیار کردہ مالیاتی گوشوارے منصفانہ طور پر بینک کے معاملات کی صورت حال، سرگرمیوں کے نتائج، زیر گردش نقدی اور ایکویٹی میں تبدیلیاں پیش کرتے ہیں۔
- بینک کے کھاتوں کا مناسب انتظام رکھا گیا ہے۔

ڈائریکٹرز کا تبصرہ

ہمیں تعمیر مائیکرو فنانس بینک لمیٹڈ کی سالانہ ڈائریکٹرز رپورٹ اور آڈٹ شدہ مالیاتی گوشوارے پیش کرتے ہوئے انتہائی مسرت محسوس ہو رہی ہے۔ بینک نے ہر گھر کی زندگی کے معیار کو بہتر بنانے کے اپنے تصور کے حصول کے لیے گزشتہ سال کے برعکس قابل ستائش ترقی کی۔

بینک کے کل اثاثہ جات 72 فیصد اضافہ کے ساتھ 36.304 بلین روپے کی سطح پر پہنچ گئے، گزشتہ سال یہ اثاثے 21.058 بلین روپے کی سطح پر تھے۔ قرضہ جات بعد از تموین پچھلے سال کے 12.126 بلین روپے کی سطح سے گئے، 31 فیصد سے بڑھ کر 15.835 بلین روپے کی سطح پر پہنچ گئے۔ ڈپازٹس اس سال 79 فیصد کے اضافے کے ساتھ 27.830 بلین روپے کی سطح پر پہنچ گئے، گزشتہ سال یہ ڈپازٹس 15.555 بلین روپے کی سطح پر تھے۔ انویسٹمنٹ پچھلے سال کے 3.784 بلین روپے کے مقابلے پر اس سال 11.568 بلین روپے کی سطح پر رہی۔

مالیاتی نتائج

31 دسمبر 2015 (روپے '000)	31 دسمبر 2016 (روپے '000)	
1,282,294	1,369,285	منافع قبل از ٹیکس
(414,004)	(453,569)	ٹیکس۔ موجودہ
(29,952)	(28,897)	قبل
13,402	8,535	موسخ
851,740	895,354	بعد از ٹیکس منافع
6.32	6.65	آمدنی فی شخص (روپے)

ذخائر کی منتقلی

مائیکرو فنانس ادارے آرڈیننس 2001 اور اسٹیٹ بینک آف پاکستان کی طرف سے جاری کردہ مائیکرو فنانس بینکوں کے لئے پروڈینشل ریگولیشنز کے قواعد و ضوابط کے مطابق، بینک نے 20 فیصد بعد از ٹیکس منافع کے برابر مبلغ رقم (071,179 ملین روپے) قانونی ریزرو میں منتقل کی ہے اور 5 فیصد بعد از ٹیکس کے مساوی رقم (56.733 ملین روپے) ڈپازٹرز پروفیکشن فنڈ میں منتقل کی ہے۔

مستحکم مالیاتی تناسب

بینک کا مالیاتی سرمایہ کا تناسب نئے مائیکرو فنانس بینکاری ضوابط کے تحت 31 دسمبر 2015 کے 37 فی صد کے مقابلے میں اس سال 31 فیصد پر مستحکم رہا۔

Auditors' Report to the Members

We have audited the annexed balance sheet of **Tameer Micro Finance Bank Limited** ("the Bank") as at 31 December 2016 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.

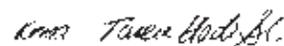
It is the responsibility of the Bank's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984 and the Microfinance Institution Ordinance, 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;
 - 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.

Dated : February 15, 2017

Karachi



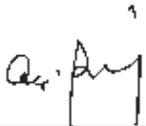
KPMG Taseer Hadi & Co.
Chartered Accountants
Mazhar Saleem

Balance Sheet

As At 31 December 2016

		2016	2015
	Note	----- (Rupees in '000) -----	
ASSETS			
Cash and balances with State Bank of Pakistan and National Bank of Pakistan	6	3,116,926	1,588,338
Balances with other banks	7	2,558,937	1,118,190
Lending to financial institutions	8	323,215	346,702
Investments	9	11,568,227	3,784,189
Advances - net of provisions	10	15,835,248	12,125,628
Operating fixed assets	11	1,041,611	645,474
Other assets	12	1,844,687	1,433,577
Deferred tax asset - net	13	14,795	16,025
Total assets		36,303,646	21,058,123
LIABILITIES			
Deposits and other accounts	14	27,829,780	15,555,258
Borrowings	15	-	85,474
Subordinated debt		-	-
Other liabilities	16	3,887,957	1,728,108
Deferred tax liabilities-net		-	-
Total liabilities		31,717,737	17,368,840
Net assets		4,585,909	3,689,283
REPRESENTED BY:			
Share capital	17	1,346,939	1,346,939
Reserves		1,286,756	1,050,952
Accumulated profit		1,943,880	1,260,896
		4,577,575	3,658,787
Deficit on revaluation of assets - net of deferred tax	18	(1,527)	(836)
Deferred grants	19	9,861	31,332
		4,585,909	3,689,283
MEMORANDUM / OFF BALANCE SHEET ITEMS	20		

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



 President &
 Chief Executive Officer



 Chairman



 Director



 Director

Profit And Loss Account

For the year ended 31 December 2016

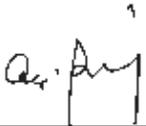
		2016	2015
	Note	----- (Rupees in '000) -----	
Mark-up / return / interest earned	21	4,486,604	3,503,342
Mark-up / return / interest expensed	22	(1,113,495)	(662,922)
Net mark-up / interest income		3,373,109	2,840,420
Provision against non-performing loans and advances	10.3	(66,384)	(43,262)
Provision for diminution in the value of investments		-	-
Bad debts written off directly	10.4	(37,171)	(36,514)
		(103,555)	(79,776)
Net mark-up / interest income after provisions		3,269,554	2,760,644
NON MARK UP / NON INTEREST INCOME			
Fee, commission and brokerage income	23	1,530,390	1,475,761
Dividend income		-	-
Other income	24	122,830	118,297
Total non mark-up / non interest income		1,653,220	1,594,058
		4,922,774	4,354,702
NON MARK UP / NON INTEREST EXPENSES			
Administrative expenses	25	(3,485,207)	(3,045,569)
Other provisions / write offs	26	(37,396)	-
Other charges	27	(30,886)	(26,839)
Total non mark-up / non interest expenses		(3,553,489)	(3,072,408)
		1,369,285	1,282,294
Extraordinary / unusual items		-	-
PROFIT BEFORE TAXATION		1,369,285	1,282,294
Taxation - current	28	(453,569)	(414,004)
- prior	28	(28,897)	(29,952)
- deferred	28	8,535	13,402
		(473,931)	(430,554)
PROFIT AFTER TAXATION		895,354	851,740
OTHER COMPREHENSIVE INCOME			
Items not to be reclassified to profit and loss account in subsequent periods - net of tax		23,434	(14,865)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		918,788	836,875
Accumulated profit brought forward		1,260,896	646,831
Profit available for appropriation		2,179,684	1,483,706

Profit And Loss Account (Cont'd)

For the year ended 31 December 2016

	2016	2015
Note	----- (Rupees in '000) -----	
APPROPRIATIONS:		
Transfer to:		
Statutory reserve	(179,071)	(170,348)
Capital reserve	-	-
Depositors' Protection Fund	(56,733)	(52,462)
Contribution to MSDF / DPF / RMF	-	-
Revenue reserve	-	-
Proposed cash dividend	-	-
ACCUMULATED PROFIT CARRIED FORWARD	1,943,880	1,260,896
	----- (Rupees) -----	
Earnings per share - Basic and diluted	6.65	6.32
	29	

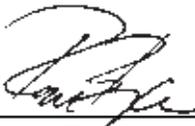
The annexed notes 1 to 41 form an integral part of these financial statements.



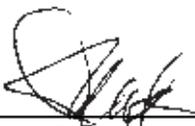
 President &
 Chief Executive Officer



 Chairman



 Director



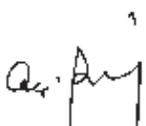
 Director

Statement Of Comprehensive Income

For the year ended 31 December 2016

	2016	2015
Note	----- (Rupees in '000) -----	
Profit after taxation	895,354	851,740
Other Comprehensive Income		
<i>Items not to be reclassified to profit and loss account in subsequent periods</i>		
Remeasurement gain / (loss) of defined benefit liability	33,478	(21,544)
Related tax impact	(10,044)	6,679
	23,434	(14,865)
Comprehensive income for the year transferred to equity	918,788	836,875
Component of comprehensive income for the year not transferred to equity		
Surplus on revaluation of 'available for sale' investments	(970)	219
Related tax impact	279	(96)
	(691)	123
Total comprehensive income for the year	918,097	836,998

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



 President &
 Chief Executive Officer



 Chairman



 Director



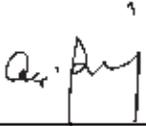
 Director

Statement Of Changes In Equity

For the year ended 31 December 2016

	Capital reserves			Accumulated profit	Total	
	Share capital	Share premium	Statutory reserve			Depositors' Protection Fund
----- (Rupees in '000) -----						
Balance as at 01 January 2015	1,346,939	343,469	369,711	114,962	646,831	2,821,912
Total comprehensive income for the year:						
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						
- 5% of the profit after tax	-	-	-	42,587	(42,587)	-
- return on investment - net of tax	-	-	-	9,875	(9,875)	-
	-	-	-	52,462	(52,462)	-
Balance as at 31 December 2015	1,346,939	343,469	540,059	167,424	1,260,896	3,658,787
Total comprehensive income for the year:						
Profit after tax for the year	-	-	-	-	895,354	895,354
Other comprehensive income - net of tax	-	-	-	-	23,434	23,434
	-	-	-	-	918,788	918,788
Transfer to statutory reserve	-	-	179,071	-	(179,071)	-
Transfer to Depositors' Protection Fund						
- 5% of the profit after tax	-	-	-	44,768	(44,768)	-
- return on investment - net of tax	-	-	-	11,965	(11,965)	-
	-	-	-	56,733	(56,733)	-
Balance as at 31 December 2016	1,346,939	343,469	719,130	224,157	1,943,880	4,577,575

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



 President &
 Chief Executive Officer



 Chairman



 Director



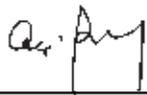
 Director

Cash Flow Statement

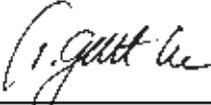
For the year ended 31 December 2016

	2016	2015
Note	----- (Rupees in '000) -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	1,369,285	1,282,294
Adjustments for non cash items		
Depreciation	25 181,436	148,238
Amortisation	25 26,389	19,715
Finance charges on leased assets	25 676	1,050
Provision against non-performing loans and advances	10.3 66,384	43,262
Bad debts written off directly	10.4 37,171	36,514
Provision for gratuity	25 40,324	37,656
Other provisions	37,396	-
Amortisation of discount on available for sale investments	21 (312,003)	(318,801)
Grant income	24 (21,471)	(33,031)
Gain on sale of operating fixed assets	24 (3,254)	(2,839)
	53,048	(68,236)
Decrease / (Increase) in operating assets		
Lending to financial institutions	23,487	(346,702)
Advances	(3,813,175)	(3,263,645)
Other assets (excluding advance taxation)	(409,271)	(393,424)
	(4,198,959)	(4,003,771)
Increase in operating liabilities		
Deposits and other accounts	12,274,522	3,417,187
Other liabilities (excluding current taxation)	2,175,639	576,599
	14,450,161	3,993,786
Income tax paid	(504,996)	(456,795)
Gratuity paid	(39,043)	(65,200)
Net cash inflow from operating activities	11,129,496	682,078
CASH FLOW FROM INVESTING ACTIVITIES		
Investments in available-for-sale securities	(36,281,934)	(29,651,261)
Investments in operating fixed assets	(611,601)	(269,223)
Proceeds from redemption of available-for-sale securities	28,808,929	29,961,287
Sale proceeds from disposal of operating fixed assets	10,893	15,397
Net cash (used in) / inflow from investing activities	(8,073,713)	56,200
CASH FLOW FROM FINANCING ACTIVITIES		
Grant received	-	41,395
Borrowings from financial institutions	(85,474)	(153,737)
Payments of subordinated debt	-	-
Cash dividend paid to shareholders	-	(2,521)
Payments of lease obligation	(974)	(5,690)
Net cash used in financing activities	(86,448)	(120,553)
Net increase in cash and cash equivalents	2,969,335	617,725
Cash and cash equivalents at beginning of the year	2,706,528	2,088,803
Cash and cash equivalents at end of the year	30 5,675,863	2,706,528

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



 President &
 Chief Executive Officer



 Chairman



 Director



 Director

Notes To The Financial Statements

For the year ended 31 December 2016

1. STATUS AND NATURE OF BUSINESS

Tameer Microfinance Bank Limited (the Bank) was incorporated in Pakistan on 01 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 microfinance 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 2016, the Bank has 74 branches (2015: 66) in operation across all provinces of Pakistan.

The credit rating company PACRA maintained the long-term entity rating of Tameer at "A+" and short term rating at "A1" as of 04 February 2016.

During the year, Telenor Group (Telenor Pakistan B.V. a joint stock company based in Amsterdam has acquired 49% shareholding of the Bank from its minority shareholders. The Group eventually plans to transfer its existing shareholding (51%) from Telenor Pakistan (Private) Limited to Telenor Pakistan B.V., to make it 100% wholly owned subsidiary of Telenor Pakistan B.V., subject to regulatory approvals.

Subsequent to the year ended 31 December 2016, the Bank changed its name from Tameer Microfinance Bank Limited to Telenor Microfinance Bank Limited.

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.

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. These have been consistently applied to all the years presented.

5.1 Standards, interpretations and amendments effective in current year

There are certain new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after 01 January 2016 but are considered not to be relevant for the Bank's operations.

Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 01 January 2016) introduce severe restrictions on the use of revenue-based amortization 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 Bank'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 01 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 Bank'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 01 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 Bank's financial statements.

Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 01 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 Bank's financial statements.

Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 01 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 Bank's financial statements.

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 2017:

- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 01 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have an impact on Bank's financial statements.
- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 01 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.
- Amendments to IFRS 2 - Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 01 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Bank's financial statements.
- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' - effective for annual periods beginning on or after 01 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Bank's financial statements.
- Annual improvements to IFRS standards 2014-2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:
 - Amendments to IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 01 January 2017) clarify that the requirements of IFRS 12 apply to an entity's interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 – 'Non-current Assets Held for Sale and Discontinued Operations'. The amendments are not likely to have an impact on Bank's financial statements.
 - Amendments to IAS 28 'Investments in Associates and Joint Ventures' (effective for annual periods beginning on or after 01 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when

applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Bank's financial statements.

- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to be used on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

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

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 Lending to financial institutions

Lending 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 rate 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:

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:

OAEM	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% 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 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 Assets (except for deferred tax assets)

The Bank assesses at the 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.

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

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

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 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 as at 31 December 2016.

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 33.2 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	2016	2015
		----- (Rupees in '000) -----	
Cash in hand		840,750	659,883
Balance with SBP		2,218,914	872,087
Balance with NBP		57,262	56,368
	6.1	2,276,176	928,455
		<u>3,116,926</u>	<u>1,588,338</u>

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	2016 ----- (Rupees in '000) -----	2015
In Pakistan			
- Current accounts		7,914	14,926
- PLS deposit accounts	7.1	1,351,023	903,264
- Term deposit accounts	7.2	1,200,000	200,000
		<u>2,558,937</u>	<u>1,118,190</u>

7.1 This represents demand deposits with commercial banks carrying mark-up at rates ranging from 4.00% to 6.10% (2015: 4.00% to 5.30%) per annum.

7.2 These represent term deposits with a commercial bank carrying mark-up at a rate ranging from 6.40% to 7.00% (2015: 7.50%) per annum and having maturity upto January 2017.

8. LENDING TO FINANCIAL INSTITUTIONS

Repurchase agreement lendings (reverse repo)	8.1	<u>323,215</u>	<u>346,702</u>
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8.1 This represents reverse repo transaction carrying mark-up at a rate of 5.75% (2015: 6.10%) per annum and having maturity upto January 2017. As at 31 December 2016, the Bank held market treasury bills amounting to Rs. 325 million as collateral against the reverse repo transaction.

9. INVESTMENTS

Federal Government Securities - available-for-sale

Market Treasury Bills	9.1	11,570,409	3,785,401
Deficit on revaluation	18	(2,182)	(1,212)
		<u>11,568,227</u>	<u>3,784,189</u>

9.1 These carry interest rates ranging between 5.75% to 5.99% (2015: 6.25% to 6.95%) per annum and having maturity upto March 2017. These securities have an aggregate face value of Rs. 11,625 million (2015: Rs. 3,813 million).

10. ADVANCES - net of provisions

Loan Type	Note	2016		2015	
		Number of loans outstanding	(Rupees in '000)	Number of loans outstanding	(Rupees in '000)
Micro credit		----- (Rupees in '000) -----		----- (Rupees in '000) -----	
- Secured		95,665	6,014,188	101,947	6,399,122
- Unsecured		289,752	9,931,130	185,338	5,786,968
		385,417	15,945,318	287,285	12,186,090
Less: Provision held					
- Specific	10.1	1,656	(10,868)	214	(2,619)
- General	10.2	-	(99,202)	-	(57,843)
	10.3		(110,070)		(60,462)
			15,835,248		12,125,628

10.1 Particulars of non-performing advances

	2016			Provision required	Provision held
	Secured	Unsecured	Total		
	----- (Rupees in '000) -----				
Other Assets Especially Mentioned (OAEM)	23,629	14,609	38,238	-	-
Substandard	17,979	7,367	25,346	1,842	1,842
Doubtful	11,223	12,268	23,491	6,134	6,134
Loss	5,807	2,892	8,699	2,892	2,892
	58,638	37,136	95,774	10,868	10,868
	----- (Rupees in '000) -----				
	2015			Provision required	Provision held
	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
	46,698	10,090	56,788	2,619	2,619

10.1.1 Advances include Rs. 95.774 million (2015: Rs. 56.788 million) which have been placed under non-performing status.

10.2 This represents general provision equivalent to 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.

10.3 Particulars of provision against non-performing advances

	Note	2016			2015		
		Specific	General	Total	Specific	General	Total
		----- (Rupees in '000) -----			----- (Rupees in '000) -----		
Opening balance		2,619	57,843	60,462	9,586	30,045	39,631
Charge for the year		41,487	41,359	82,846	35,074	27,798	62,872
Reversals		(16,462)	-	(16,462)	(19,610)	-	(19,610)
		25,025	41,359	66,384	15,464	27,798	43,262
Amount written off	10.4	(16,776)	-	(16,776)	(22,431)	-	(22,431)
Closing balance		10,868	99,202	110,070	2,619	57,843	60,462

10.4 Particulars of write offs

	Note	2016	2015
		----- (Rupees in '000) -----	
Against provisions		16,776	22,431
Directly charged to profit and loss account		37,171	36,514
		53,947	58,945

11. OPERATING FIXED ASSETS

Property and equipment	11.1	765,153	565,060
Intangible assets	11.2	28,287	28,048
Capital work-in-progress - advance against purchase of fixed assets	11.3	248,171	52,366
		1,041,611	645,474

11.1 Property and equipment

2016										
Cost				Depreciation				Book value		
As at 01 January 2016	Additions / (disposals)	Transfers	As at 31 December 2016	As at 01 January 2016	Charge / (reversals)	Transfers	As at 31 December 2016	As at 31 December 2016	Rate of depreciation per annum	
(Rupees in '000)										(%)
Owned										
Leasehold improvement	179,592	47,772	-	227,364	53,063	19,799	-	72,862	154,502	10
Office furniture and fixtures	197,450	37,322	-	234,772	75,232	20,148	-	95,380	139,392	10
Office equipment	280,192	95,683	-	375,875	147,692	51,078	-	198,770	177,105	20
Computer equipment	304,175	76,720	-	379,964	231,560	53,599	-	284,389	95,575	33
Vehicles	191,610	131,671	1,422	284,693	83,321	35,504	853	87,146	197,547	20 - 25
		(931)				(770)				
		(40,010)				(32,532)				
	1,153,019	389,168	1,422	1,502,668	590,868	180,128	853	738,547	764,121	
		(40,941)				(33,302)				
Leased										
Vehicles	8,765	-	(1,422)	7,343	5,856	1,308	(853)	6,311	1,032	20
	1,161,784	389,168	-	1,510,011	596,724	181,436	-	744,858	765,153	
		(40,941)				(33,302)				

2015										
Cost				Depreciation				Book value		
As at 01 January 2015	Additions / (disposals)	Transfers	As at 31 December 2015	As at 01 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	-	197,450	57,344	17,931	-	75,232	122,218	10
		(46)				(43)				
Office equipment	221,127	59,129	-	280,192	108,241	39,515	-	147,692	132,500	20
		(64)				(64)				
Computer equipment	256,789	47,528	-	304,175	183,259	48,382	-	231,560	72,615	33
		(142)				(81)				
Vehicles	159,241	52,104	7,402	191,610	69,250	24,196	4,519	83,321	108,289	20
		(27,137)				(14,644)				
	938,299	234,707	7,402	1,153,019	455,073	146,108	4,519	590,868	562,151	
		(27,389)				(14,832)				
Leased										
Vehicles	16,167	-	(7,402)	8,765	8,245	2,130	(4,519)	5,856	2,909	20
	954,466	234,707	-	1,161,784	463,318	148,238	-	596,724	565,060	
		(27,389)				(14,832)				

11.1.1 Property and equipment include assets costing Rs. 384.206 million (2015: Rs. 270.191 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)-----						
Toyota Hilux 4*4 Pickup	7,331	6,598	733	733	-	Bank's Policy	Ex Chief Executive Officer
Land Cruiser	18,376	16,538	1,838	1,838	-	Bank's Policy	Ex Chief Executive Officer
Honda Civic	1,840	1,656	184	184	-	Bank's Policy	Employee
Honda Civic	1,840	1,656	184	184	-	Bank's Policy	Ex Employee
Toyota Corolla	1,690	964	726	726	-	Bank's Policy	Employee
Suzuki Bolan	691	268	423	580	157	Auction	Mohammad Imran Khan
Suzuki Bolan	706	212	494	621	127	Auction	Javed Hashim Meghani
Suzuki Bolan	691	302	389	568	179	Auction	M Imran
Suzuki Bolan	706	185	521	586	65	Auction	Javed Hashim Meghani
2016	33,871	28,379	5,492	6,020	528		
2015	15,251	7,012	8,239	8,091	(148)		

Vehicles - Leased	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of buyers
	------(Rupees in '000)-----						
Note							
Suzuki Bolan	711	427	284	580	296	Auction	Shafqat Ali
Suzuki Bolan	711	427	284	580	296	Auction	Shafqat Ali
2016	1,422	854	568	1,160	592		
2015	7,402	4,519	2,883	3,568	685		

11.1.2.1 The ownership of these assets were transferred to the Bank before disposal.

11.2 Intangible assets

	2016							
	Cost			Amortisation			Book value	Rate of amortisation per annum
	As at 01 January 2016	Additions	As at 31 December 2016	As at 01 January 2016	Charge for the year	As at 31 December 2016	As at 31 December 2016	
	------(Rupees in '000)-----							(%)
Computer software	114,803	26,628	141,431	86,755	26,389	113,144	28,287	33

	2015							
	Cost			Amortisation			Book value	Rate of amortisation per annum
	As at 01 January 2015	Additions	As at 31 December 2015	As at 01 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

11.2.1 Intangible assets include software costing Rs. 79.768 million (2015: Rs. 56.971 million) which are fully amortised and still in use.

11.3 Capital work-in-progress

	2016	2015
Note	----- (Rupees in '000) -----	
Civil works	5,374	1,777
Equipments	127,957	18,026
Advance to suppliers	114,840	32,563
	248,171	52,366

12. OTHER ASSETS

Mark-up / return / interest accrued		830,480	726,150
Loans to employees	12.1	142,395	171,054
Security deposits		47,792	10,713
Prepayments - rent		106,007	64,768
- others		7,707	17,406
Receivable from defined benefit plan	33.4	16,705	-
Branchless banking transaction fee receivable		390,150	263,482
Advance tax - net	12.2	32,353	9,823
Receivable from SBP against livestock insurance		88,421	18,186
Others		220,073	151,995
		1,882,083	1,433,577
Less: Provision held against other assets	26	(37,396)	-
		1,844,687	1,433,577

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

	2016	2015
	----- (Rupees in '000) -----	
Balance as at 1 January	9,823	(3,016)
Tax paid	504,996	456,795
Provision for taxation	(482,466)	(443,956)
Balance as at 31 December	32,353	9,823

13. DEFERRED TAX ASSET- Net

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

	2016	2015
	----- (Rupees in '000) -----	
Deductible temporary differences		
- Provision against non-performing advances	33,021	18,743
- Deficit on revaluation of assets	655	376
- Remeasurment of defined benefit liability	5,980	16,024
- Other Provisions / Write Off	11,219	-
	50,875	35,143
Taxable temporary differences		
- Accelerated tax depreciation allowance	(36,080)	(19,118)
	14,795	16,025

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

	Balance as at 01 January 2015	Recognised in profit and loss account	Recognised in other comprehensive income	Deficit on revaluation of assets	Balance as at 31 December 2015	Recognised in profit and loss account	Recognised in other comprehensive income	Deficit on revaluation of assets	Balance as at 31 December 2016
	(Rupees in '000)								
Deductible temporary differences arising in respect of:									
- Provision against non-performing advances	13,078	5,665	-	-	18,743	14,278	-	-	33,021
- Deferred grant	-	-	-	-	-	-	-	-	-
- Deficit on revaluation of assets	472	-	-	(96)	376	-	-	279	655
- Remeasurment of defined benefit liability	9,345	-	6,679	-	16,024	-	(10,044)	-	5,980
- Other provisions / write off	-	-	-	-	-	11,219	-	-	11,219
	22,895	5,665	6,679	(96)	35,143	25,497	(10,044)	279	50,875
Taxable temporary differences arising in respect of:									
- Accelerated tax depreciation allowance	(26,855)	7,737	-	-	(19,118)	(16,962)	-	-	(36,080)
	(3,960)	13,402	6,679	(96)	16,025	8,535	(10,044)	279	14,795

14. DEPOSITS AND OTHER ACCOUNTS

	2016		2015	
	Number	(Rupees in '000)	Number	(Rupees in '000)
Current deposits	8,375,724	12,536,029	4,830,083	9,409,544
Fixed deposits	14,006	13,191,822	8,556	4,602,374
Saving deposits	183,563	2,101,929	120,097	1,543,340
	8,573,293	27,829,780	4,958,736	15,555,258

14.1 Particulars of deposits by ownership

	2016		2015	
	Number	(Rupees in '000)	Number	(Rupees in '000)
Individual depositors	8,572,502	20,815,055	4,958,110	11,881,141
Institutional depositors				
- Corporations / firms etc.	685	4,393,006	605	3,610,325
- Banks / financial institutions	106	2,621,719	21	63,792
	8,573,293	27,829,780	4,958,736	15,555,258

15. BORROWINGS

	2016	2015
	(Rupees in '000)	
Banks / financial institutions in Pakistan	-	85,474

16. OTHER LIABILITIES

		2016	2015
	Note	----- (Rupees in '000) -----	
Mark-up / return / interest payable		318,966	105,190
Accrued expenses		408,182	283,995
Provision for staff bonus		127,000	125,000
Withholding tax payable		12,298	29,591
Liabilities against assets subject to finance lease		-	298
Payable to defined contribution plan		14,191	6,319
Payable to defined benefit plan	33.4	-	15,492
Payable to Workers' Welfare Fund	16.1	87,652	59,708
Bills payable		816,392	108,779
ATM settlement account		692,796	14,504
Payable against branchless banking transactions	16.2	1,345,052	916,546
Others		65,428	62,686
		3,887,957	1,728,108

16.1 Through Finance Act 2008, the Federal Government introduced amendments to the Workers' Welfare Fund (WWF) Ordinance, 1971 whereby the definition of industrial establishment was extended. The amendments were challenged at various levels and conflicting judgments were rendered by the Lahore High Court, Sindh High Court and Peshawar High Court. Appeals against these orders were filed in the Supreme Court. Further, as a consequence of passage of 18th Amendment to the Constitution, levy for Workers Welfare was also introduced by the Government of Sindh (Sindh WWF) which was effective from 01 January 2014.

During the current year, the Supreme Court of Pakistan vide its order dated 10 November 2016 has held that the amendments made in the law introduced by the Federal Government for the levy of Workers' Welfare Fund were not lawful as this is not in the nature of tax and therefore could not have been introduced through the money bill. The Federal Board of Revenue has filed review petitions against the above judgment with the prayer that it may kindly be reviewed in the name of justice. These petitions are currently pending with the Supreme Court of Pakistan.

A legal advice has been obtained by the Pakistan Banks Association which highlights that consequent to filing of these review petitions, a risk has arisen and the judgment is not conclusive or final till the review petitions are decided. Accordingly, the Bank has continued to maintain full provision in respect of WWF from the date of its levy till 31 December 2016. No allocation between the Federal Government levy and Sindh WWF has been made for periods pertaining to 01 January 2014 to 31 December 2016.

16.2 This includes Rs. 247.186 million (2015: Rs. 219 million) outstanding since more than one year in respect of over the counter transactions.

17. SHARE CAPITAL

17.1 Authorised share capital

2016	2015		2016	2015
(Number of shares in '000)		Note	----- (Rupees in '000) -----	
270,000	270,000	Ordinary shares of Rs.10/- each	2,700,000	2,700,000

17.2 Issued, subscribed and paid-up share capital

2016	2015		2016	2015
(Number of shares in '000)				
134,694	134,694	Ordinary shares of Rs.10/- each fully paid in cash	1,346,939	1,346,939

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

Available-for-sale investments				
Federal Government Securities			(2,182)	(1,212)
Related deferred tax effect	13		655	376
			(1,527)	(836)

19. DEFERRED GRANTS

Grant received from				
State Bank of Pakistan	19.1		7,060	13,573
Consultative Group to Assist the Poor	19.2		3,355	3,410
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	2,451
Winrock International			-	1,793
Gates Foundation	19.7		15,829	40,499
GSMA Mobile for Development Foundation Inc. (GSMA Foundation)	19.8		2,205	2,205
			31,332	64,363
Reversal of grant income / (grant income recognised) during the year				
State Bank of Pakistan			(5,634)	(6,513)
Consultative Group to Assist the Poor			(8)	(55)
Winrock International			-	(1,793)
Gates Foundation			(15,829)	(24,670)
	24		(21,471)	(33,031)
			9,861	31,332

- 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 programme 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 Bill and Melinda Gates Foundation to provide financial support to establish branchless banking operations.
- 19.8** Represents GBP grant received from GSMA Foundation for implementing Solar financing project.

20. MEMORANDUM / OFF BALANCE SHEET ITEMS

Bills for collection
 Acceptances, endorsements and other obligations
 Contingent liabilities

	2016	2015
	----- (Rupees in '000) -----	
	-	-
	-	-
	-	-
	-	-

21. MARK-UP / RETURN / INTEREST EARNED

On:

Advances
 Available-for-sale investments in government securities
 Deposits with financial institutions / banks
 Call money lendings
 Repurchase agreement lendings

	3,970,237	3,050,200
	312,003	318,801
	107,424	65,102
	43,589	32,956
	53,351	36,283
	4,486,604	3,503,342

22. MARK-UP / RETURN / INTEREST EXPENSED	Note	2016	2015
		----- (Rupees in '000) -----	
On:			
Deposits		1,108,768	644,096
Borrowings		4,727	18,826
		<u>1,113,495</u>	<u>662,922</u>

23. FEE, COMMISSION AND BROKERAGE INCOME

Loan processing fee		395,822	348,872
Income from branchless banking	23.1	1,092,721	1,045,976
Others		41,847	80,913
		<u>1,530,390</u>	<u>1,475,761</u>

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% (2015: 14% and 86%), respectively.

24. OTHER INCOME

	Note	2016	2015
		----- (Rupees in '000) -----	
Grant income		21,471	33,031
Cheque book fees, ATM fees and other service charges		64,869	60,742
Recoveries against advances written off		33,236	21,685
Gain on sale of operating fixed assets		3,254	2,839
		<u>122,830</u>	<u>118,297</u>

25. ADMINISTRATIVE EXPENSES

Salaries and other allowances		1,670,412	1,370,711
Contribution to defined contribution plan		65,522	40,779
Charge for defined benefit plan	33.3.3	40,324	37,656
Staff welfare		44,227	37,111
Training and capacity building		7,822	11,785
Rent and taxes		169,437	138,171
Legal and professional charges		18,934	16,666
Utilities		52,377	43,955
Communication		70,462	81,823
Finance charges on leased assets		676	1,050
Travelling and conveyance		82,871	56,940
Insurance		134,397	122,885
Printing and stationery		66,616	78,133
Repairs and maintenance		146,463	103,164
Auditors' remuneration	25.1	3,794	2,412
Depreciation	11.1	181,436	148,238
Amortisation	11.2	26,389	19,715

	2016	2015
Note	----- (Rupees in '000) -----	
Advertisement	19,539	38,161
Security services	89,030	70,613
Customer verification charges	152,982	343,449
Professional consultancy charges	30,481	18,570
Bank charges	130,784	99,609
Deposit mobilization commission	122,579	155,018
Other expenses	157,653	8,955
	3,485,207	3,045,569

25.1 Auditors' remuneration

Audit fee	1,380	1,200
Half yearly review fee	552	480
Special certifications	1,050	246
Out-of-pocket expenses	577	385
	3,559	2,311
Sales tax	235	101
	3,794	2,412

25.2 This includes Rs. 149.3 million paid as a result of review of software licenses of the Bank by third party vendors.

26. OTHER PROVISIONS / WRITE OFFS

This represents provision recorded during the year against receivable with respect to cash management services provided by the Bank.

27. OTHER CHARGES

	2016	2015
Note	----- (Rupees in '000) -----	
Workers' Welfare Fund	27,944	26,169
Penalty imposed by SBP	2,942	670
	30,886	26,839

28. TAXATION

Current		
- for the year		414,004
- for prior years	28.3	29,952
Deferred	13.2	(13,402)
		430,554
		473,931

28.1 Relationship between tax expense and accounting profit

	2016	2015
	----- (Rupees in '000) -----	
Profit before taxation	1,369,285	1,282,294
Tax at the rate of 31% (2015: 32%)	424,478	410,334
Tax effects of:		
Change in rate	284	192
Prior year tax	28,897	29,952
Permanent differences		
- Penalty	912	214
- Exempt income	(6,656)	(10,570)
- Other provision	8,663	-
Non deductible expenses	16,944	-
Others	409	432
	473,931	430,554

28.2 The Bank has filed returns upto tax year 2016 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.

28.3 This represents super tax imposed as per Finance Act 2016 at the rate of 3% of income for tax year 2016 for rehabilitation of displaced persons.

29. BASIC AND DILUTED EARNINGS PER SHARE -

	2016	2015
	----- (Rupees in '000) -----	
Profit after taxation for the year (Rupees in '000)	895,354	851,740
Weighted average ordinary shares (Numbers in '000)	134,694	134,694
Earnings per share - Basic and Diluted (Rupees)	6.65	6.32

30. CASH AND CASH EQUIVALENTS

Cash and balances with SBP and NBP	6	3,116,926	1,588,338
Balances with other banks	7	2,558,937	1,118,190
		5,675,863	2,706,528

31. NUMBER OF EMPLOYEES

	2016			2015		
	Credit / sales staff	Banking / support staff	Total	Credit / sales staff	Banking / support staff	Total
	----- (Numbers) -----			----- (Numbers) -----		
Permanent	1,369	2,104	3,473	250	1,028	1,278
Temporary / on contractual basis	-	-	-	650	592	1,242
	1,369	2,104	3,473	900	1,620	2,520

32. NUMBER OF BRANCHES

	2016	2015
	----- (Numbers) -----	
As at 01 January 2016	66	57
Opened during the year	8	9
As at 31 December 2016	<u>74</u>	<u>66</u>

33. DEFINED BENEFIT PLAN

33.1 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.

33.2 Principal actuarial assumptions

The latest actuarial valuation of the gratuity scheme was carried out as at 31 December, 2016. Following are the significant assumptions used in the valuation:

	2016	2015
	----- (% Per annum) -----	
- Discount rate	7.25	9.00
- Salary increase rate	7.25	9.00
- Expected rate of return on plan assets	7.25	9.00

	2016	2015
- Mortality rates assumed	SLIC 2001-05	SLIC 2001-05

33.3 Amount recognised in the Balance sheet

	2016	2015
	----- (Rupees in '000) -----	
Present value of defined benefit obligations	220,865	226,496
Fair value of plan assets	(237,570)	(211,004)
	<u>(16,705)</u>	<u>15,492</u>

33.3.1 Movement in present value of defined benefit obligations

Balance as at 01 January	226,496	170,646
Current service cost	40,686	38,934
Interest cost	18,318	18,456
Benefits paid by the plan	(45,935)	(20,311)
Remeasurement (gain) / loss on obligations	(18,700)	18,771
Balance as at 31 December	<u>220,865</u>	<u>226,496</u>

33.3.2 Movement in fair value of plan assets

	2016	2015
	----- (Rupees in '000) -----	
Balance as at 01 January	211,004	149,154
Contributions to the fund	39,043	65,200
Benefits paid by the plan	(45,935)	(20,311)
Expected return on plan assets	18,680	19,734
Remeasurement gain / (loss) on plan assets	14,778	(2,773)
Balance as at 31 December	237,570	211,004

33.3.3 Amount recognised in the Profit and loss account

Current service cost	40,686	38,934
Interest cost	18,318	18,456
Expected return on plan assets	(18,680)	(19,734)
	40,324	37,656

33.3.4 Remeasurements recognized in other comprehensive income (OCI)

Remeasurement (gain) / loss on obligation	(18,700)	18,771
Remeasurement of fair value of plan assets	(14,778)	2,773
Remeasurement (gain) / loss for the year - net	(33,478)	21,544

33.3.4.1 Remeasurement loss / (gain) on obligation

Loss / (gain) due to change in financial assumptions	-	5,330
Loss / (gain) due to change in experience adjustments	(18,700)	13,441
	(18,700)	18,771

33.3.4.2 Remeasurement gain / (loss) on plan assets

Actual net return on plan assets	33,458	16,961
Less: Interest income on plan assets	(18,680)	(19,734)
	14,778	(2,773)

33.4 Movement in defined benefit plan

Balance as at 01 January	15,492	21,492
Expense charged in the current year	40,324	37,656
Remeasurements recognized in OCI during the year	(33,478)	21,544
Contributions to gratuity fund	(39,043)	(65,200)
Balance as at 31 December	(16,705)	15,492

2016	2015
------	------

----- (Rupees in '000) -----

33.5 Plan assets consist of

TDR	235,529	208,816
Bank balances	2,041	2,188
	237,570	211,004

33.6 Maturity profile of defined benefit obligation

Weighted average duration of the present value of defined benefit obligation	10.3	9.9
--	-------------	-----

Distribution of timing of benefit payments

Years

1	34,741	45,145
2	18,466	19,492
3	15,538	17,940
4	13,426	15,978
5	13,561	13,725
6 - 10	62,832	57,808
11 - 15	54,930	61,426
16 - 20	90,192	91,721
20+	294,554	514,502

33.7 Sensitivity analysis on significant actuarial assumptions: Defined benefit liability

Base	220,862	226,496
Discount rate +1%	200,181	206,197
Discount rate -1%	245,766	251,057
Future salary increases +1%	245,514	250,811
Future salary increases -1%	200,003	206,026

33.8 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 2017 would be Rs. 64.182 million.

34. DEFINED CONTRIBUTION PLAN

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

34.2 Disclosures relating to Provident Fund

	2016 (un-audited)	2015 (Audited)
	----- (Rupees in '000) -----	
Size of the fund	286,427	195,167
Cost of investments made	255,606	174,326
Percentage of investments made	89%	89%
Fair value of investments	277,156	191,220
Break-up of investments		
TDRs	272,550	183,991
Bank balances	4,606	7,229
	277,156	191,220

The figures for 2016 and 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.

35. REMUNERATION OF DIRECTORS AND EXECUTIVES

	2016			2015		
	President / Chief Executive	Directors	Executives	President / Chief Executive	Directors	Executives
	----- (Rupees in '000) -----			----- (Rupees in '000) -----		
Fees	-	1,150	-	-	1,000	-
Managerial remuneration	32,448	-	208,614	24,339	-	183,786
Charge for defined benefit plan	2,369	-	17,211	1,815	-	15,316
Contribution to defined contribution plan	3,143	-	20,924	2,166	-	17,256
Rent and house maintenance	11,407	-	60,261	16,197	-	55,136
Utilities	2,717	-	20,042	6,925	-	18,378
Medical	1,303	-	33,427	3,539	-	29,865
Conveyance	-	-	6,649	3,663	-	9,946
Others	615	-	2,353	-	-	5,131
Membership fee	88	-	1,725	248	-	1,725
	54,090	1,150	371,206	58,892	1,000	336,539
Number of persons	2*	8	159	1	8	142

* Include remuneration of Ex-Chief Executive of the Bank.

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

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

36. RELATED PARTY TRANSACTIONS

Related parties of the Bank comprise of the Holding Company, associates (including entities having directors in common with the Bank), retirement benefit funds, major share holders, directors and key management personnel and their close family members. 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:

	2016				2015			
	Holding company	Directors and key management personnel	Others	Total	Holding company	Directors and key management personnel	Others	Total
	(Rupees in '000)				(Rupees in '000)			
Advances								
At 01 January	-	47,787	-	47,787	-	33,526	-	33,526
Given during the year	-	7,847	-	7,847	-	33,300	-	33,300
Repaid during the year	-	(50,023)	-	(50,023)	-	(19,039)	-	(19,039)
At 31 December	-	5,611	-	5,611	-	47,787	-	47,787
Deposits								
At 01 January	282,853	10,614	407,440	700,907	75,979	5,787	318,856	400,622
Received during the year	58,144,895	134,762	735,112	59,014,769	59,094,533	285,583	588,271	59,968,387
Withdrawn during the year	(58,369,771)	(127,931)	(673,002)	(59,170,704)	(58,887,659)	(280,756)	(499,687)	(59,668,102)
At 31 December	57,977	17,445	469,550	544,972	282,853	10,614	407,440	700,907
Mark-up expense	-	476	56,201	56,677	-	30	48,577	48,607
Communication expenses	811	-	-	811	2,789	-	-	2,789
Sale of vehicles	-	3,665	-	3,665	-	14,815	-	14,815
Payable against branchless banking transactions	340,558	-	-	340,558	195,692	-	-	195,692
Mark-up payable	-	23	40,272	40,295	-	-	33,120	33,120
Miscellaneous payable	105,995	-	42,214	148,209	83,224	-	-	83,224
Deposit mobilization fee	122,579	-	-	122,579	155,018	-	-	155,018
Other receivable	58,287	-	-	58,287	51,591	-	11	51,602
Payable to defined contribution plan	-	-	14,191	14,191	-	-	6,319	6,319
Receivable from defined benefit plan	-	-	16,705	16,705	-	-	15,492	15,492

37. SCHEDULE OF MATURITY DISTRIBUTION OF MARKET RATE ASSETS AND LIABILITIES

	2016				
	Total	Upto one Month	Over one month upto six months	Over six months upto one year	Over one year
	(Rupees in '000)				
Market rate assets					
Advances	15,835,248	645,928	4,059,779	7,130,583	3,998,958
Investments	11,568,227	6,114,527	5,453,700	-	-
Lending to financial institutions	323,215	323,215	-	-	-
Balances with other banks - deposit accounts	2,551,023	2,551,023	-	-	-
	30,277,713	9,634,693	9,513,479	7,130,583	3,998,958
Other non-earning assets					
Cash and balances with SBP and NBP	3,116,926	3,116,926	-	-	-
Balances with other banks - current accounts	7,914	7,914	-	-	-
Operating fixed assets	1,041,611	-	-	-	1,041,611
Other assets	1,844,687	137,023	1,082,180	413,234	212,250
Deferred tax asset - net	14,795	-	14,795	-	-
	6,025,933	3,261,863	1,096,975	413,234	1,253,861
Total assets	36,303,646	12,896,556	10,610,454	7,543,817	5,252,819
Market rate liabilities					
Large time deposits above Rs. 100,000	12,905,635	911,632	4,845,257	3,351,559	3,797,187
All other time deposits (including fixed rate deposits)	286,187	21,995	87,270	106,580	70,342
Other cost bearing deposits	2,101,929	2,101,929	-	-	-
	15,293,751	3,035,556	4,932,527	3,458,139	3,867,529
Other non-cost bearing liabilities					
Current deposits	12,536,029	12,536,029	-	-	-
Other liabilities	3,887,957	2,075,240	1,732,959	61,063	18,695
	16,423,986	14,611,269	1,732,959	61,063	18,695
Total liabilities	31,717,737	17,646,825	6,665,486	3,519,202	3,886,224

	2015				
	Total	Upto one Month	Over one month upto six months	Over six months upto one year	Over one year
----- (Rupees in '000) -----					
Market rate assets					
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	-	-
	<u>17,359,783</u>	<u>3,727,590</u>	<u>6,002,370</u>	<u>5,324,824</u>	<u>2,304,999</u>
Other non-earning assets					
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	-
	<u>3,698,340</u>	<u>760,239</u>	<u>813,305</u>	<u>337,835</u>	<u>1,786,961</u>
Total assets	<u>21,058,123</u>	<u>4,487,829</u>	<u>6,815,675</u>	<u>5,662,659</u>	<u>4,091,960</u>
Market liabilities					
Large time deposits above Rs. 100,000	4,560,064	618,346	2,086,067	1,769,492	86,159
All other time deposits (including fixed rate deposits)	42,310	5,402	22,113	13,238	1,557
Other cost bearing deposits	1,543,340	1,543,340	-	-	-
Borrowings	85,474	-	51,960	33,514	-
	<u>6,231,188</u>	<u>2,167,088</u>	<u>2,160,140</u>	<u>1,816,244</u>	<u>87,716</u>
Other non-cost bearing liabilities					
Current deposits	9,409,544	9,409,544	-	-	-
Other liabilities	1,728,108	1,183,192	466,766	77,779	371
	<u>11,137,652</u>	<u>10,592,736</u>	<u>466,766</u>	<u>77,779</u>	<u>371</u>
Total liabilities	<u>17,368,840</u>	<u>12,759,824</u>	<u>2,626,906</u>	<u>1,894,023</u>	<u>88,087</u>

38. FINANCIAL RISK MANAGEMENT

38.1 Interest / mark-up rate risk

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. The Bank's interest rate exposure is low due to the short-term nature of the majority of business transactions. Interest rate risk is also controlled through flexible credit pricing mechanism and variable deposit rates. Optimization of yield is achieved through the Bank's investment strategy which aims on attaining a balance between yield and liquidity under the strategic guidance of The Assets and Liability Committee (ALCO).

2016						
Exposed to yield / interest risk						
Effective yield / interest rate	Total	Upto one month	One month to six month	Over six month to one year	Over one year to five years	
%	(Rupees in '000)					
Assets						
Balances with other banks / MFBs	4.00% to 7.00%	2,551,023	2,551,023	-	-	-
Lending to financial institutions	5.75%	323,215	323,215	-	-	-
Investment	5.75% to 5.99%	11,568,227	6,114,527	5,453,700	-	-
Advances	16% to 31%	15,835,248	645,928	4,059,779	7,130,583	3,998,958
		30,277,713	9,634,693	9,513,479	7,130,583	3,998,958
Liabilities						
Deposits	5.50% to 14%	15,293,751	3,035,556	4,932,527	3,458,139	3,867,529
On balance sheet gap		14,983,962	6,599,137	4,580,952	3,672,444	131,429

2015						
Exposed to yield / interest risk						
Effective yield / interest rate	Total	Upto one month	One month to six month	Over six month to one year	Over one year to five years	
%	(Rupees in '000)					
Assets						
Balances with other banks / MFBs	4.00% to 5.30%	1,103,264	903,264	200,000	-	-
Lending to financial institutions	6.10%	346,702	346,702	-	-	-
Investment	6.25% to 6.95%	3,784,189	1,933,110	1,851,079	-	-
Advances	14% to 35%	12,125,628	544,514	3,951,291	5,324,824	2,304,999
		17,359,783	3,727,590	6,002,370	5,324,824	2,304,999
Liabilities						
Deposits	5.50% to 16.00%	6,145,714	2,167,088	2,108,180	1,782,730	87,716
Borrowings	Kibor + 2%	85,474	-	51,960	33,514	-
		6,231,188	2,167,088	2,160,140	1,816,244	87,716
On balance sheet gap		11,128,595	1,560,502	3,842,230	3,508,580	2,217,283

38.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Bank's credit risk is primarily attributable to its advances and balances at banks. The credit risk on liquid funds is limited because the counter parties are Banks with reasonably high credit ratings. The Bank has an effective loan disbursement and recovery monitoring system which allows it to evaluate borrowers' credit worthiness and identify potential problem loans. A provision for loan losses is maintained as required by the Prudential Regulations. Investments are mainly in the government securities or other securities having good credit rating. Maximum amount of financial assets which are subject to credit risk amount to Rs. 23,526 million (2015: Rs. 16,520 million).

38.3 Liquidity risk

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

38.4 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 an arm's length transaction. Consequently, differences may arise between the carrying value and the fair value estimates. The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used 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

	2016								
	Carrying amount				Fair value				
	Available for sale	Cash and cash equivalents	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Note	(Rupees in '000)								
Financial assets measured at fair value									
- Investments - market treasury bills	11,570,409	-	-	-	11,570,409	-	11,568,227	-	11,568,227
Financial assets not measured at fair value 38.4.1									
- Cash and bank balances with SBP and NBP	-	3,116,926	-	-	3,116,926	-	-	-	-
- Balances with other banks	-	2,558,937	-	-	2,558,937	-	-	-	-
- Lending to financial institutions	-	-	323,215	-	323,215	-	-	-	-
- Advances	-	-	15,835,248	-	15,835,248	-	-	-	-
- Other assets	-	-	1,698,620	-	1,698,620	-	-	-	-
	11,570,409	5,675,863	17,857,083	-	35,103,355	-	11,568,227	-	11,568,227
Financial liabilities not measured at fair value 38.4.1									
- Deposits and other accounts	-	-	-	(27,829,780)	(27,829,780)	-	-	-	-
- Other liabilities	-	-	-	(3,887,957)	(3,887,957)	-	-	-	-
	-	-	-	(31,717,737)	(31,717,737)	-	-	-	-
	11,570,409	5,675,863	17,857,083	(31,717,737)	3,385,618	-	11,568,227	-	11,568,227

2015								
Carrying amount					Fair value			
Available for sale	Cash and cash equivalents	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total

Note

(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
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Financial assets not measured at fair value 38.4.1

- 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 institutions	-	-	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 38.4.1

- Deposits and other accounts	-	-	-	(15,555,258)	(15,555,258)	-	-	-	-
- Borrowings	-	-	-	(85,474)	(85,474)	-	-	-	-
- Other liabilities	-	-	-	(1,728,108)	(1,728,108)	-	-	-	-
	-	-	-	(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

38.4.1 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.

39. CAPITAL RISK MANAGEMENT

39.1 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.

39.2 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.

39.3 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 2016. As of 31 December 2016, the share capital of the Bank stood at Rs. 1,346.939 million (2015: 1,346.939 million) and paid up capital of the Bank free of losses is Rs. 4,632 million (2015: 3,671 million).

The capital of the Bank is managed keeping in view the minimum capital adequacy ratio (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.

The Bank manages its capital structure and makes adjustments to it in light of the 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 2016, the Bank's CAR was appropriately 31% (2015: 37%) of its weighted exposure, as against the minimum requirement of 15% prescribed by SBP.

40. GENERAL

40.1 Comparative information has been reclassified, rearranged or additionally incorporated in these financial statements for the purposes of better presentation.

Prior year numbers have been reclassified as follows:

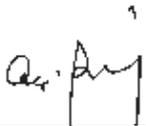
- Bills payable and ATM settlement account of Rs. 108.779 million and Rs. 14.504 million has been reclassified from Deposits to Other liabilities.

40.2 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.

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

41. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Bank on 15 Feb 2016.



President &
Chief Executive Officer



Chairman



Director



Director

Shareholding Structure as at 31st December, 2016

S. No.	Name of the shareholder	Address	Nationality	% Holding	No. of shares
1.	Telenor Pakistan (Pvt.) Ltd.	38, Paris Plaza, Markaz F-11, Islamabad, Pakistan	Pakistani	51.00 %	68,693,878
2.	Telenor Pakistan B.V	Prins Bernhardplein 200,1097 JB, Amsterdam, the Netherlands	Netherlands	49.00%	65,999,990
3	Mr. Salim Raza	64/1, 15th Street, Khyaban-e-Mujahid, D.H.A, Phase 5, Karachi, Pakistan.	Pakistani	0.00%	10

Sana Tariq
Company Secretary

Credits

Design & Concept

Tameer Microfinance Bank (TMFB) Limited
Concoction studios (Mr M. Rehan Ansari and Awais Toor)

Photography

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

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