

***This is the story of
Creating Opportunity***

Annual Report 2012

Tameer Bank
Micro Finance



تعمير بينك
مائڪرو فنانس



We must work our destiny in our own way and present to the world an economic system based on true Islamic concept of equality of manhood and social justice.

We will thereby be fulfilling our mission as Muslims and giving to humanity the message of peace which alone can save it and secure the welfare, happiness and prosperity of mankind.

Quaid-e-Azam Muhammad Ali Jinnah

The Father of the Nation made his last public speech on 1st July, 1948 at the Inauguration of the State Bank of Pakistan. He passed away merely two months after giving this advice to the banking community.

Annual Report 2012

Tameer Micro Finance Bank Limited

this is the story of facing challenges & delivering solutions

Setting up remote branches in rural communities and far flung areas is difficult and costly. “Bank on Wheels” is a fully mobile, adaptable, and versatile solution which reaches even the remotest of locations to provide banking services. The impact created towards financial inclusion by our Bank on Wheels is simply immeasurable.

Tameer Micro Finance Bank needed an innovative solution to increase its outreach to rural communities so it developed the concept of using mobile service vehicles as quasi branches. It has done much more than just help us disburse and collect money. It is helping us achieve our vision of creating socio-economic development for all.

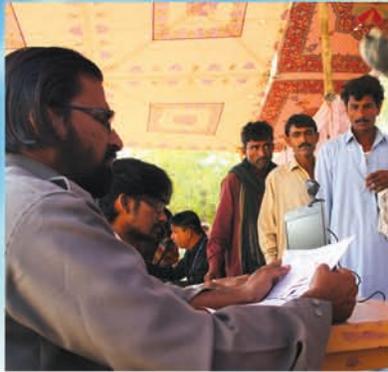
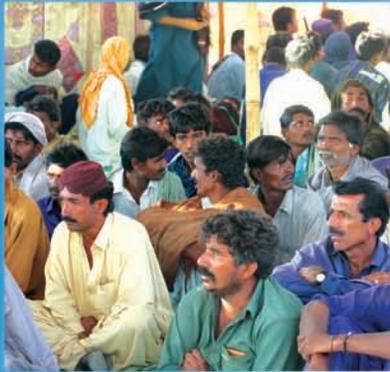
Bank on Wheels is transforming micro finance banking by visiting remote communities and assisting in the development of a financial ecosystem to include those at the base of the pyramid.

Bank on Wheels helps empower the unbanked!



Bank on

Financial Services at Community's Door Steps



Rs. 1bn+
disbursed since
inception



wheels

this is the story of creating impact through innovation

Since its launch, three years ago, “Easypaisa” has started to change how the financially-excluded conduct day-to-day transactions. Currently, Easypaisa processes more than **6 million** transactions exceeding **Rs 8 billion** a month. It has over **4 million** unique customers who conduct transactions every month with a network of more than **24,000 +** touch points operating round the clock.

Easypaisa currently offers services like mobile accounts, money transfer, bills payments, international home transfer (remittances), donations, corporate and internet payment solutions, deposits and savings products and ticket purchase.

Person-to-Person
Fund transfers sent

Account-to-Person
Fund transfers

Person-to-Account
Fund transfers sent

International
Remittances

Utility
Bill Payments

Branchles

*“my life is easier as i can send money
any time any where.”*

(Abdullah Aurakzai - Quetta)

Rupees
75 Billion +

Rupees
4.5 Billion +

Rupees
42 Million +

Rupees
2.8 Billion +

Rupees
28 Billion +

* Since inception


easypaisa

بدلے زندگی آسانی سے

S Banking



“with the help of Tameer Bank, my dream of owning beauty salon has come true.”

Group

A woman with dark hair, wearing a purple patterned headscarf, is painting a wall in a room. She is holding a paintbrush and looking towards the camera. The room has a blue wall and a window with a white frame. The lighting is soft and natural.

this is the story of ***ordinary people with*** ***extraordinary dreams***

Few people realize the power of dreams and even fewer work hard to achieve them to change their lives. Samia is one such individual who worked hard to try to realize her dreams, however, she needed access to finance to make them come true.

Tameer Bank facilitated the realization of her dreams by giving her a group loan. With the loan, Samia painted, decorated and renovated a small room in her house to set up a salon. Samia was surprised at how quickly and effortlessly she got the loan that changed her life.

Her future plans are to expand her parlor into a bigger space. Currently she and her sister run the salon and support their family. They also provide vocational training to girls and young women in their locality.

Tameer remains committed in its mission to enable micro entrepreneurship opportunities by providing access to financial services to help individuals like Samia achieve their goals and realize their dreams.

lending

“access to finance has enabled me to build my business and expand my workforce.”

(Aziz Ahmed Siddiqui - Sukkur)

Trade



*this is the story of
micro entrepreneurs,
who gained access to
financial services*

Aziz is a micro-entrepreneur who does not fall into the category of “working poor”; he was simply unbanked and had no access to formal financial services.

He owns a small suitcase-manufacturing workshop and before he started receiving loans, Aziz had one full-time employee and one apprentice. He now has three full-time employees and two apprentices. His most recent loan was used to pay for the raw materials to fulfill a large order. He was able to take out the loan from Tameer bank and complete the work on time; he now has new orders and will be able to further expand his business.

Aziz has been receiving loans from Tameer Micro Finance Bank for about two years now and is a satisfied “Karobar Loan” customer.

There are several stories like Aziz’s where Tameer entrepreneur loans have enabled people to expand their businesses, hire more people and, have a direct impact on the overall economic condition of their respective communities.

ending



***this is the story of
providing supplementary
incomes on hard earned
savings***

People constantly strive to make their lives better, both socially and financially. This is becoming increasingly harder for the underprivileged as living costs continues to go up putting pressure on their income and savings.

The thoughts of providing for their families, paying for children's education and weddings, taking care of medical expenses and saving for their own retirement could be a daunting one for bread earners.

Tameer understands their pain and offers a range of deposit products to people to save for their current and future spending needs because people shouldn't have to choose between providing in the present or saving for the future.

Tameer Bank's deposit offerings focus on micro savers and investors where a minimum saving of Rs 5,000/- can earn up to 14% yearly return. We offer our customers innovation, accessibility, quality and convenience.

Our full range of deposit products gives our clients an unmatched combination of high returns and liquidity. In addition, our nationwide network of ATMs offers them 24-hour convenience ensuring that their money works for them as they would like it.

Supplementa



ary Incomes

this is the story of strengthening food supplies through agriculture & livestock financing

Assisting farmers fulfill their needs by giving them access to loans to increase their resources

Pakistan is a country with heavy reliance on agriculture. About 25% of its total land area is under cultivation. Pakistan has the third largest herd in the world with over 55 million heads of cattle. It's agriculture sector employs almost half of the country's workforce.

The agriculture sector is not new to credit and farmers have been borrowing money from loan sharks, middlemen, friends and relatives to buy inputs and goods every crop cycle.

Tameer Micro Finance Bank is playing a pivotal role in bridging the gap between the

needs of small farmers and the limited resources available to them by providing agricultural credit facilities ranging from individual loans to group loans.

According to industry statistics, Pakistan is the 4th largest milk producing country in the world. There is a big need of credit in livestock sector for smallholder farmers who primarily rely on informal sources.

Tameer Bank is facilitating Livestock financing to farmers who intend to increase their income through expanding their production capacity.

Agri & Dairy

Livestock is an important sub-sector of agriculture and accounts nearly 40% of agricultural value-addition and almost 10% of Pakistan's GDP.



this is the story of creating a culture of sustainability & renewable energy

Energy Poverty poses a serious threat to economic and social development. It refers to the situation of large numbers of people in developing countries whose well-being is negatively affected by very lack of access to energy, use of dirty or polluting fuels, and time spent collecting them to meet their basic needs.

With a large population of over 170 million people and a developing economy, Pakistan's energy needs continue to grow. The country, historically a net energy importer, is facing serious energy shortages as its economy and population grow while global fossil fuel prices continue to climb. Tameer provides microcredit financing for alternate energy solutions like solar home systems and biogas plants. Domestic biogas plants have been launched in Faisalabad (Punjab) and Solar Home Systems (SHS) have been launched in Mirpurkhas (Sindh) and Bahawalpur (Punjab).

Solar

“electricity power from solar energy has helped my income and savings to grow.”

(Gulzar Ahmed Chachro - Mirpurkhas, Sindh)



energy



“thank you tameer bank for providing health insurance facility.”

(Safia - Abbottabad, Khyber Pakhtoon Khwah)

Micro Health



*this is the story of
minimizing poverty
& promoting stability
through health
insurance*

Tameer provides financial health security to those at the bottom of the pyramid. Tameer's health insurance cushions them from potentially debilitating healthcare expenses.

It is an in-patient service with coverage up to PKR 35,000/- against an annual premium of PKR 600. This optional insurance facility is offered to Tameer's loan, as well as deposit customers. The service is backed by a call center and an advisory service with a counseling doctor.

h Insurance

this is the story of focusing on opportunities for women

Tameer Bank has a policy of encouraging women in the work force within the organization and empowering women in communities to become Tameerians and financially contributing members of their respective households.

Tameer's growing female force, works side by side with men and reaches out to women in neighborhoods and households inaccessible to men. Female bankers are spread across Tameer's geographic reach. The bank also has an active Women's Wing, which focuses on those female customers who do not leave their homes or have lost the principal earning male members. Women field teams have gained a deeper understanding of community dynamics and bring back area specific learnings to help improve Tameer's service and outreach.

Tameer's products and services have gained a respectable foot hold in female dominated segments of small industries like sewing, home based cottage initiatives, home-stores, beauty parlors and agriculture. Women in the community, especially those limited to their homes are very eager to get involved in various business initiatives and welcome access to small loans to launch or enhance their small businesses. This has proven to be invaluable in helping women become empowered in communities across Pakistan.

Women Emp



empowerment



***this is the story of transforming
the banking industry***

24x7 B



focusing on the need

Tameer Micro Finance Bank limited was the first Bank to offer 24 hour, full service branch operations at Karachi Fish Harbor, to accommodate round-the-clock trading. Over years this facility has been expanded to various vegetables and fruit markets. This has, in return, revolutionized the way these trades conduct business.

Previously traders had to wait with cash in hand for financial transactions until banks opened for business, now they are not dependent on conventional hours to fulfill their business needs. This 24/7 banking initiative is an example of innovative banking in Pakistan, which is now being followed by all Pakistani banks, big and small.

anking

this is the story of creating employment & career development opportunities

*“Do what you do and do
it the best as you can,,*

Ghazala Farid

Manager Corporate Relations North
from Training Coordinator to Manager Corporate Relations



*“Tameer is a place to
inspire and be inspired,,*

Imtiaz Yousaf

Associate Manager Administration North
from Admin Officer to Associate Manager



*“I wanted a challenge, with ample
amount of opportunities to grow.
Working at Tameer has been all
that and more.,,*

Wasim Saqlain Gilani

Area Manager, Southern Punjab
from Relationship Manager to Area Manager



*“I’ve learned a lot about
the business, and myself,
through my experiences
at Tameer.,,*

Syeda Ammara Hassan

Operations Supervisor, Hyderabad
from Cash Officer to Operations Supervisor

Given that the bulk of Pakistan's teeming population falls under the age of 30, Tameer has opened windows of opportunity for many talented young men and women.

We take pride in the fact that the average age of a banker at Tameer is 27 years.

"I appreciate the fact that people here are rewarded for hard work.,,"

Amjad Imran

Executive Manager, Human Resource
from HR Officer to Executive Manager



"Great environment that challenges me to be the best I can be.,,"

Fareha Ashfaq

Operations Manager, Gujrat Branch
from CSO to Operations Manager

"Tameer is like my family.,,"

Shahbaz Umer

Branch Manager, North Karachi Branch
from Data Entry Operator to Branch Manager

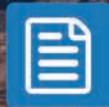


"If you have the desire to learn and will to excel, Tameer is the place for you.,,"

Noor Mastoi

Branch Manager, Larkana Branch
from Data Entry Operator to Branch Manager

this is the story of creating a financial ecosystem for the bottom of the pyramid



Loan Products

- Karobar Loan
- Group Loan
- White Goods Loan
- Auto Leasing (Motor Bike)



Equity Release Program

Tameer Sarmaya Qarza



24/7 Branch

- Utility Bill Payments
- Domestic Remittances
- International Remittances
- Corporate Solutions
- Donations
- Fori Ticket



Low Cost Housing



Solar Energy



Deposit Products

- Shajar
- Khas Bacchat
- Mhana Sukh Chain
- Aaj Munafa
- Term Deposits



Bank on Wheels



Financial Center



Health Insurance

Tameer Sehat o Sakoon



Dairy Financing



Community Center



Agri Loans



Bio Gas

*this is the story of first scheduled
and largest microfinance bank
in Pakistan*

A/A-1' (Single A/A-One)

With a 'Stable' Outlook, as of April 26, 2012.

JCR-VIS Credit Rating Company Limited





this is the story of tameer micro finance bank limited

Tameer Micro Finance Bank Limited (TMFB) is the first scheduled and largest Micro Finance Bank in Pakistan. The bank was incorporated in 2005 to provide microfinance and related financial services to the less privileged and unbanked segments of the society, with an aim to contribute towards poverty eradication under the Microfinance Institution Ordinance, 2001. The Bank currently has an outreach of 113 touch points along with more than 24,000 + Easypaisa outlets within Pakistan. TMFB's Range of financial services includes deposits, loans, mobile accounts, health insurance, alternate energy financing, remittances, cash management services, delivery through Bank on Wheels, agricultural and dairy financing. JCR-VIS Credit Rating Company Limited has reaffirmed the entity ratings of Tameer Micro Finance Bank Limited (Tameer) as 'A/A-1' (Single A/A-One) with a 'Stable' Outlook, as of April 26, 2012."



believe to achieve

Since its humble start in 2005 as a small organization with a big dream, Tameer Bank has come a long way in a short while, amassing many accolades and impressive recognition for its efforts. Here are some of Tameer's Achievements.

Recogni

Winner of 3 'Base of pyramid awards' from SBP 2010 & 2011

Tameer showcased by World Bank as a 'Model' at the 2010 Annual Meeting

CEO Selected as "Leader of the Year" at the 6th Global Microfinance Achievement Awards

Tameer's CEO Syed Nadeem Hussain was selected 'Leader of the Year' by an international panel of leading micro-financiers at the 6th Annual Global Microfinance Achievement Awards 2011 held in Geneva.

Winner Global Mobile Money Transfer award for 'Best New Entrant'
easypaisa won the award for 'Best Mobile Money Transfer Entrant of the Year' at the world's first Mobile Money Transfer (MMT) Awards held in Dubai in October 2010, beating out other esteemed companies such as Vodaphone and Grameenphone, making it the year's best service of its kind in the world.

Tameer shortlisted by Financial Times and International Finance Corporation 2011 – Sustainable Finance Awards

The Financial Times and IFC, a member of the World Bank Group, 2011 FT/IFC Sustainable Finance Awards, the major global awards for environmentally and socially responsible banking and investment, shortlisted Tameer as one of the Top 7 out of more than 200 banks in the category for 'Achievement in financing the Base of The Pyramid category'

Tameer CFO wins CFO of the year award

Kabeer Naqvi was recognized as the CFO of the year in microfinance industry in Pakistan by Human Resource Consulting Group in 2012

First Retail Micro Finance TFC Listed in Karachi Stock Exchange

In 2012, Tameer entered into the debt markets and arranged financing from commercial financial institutions in the form of as Commercial Paper Issuance (Corporate Bond). With the launch of KSE listed Term Finance Certificates (TFCs), Tameer became the first microfinance bank in Pakistan to enter into the arena of retail bonds.

initions

Products & Services

Setting new standards of excellence in value added microfinance and related services through innovative technology and a highly skilled and professional staff to meet our customers' financial needs.

Lending

Our Loan products are designed to meet the specific needs of our customers.

Entrepreneur Loan

Our Karobar - or Entrepreneur Loan helps our consumers either support their existing business or open up new ones.

- Unsecured Loan
- Tenure: 12 months (extends upto 18 months)

Housing Loan

Our Housing loan - secured by the deed of the house is a collateral-backed equal monthly installment (EMI) product meant for house extension or improvement.

- Secured, Collateral- backed Loan
- Loan Amount up to Rs. 500,000
- Tenure up to 5 years

Equity Release Programme

The Equity Release programme offers customers the facility to borrow funds against assets owned by them, such as Gold ornaments, government securities, Time Deposit Certificates of the Bank. The purpose ranges from inputs for

agriculture to working capital. The disbursement is guaranteed on the same day as the opening of an account.

- Secured bullet loan
- Quick turn around time of 2 hours
- Tenure 3-12 months

Group Lending

Group lending, also known as Solidarity Lending, is a product in which small groups borrow collectively and group members cross-guarantee each other. This product is divided into 2 categories:

Agri-group loans and general category loans.

- Equal Monthly Installments (EMI) based loan
- Tenure: upto 12 months
- Mandatory savings (10% of loan amount for General Group – 5% of loan amount for Women Group)

Salary Loan

Salary Loan was designed and launched keeping in mind that not every microfinance customer is self-employed. This loan differs from 'Karobar Loan' in that it is.

- EMI based loan
- Tenure: 12 months



White Goods Financing

Ownership of household items such as television, refrigerator, washing machine, microwave ovens and other household durables are no longer a luxury, but a necessity. With this in mind, Tameer 'Zindagi Aasaan' was launched for the financing of white goods with Haier.

- Tenure: 12 months
- EMI based loan
- Quick turn around time
- Free home delivery

Agriculture Loan

This is essentially a warehouse receipt financing facility, for farmers who are often unable to secure their borrowing requirements due to a lack of sufficient conventional collateral. This product uses their produce as security for the loan.

Deposits

Our deposit products offer unparalleled advantages to customers, giving them freedom and flexibility when it comes to smart saving.

Current Accounts

Tameer Super Checker is a non-interest bearing checking account aimed at Small to Medium shopkeepers/businesses and individuals.

- Accounts opened with a minimum amount of Rs. 50,000 get a free ATM Card
- Owners of accounts with a quarter end balance of more than Rs. 100,000 get a free account statement mailed to them

Savings Accounts

Super Saver is a savings account aimed at Individuals (salaried, housewives, retired personnel etc.), small to medium shopkeepers, and micro-entrepreneurs. The product offers monthly profit, where the primary target market is clients who require a regular income stream.

- 8.5% annualized return.
- Minimum account opening as low as Rs. 5,000. Monthly Income Term Deposits

One Year Term Deposits

It is a back-loaded term deposit product. Apart from carrying a highly attractive return, the product has also been bundled with value-added features including life and health insurance, ATM card, facility to avail Equity Release programme, and an easypaisa account.

- 14.00% per annum
- Minimum Investment Amount: Rs.5,000

Senior Citizen Term Deposits

This is a time deposit product offered specifically for senior citizens with a truly exceptional rate of return.

- 16% per annum
- Flexible investment terms ranging from 1-3 years
- Minimum investment amount: Rs. 10,000.

Business Current Account

Tajir Current Account is a non-interest bearing checking account aimed at horticulture traders operating in wholesale fruit/vegetable markets and in the supply chain. This product has been designed keeping in mind the needs of the target segments for frequent transactions and other banking services.



- Free cheque book
- Free ATM card
- Free pay orders
- Free bank statements
- Free IBFT

Health Insurance

This product provides financial security to those who cannot afford emergency health payments. This is especially designed for the low income sector with a focus on women.

Cash Management

Our Cash Management products are there to help customers and enterprises of all sizes offering services such as efficient cash management through Mobile Service Vehicles (MSV's) and Real Time Gross Settlement (RTGS) to help facilitate large payments.



Making banking easy & accessible for all

Since its launch in 2009, easypaisa, the first mobile based branchless banking service in Pakistan, has been meeting the needs of customers. Easypaisa offers liable over-the-counter transaction services and mobile banking as well as domestic and international money transfers.

Customers can also make donations, conduct bill payments and top up their airtime. Many companies have already signed up for services for salary disbursement and from 2012 more than 1 million people will be able to enjoy the convenience of getting their government pensions through easypaisa.

Easypaisa services are available at 24,000 + touch points in 600 cities. There are more than 10 million easypaisa users, but there is still further potential. A study by the Boston Consulting Group, estimates that 35% of the adult population in Pakistan could be mobile financial services users by 2020.

Easypaisa by the numbers - 2012

Product/Services	No. of Transactions	Volume Transacted
Person-to-Person Fund Transfers - Sent	18 Million +	75 Billion +
Account-to-Person Fund transfers	1.2 Million +	4.5 Billion +
Person-to-Account Fund Transfers - Sent	9 Thousands +	42 Million +
International Remittances	100,000 +	2.8 Billion +
Utility Bills Payments	23 Million +	28 Billion +



vision

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



mission

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



Core

Integrity

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

Respect

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

Equal Opportunity

Equal opportunity is our highest ideal. We are an Equal Opportunity Employer and do not hire on the basis of social status, creed, gender or ethnicity.

Values

Innovation

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

Meritocracy

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

Commitment

Pioneering commercially viable microfinance activity in Pakistan

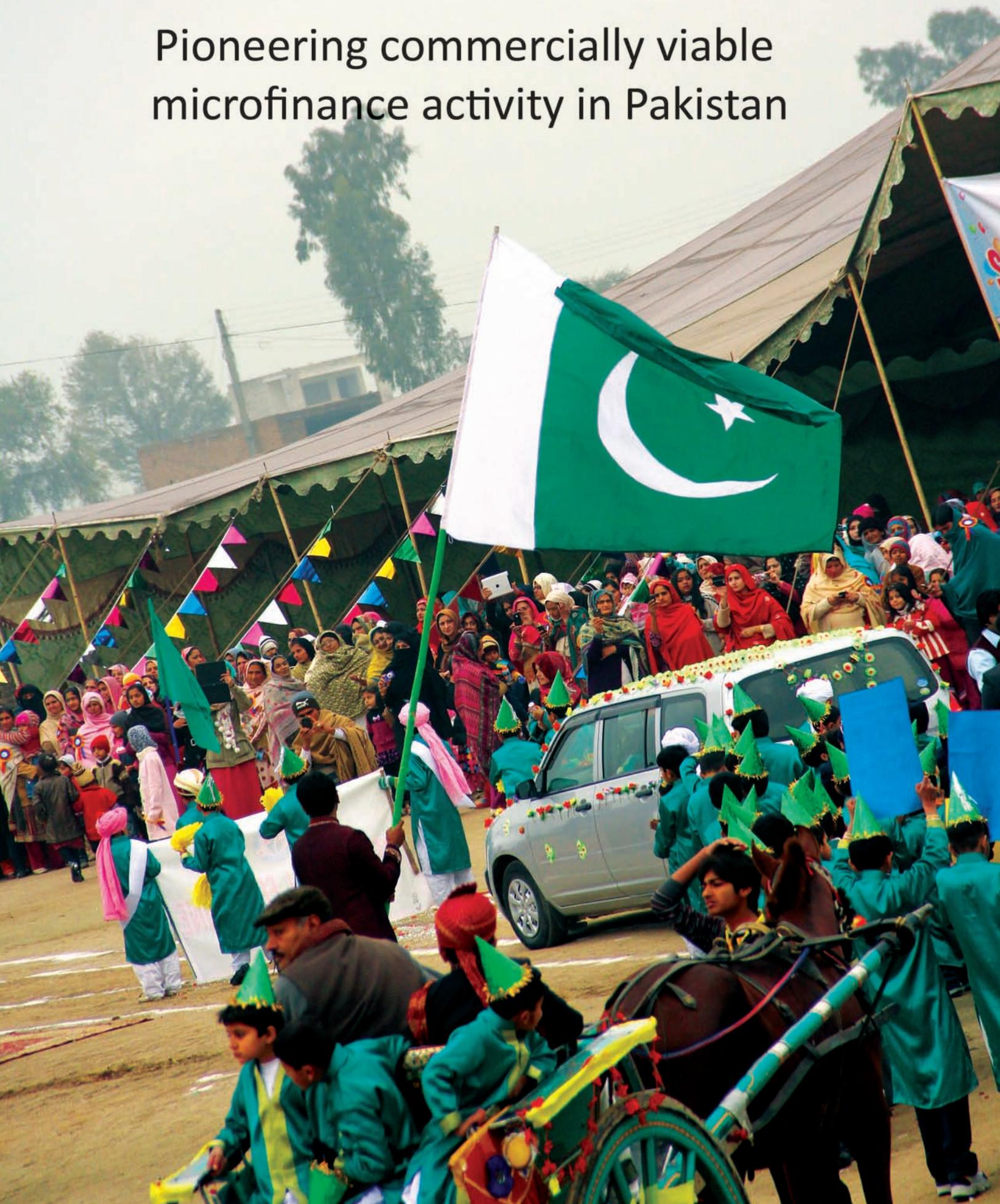


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Message from the Chairman

During 2012, Tameer became the largest microfinance bank in terms of both portfolio size and deposit base. The loan portfolio stood at Rs 6.7 billion at the end of the year, up 32% from 2011. The deposit base reached Rs 8.4 billion. In parallel Easypaisa continued to enhance its footprint, growing its number of agents to more than 24,000 +, adding another 5,000 agents to its distribution network last year.

Despite the unstable economic and political situation of the country, I am pleased to share that Tameer Micro Finance Bank in 2012 continued to deliver well in all aspects of the business. Easypaisa, the joint service offered by Tameer and Telenor Pakistan, also continued to expand on the back of innovation and leveraging mobility and a low cost distribution model.

During 2012, Tameer became the largest microfinance bank in terms of both portfolio size and deposit base.

The loan portfolio stood at Rs 6.7 billion at the end of the year, up 32% from 2011. The deposit base reached Rs 8.4 billion. In parallel Easypaisa continued to enhance its footprint, growing its number of agents to more than 24,000 +, adding another 5,000 agents to its distribution network last year. The growth in agents has helped to further solidify the bank's standing as the financial institution with the largest number of customer touch points and reaffirming its commitment to empower the unbanked through innovation.

The volume of transactions in Easypaisa doubled from 2011 to 2012 and contributed positively to the growth in revenues for Tameer.

The partnership of Easypaisa that came about as a result of Telenor Pakistan's stake in Tameer, sustained its course of exploring new avenues. More than 700,000 beneficiaries received support from the government through the Easypaisa distribution network. Many companies benefitted from the salary disbursement solution and other microfinance institutions benefitted from their customers using the Easypaisa distribution network for repayment. A first of its kind combined saving and insurance product for branchless banking was also launched at the end of the year. The growth of the model has been made possible due to the business-friendly and supportive regulations by the regulators of the two industries: Pakistan Telecommunication Authority (PTA) and State Bank of Pakistan (SBP).

Growth in financial income for the year was exceptional, increasing 58% ending at Rs 2.6 billion. Profitability before tax more than doubled in 2012 compared to the previous year, ending at Rs. 503 million. Not only did the bank show impressive growth rates but also managed a remarkable delinquency rate of less than 1 %.

Building on its innovative culture, Tameer conducted a successful listing of a Term Finance Certificate (TFC) on the Karachi Stock Exchange. The certificate is the first of its kind retail Micro Finance TFC to be launched in Pakistan.

Due to the overwhelming response from the market, the subscription for the fund was closed within a record five days.

With organic growth coming through with the effective and efficient utilization of existing resources, the bank is also looking to invest further into its human capital. The bank aims to build a skilled workforce while moving towards greater empowerment and leadership from within ranks; therefore emphasis has been placed on internal capacity building. It is intended that the bank will continue to invest in its human resource in order to support the planned growth in a sustainable manner.

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

I would like to thank our valued customers for their support and would like to reassure them of our commitment towards bringing financial inclusion to all. The management team and employees of Tameer Micro Finance Bank are driven by the vision of inclusion and with the dedication of its board members, Tameer is well on its way.



Jon Eddy Abdullah
Chairman

Setting benchmarks for
Leadership





Message from the President & CEO

For Tameer Bank 2012 was an outstanding year in which we continued to outpace our peers and competitors. We have emerged as Pakistan's largest microfinance bank in terms of loans and deposits, and have in a short time become the most profitable bank in the industry.

In 2012 we continued to consolidate our foundations to prepare for scale in the coming years. We focused on liquidity, portfolio quality, capital adequacy, and operating efficiency. This focus translated into a pre-tax profit of Rs 503 mn in 2012, up from Rs 227 mn in 2011.

From a liquidity perspective we had three objectives: create excess liquidity, which would cover us in a possible crunch; fully fund our asset book; and materially reduce our deposit concentration risk. At the end of 2012, we were more than successful in achieving these goals.

Our deposits-to-loan ratio was 125 percent (compared to 89 percent in 2011)

and we reduced the top ten depositor concentration from 41% to 21% percent.

In our portfolio offering we created an equity release product, 'Tameer Sarmaya Qarza', which met our customers' needs while the liquid collateral (gold ornaments, certificates of deposits) fully insulated us from potential bad loans. The bulk of these loans are to farmers in rural areas for agricultural inputs. We ended the year with a write-off ratio of 0.3 percent and a 30 day portfolio at risk of 0.85 percent. Our capital adequacy was 73 percent against a regulatory requirement of 15 percent. Our revenue to expense ratio increased from 1.63 to 1.91 as we continued our focus on operational excellence.

We have three clear unique selling points (USPs): low cost distribution, credit underwriting ability, and technology. Our current distribution consists of 113 proprietary Tameer customer touch points, more than 24,000 + Easypaisa agents, and 1 million mobile wallet account holders. Our aim in 2013 is to fully leverage our proprietary banking network as well as our branchless banking network.

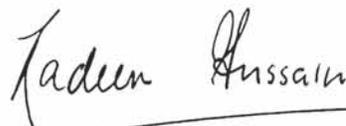
We will expand our proprietary network with a last mile strategy to establish our presence in the form of financial centers in rural areas where there are currently no other banks. The low cost financial center will provide equity release; livestock and alternate energy loans; cash and gold-based savings; and health, life, crop, and livestock insurance.

Financial centers will be fully powered by solar energy and connected in real time online through point of sale (POS) devices. This strategy will allow us to increase our geographic footprint, establish our presence at the grassroots level, and increase the social impact we make. We will selectively migrate our over-the-counter customers to mobile wallet, and progressively migrate the business from transactional to savings and credit.

We launched 'Khushal', a savings account for low-income groups. We will conduct pilots and develop a road map for the creation of credit products. Our underwriting skills and low cost acquisition ability will play a major role in our ability to scale the business.

In 2012 we strengthened our foundations to create a bullet-proof bank capable of scaling its loan portfolio regardless of economic conditions. In 2013 we will be leveraging our USPs to address growing competition. We will also start to measure and disseminate Tameer Bank's continued social impact. As Pakistan's largest provider of credit and savings as well as domestic remittances, we are clearly changing lives. We will now include social impact in our narrative.

Our continued success is a function of the Bank's ability to develop and execute a vision. This would not be possible without the quality of our staff. I congratulate our young and passionate team for achieving so many milestones in such a short period, and look forward to another exciting and fruitful year.



Nadeem Hussain

Founder, President & C.E.O

**“We ourselves chisel,
the milestones to our destiny.**

**We are not the ones,
whom circumstances made
something of”**

(Dr. M. Allama Iqbal)



Board of Directors



Sitting from Right

- Mr. Nadeem Hussain** - Founder, President & CEO
- Mr. Saleem Raza** - Director
- Mr. Jon Eddy Abdullah** - Chairman
- Mr. Lars Christian Luel** - Director

Standing from Left

- Mr. Nizar Noor Mohammad** - Director
- Mr. Karl Eric Broten** - Director
- Mr. Roar Bjaerum** - Director

LEA DE

Management Committee



Sitting from Right

Mr. Nadeem Hussain - Founder, President & CEO

Mr. Tariq Mohar - Deputy CEO

Standing from Left

Mr. Muhammad Ali - Head of Internal Audit

Mr. Shyam Lal - Chief Risk Officer

Mr. Habib Ali - Head of Branchless Banking

Mr. Kabeer Naqvi - Chief of Staff, CFO & Company Secretary

Mr. Naresh Karia - Head of Compliance

Mr. Atyab Tahir - Chief Strategy Officer

Mrs. Tazeen Adnan - Head of Human Resources

RSHIP

Company Information

Chairman
Founder, President & CEO / Director
Director
Director
Director
Director
Director

Board of Directors

Mr. Jon Eddy Abdullah
Mr. Nadeem Hussain
Mr. Lars Christian Luel
Mr. Roar Bjaerum
Mr. Karl Erik Broten
Mr. Salim Raza
Mr. Nizar Noor Muhammad

Chief Financial Officer & Company Secretary

Mr. Kabeer Naqvi

Auditors

Enst & Young Ford Rhodes
Sidat Hyder & Co
Chartered Accountants

Legal Advisors

Ebrahim Hosain
Advocate and Legal Consultant

Registered Office

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

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

Website: www.tameerbank.com

Email: info@tameerbank.com



Committies

Audit Committee

Mr. Karl Erik Broten - Chairman

Mr. Nizar Noor Mohammad

Mr. Roar Bjaerum

Branchless Banking Steering Committee

Mr. Jon Eddy Abdullah - Chairman

Mr. Syed Nadeem Hussain

Mr. Karl Erik Broten

Mr. Lars Christian Iuel

Mr. Roar Bjaerum

Human Resources Management & Planning Committee

Mr. Roar Bjaerum - Chairman

Mr. Lars Christian Iuel

Mr. Nizar Noor Mohammed

Risk Management Committee

Mr. Salim Raza - Chairman

Mr. Karl Erik Broten

Mr. Roar Bjaerum

Committee Functions



Audit Committee

The Audit Committee was formed to assist the Board in fulfilling its oversight responsibilities. This includes reviewing the financial information, systems of internal controls and risk management and the audit process including the performance of internal and external auditors. It also allows management to access the Bank's processes for adherence to the Code of Conduct; and for monitoring of compliance with laws, rules, regulations and directives issued by the regulatory authorities as well as the plans and policies issued by the Bank. The committee is meant to provide an open avenue of communication between the Board of Directors, Management, Internal Audit and the External Auditors.



Human Resource Management & Planning Committee

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

Branchless Banking Steering Committee

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



Risk Management Committee

The primary purpose of the committee is to formalize the Board's governance of the Bank's risk management process and to ensure compliance with the established risk tolerance guidelines. Furthermore the RMC facilitates a better understanding of the risk reward paradigm and helps the BOD to make more informed decisions on the quantum and kind of risk the Bank must take to meet its growth plans. This committee is chaired by Syed Salim Raza, former Governor of State Bank of Pakistan and was also the CEO of Pakistan Business Council (PBC) since February 2006. Mr. Raza also brings to the committee 38 years of international banking experience. His business experience covers credit and corporate finance, real estate and global asset (bonds & equities) management.



Director's Report to the Shareholders

On behalf of the Board of Directors, it is our privilege to present the 8th Annual Report and audited financial statements of Tameer Micro Finance Bank Limited for the year ended December 31, 2012. The Bank has made significant progress this year. It is on the right track and fully committed to achieving its long-term goals.

Overall the Bank improved its balance sheet footing by 61%, from Rs. 8.281 billion last year to Rs. 13.348 billion in the current year. This is mainly due to a 32% increase in net advances, from Rs. 5.054 billion last year to Rs. 6.688 billion this year. In addition to growth in the core banking business, the branchless banking business has also shown significant growth compared to last year. On deposits, an increase of 86% was achieved, from Rs. 4.512 billion last year to Rs. 8.372 billion during the current year.

Financial Results

	December 31, 2012 (in '000')	December 31, 2011 (in '000')
Profit before taxation	503,042	226,721
Less: Taxation-Current	(13,356)	(17,078)
-Deferred	(115,576)	(75,173)
Profit after taxation	374,110	134,470
Earnings per share	2.78	1.00

Transfer to Reserves

As per the requirements of the 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. 74,822,000) and 5% of profit after tax (plus return earned on such funds) to the Depositors' Protection Fund (Rs. 26,359,000).

Capital Adequacy Ratio

Against a regulatory requirement of 15%, the Bank's Capital Adequacy Ratio as on December 31, 2012 stood at 73%, compared to 60% at the end of December 2011.

Board of Directors

No casual vacancies occurred during the year 2012.

Corporate Governance

The Board of Directors is responsible to shareholders for the management of the Bank. It acknowledges responsibility for a 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 accurately present its state of affairs, the results of its operations, cash flows and changes in equity.
- b) Proper books of accounts of the Bank have been maintained.
- c) Appropriate accounting policies have been consistently applied in the preparation of financial statements, and accounting estimates are based on reasonable and prudent judgment.
- d) International Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements, and any departure therefrom has been adequately disclosed.
- e) The system of internal controls is sound in design and has been effectively implemented and monitored. Ultimate responsibility for the effectiveness of internal controls and their monitoring lies with the Board. An Audit Committee has been formed for this purpose, and meets periodically throughout the year with management as well as with internal and external auditors. 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 related to the Bank's ability to continue as a going concern.
- g) Five meetings were held during the year, attended by the directors, as follows:

Name of Director	Designation	Number of Meetings	
		Held During the year during tenor	Attended
Mr. Jon Eddy Abdullah	Chairman	5	4*
Mr. Nadeem Hussain	Chief Executive	5	5
Mr. Karl Eric Broten	Director	5	5
Mr. Lars Christian Iuel	Director	5	3*
Mr. Roar Bjaerum	Director	5	5
Mr. Salim Raza	Director	5	4*
Mr. Nizar Noor Muhammad	Director	5	5

* Leaves of absence were granted to Mr. Jon Eddy Abdullah, Mr. Lars Christian Iuel and Mr. Salim Raza, who could not attend certain board meetings

Key information concerning operating and financial data of the Bank is available in the annual report. The categories and the pattern of shareholding, as required by the Companies Ordinance 1984, are also included in the annual report.

No Director has acquired shares in the bank during the year and no trading was carried out in the shares of the bank during the year by the Directors, Chief Executive Officer, and Chief Financial Officer, Company Secretary, Chief Internal Auditor or their spouses or minor children.

Audit Committee

The Audit Committee consists of three non-executive directors: Mr. Karl Eric Broten (Chairman), Mr. Roar Bjaerum and Mr. Nizar Noor Muhammad.

Credit Rating

Based on the results for the year ended December 31, 2012, the credit rating company JCR-VIS has rated the Bank as A/A-1' (Single A/A-One) with a 'Stable' Outlook

Auditors

The current auditors, Messrs.' Ford Rhodes Sidat Hyder & Co. Chartered Accountants, were retired and, since they were eligible, offered their services for re-appointment for another term.

Events after Balance Sheet Date

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

Pattern of Shareholding

The pattern of shareholding as at December 31, 2012 is annexed to this report.

Earnings per Share

Earnings per share of the bank for the year ending 2012 are 2.78 compared to 1.00 at end of 2011.

Statement of Investments of Provident & Gratuity Fund

The value of investments, including the accrued income of provident and gratuity funds, as on December 31, 2012 on the basis of un-audited accounts is:

Provident Fund	125,970,838
Gratuity Fund	58,800,907

Appreciation & Acknowledgments

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 the guidance and cooperation extended to the Bank. Finally, we are thankful to our associates, staff and colleagues for the committed services provided to our valued customers.



Nadeem Hussain
President / Chief Executive Officer



Jon Eddy Abdullah
Chairman

Place : Karachi
Dated : March 05, 2013

Auditor's Report to the Members

We have audited the annexed balance sheet of Tameer Microfinance Bank Limited (the Bank) as of 31 December 2012 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

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

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

- a) In our opinion, proper books of account have been kept by the Bank as required by Microfinance Institutions Ordinance, 2001 and the Companies Ordinance, 1984;
- b) In our opinion:
 - i. The balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Microfinance Institutions Ordinance, 2001 and the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the changes stated in note 5.1 to the financial statements with which we concur;
 - ii. The expenditure incurred during the year was for the purpose of the Bank's business; and
 - iii. The business conducted, investments made and expenditure incurred during the year were in accordance with the objectives of the Bank;
- c) In our opinion and to the best of our knowledge and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Microfinance Institutions Ordinance, 2001 and the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as of 31 December 2012 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.

Chartered Accountant
Audit Engagement Partner: Arslan Khalid
Date: 07 February 2013
Karachi

“ In 2012 we strengthened our foundations to create a bullet-proof bank capable of scaling its loan portfolio regardless of economic conditions.”

(Nadeem Hussain, Founder, President & CEO)

Total Branch Banking
Touch-points

113

Total Mobile
(Agent/Franchise)
Banking Touch Points

24,000 +

Total Active Customers

923,963

Total Active Borrowers

154,973

Active Women Borrowers

52,022

Outstanding Loan Portfolio

6.7 billion
[In Rupees]

Loan Disbursement

Jan-Dec 2012 (in Rupees)

8.39 billion
[In Rupees]

Total Deposits (in Rupees)

8.37 billion
[In Rupees]

Portfolio Delinquency

(PAR) 30 Day +

0.85%

Company Employees

1,495

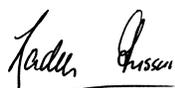
Balance Sheet

As of December 31, 2012

	Note	2012	2011
(Rupees in '000)			
ASSETS			
Cash and balances with State Bank of Pakistan and National Bank of Pakistan	8	730,133	516,706
Balances with other banks	9	927,509	1,258,896
Lending to financial institutions		-	-
Investments	10	3,604,983	328,236
Advances - net of provisions	11	6,687,865	5,054,297
Operating fixed assets	12	349,240	252,812
Other assets	13	950,105	656,273
Deferred tax asset - net	14	98,330	213,886
Total Assets		13,348,165	8,281,106
LIABILITIES			
Deposits and other accounts	15	8,371,951	4,512,529
Borrowings	16	1,391,257	1,801,725
Subordinated debt	17	971,886	-
Other liabilities	18	767,989	491,007
Deferred tax liabilities		-	-
Total Liabilities		11,503,083	6,805,261
Net Assets		1,845,082	1,475,845
REPRESENTED BY:			
Share capital	19	1,346,939	1,346,939
Reserves		540,611	439,430
Accumulated loss		(55,216)	(328,145)
		1,832,334	1,458,224
Deficit on revaluation of assets - net of tax	20	(55)	(17)
Deferred grants	21	12,803	17,638
		1,845,082	1,475,845

MEMORANDUM / OFF BALANCE SHEET ITEMS

The annexed notes 1 to 39 form an integral part of these financial statements.



President &
Chief Executive Officer



Chairman



Director



Director

Profit & Loss Account

For the year ended 31 December, 2012

	Note	2012	2011
		(Rupees in '000)	
Mark-up / return / interest earned	22	1,951,549	1,277,002
Mark-up / return / interest expensed	23	(773,757)	(445,874)
Net mark-up / interest income		1,177,792	831,128
Reversal / (provision) against non-performing loans and advances	11.3	(11,416)	21,404
Provision for diminution in the value of investments		-	-
Bad debts written off directly - net of recoveries	11.4	(11,721)	(3,263)
		(23,137)	18,141
Net mark-up / interest income after provisions		1,154,655	849,269
Non mark-up / interest income			
Fee, commission and brokerage income	24	627,838	350,899
Dividend income		-	-
Other income	25	91,786	56,978
Total non mark-up / interest income		719,624	407,877
		1,874,279	1,257,146
Non mark-up / interest expenses			
Administrative expenses	26	(1,354,108)	(1,011,568)
Other provisions / write offs		(6,535)	(3,271)
Other charges	27	(10,594)	(15,586)
Total non mark-up / interest expenses		(1,371,237)	(1,030,425)
		503,042	226,721
Extraordinary / unusual items		-	-
Profit before taxation		503,042	226,721
Taxation - current	28	(13,356)	(17,078)
- prior		-	-
Taxation - deferred	14.1	(115,576)	(75,173)
		(128,932)	(92,251)
Profit after taxation		374,110	134,470
		(Rupees)	
Basic and diluted earnings per share	29	2.78	1.00

Appropriations are reflected in the statement of changes in equity.

The annexed notes 1 to 39 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, 2012

Note	2012	2011
	(Rupees in '000)	
Net profit for the year	374,110	134,470
Other comprehensive income	-	-
Total comprehensive income for the year	<u>374,110</u>	<u>134,470</u>

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

The annexed notes 1 to 39 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, 2012

	Capital reserves					Total
	Share capital	Share premium	Statutory reserve	Depositors' Protection Fund	Accumulated loss	
..... (Rupees in '000)						
Balance as at 01 January 2011	1,346,939	343,469	49,874	12,469	(428,997)	1,323,754
Net profit for the year	-	-	-	-	134,470	134,470
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	134,470	134,470
Transfer to statutory reserve *			26,894		(26,894)	-
Contribution to Depositors' Protection Fund **				6,724	(6,724)	-
Balance as at 31 December 2011	1,346,939	343,469	76,768	19,193	(328,145)	1,458,224
Net profit for the year	-	-	-	-	374,110	374,110
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	374,110	374,110
Transfer to statutory reserve *	-	-	74,822	-	(74,822)	-
Contribution to Depositors' Protection Fund **	-	-	-	26,359	(26,359)	-
Balance as at 31 December 2012	1,346,939	343,469	151,590	45,552	(55,216)	1,832,334

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

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

The annexed notes 1 to 39 form an integral part of these financial statements.



 President &
 Chief Executive Officer



 Chairman



 Director



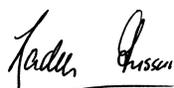
 Director

Cash Flow Statement

For the year ended 31 December 2012

	Note	2012	2011
(Rupees in '000)			
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		503,042	226,721
Adjustments for non cash items			
Depreciation		78,049	57,363
Amortisation		11,130	5,940
Finance charges on leased assets		2,559	576
(Reversal) / provision against non-performing loans and advances		23,137	(18,141)
Provision for gratuity		21,972	14,487
Other provisions		6,535	3,271
Amortisation of discount on investments		(136,319)	(41,975)
Loss on derivative financial instrument		328	10,950
Grant income		(40,208)	(17,448)
Gain on sale of operating fixed assets		(4,705)	(340)
		(37,522)	14,683
Increase in operating assets			
Advances		(1,641,529)	(1,990,619)
Other assets		(315,680)	(315,691)
		(1,957,209)	(2,306,310)
Increase in operating liabilities			
Deposits and other accounts		3,859,422	1,557,876
Other liabilities		258,917	151,907
		4,118,339	1,709,783
Income tax paid		(21,037)	(10,370)
Gratuity paid		(22,966)	(13,045)
Net cash inflow / (used in) from operating activities		2,582,647	(378,538)
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in available-for-sale securities		(13,193,258)	(3,693,499)
Proceeds from redemption of available-for-sale securities		10,052,776	3,585,597
Investments in operating fixed assets		(192,890)	(113,937)
Sale proceeds from disposal of operating fixed assets		13,713	7,847
Net cash used in investing activities		(3,319,659)	(213,992)
CASH FLOW FROM FINANCING ACTIVITIES			
Grant received		35,373	7,299
Borrowings from financial institutions		(410,269)	1,125,679
Subordinated debt		1,000,000	-
Payments of lease obligation		(6,052)	(1,438)
Net cash inflow from financing activities		619,052	1,131,540
Net increase in cash and cash equivalents		(117,960)	539,010
Cash and cash equivalents at beginning of the year		1,775,602	1,236,592
Cash and cash equivalents at end of the year	30	1,657,642	1,775,602

The annexed notes 1 to 39 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 2012

1. STATUS AND NATURE OF BUSINESS

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

2. BASIS OF PRESENTATION

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

3. STATEMENT OF COMPLIANCE

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

4. BASIS OF MEASUREMENT

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

5. SIGNIFICANT ACCOUNTING POLICIES

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

The Bank has adopted the following amendments to IFRSs which became effective for the current year:

- IFRS 7 - Financial Instruments: Disclosures - Enhanced De-recognition Disclosure Requirements (Amendment)
IAS 12 - Income Taxes - Recovery of Underlying Assets (Amendment)

The adoption of the above amendments did not have any effect on the financial statements.

- 5.2 Cash and cash equivalents

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

- 5.3 Sale of securities under repurchase obligation

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

- 5.4 Investments

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

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

Notes to the Financial Statements

For the year ended 31 December 2012

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

Held-for-trading

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

Held-to-maturity

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

Available-for-sale

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

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

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

5.5 Advances

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

5.6 Financial instruments

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

5.7 Derivative financial instruments

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

5.8 Off setting

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

Notes to the Financial Statements

For the year ended 31 December 2012

5.9 Operating fixed assets

Property and equipment - owned

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

Property and equipment - leased

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

Capital work in progress

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

Intangibles

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

Impairment

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

5.10 Provisions

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

5.11 Taxation

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

Current

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

Deferred

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

Notes to the Financial Statements

For the year ended 31 December 2012

5.12 Staff retirement benefits

Defined benefit plan

The Bank operates a funded gratuity scheme for its eligible permanent and contractual employees. Provision is made annually on the basis of actuarial recommendations based on projected unit credit method. Actuarial gains or losses in excess of 10% of the actuarial liability or plan assets are recognised over the expected average working life of the employees.

Defined contribution plan

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

5.13 Subordinated debt

Subordinated debt are initially recorded at the amount of proceed received. Mark-up accrued on subordinated debt is recognised separately as part of other liabilities and is charged to the profit and loss account over the period on an accrual basis.

5.14 Revenue recognition

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

Return on bank balances is recognised on accrual basis.

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

Fee, commission and brokerage income is recognised as services are performed.

5.15 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.

5.16 Grant

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

5.17 Dividend distribution

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

Notes to the Financial Statements

For the year ended 31 December 2012

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

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

Standard or Interpretation	Effective date (annual periods beginning on or after)
IFRS 7 – Financial Instruments : Disclosures – (Amendments) Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	01 January 2013
IAS 1 – Presentation of Financial Statements – Presentation of items of other comprehensive income	01 July 2012
IAS 19 – Employee Benefits –(Revised)	01 January 2013
IAS 32 – Offsetting Financial Assets and Financial liabilities – (Amendment)	01 January 2014
IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine	01 January 2013

The Bank expects that the adoption of the above revision, amendments and interpretation of the standards will not affect the Bank's financial statements in the period of initial application other than the amendments to IAS 19 'Employees Benefits' as described below:

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

- For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e., the corridor approach) has been removed. As revised, actuarial gains and losses are recognized in other comprehensive income when they occur. Amounts recorded in profit and loss are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit asset (liability) are recognized in other comprehensive income with no subsequent recycling to profit and loss.
- The distinction between short-term and other long-term employee benefits will be based on the expected timing of settlement rather than the employee's entitlement to the benefits.
- Objectives for disclosures of defined benefit plans are explicitly stated in the revised standard, along with new or revised disclosure requirements. These new disclosures include quantitative information of the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.
- While the Bank is currently assessing the full impact of the above amendments which are effective from 1 January 2013 on the financial statements, it is expected that the adoption of the said amendments will result retrospectively in change in the Bank's accounting policy related to recognition of actuarial gains and losses (refer to note 5.12 to the financial statements) to recognize actuarial gains and losses in total in other comprehensive income in the period in which they occur. The potential impact of the said changes on the financial position and performance for the year 2012 upon adoption of the standard in 2013 is estimated as under:

	(Rupees in '000)
Net increase in accumulated loss as at 01 January 2012	9,472
Net increase in employees' benefit liability	8,961
Net decrease in other comprehensive income (before tax)	158
Net increase in profit or loss for the year (before tax)	353

Improvements to IFRS

In addition to the above amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2013. The Bank expects that such improvements to the standards will not have any material impact on the Bank's financial statements in the period of initial application.

Notes to the Financial Statements

For the year ended 31 December 2012

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

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

7. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

	(Rupees in '000)	
Note	2012	2011

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

Cash in hand		333,527	245,490
Balance with SBP		356,488	209,248
Balance with NBP		40,118	61,968
	8.1	396,606	271,216
		730,133	516,706

8.1 Represent 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.

9. BALANCES WITH OTHER BANKS

In Pakistan			
- Current accounts		11,032	3,200
- PLS deposit accounts	9.1	616,477	405,696
- Term deposit accounts	9.2	300,000	850,000
		927,509	1,258,896

9.1 Represent demand deposits with commercial banks carrying mark-up ranging from 6% to 12% (2011: 5% to 12%) per annum.

Notes to the Financial Statements

For the year ended 31 December 2012

9.2 Represent term deposit with commercial banks carrying mark-up rate 9.75% (2011: 11.6% to 12.3%) per annum have matured in January 2013.

10. INVESTMENTS

Federal Government Securities - available-for-sale			
Market Treasury Bills	10.1	3,605,068	328,263
Deficit on revaluation of assets	20	(85)	(27)
		<u>3,604,983</u>	<u>328,236</u>

10.1 These carry interest rates ranging between 9.15% to 9.43% (2011: 11.78% to 11.85%) per annum and will mature in March 2013. These securities have an aggregate face value of Rs. 3,630 million (2011: Rs. 330 million).

11. ADVANCES - net of provisions

	Note	2012		2011	
		Number of loans	(Rupees in '000)	Number of loans	(Rupees in '000)
Micro credit					
- Secured		81,708	5,778,855	62,162	4,229,077
- Unsecured		73,265	921,375	70,566	841,345
		<u>154,973</u>	<u>6,700,230</u>	<u>132,728</u>	<u>5,070,422</u>
Less: Provision held					
- Specific	11.1	456	(1,466)	962	(5,978)
- General	11.2	-	(10,899)	-	(10,147)
	11.3		<u>(12,365)</u>		<u>(16,125)</u>
			<u>6,687,865</u>		<u>5,054,297</u>

11.1 Particulars of non-performing advances

Advances include Rs. 56.686 million (2011: Rs. 34.762 million) which have been placed under non-performing status as detailed below:

	2012			2011		
	Amount outstanding	Provision required	Provision held	Amount outstanding	Provision required	Provision held
	----- (Rupees in '000) -----			----- (Rupees in '000) -----		
OAEM	29,600	-	-	13,354	-	-
Substandard	16,893	42	42	9,867	1,754	1,754
Doubtful	8,424	614	614	10,578	3,292	3,292
Loss	1,769	810	810	963	932	932
	<u>56,686</u>	<u>1,466</u>	<u>1,466</u>	<u>34,762</u>	<u>5,978</u>	<u>5,978</u>

11.2 The Bank maintains a general provision equivalent to 1% of the net outstanding advances (advances net of specific provisions), excluding advances secured against collateral.

11.3 Particulars of provision against non-performing advances

	Note	2012			2011		
		Specific	General	Total	Specific	General	Total
		----- (Rupees in '000) -----			----- (Rupees in '000) -----		
Opening balance		5,978	10,147	16,125	4,129	46,378	50,507
Charge for the year		16,707	752	17,459	17,786	20,201	37,987
Reversals		(6,043)	-	(6,043)	(2,959)	(56,432)	(59,391)
		<u>10,664</u>	<u>752</u>	<u>11,416</u>	<u>14,827</u>	<u>(36,231)</u>	<u>(21,404)</u>
Amount written off	11.4	(15,176)	-	(15,176)	(12,978)	-	(12,978)
Closing balance		<u>1,466</u>	<u>10,899</u>	<u>12,365</u>	<u>5,978</u>	<u>10,147</u>	<u>16,125</u>

Notes to the Financial Statements

For the year ended 31 December 2012

	Note	2012	2011
		----- (Rupees in '000) -----	
11.4 Particulars of write offs			
Against provisions		15,176	12,978
Directly charged to profit and loss account - net of recoveries		11,721	3,263
		<u>26,897</u>	<u>16,241</u>

12. OPERATING FIXED ASSETS

Property and equipment	12.1	321,172	227,503
Intangible assets	12.2	20,997	11,091
Capital work-in-progress - advance against purchase of fixed assets		7,071	14,218
		<u>349,240</u>	<u>252,812</u>

12.1 Property and equipment

	2012							
	Cost			Depreciation			Book Value	Rate of depreciation per annum
	As at 01 January 2012	Additions / (deletions) /	As at 31 December 2012	As at 01 January 2012	Charge / (deletions) /	As at 31 December 2012	As at 31 December 2012	
----- (Rupees in '000) -----								
Owned								
Leasehold improvement	43,652	23,850	67,502	11,465	5,522	16,987	50,515	10
Office furniture and fixtures	74,057	21,632	95,689	22,933	8,790	31,723	63,966	10
Office equipment	77,647	35,227	111,345	42,185	15,030	55,686	55,659	20
Computer equipment	104,826	57,622	162,254	72,277	29,628	101,835	60,419	33
Vehicles	92,013	29,558	101,845	25,494	15,533	30,186	71,659	20
		(19,726)			(10,841)			
	392,195	167,889	538,635	174,354	74,503	236,417	302,218	
		(21,449)			(12,440)			
Leased								
Vehicles	9,961	12,838	22,799	299	3,546	3,845	18,954	20
	402,156	180,727	561,434	174,653	78,049	240,262	321,172	
		(21,449)			(12,440)			
	2011							
	Cost			Depreciation			Book Value	Rate of depreciation per annum
	As at 01 January 2011	Additions / (deletions) / transfers	As at 31 December 2011	As at 01 January 2011	Charge / (deletions) / transfers	As at 31 December 2011	As at 31 December 2011	
----- (Rupees in '000) -----								
Owned								
Leasehold improvement	31,856	11,796	43,652	7,853	3,612	11,465	32,187	10
Office furniture and fixtures	59,263	14,794	74,057	16,011	6,922	22,933	51,124	10
Office equipment	62,583	15,064	77,647	30,325	11,860	42,185	35,462	20
Computer equipment	77,275	27,683	104,826	55,714	16,581	72,277	32,549	33
Vehicles	74,431	42,920	92,013	25,350	18,089	25,494	66,519	20
		(25,338)			(17,945)			
	305,408	112,257	392,195	135,253	57,064	174,354	217,841	
		(25,470)			(17,963)			
	-	-	-	-	-	-	-	
Leased								
Vehicles	-	9,961	9,961	-	299	299	9,662	20
	305,408	122,218	402,156	135,253	57,363	174,653	227,503	
		(25,470)			(17,963)			

Notes to the Financial Statements

For the year ended 31 December 2012

- 12.1.1 Property and equipment include assets amounting to Rs. Nil (2011: Rs.0.20 million) received against grant during the year.
- 12.1.2 Property and equipment include assets costing Rs. 92.490 million (2011: Rs. 67.024 million) which are fully depreciated and still in use.
- 12.1.3 Deletions of fixed assets during the year with original cost or book value in excess of Rs. 1,000,000/- or 250,000/- respectively (whichever is less) are as follows:

Vehicles	Cost	Accumulated depreciation	Book down value	Sale proceeds	Mode of disposal	Particulars of buyers
-----Rupees in '000-----						
Toyota Corolla	1,124	877	247	112	Bank's Policy	Nauman Mazher, Employee
Toyota Corolla	1,299	701	598	130	Bank's Policy	Kashif Ahmed, Employee
Honda Citi	1,269	1,142	127	127	Bank's Policy	Adnan Hassan, Employee
Toyota Corolla	1,319	712	607	1,150	Auction	Amam Ali, Lahore
Nissan Sunny	1,613	968	645	820	Auction	Saeed ur Rehman, Karachi
Honda Civic	1,899	597	1,302	1,475	Auction	Waqar Ahmed, Karachi
Shehzore Truck	1,506	1,129	377	652	Auction	Shahzeb Asif, Karachi Suzuki
Bolan	617	200	417	541	Auction	Muhammad Arif, Karachi
Suzuki Bolan	609	167	442	557	Auction	Muhammad Arif, Karachi
Suzuki Bolan	609	167	442	606	Auction	Muhammad Arif, Karachi
Suzuki Bolan	609	190	419	550	Claim Received	Adamjee Insurance , Karachi
Suzuki Bolan	609	221	388	568	Auction	Mohsin Ahmed Khan, Karachi
Suzuki Bolan	609	221	388	606	Auction	Mohsin Ahmed Khan, Karachi
Suzuki Bolan	609	221	388	560	Auction	Muhammad Shoaib , Karachi
Suzuki Bolan	636	246	390	548	Claim Received	Adamjee Insurance , Karachi
2012	<u>14,936</u>	<u>7,759</u>	<u>7,177</u>	<u>9,002</u>		
2011	<u>24,282</u>	<u>17,097</u>	<u>7,185</u>	<u>7,579</u>		

12.2 Intangible assets

	2012								
	Cost			Amortisation			Book value		Rate of amortisation per annum
	As at 01 January 2012	Additions	As at 31 December 2012	As at 01 January 2012	Charge for the year	As at 31 December 2012	As at 31 December 2012	As at 31 December 2012	
----- (Rupees in '000) -----									
Computer software	<u>34,946</u>	<u>21,036</u>	<u>55,982</u>	<u>23,855</u>	<u>11,130</u>	<u>34,985</u>	<u>20,997</u>	33	
	2011								
	Cost			Amortisation			Book value		Rate of amortisation per annum
	As at 01 January 2010	Additions	As at 31 December 2011	As at 01 January 2011	Charge for the year	As at 31 December 2011	As at 31 December 2011	As at 31 December 2011	
----- (Rupees in '000) -----									
Computer software	<u>28,681</u>	<u>6,265</u>	<u>34,946</u>	<u>17,915</u>	<u>5,940</u>	<u>23,855</u>	<u>11,091</u>	33	

- 12.2.1 Intangible assets include software costing Rs. 18.766 million (2011: Rs. 14.145 million) which are fully amortised and still in use.

Notes to the Financial Statements

For the year ended 31 December 2012

	Note	2012	2011
----- (Rupees in '000) -----			
13. OTHER ASSETS			
Mark-up / return / interest accrued		714,564	489,063
Loans to employees	13.1	74,386	21,511
Security deposits		6,124	4,902
Prepayments - rent		33,443	23,213
- others		11,723	4,923
Receivable from defined benefit plan	33.3	1,437	1,886
Fair value of derivative financial instrument		-	23,670
Taxation - net		1,822	-
Branchless banking transaction fee receivable		82,679	66,414
Others		23,927	20,691
		<u>950,105</u>	<u>656,273</u>

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

14. DEFERRED TAX ASSET - net

Deductible temporary differences arising in respect of:			
Carry forward tax losses	14.2	68,469	232,903
Provision against non-performing loans and advances		4,328	5,644
Deferred grant		4,481	6,174
Deficit on revaluation of assets		30	10
Minimum tax carried forward		45,167	-
		<u>122,475</u>	<u>244,731</u>
Taxable temporary differences arising in respect of:			
Accelerated depreciation allowance		(24,145)	(22,560)
Unrealised gain on derivative financial instrument		-	(8,285)
		<u>(24,145)</u>	<u>(30,845)</u>
		<u>98,330</u>	<u>213,886</u>

14.1 Reconciliation of deferred tax

	Balance as at 01 January 2011	Recognised in profit and loss account	Recognised in deficit on revaluation of assets	Balance as at 31 December 2011	Recognised in profit and loss account	Recognised in deficit on revaluation of assets	Balance as at 31 December 2012
----- (Rupees in '000) -----							
Deductible temporary differences arising in respect of:							
Carry forward tax losses	293,905	(61,002)	-	232,903	(164,434)	-	68,469
Provision against non-performing loans and advances	17,678	(12,034)	-	5,644	(1,316)	-	4,328
Deferred grant	9,725	(3,551)	-	6,174	(1,693)	-	4,481
Deficit on revaluation of assets	156	-	(146)	10	-	20	30
Unrealised loss on derivative financial instrument	-	-	-	-	-	-	-
Minimum tax carried forward	-	-	-	-	45,167	-	45,167
	<u>321,464</u>	<u>(76,587)</u>	<u>(146)</u>	<u>244,731</u>	<u>(122,276)</u>	<u>20</u>	<u>122,475</u>
Taxable temporary differences arising in respect of:							
Accelerated depreciation allowance	(11,167)	(11,394)	-	(22,561)	(1,584)	-	(24,145)
Unrealised gain on derivative financial instrument	(21,092)	12,808	-	(8,284)	8,284	-	-
	<u>(32,259)</u>	<u>1,414</u>	<u>-</u>	<u>(30,845)</u>	<u>6,700</u>	<u>-</u>	<u>(24,145)</u>
	<u>289,205</u>	<u>(75,173)</u>	<u>(146)</u>	<u>213,886</u>	<u>(115,576)</u>	<u>20</u>	<u>98,330</u>

Notes to the Financial Statements

For the year ended 31 December 2012

- 14.2 As of the balance sheet date, the Bank has accumulated tax losses of Rs. 195.625 million (2011: Rs. 665.438 million).
- 14.3 The management, based on financial projections of the Bank for future years, estimates that sufficient taxable profits would be available in future against which the above deferred tax asset could be realised.

15. DEPOSITS AND OTHER ACCOUNTS

	2012		2011	
	Number	(Rupees in '000)	Number	(Rupees in '000)
Current deposits	908,239	2,009,679	632,661	1,564,290
Fixed deposits	11,283	5,441,130	5,552	2,217,760
Saving deposits	4,441	921,142	3,173	730,479
	<u>923,963</u>	<u>8,371,951</u>	<u>641,386</u>	<u>4,512,529</u>

15.1 Particulars of deposits by ownership

	2012	(Rupees in '000)	2011	(Rupees in '000)
Individual depositors	923,794	5,749,716	641,154	836,427
Institutional depositors				
- Corporations / firms etc	161	2,160,067	224	3,656,191
- Banks / financial institutions	8	462,168	8	19,911
	<u>923,963</u>	<u>8,371,951</u>	<u>641,386</u>	<u>4,512,529</u>

Note

2012	2011
----- (Rupees in '000) -----	

16. BORROWINGS

	Note	2012	2011
Banks / financial institutions outside Pakistan	16.1	-	83,200
Banks / financial Institutions inside Pakistan	16.1	1,391,257	1,718,525
		<u>1,391,257</u>	<u>1,801,725</u>

16.1 Detail of borrowings - unsecured

	Note	2012	2011
International Finance Corporation (IFC)		-	83,200
From commercial banks		-	83,200
Microfinance Credit Guarantee Facility (MCGF)	16.2	1,000,139	1,416,667
Unamortised transaction cost		(3,905)	(5,097)
		<u>996,234</u>	<u>1,411,570</u>
Term loan		-	75,000
Commercial papers		-	201,955
Call borrowings	16.3	100,000	30,000
Borrowing under Repurchase agreement	16.4	295,023	-
		<u>1,391,257</u>	<u>1,801,725</u>

- 16.2 The Bank has obtained financing from commercial banks under the MCGF scheme introduced by the SBP to facilitate and promote channelization of funds from banks / DFIs to Microfinance institutions. These carry mark-up rate of 6 months' KIBOR plus 2% (2011: 6 months' KIBOR plus 2%) and are repayable in fixed installments over a period of 2-5 years.
- 16.3 This carries mark-up rate of 13% per annum (2011: 12.25%) per annum and will mature in February 2013.
- 16.4 This carries mark-up rate of 9.5% per annum (2011: Nil) per annum and have matured in January 2013. The borrowing is secured against the Market Treasury Bill having face value of Rs.300 million.

Notes to the Financial Statements

For the year ended 31 December 2012

	Note	2012	2011
----- (Rupees in '000) -----			
17. SUBORDINATED DEBT - listed			
Term Finance Certificate (TFCs) - I	17.1 & 17.3	500,000	-
Unamortised transaction cost	17.4	(14,326)	-
		485,674	
Term Finance Certificate (TFCs) - II	17.2 & 17.3	500,000	-
Unamortised transaction cost	17.4	(13,788)	-
		486,212	
		971,886	-
17.1 Term Finance Certificate (TFCs) - I			
Total Issue		Rupees 500 million	
Rating		A	
Rate		Monthly profit at the rate of 12% per annum	
Tenor		13 Months	
Maturity		Jan-14	
Redemption		at the time of maturity	
17.2 Term Finance Certificate (TFCs) - II			
Total Issue		Rupees 500 million	
Rating		A	
Rate		Monthly profit at the rate of 12.5% per annum	
Tenor		24 Months	
Maturity		Dec-14	
Redemption		at the time of maturity	
17.3 During the year the Bank has issued Term Finance Certificates (TFC I and TFC II) which are partially (40%) secured against guarantee under SBP Micro Credit Guarantee Facility. The TFC Holders have no special interest or other interest in the property, assets and / or profit of the Bank except as the holders of the TFC.			
17.4 Represents advisory, structuring and marketing fee payable to the bankers to the issue.			

Notes to the Financial Statements

For the year ended 31 December 2012

	Note	2012	2011
		----- (Rupees in '000) -----	
18. OTHER LIABILITIES			
Mark-up / return / interest payable		131,133	150,339
Accrued expenses		68,216	18,354
Provision for staff bonus		70,000	65,000
Withholding tax payable		6,542	4,356
Liabilities against assets subject to finance lease	18.1	17,465	20,212
Payable to defined contribution plan		4,338	3,248
Payable to defined benefit plan	33.3	-	1,442
Payable to Workers' Welfare Fund		10,419	4,780
Taxation - net		-	5,859
Payable against branchless banking transactions		428,796	201,767
Others		31,080	15,650
		<u>767,989</u>	<u>491,007</u>
18.1 Liabilities against assets subject to finance lease			
Not later than one year		5,915	5,752
Later than one year and not later than five years		16,362	21,780
		<u>22,277</u>	<u>27,532</u>
Less: Financial charges allocable to future periods		(4,812)	(7,320)
Present value of minimum lease payments		<u>17,465</u>	<u>20,212</u>
18.1.1 The Bank has entered into agreements with a Modaraba for lease of vehicles. Lease rentals are payable on quarterly basis with mark-up at the rate range from 6 months KIBOR plus 2%-2.25% per annum with a floor and cap of 12%-13% and 23% per annum respectively. The Bank intends to exercise its options to purchase the above assets upon completion of the lease periods.			

19. SHARE CAPITAL

Authorised share capital			2012	2011
2012	2011	Note	2012	2011
(Number of shares in '000)			----- (Rupees in '000) -----	
<u>270,000</u>	<u>270,000</u>	Ordinary shares of Rs.10 each	<u>2,700,000</u>	<u>2,700,000</u>
Issued, subscribed and paid-up capital				
<u>134,694</u>	<u>134,694</u>	Ordinary shares of Rs.10 each fully paid in cash	<u>1,346,939</u>	<u>1,346,939</u>

Notes to the Financial Statements

For the year ended 31 December 2012

	Note	2012	2011
		----- (Rupees in '000) -----	
20. DEFICIT ON REVALUATION OF ASSETS - net of tax			
Available for sale investments			
Federal Government Securities		(85)	(27)
Related deferred tax		30	10
		(55)	(17)
21. DEFERRED GRANTS			
Grant received in USD from			
State Bank of Pakistan	21.1	19,108	13,359
Consultative Group to Assist the Poor	21.2	8,198	19,980
Soros Economic Development Fund	21.3	149	179
The Aga Khan Agency for Microfinance	21.4	68	146
Financial Sector Strengthening Programme	21.5	219	219
Frankfurt School of Management	21.6	1,344	1,203
Winrock International	21.7	1,300	-
Gates Foundation	21.8	22,625	-
		53,011	35,086
Grant income recognised during the year			
State Bank of Pakistan		(11,821)	(4,434)
Consultative Group to Assist the Poor		(4,326)	(11,782)
Soros Economic Development Fund		-	(30)
The Aga Khan Agency for Microfinance		(4)	(78)
Frankfurt School of Management		(243)	(1,124)
Winrock International		(1,300)	-
Gates Foundation		(22,514)	-
	25	(40,208)	(17,448)
		12,803	17,638
21.1	Represents grant received from SBP under the Institutional Strengthening Fund of the Financial Inclusion Program 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.		
21.2	Represents grant received from International Bank for Reconstruction and Development and International Development Association for Consultative Group to Assist the Poor to assist the Bank in achieving its growth goals for financial services to lower income clients via institutional capacity building and training and to develop, launch and scale up mobile banking using agent distribution network and cell phone technologies.		
21.3	Represents grant received from Soros Economic Development Fund to assist the Bank in expanding the outreach of microfinance services to low and moderate income clients by connecting to an interbank ATM switch and a payment settlement network.		
21.4	Represents grant received from Aga Khan Agency for Microfinance to provide finance for life insurance premium of specific depositors.		
21.5	Represents grant received from Swiss Agency For Development and Corporation under the Financial Sector Strengthening program to provide technical support for maintenance of IT infrastructure of the Bank.		
21.6	Represents grant received from Frankfurt School of Management to provide financial support to implement a project on Promotion of Renewable Energy Technologies.		

Notes to the Financial Statements

For the year ended 31 December 2012

- 21.7 Represents grant received from Winrock International to provide financial support to operate a branch in Quetta.
- 21.8 Represents sub grants received from the Holding Company pursuant to the grant agreement between Telenor and Bill and Melinda Gates Foundation (BMGF) in respect of 'Easypaisa Mobile Account Acceleration Project'. The grant is aimed at financial inclusion through increase in active mobile wallet accounts.

	Note	2012	2011
		----- (Rupees in '000) -----	
22. MARK-UP / RETURN / INTEREST EARNED			
On loans and advances		1,715,788	1,183,998
On available for sale investments		136,319	41,975
On deposits with financial institutions		44,806	37,398
On call money lendings		49,998	13,631
On Repurchase agreement lendings		4,638	-
		<u>1,951,549</u>	<u>1,277,002</u>
23. MARK-UP / RETURN / INTEREST EXPENSED			
On deposits		488,512	257,387
On borrowings		272,196	188,487
On subordinated debt		13,049	-
		<u>773,757</u>	<u>445,874</u>
24. FEE, COMMISSION AND BROKERAGE INCOME			
Loan processing fee		151,744	125,363
Income from branchless banking	24.1	444,780	209,141
Others		31,314	16,395
		<u>627,838</u>	<u>350,899</u>
24.1			
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 13% and 87% (2011: 13% and 87% net of agents' commission) respectively.			
25. OTHER INCOME			
Grant income	21	40,208	17,448
Cheque book fees, ATM fees and other service charges		46,873	39,190
Gain on sale of operating fixed assets		4,705	340
		<u>91,786</u>	<u>56,978</u>

Notes to the Financial Statements

For the year ended 31 December 2012

	Note	2012	2011
		----- (Rupees in '000) -----	
26. ADMINISTRATIVE EXPENSES			
Salaries and other allowances		696,434	579,334
Contribution to defined contribution plan		22,576	22,761
Charge for defined benefit plan	33.8	21,972	14,487
Staff welfare		19,312	10,867
Training and capacity building		3,897	2,862
Rent and taxes		65,580	49,847
Legal and professional charges		6,242	2,854
Utilities		22,840	14,322
Communication		59,504	36,557
Finance charges on leased assets		2,559	576
Travelling and conveyance		50,365	26,917
Insurance		57,927	36,417
Printing and stationery		48,042	15,955
Repairs and maintenance		58,803	48,135
Depreciation	12.1	78,049	57,363
Amortisation	12.2	11,130	5,940
Auditors' remuneration	26.1	1,867	1,275
Advertisement		28,102	16,005
Agents commission on Easy Paisa		-	18,590
Security services		21,582	17,180
Customer verification charges		15,678	7,625
Professional consultancy charges		12,719	12,338
Donations		-	-
Bank charges		22,982	12,302
Deposit mobilization commission	26.2	24,278	-
Other expenses		1,668	1,059
		<u>1,354,108</u>	<u>1,011,568</u>
26.1 Auditors' remuneration			
Audit fee		1,000	1,000
Half Yearly Review Fee		400	-
Other certifications		100	100
Out-of-pocket expenses		367	175
		<u>1,867</u>	<u>1,275</u>
26.2 Deposit Mobilization Commission			
Represents commission on deposit mobilization services provided by Holding Company to the Bank in respect of its Branchless Banking Services under an agreement.			
27. OTHER CHARGES			
Net loss on derivative financial instrument		328	10,950
Workers' Welfare Fund		10,266	4,636
		<u>10,594</u>	<u>15,586</u>
28. TAXATION			
28.1 The income of the Bank was exempt from tax under clause 66 (XVIII) of Part 1 of the Second Schedule of the Income Tax Ordinance, 2001, for a period of five years starting from first day of July 2007, subject to the condition that the Bank shall not distribute its profit to its shareholders and that profits are utilised for microfinance operations only. The tax exemption period ended on 30 June 2012.			

Notes to the Financial Statements

For the year ended 31 December 2012

	Note	2012	2011
		----- (Rupees in '000) -----	
28.2			
The charge for current tax represents minimum tax at the rate of 0.5% of turnover in accordance with section 113 of the Income Tax Ordinance, 2001.			
28.3			
Relationship between tax expense and accounting profit			
Profit before taxation		503,042	226,721
Tax at the rate of 35%		176,065	79,352
Tax effects of:			
Non deductible expenses		2,371	4,494
Exempt income		(14,073)	(6,107)
Minimum tax		(31,811)	17,078
Others		(3,620)	(2,567)
		128,932	92,250

29. BASIC AND DILUTED EARNINGS PER SHARE

Net profit for the year (Rupees in '000)	374,110	134,470
Weighted average ordinary shares (Numbers in '000)	134,694	134,694
Basic and diluted earnings per share (Rupees)	2.78	1.00

30. CASH AND CASH EQUIVALENTS

Cash and balances with SBP and NBP	8	730,133	516,706
Balances with other banks	9	927,509	1,258,896
		1,657,642	1,775,602

31. NUMBER OF EMPLOYEES

	2012			2011		
	Credit / sales staff	Banking / support staff	Total	Credit / sales staff	Banking / support staff	Total
	----- (Numbers) -----			----- (Numbers) -----		
Permanent	232	556	788	278	253	531
Temporary / on contractual basis	337	370	707	188	25	213
	569	926	1,495	466	278	744

32. NUMBER OF BRANCHES

As at 01 January	42	40
Opened during the year	3	2
As at 31 December	45	42

33. DEFINED BENEFIT PLAN

33.1 General description

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

Notes to the Financial Statements

For the year ended 31 December 2012

33.2 Principal actuarial assumptions

The latest actuarial valuation of the gratuity scheme was carried out as at 31 December 2012. Following are the significant assumptions used in the valuation:

	2012	2011
	(% per annum)	
- Discount rate	11.5	12.5
- Salary increase rate	11.5	12.5
- Expected rate of return on plan assets	11.5	13.5

	2012	2011
	----- (Rupees in '000) -----	
33.3 Movement in defined benefit plan		
Opening balance	1,442	-
Opening Receivable	(1,886)	-
Charge for the year	21,972	14,487
Contributions to the fund	(22,966)	(13,045)
Closing balance	<u>(1,438)</u>	<u>1,442</u>
33.4 Reconciliation of defined benefit plan		
Present value of defined benefit obligations	66,990	62,978
Fair value of plan assets	(59,467)	(52,064)
Unrecognised actuarial loss	(8,961)	(9,472)
	<u>(1,438)</u>	<u>1,442</u>
33.5 Movement in present value of defined benefit obligations		
Opening balance	62,978	45,575
Current service cost	21,830	14,944
Interest cost	6,272	5,987
Actuarial loss on obligations	1,582	2,093
Benefits paid	(25,672)	(5,621)
Closing balance	<u>66,990</u>	<u>62,978</u>
33.6 Movement in fair value of plan assets		
Opening balance	52,064	40,173
Contributions to the fund	22,966	13,045
Benefits paid	(25,672)	(5,621)
Expected return on plan assets	8,369	6,360
Actuarial (loss) / gain on plan assets	1,740	(1,893)
Closing balance	<u>59,467</u>	<u>52,064</u>
33.7 Movement in unrecognised actuarial loss		
Opening balance	(9,472)	(5,402)
Amount recognised during the year	(1,582)	(2,093)
Actuarial (loss) / gain during the year	1,740	(1,893)
Actuarial loss recognised	353	(84)
Closing balance	<u>(8,961)</u>	<u>(9,472)</u>

Notes to the Financial Statements

For the year ended 31 December 2012

	Note	2012	2011
----- (Rupees in '000) -----			
33.8	Charge for defined benefit plan		
	Current service cost	21,830	14,944
	Interest cost	6,272	5,987
	Expected return on plan assets	(8,369)	(6,360)
	Reversal of Opening Receivable	1,886	-
	Actuarial loss during the year	353	(84)
		<u>21,972</u>	<u>14,487</u>
33.9	Actual return on plan assets	<u>4,468</u>	<u>4,468</u>
33.10	Plan assets consist of		
	Bank balances	<u>59,467</u>	<u>55,155</u>

	2012	2011	2010	2009	2008
----- (Rupees in '000) -----					
33.11	Historical information				
	Present value of defined benefit obligations	66,990	62,978	45,575	23,901
	Fair value of plan assets	(59,467)	(52,064)	(40,173)	(22,770)
	Deficit / (surplus)	<u>7,523</u>	<u>10,914</u>	<u>5,402</u>	<u>1,131</u>

33.12 Expected contribution to be paid to the fund in the next financial year

Based on actuarial advice, the management estimates that the charge in respect of defined benefit plan for the year ending 31 December 2013 would be Rs. 18.586 million.

34. REMUNERATION OF DIRECTORS AND EXECUTIVES

	2012			2011		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
----- (Rupees in '000) -----						
Fees	-	200	-	-	75	-
Managerial remuneration	18,501	-	91,443	18,509	-	79,087
Charge for defined benefit plan	1,542	-	7,620	1,277	-	6,162
Contribution to defined contribution plan	1,850	-	9,056	3,850	-	10,462
Rent and house maintenance	12,295	-	27,433	8,132	-	23,464
Utilities	3,847	-	9,144	2,765	-	7,909
Medical	2,415	-	13,594	1,851	-	7,909
Conveyance	1,224	-	8,662	-	-	2,239
Security system installation	-	-	-	1,252	-	-
Membership Fee	905	-	3,717	-	-	-
Others	198	-	1,912	105	-	1,713
	<u>42,777</u>	<u>200</u>	<u>172,581</u>	<u>37,741</u>	<u>75</u>	<u>138,945</u>
Number of persons	<u>1</u>	<u>7</u>	<u>66</u>	<u>1</u>	<u>7</u>	<u>51</u>

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

Notes to the Financial Statements

For the year ended 31 December 2012

35. RELATED PARTY TRANSACTIONS

Related parties of the Bank comprise of the Holding Company, associates (including entities having directors in common with the Bank), retirement benefit funds, major share holders, directors and key management personnel and their close family members. Transactions with related parties, other than remuneration of directors and executives as disclosed in note 34 to the financial statements, are summarised as follows:

	2012				2011			
	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	-	4,784	-	4,784	-	2,739	-	2,739
Given during the year	-	28,518	-	28,518	-	8,738	-	8,738
Repaid during the year	-	(10,833)	-	(10,833)	-	(6,693)	-	(6,693)
At 31 December	-	22,469	-	22,469	-	4,784	-	4,784
Deposits								
At 01 January	213,432	820	-	214,252	398,644	6,909	9,010	414,563
Received during the year	414,404	7,406	17,498	439,308	322,916	-	-	322,916
Withdrawn during the year	(426,864)	(1,640)	-	(428,504)	(508,128)	(6,089)	(9,010)	(523,227)
At 31 December	200,972	6,586	17,498	225,056	213,432	820	-	214,252
Mark-up expense	10,166	392	841	11,399	21,364	321	214	21,899
Communication expenses	4,977	-	-	4,977	2,759	-	-	2,759
Sale of vehicles	-	3,692	-	3,692	-	2,299	-	2,299
Payable against branchless banking transactions	132,324	-	-	132,324	15,223	-	-	15,223
Mark-up payable	1,007	-	73	1,080	917	-	1,335	2,252
Expense payable	3,999	-	-	3,999	3,662	-	-	3,662
Rent and taxes	10,200	-	-	10,200	6,800	-	-	6,800
Deposit Mobilization Commission	24,278	-	-	24,278	-	-	-	-

36. MATURITIES OF ASSETS AND LIABILITIES

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

	2012				
	Total	Upto one month	Over one month upto six months	Over six months upto one year	Over one year
	------(Rupees in '000)-----				
Assets subject to interest rates					
Balances with other banks	916,477	916,477	-	-	-
Investments	3,604,983	2,469,217	1,135,766	-	-
Advances	6,687,865	439,260	2,702,305	3,375,425	170,875
	11,209,325	3,824,954	3,838,071	3,375,425	170,875
Other non-earning assets					
Cash and balances with SBP and NBP	730,133	730,133	-	-	-
Balances with other banks	11,032	11,032	-	-	-
Operating fixed assets	349,240	-	-	-	349,240
Other assets	950,105	114,785	418,164	339,819	77,337
Deferred tax assets	98,330	-	98,330	-	-
	2,138,840	855,950	516,494	339,819	426,577
Total assets	13,348,165	4,680,904	4,354,565	3,715,244	597,452

Notes to the Financial Statements

For the year ended 31 December 2012

	2012				
	Total	Upto one month	Over one month upto six months	Over six months upto one year	Over one year
	------(Rupees in '000)-----				
Liabilities subject to interest rates					
Deposits and other accounts	6,362,272	1,832,945	1,351,938	1,883,157	1,294,232
Borrowings	1,391,257	303,357	339,861	141,944	606,095
Subordinated debt	971,886	-	-	-	971,886
	<u>8,725,415</u>	<u>2,136,302</u>	<u>1,691,799</u>	<u>2,025,101</u>	<u>2,872,213</u>
Other non-cost bearing liabilities					
Deposits and other accounts	2,009,679	2,009,679	-	-	-
Other liabilities	767,989	523,543	124,844	80,197	39,405
	<u>2,777,668</u>	<u>2,533,222</u>	<u>124,844</u>	<u>80,197</u>	<u>39,405</u>
Total liabilities	<u>11,503,083</u>	<u>4,669,524</u>	<u>1,816,643</u>	<u>2,105,298</u>	<u>2,911,618</u>
	2011				
	Total	Upto one month	Over one month upto six months	Over six months upto one year	Over one year
Assets subject to interest rates					
Balances with other banks	1,255,696	1,105,696	150,000	-	-
Investments	328,236	328,236	-	-	-
Advances	5,054,297	299,236	1,757,933	2,813,323	183,805
	<u>6,638,229</u>	<u>1,733,168</u>	<u>1,907,933</u>	<u>2,813,323</u>	<u>183,805</u>
Other non-earning assets					
Cash and balances with SBP and NBP	516,706	516,706	-	-	-
Balances with other banks	3,200	3,200	-	-	-
Operating fixed assets	252,812	-	-	-	252,812
Other assets	656,273	93,728	257,509	294,721	10,315
Deferred tax assets	213,886	-	-	-	213,886
	<u>1,642,877</u>	<u>613,634</u>	<u>257,509</u>	<u>294,721</u>	<u>477,013</u>
Total assets	<u>8,281,106</u>	<u>2,346,802</u>	<u>2,165,442</u>	<u>3,108,044</u>	<u>660,818</u>
Liabilities subject to interest rates					
Deposits and other accounts	2,948,239	1,123,210	1,546,874	276,711	1,444
Borrowings	1,801,725	113,200	492,388	300,278	895,859
	<u>4,749,964</u>	<u>1,236,410</u>	<u>2,039,262</u>	<u>576,989</u>	<u>897,303</u>
Other non-cost bearing liabilities					
Deposits and other accounts	1,564,290	1,564,290	-	-	-
Other liabilities	491,007	351,783	68,168	26,015	45,041
	<u>2,055,297</u>	<u>1,916,073</u>	<u>68,168</u>	<u>26,015</u>	<u>45,041</u>
Total liabilities	<u>6,805,261</u>	<u>3,152,483</u>	<u>2,107,430</u>	<u>603,004</u>	<u>942,344</u>

Notes to the Financial Statements

For the year ended 31 December 2012

37. CAPITAL MANAGEMENT

The Bank's objectives when managing its capital are:

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

As of the balance sheet date, the Bank's net equity and Capital Adequacy Ratio stood at Rs. 1,832 million (2011: 1,458 million) and 73% (2011: 60%) respectively, as against the minimum requirement of Rs. 800 million and 15% prescribed by SBP.

38. GENERAL

- 38.1 Captions, as prescribed by BSD Circular No. 11, dated 30 December 2003, in respect of which there are no amounts, have not been reproduced in these financial statements, except for the captions of the balance sheet and profit and loss account.
- 38.2 Certain prior year's figures have been reclassified / rearranged for the purpose of comparison. However, there were no material reclassifications to report.
- 38.3 Figures have been rounded off to the nearest thousand rupees.

39. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Bank on 7th February 2013.



President &
Chief Executive Officer



Chairman



Director



Director

Pattern of Shareholding

As at 31st December, 2012

Shareholding Structure of Tameer Micro Finance Bank Limited as at 31st December, 2012

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

Design & Concept
Tameer Micro Finance Bank (TMFB) Limited In-house Creative Unit

Photography
Concoction Studios, Karachi, Pakistan and TMFB In-house Creative Unit
www.concoctionstudios.com

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Empowering the Un-banked

A-15 Block 7&8 Central Commercial Area K.C.H.S Union, Karachi - 75350, Pakistan
www.tameerbank.com | +92 021 111 111 004

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