

Annual Report | 2018



NRSP
Microfinance
Bank



NRSP Microfinance Bank

NRSP Microfinance Bank Limited

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INTEGRITY

We endeavour to make integrity and honesty an integral part of our operations.

INNOVATION

We consistently strive to offer innovative products bringing value to our customers.

OUR CORE VALUES

ACCOUNTABILITY

We take complete responsibility of our decisions and actions.

TRANSPARENCY

We provide the highest level of disclosure and transparency to our stakeholders.

OUR VISION

To become the leading Microfinance Bank
in Pakistan

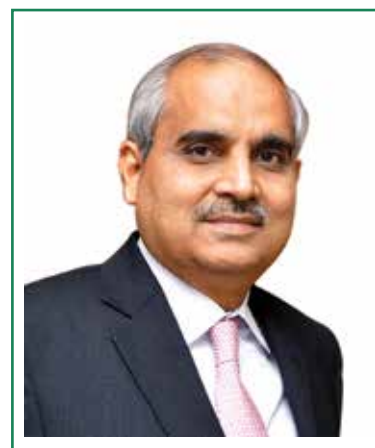
OUR MISSION

We believe in harnessing the potential of the
people through inclusive finance,
for poverty reduction and a brighter future.



Chairman's Message

It is my pleasure to present the steady progress of NRSP Microfinance Bank Ltd. over the course of the past financial year as the Bank has gone from strength to strength. During 2018, the Bank not only increased its footprint across the country but also diversified products to better meet the needs of underserved clients and expanded channels for improved customer experience and better service.



Overall, 2018 was a year of macroeconomic stress in Pakistan as it saw the economy operating under increasing pressure with decreasing foreign exchange reserves and increasing foreign loans. After the change in regime, the increase in taxes and KIBOR and a significant depreciation in the value of the local currency contributed to snowballing inflation. For sugarcane producers, this was also a particularly difficult time where the formal and informal markets faced numerous challenges.

With 2019, I see many new opportunities opening up for the microfinance industry. While many international players are already exploring the industry, the Government is also planning a number of important initiatives. The comprehensive plan by the Ministry of National Food Security and Research for the agriculture sector is one such example. Designed to enhance crop yield, improve water efficiency, develop livestock and fisheries, and create agro-markets, the plan aims to uplift small farmers and reduce rural poverty. Such initiatives will have significant impact on the demand of our target markets particularly small rural farmers and NRSP Bank remains poised to play a role in reducing rural poverty and build economic resilience amongst our target clients.

NRSP Bank will continue to explore new opportunities while building on its core strengths under a well-defined strategy. With Conventional and Islamic Microfinance gaining traction and increasing outreach, I am hopeful that we will be reaching out to more people through our branchless banking services in coming years.

Our priority is to remain fully committed to a culture of good governance, strong risk management and internal controls. Through our human resource and technology, we embed the highest levels of integrity and accountability at all levels of NRSP Bank. We have over the years accessed and built-in innovative technology to better serve the communities and to enable them to realize their dreams.

Looking ahead, I believe, 2019 will be another year of ambitious growth, exemplary service and efficient performance. I take this opportunity to convey my sincere appreciation to our customers across the country, for their trust and continued support. I am also grateful to the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan and other regulatory bodies for their continued encouragement and guidance. We rely on our Board for their wisdom and experience and I thank them for their vision and support. Finally, the progress of 2018 would not have been possible without our employees. Their enthusiasm, untiring efforts and commitment has inspired us and will continue to steer NRSP Bank to ever greater heights in the years ahead.

Yours sincerely,
Dr. Rashid Bajwa



**President's
Review**

I am pleased to report the successful completion of the 8th year of operations for NRSP Microfinance Bank. During 2018, NRSP Bank continued to serve its clients as one of leading microfinance banks in the country while also furthering the value for our shareholders. Our equity base remained 4 times the minimum capital requirement set by the State Bank of Pakistan while our share break-up value touched PKR 29.48.



One of the most promising achievements of the year was the diversification of both portfolio and geographic spread. As the Bank varied its product offerings to meet the demands of different market niches, the non-agricultural loans, including those in livestock and enterprise sectors, increased to 36% of loan portfolio. With 143 business locations, NRSP Bank is now present in all four provinces and regions including Gilgit Baltistan and Azad Jammu & Kashmir, fulfilling the demand for microfinance across Pakistan.

During 2018, we remained committed to ethical and responsible banking and continued to improve our standards of efficiency, transparency and disclosure. We also simplified our policies and procedures while revamping our complaint-handling and help desk systems. This focus on customer protection, service and satisfaction was rewarded by the SMART certification that acknowledges our dedication to do our best for our customers.

External challenges persisted, and many impacted our clients, especially the sugarcane farmers, whose hard work and produce did not result in high profits from the harvest in 2018. Despite these problems, our field staff made this product cost-effective through their dedication and commitment, and I thank them for their diligence.

NRSP Bank continued to offer financial products to Micro, Small and Medium Enterprises (MSMEs) and the experience remained very encouraging. During 2018, the Bank also got the pilot approval for offering Microenterprise Lending up to PKR 1 million. The MSME loans provided adequate funds to micro and small entrepreneurs for business expansion which in turn generated employment in the competitive economic environment. While our focus has been to financially include the excluded, poor and marginalized segments of the population, NRSP Bank maintained relatively large loan sizes to ensure that customers were able to utilize the loans effectively and that the single loan met the needs of their enterprise.

NRSP Bank also explored avenues to develop synergies with Rural Support Programmes to bring their hundreds of thousands of clients into the formal banking net through our Branchless Banking services. The convenience and reduced cost of using the Branchless Banking services would make it easier for the Bank to advance the financial inclusion agenda.

NRSP Bank further strengthened its technological infrastructure and launched various products like biometric account opening, EMV-compliant debit card, internet banking and e-Statements, to meet international standards of regulatory compliance. In order to mitigate the risks of money-laundering and terrorist financing, AML Module consisting of transaction monitoring and watchlist screening was also made live during 2018.

The launch of the dedicated Islamic Core Banking system was another milestone for the Bank. To cater to the financial needs of potential customers who prefer Shariah compliant financial products, we also expanded the outreach of our Islamic microfinance services. From the single pilot branch in Bahawalpur in 2016, the Bank has now established 26 dedicated Islamic branches in Punjab, KP and GB. Islamic modes of financing under Ijarah and Murabaha have been greatly beneficial for our financing clients and our utmost gratitude is given to our Islamic savings clients who have placed their confidence in us while investing on a profit-and-loss-sharing basis.

We would like to thank all our Directors for their wise and inspiring leadership as well as their commitment to the social mandate. Their valuable support has allowed us to innovate, experiment and take risks to create lasting solutions that best serve our clients. Our staff is our strength and I thank them for their dedication. Finally, we are eternally grateful to our clients who have stood by us and been a source of motivation.

Yours sincerely,
Zahoor Hussain Khan



Corporate
Governance

Our Credit Rating



Pakistan Credit Rating Agency (PACRA) and JCR-VIS have both assigned an entity rating of 'A' for the long-term and 'A-1' for the short-term to NRSP Bank, with a stable outlook.

Shareholder Profiles

National Rural Support Programme

Established in 1991 by Mr. Shoaib Sultan Khan, National Rural Support Program ("NRSP") builds upon the earlier work of Aga Khan Rural Support Program ("AKRSP") done in northern mountainous region of Pakistan. NRSP, the largest Rural Support Program in the country in terms of outreach, staff and development activities, is a not-for-profit organization registered under Section 42 of Companies Ordinance 1984. NRSP's mandate is to alleviate poverty by harnessing people's potential to undertake development initiatives in rural areas of Pakistan. The organization has a presence in all the four Provinces including Azad Jammu and Kashmir through its Regional and Field Offices. NRSP is currently working with more than 2.5 million poor households organized into a network of 165,328 Community Organizations.



International Finance Corporation

IFC, a member of the World Bank Group, is the largest global development institution focused exclusively on the private sector in developing countries. Established in 1956, IFC is owned by 184 member countries, a group that collectively determines its policies. IFC's work in more than 100 developing countries allows companies and financial institutions in emerging markets to create jobs, generate tax revenues, improve corporate governance and environmental performance and to contribute to their local communities. IFC's vision is that people should have the opportunity to escape poverty and improve their lives.



Shareholder Profiles

Kreditanstalt Für Wiederaufbau

KfW is a government-owned development bank, based in Frankfurt, Germany. Formed in 1948, KfW operates as a promotional bank for the domestic economy and a development bank for the developing countries. According to its statutory mission, KfW has been supporting change and encouraging forward-looking ideas in Germany and other parts of the world.



Acumen

Acumen was founded in 2001 by Ms. Jacqueline Novogratz. It is a non-profit global venture fund that uses entrepreneurial approaches to solve the problems of poverty. Acumen's mission is to change the way the world tackles poverty by investing in companies, leaders, and ideas. Acumen fund has investments in developing countries including Pakistan in sectors ranging from agriculture, education, energy, health, housing to water.



Corporate Information

Board of Directors

Dr. Rashid Bajwa	Chairman	Dr. Ayesha Khan	Director
Mr. Shoaib Sultan Khan	Director	Mr. Naved A. Khan	Director
Mr. Fazlullah Qureshi	Director	Mr. Zahoor Hussain Khan	President & CEO
Ms. Amena Arif	Director		
Ms. Christiane Schmidt	Director		

Board Committees

a. Compensation and Remuneration Committee

Mr. Naved A. Khan	Chairman
Mr. Shoaib Sultan Khan	Member
Dr. Rashid Bajwa	Member

b. Audit Committee

Mr. Fazlullah Qureshi	Chairman
Dr. Rashid Bajwa	Member

c. Operations and Risk Policy Committee

Mr. Naved A. Khan	Chairman
Ms. Amena Arif	Member
Ms. Christiane Schmidt	Member

d. IT Committee

Dr. Ayesha Khan	Chairperson
Dr. Rashid Bajwa	Member
Mr. Naved A. Khan	Member

Auditors

A.F. Fergusons & Co.
Chartered Accountants

Tax Advisors

KPMG Taseer Hadi & Co.
Chartered Accountants

Company Secretary/Head Finance and Treasury

Mr. Asif Mahmood

Our Management Team



Mr. Zahoor Hussain Khan
 Mr. Zafar Iqbal
 Mr. Farooq Rashid
 Mr. Waqas Ashraf
 Mr. Asif Mehmood
 Mr. Tanveer Hussain
 Mr. Asad Mushtaq
 Mr. Riaz Khan Bangash
 Ms. Rafia Saleem
 Mr. Muhammad Khalid Masood

President & CEO
 Group Head Business
 Head Branchless Banking
 Head Islamic Microfinance Division
 Head Finance & Treasury /Company Secretary
 Head Operations
 Head Information Technology
 Head Human Resource & Admin
 Head Risk & Compliance
 Head Internal Audit

Management Committees

a) Operations and Risk Management Committee (ORMC)

Chaired by: President/CEO
 Group Head Business
 Head Branchless Banking
 Head Finance & Treasury
 Head Operations
 Head Information Technology
 Head Human Resource & Admin
 Head Risk & Compliance
 Head Islamic Microfinance Division

b) Compliance Committee of the Management (CCM)

Chaired by: President/CEO
 Group Head Business
 Head Branchless Banking
 Head Finance & Treasury
 Head Operations
 Head Information Technology
 Head Human Resource & Admin
 Head Risk & Compliance
 Head Islamic Microfinance Division

c) IT Steering Committee (ITSC)

Chaired by: President/CEO
 Group Head Business
 Head Information Technology
 Head Branchless Banking
 Head Finance & Treasury
 Head Operations
 Head Islamic Microfinance Division
 Head Risk & Compliance

d) Asset and Liability Committee (ALCO)

Chaired by: President/CEO
 Group Head Business
 Head Finance & Treasury
 Head Operations
 Head Risk & Compliance
 Head Islamic Microfinance Division



Highlights
of the Year

Performance at a Glance 2011-18

	Number of Business Locations	Maximum Number of Active Borrowers during the Year	Number of Active Borrowers at Year End	Number of Savers at Year End
2011	19	127,018	101,767	14,683
2012	39	177,576	126,717	80,623
2013	54	205,378	171,718	108,326
2014	58	227,495	194,489	327,128
2015	67	261,960	258,444	515,321
2016	98	338,079	325,521	674,494
2017	105	426,411	426,411	892,912
2018	143	463,228	399,358	1,063,224

	Gross Advances (PKR in Billion)	Deposits (PKR in Billion)	Equity (PKR in Billion)	Profit Before Taxation (PKR in Million)
2011	2.09	0.63	0.90	37
2012	3.06	1.83	1.27	148
2013	4.85	3.62	1.45	338
2014	5.19	5.16	2.13	286
2015	9.09	7.26	2.54	650
2016	13.27	16.92	3.20	960
2017	20.93	23.67	4.01	1,106
2018	23.78	26.26	4.61	898.55

Investment in Infrastructure

2018 was a year of evolution and challenges for NRSP Bank; the Bank strengthened its technological infrastructure by fortification of security and networks, upgrading of data links and renewing software and services.

NRSP Microfinance Bank continued to reach new milestones through its technological enhancements. In particular, the Bank went live with the Islamic Core Banking System successfully in all the existing and new Islamic branches. As a result, NRSP Bank customers may now access their bank account and perform basic transactions at any of the member branch offices.

Opening of accounts was also enabled through biometric verification. The Bank started to verify the identity of its loan customers by capturing a picture and biometric thumbprint, before payment of cash at the counter. The process of identity verification has historically required customers to take their physical CNIC into a branch, where a service representative determined whether they are indeed the same person pictured on their ID. Widely known as in-person “know your customer” (KYC), this process is not only inconvenient and expensive, but also questionable from a security perspective. The introduction of automated biometric verification technologies is the key to making KYC faster and more convenient for customers.

We have also effectively made Anti-money Laundering (AML) Solution live in conventional branches all over Pakistan.

NRSP MFB has successfully deployed SolarWinds NMS & SAM for network server and application monitoring which allows us to monitor performance levels at different times, enabling us to appropriately allocate infrastructure over time for the most cost-effective web application performance.

NRSP Bank also collaborated with UnionPay International to issue chip based EMV debit payment cards to its valuable customers. UnionPay International (UPI) is a subsidiary of China UnionPay with acceptance in over 170 countries. Through NRSP Debit Cards, customers can enjoy unlimited access to their accounts for transactions and cash withdrawals.

We were able to successfully launch the e-statement facility for our customers who now have the option to receive their bank statements via e-mail on a daily, weekly, monthly, quarterly, half yearly or yearly basis, reducing the consumption of paper and making the information more readily available to the customers. With regard to the current cyber security challenges, NRSP Bank also decided to deploy state of the art technology with more granular control over the traffic floating on the Bank network through globally recognized cybersecurity company, Palo Alto Networks.

Services of hosting Primary Data Center and printing of ATM cards were outsourced to Multinet Pakistan (Pvt.) Limited and Oberthur Technologies Pakistan respectively during the reporting year.

Islamic Banking

Islamic banking is a system of conducting banking activities in line with the principles of Shariah while avoiding all the prohibitions such as Interest/Riba, Gharar (uncertainty), dealing in prohibited businesses (such as alcohol and gambling).

Islamic banks accept deposits from customers on a profit and loss sharing or on the basis of Qard. These funds are used in Shariah compliant modes of finance, trade or investment. The income generated by these Shariah compliant modes is then distributed among the depositors as profit.

Interest free banking is just one of the pillars of Islamic banking. Islamic banking means not only to avoid interest-based transactions, but also to avoid unethical and socially unacceptable practices prohibited in Shariah, such as unfair trade practices, hoarding and speculation. This means that Islamic banking transactions are based on tangible assets and real services as opposed to conventional money lending hence it facilitates the growth of the economic system.

Since commencement of operations in March 2011, NRSP Microfinance Bank Limited has proved itself to be a leading player in the microfinance sector in Pakistan with a strong social mission to provide financial services to the poor and unbanked segments of society. The Bank took another initiative in 2015 to establish its Islamic Microfinance Division (NRSP-IMD) thereby becoming the first regulated Islamic Microfinance Bank in Pakistan. Thus, NRSP Bank intends to tap into the ever-increasing demand for Shariah-compliant solutions and services in the country.

NRSP Bank-IMD offers innovative Islamic products to cater to the clients' financing and saving needs. Islamic products are developed, continuously reviewed and updated so that they remain abreast with market changes and customer demands for Shariah-compliant offerings.

Starting with one branch in 2016, the Bank has increased its outreach to 26 branches offering deposit products such as Mudarabah and Qard and financing products like Murabaha, Ijarah and Salam. NRSP-IMD has also equipped its clientele with value added facilities such as debit cards, SMS and Internet banking services.

During the period under review, the IMD has posted tremendous growth in all areas and diversified its portfolio in the MSME, agriculture, livestock and enterprise sectors. At the close of the year, IMD had total financing of Rs. 2.8 billion which is 100% higher than last year and had total deposits of Rs. 2.1 billion.

The Shariah Compliance Department has also completed a review of all Islamic branches and products this year. Further, Shariah compliance department and internal Shariah audit department have also started conducting the verification and audit of distribution of profit and loss to the depositors according to the requirements of SBP.

Keeping in view the excellent response received from the market for its Islamic Products, the IMD has set ambitious targets for itself. Equipped with state of the art technology and processes, world-class Islamic products, driven by committed leadership, IMD plans to keep the momentum going to meet customer expectations and grow its network even further.



بانیان کے لیے فلاحی ادارے



Contributing to Communities



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NRSP Microfinance Bank - Islamic Division has contributed an amount of PKR 2,339,656 towards providing basic facilities to a Darul Atfal (Home of homeless Children) in Bahawalpur. These places are dedicated to providing loving home, education and medical care to orphaned and destitute children and give them opportunity to become contributing members of society. Darul Atfal often struggle with funds, limiting their capacity to fully support the orphaned children. We are proud to play our part in creating a hope for a better future for these children.

It is pertinent to note that staying true to Islamic Principals on finance, we have ensured that charity collected on late-payments and profit of transaction declared as fasid, during the year, are distributed for charitable purposes and not taken into bank's profits.

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beyond our Clients

NRSP Microfinance Bank is Smart Certified!

NRSP Microfinance Bank Limited has been awarded the Client Protection Certificate. This certificate has been awarded by The Smart Campaign, an independent global company which evaluates the management's policies and processes to ensure they are aligned as per client protection principles. This achievement demonstrates the strong commitment from management to promote growth and institutional development within a client protection framework.

What it means for our Customers!

"Smart Certification provides an independent, objective seal of confidence that a financial institution is doing everything it can to treat its clients well and protect them from harm".

This means that all the efforts and hard-work that we have been doing to ensure that from designing suitable products for our customers, pricing them fairly, employing easy loan disbursement and respectful collection methods, protecting our customers' data to handling customer complaints efficiently, have been recognized by a well-known third party organization.

With this recognition, we have even bigger responsibility to further strengthen our standards of service by using customers' feedbacks and ensure these reflect in progression of the bank. We are now focusing even more to ensure that our customer receive best of our services and products.



Corporate Rebranding

NRSP Microfinance Bank underwent a corporate rebranding exercise, which manifested in a new logo, a new colour scheme and a new slogan. This new corporate identity represents a significant step in company's evolution as the new logo and colours are catchy, clear and project a message of harmony and growth.

The re-branding kept the wheat trademark intact, as the new branding is consistent with our ethos which has always been built on trust, credibility and our desire to make social impact. The wheat stalk has always been a symbol of prosperity and wellbeing in Pakistan and with the bright new colours, NRSP Bank is re-emphasizing optimism, growth and the focus on the rural and agricultural markets.

We have successfully replaced the old corporate identity with the new one across all communication channels including websites, offices and all branches. The new slogan also aligns with the company's mission: to harness the potential of people through inclusive finance, for poverty reduction and a brighter future.

Old Logo	New Logo	Islamic Logo
		



Creating
Social
Impact

Our Customer Stories





Prospering with



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Residing in the water scarce Thal desert area in Layyah District, Allah Ditta struggled to make a living as a farmer for 25 years. Dependent on rain and groundwater, cultivation was difficult, so he relied on livestock for most of his income. He wanted to dig a well and install a diesel engine to meet his water requirement but could not raise enough money from friends and family. NRSP Islamic Bank field staff approached Allah Ditta and discussed the financing facilities available. He visited the Bank and after discussion applied for financing for a solar energy system instead of a diesel engine driven water supply system. His financing of Rs. 350,000 was approved in one week.

After successful installation, Allah Ditta now had enough water to meet all his needs. He started with the cultivation of 5 acres and progressively reached 25 acres. He was able to not only grow crops for personal consumption and sale but also fodder for his livestock. He increased his livestock significantly, reaching 30 heads from 15. The perennial water supply also enabled him to cultivate multiple crops including wheat, citrus, orchard and millet, and to innovate to further increase his crop production. His success has inspired neighbouring farmers to also look towards solar energy solutions and they are seeking NRSP Bank's help in financing.

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Green Technology



Building a



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Hafiz Umar Farooq is a resident of Kasur, tehsil Patoki, Punjab. After completing his education, he started teaching in Patoki to serve the people of his own town. He started his own school, 'Scholars School' in Faisal Colony and enrolment soon grew. As the strength of the students in his school increased, Hafiz realized that he could not run the school successfully with his resources. He required financial assistance from a trusted source. In his search for such a partner, Hafiz learnt about the microfinance services offered by NRSP MFBL.

He applied for a loan of Rs. 200,000 from NRSP Bank. With the money, he renovated the school building and added a computer lab. With the school improvements, the numbers increased from 135 to 400 students. Hafiz then decided to take a second loan of Rs. 500,000. With this amount, he purchased more desks and chairs for the school and pre-paid the rent of the school building. Before taking the loan, Hafiz had eight staff members in the school, but after the expansion he was able to employ ten more people.

With the financial assistance provided by NRSP MFBL, Hafiz is not just a proud owner of a flourishing school but is also influencing the lives of hundreds of children of Patoki, by providing them with a platform that leads to a brighter future.

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Brighter Future



Flourishing Business



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Muhammad Riaz is a businessman from Jalalpur Pirwala, in South Punjab who owns a garments and uniform shop in the main shopping center of the city, Al-Zahra Shopping Center. As his business flourished and customers increased, Riaz realized he needed more stock, more variety, larger storage and display space. Then he heard about the NRSP MFBL “Karobari Sarmaya Enterprise Loan” which could meet all his business needs. Riaz met an NRSP Bank representative and applied for a loan of Rs. 500,000. He received the loan within a week and invested the money in increasing his stock. He also rented the shop next door to create more space. With the expansion of his business Riaz was able to employ two of his unemployed brothers, increasing his own income and supporting his family.

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Generates Employment



Investing in a

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Javed Iqbal is a cattle farmer and currently resides in Bahawalpur. Eight years ago he started the business of selling and purchasing cows, however he was frequently cash strapped and could not take full benefit of his business.

He met a NRSP Bank field officer during a survey and expressed his desire to purchase more livestock to make his business profitable. Field officer guided him about the bank's products and features and benefits of a loan in expanding the business. Initially, he took a loan of Rs. 100,000, with this amount he purchased calves. Javed sold the livestock on Eid ul Azha and earned good profits enabling him to pay back bank's loan. Inspired by this successful venture, he took another loan of Rs. 300,000 again and invested in livestock. He is quite hopeful about this investment turning profitable as well.

”

Better Future



Facilitating the



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Muhammad Sajid Mahmood is a farmer in Bahawalpur where he cultivates 8 acres of land that he inherited from his father. With frequent water shortages, Sajid found it difficult to benefit fully from his agricultural land fully. He strove to find ways to solve the problems of irrigation water not only for himself but also his neighboring farmers.

One day he met an NRSP Bank field officer, who told him about the financial viability of solar-powered tube wells. Sajid became interested in this technology as he could see the potential benefits for himself and the community. He learnt about the loan process and received guidance till the loan of Rs. 500,000 was successfully disbursed. He used the money to purchase 96 solar panels of 250 Watt each and a tube well module. Once the tube well started providing water for 8-10 hours daily, Sajid started irrigating his own land and selling water to other farmers as well.

With the increased income from the enhanced crop production and his new business, he also set up a mini flour mill adding value to the cultivation process. His business has also generated employment as he has hired workers to look after his flour mill and the tube well facility. He was able to pay his first loan installment earlier than scheduled due to success of his business and continues to make good profits.

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Agrarian Ecosystem



Steady Growth with



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Manzoor Hussain lives in Jatoi and cultivates 10 acres of land with his 3 sons. He always wanted to reduce dependence on income from his own cultivation and do other business in parallel. But he lacked financial resources required to expand his business. One day he met NRSP Bank employee and got to know about the services bank was providing. On encouragement, he applied for a loan of Rs. 300,000 to purchase a trolley for loading and unloading of crops that he started buying from other farmers. He gained profit and returned the loan within the due time. After this successful experience he was encouraged to apply for another loan of Rs. 450,000 to buy another trolley for sugarcane. He gained more profit and was able to return this loan in time as well. Now he has taken another loan from NRSP bank to buy a tractor and further expand his business. Manzoor's hard-work and relentless passion to do more for his family coupled with the timely help from NRSP microfinance bank has helped him increase his business.

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Financial Support



Empowering



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Hira Amjad lives in the city of Okara, Punjab who faced financial troubles very early on in her practical life. Determined to overcome difficult times, she founded a boutique with limited financial resources. Her boutique Style N Style was located on a main road in Okara and initially customer visits were frequent but started gradually tapering off. Customer feedback made her realize that the boutique interior was sub-par and did not attract customers.

She did not have enough resources to renovate her boutique to make it more eye-catching. Then, she heard of NRSP Microfinance Bank and contacted the bank representative to seek their support. She soon she got a loan of Rs. 200,000 with which she hired professional help to renovate her boutique with new fixtures, furniture and lights to make it appealing to her target clientele.

After the renovation, she witnessed increased footfall for her clothes. The business started flourishing and profitability increased. She has hired two employees to effectively look after the business and plans to further expand her boutique.

”

Women



Realizing



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Iram Shahzadi owns a beauty parlor in Sahiwal city, Punjab. Today, her beauty parlor is doing well and she has developed a loyal customer base but things were not always that good. Some time ago her family ran into financial trouble and found it difficult to make ends meet. That was when Iram decided that she would contribute to the household income and started working at a beauty parlor to earn some money.

She was a diligent worker and learnt the new skills well; however, she was not satisfied with her job and thought of starting her own parlor. She borrowed some money and bought essential items to run a parlor from home.

One day, during the field mobilization of the NRSP Bank team, she learnt about the loans the Bank was offering and thought how she could open her parlor in a good location. She applied for a loan of Rs. 151,000 and rented a parlor equipped with professional tools and materials. This helped increase her clientele and boost her earnings. Satisfied with the outcome of partnering with the Bank, she again took another loan of Rs. 250,000 to further modernize the parlor.

She is paying back the loan regularly and seeing growth in her business which makes her determined to work harder to fulfil her dreams.

”

the Dream

Consumer Protection & Grievance Handling

NRSP Microfinance Bank takes customer complaints as a source of feedback about the services, the bank offers to its customers. Complaints are handled by Internal Audit Department of the bank that reports directly to BoD through Audit Committee. Customer complaints are analyzed and process improvements are suggested for better customer services.

Stepping In To The Digital World

Digital transformation has changed the way how banks interact with the customers. Its implementation therefore becomes a must to stay competitive with new trends.

During the year 2018, NRSP MFBL has transformed its consumer grievance handling mechanism by launching Helpdesk – an automatic E2E utility for complaints. The newly launched system has great capabilities; such as assigning tracking IDs, conversing them through SMS & triggering systematic escalations on TAT breach.

During the year 2018, a total number of 725 complaints were received.

Bank's centralized complaint management cell, taking appropriate measures, promptly achieved 99.9% resolution rate [724/725] with Average TAT of 04 working days/complaint.

For customer's comfort, there are Eight (08) different channels available to interact with the bank. These include; the 24/7 Toll free line – 08000-NRSP [6777], UAN 111-011-011, E-Form Submissions, Email, Facsimile and Social Media handles. Besides the Drop box facility & printed Complaint Forms are also available at each customer's touch point.

To ensure customer awareness, the bank has taken various initiatives; such as placing placards in branches, updates through webpage and displaying messages on ATM screens (in both English and Urdu languages).



Financial Literacy Programme

In line with our mission we are working to bring the unbanked and underprivileged segment of society into formal financial system. Our bank representatives are working hard to impart basic financial knowledge to our communities, enabling them to make better financial decisions for themselves.

SBP's National Financial Literacy Programme

No. of Sessions	No. of Districts	No. of Participants
187	08	4,820

Community Trainings

No. of Courses	Training Days	Clients Trained
180	90	42,146



Financial Performance

Directors' Report – Year 2018

On behalf of the Board of Directors, I am pleased to present the 10th Annual report of the Bank with the audited Financial Statements and Auditors' Report thereon, for the year ended December 31, 2018.

Corporate Reporting Framework

The Bank has continued to comply with the best corporate governance practices and the Directors are pleased to inform that:

- The financial statements prepared by the management of the Bank presents a true and fair view of the state of its affairs, operational results, cash flows and changes in equity.
- Proper books of accounts of the Bank have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements.
- The Bank has followed international accounting standards (as applicable in Pakistan) in preparation of accounts. Also there has been no departure from the said standards.
- As a continuous process, efforts have been made to effectively implement the internal control system.
- There are no doubts about the Bank's ability to continue as a going concern.
- The Board has functional Audit Committee comprising of non - executive members which has defined terms of reference. The Board has met four times during the financial year 2018.

Performance Review

The Bank has 399,358 active borrowers as at December 31, 2018 mostly in rural areas and has posted a profit before tax of PKR 899 million. Operational activity showed encouraging results, where gross advances stood as high as PKR. 23.8 billion at financial year-end. Through loan disbursement, the Bank has processed 475,754 requests from poor masses with a volume of PKR 30.5 billion. In pursuance of the Bank's strategy of generating low cost funding for business growth and expansion, the Bank has focused on scaling up its deposit base to PKR 26.3 billion at the year end with a favorable growth of 11%.

The Bank has opted for non-payment of dividend during the year despite after-tax profit of PKR 591 million and retained earnings of PKR 2,279 million. The decision has been made to re-invest funds for future growth of the Bank.

The operational results for the year are presented below;



Capital Adequacy

As of December 31, 2018, the Bank's Capital Adequacy Ratio (CAR) measures at 16.61% against the mandatory requirements of 15% under the Prudential Regulations (PR) for Microfinance Banks.

Auditors

Statutory Auditors of the Bank, M/S A. F. Ferguson & Co., Chartered Accountants (PWC), Islamabad, have completed their audit for the year ended December 31, 2018 and shall retire at the conclusion of the ninth Annual General Meeting. Being eligible, they have offered themselves for reappointment and the Board also recommended their appointment as auditor the year ending December 31, 2019.

Transfer to reserves

As per the requirements of Microfinance Institutions Ordinance, 2001 and 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 and 5% of profit after tax to Depositors' Protection Fund along with profits on investments for such fund.

Pattern of Shareholding

The Pattern of shareholding of the Bank as at December 31, 2018 as required under section 227 of the Companies Act 2017 is as follows:

No of Shareholder(s)	From	To	Total Shares Held
3	1	150	450
5	8,000,000	77,999,550	149,836,751
			149,837,201

Categories of Shareholder

Particular	Number	Shares held	Percentage
Individual (by directors)	3	450	0.00030%
Corporate entities	5	149,836,751	99.99970%

Shareholder holding above 5% of voting shares

Shareholders	Shares	%age held
National Rural Support Program (NRSP) – Holding company	77,999,550	52.06%
KfW Germany	23,837,201	15.91%
International Finance Corporation – IFC	24,000,000	16.02%
Acumen Fund USA	16,000,000	10.68%
Acumen Capital Market	8,000,000	05.34%
Total Shares	149,836,751	

Appreciation and Acknowledgement

On behalf of the Board of the Bank, I would like to express my sincere gratitude to the State Bank of Pakistan for its guidance; to the shareholders and clients for their support; and to the employees for their commitment.



Chairman

Date: March 8, 2019

Report of The Shariah Advisor

(for the year 2018)



By the Grace of Almighty Allah (S.W.T), Islamic Microfinance Division (IMD) of NRSP Microfinance Bank has completed another year of successful operations. As of December 2018, NRSP Bank has 26 standalone Islamic branches providing a wide range of Shariah-compliant microfinance banking services. The Board of Directors and Executive Management are solely responsible to ensure that the operations of Islamic Microfinance Division are conducted in accordance with Shariah principles while the Shariah Advisor is required to submit a report on the overall Shariah compliance environment of IMD of NRSP Bank.

Shariah Compliance in Islamic Microfinance Division

Shariah compliance has always been the strength of IMD where Shariah principles are always adhered to. Shariah compliance mechanism at IMD operates at different levels ranging from customer visits, designing of specific process flows for financing customers, random transaction reviews to formal Shariah Audit. Shariah Compliance Department is working under the supervision of Shariah Advisor to ensure Shariah compliance through multiple cross-functional mechanisms.

During the year under review, I, being a Shariah Advisor, have reviewed various products, structures, process flows/modus operandi, concepts, and transactions to ensure adherence to Shariah requirements. Beside this, there is a system in place for review of executed transactions which includes periodic testing and sample-check by Shariah compliance team and regular Shariah audit by the Internal Shariah Audit team. These audits/reviews not only cover the transactions that the IMD undertakes but also include an evaluation of the staff knowledge pertaining to Islamic Finance. In this regard, Shariah Compliance team has visited 80 % of total Islamic banking branches, whereas internal Shariah Audit team has audited all Islamic branches and departments of IMD. Shariah Compliance Department is also ensuring Shariah compliance through continuous revision of policies and guidelines, structuring of processes for transaction and assisting all departments of IMD in performance of its functions.

Conclusion

Each class of transactions with respect to the relevant documentation and procedures adopted by IMD has been examined on test-check basis and I am of the view that:

- IMD has complied with Shariah rules and principles in the light of fatawa, rulings and guidelines issued by the Shariah Advisor.
- IMD has complied with directives, regulations, instructions and guidelines related to Shariah compliance issued by SBP in accordance with the rulings of SBP's Shariah Committee.
- The allocation of funds, weightages, profit sharing ratios, and profit relating to PLS accounts conform to the basis vetted by Shariah Advisor and are in accordance with Shariah rules and principles.
- IMD has complied with the SBP instructions on profit and loss distribution, pool management and approved profit and loss distribution policy of the Bank.

- All sources of income of the Islamic Microfinance Division are Shariah-compliant and any earning which has been realized from sources or by means prohibited by Islamic rules and principles have been transferred to the Charity Account. The Charity will be distributed as per approved policy of the Bank. It is worth-mentioning here that other than above, some mistakes in documentation have been pointed out by the Shariah Audit Unit and Shariah Compliance Team which did not render the income to be non Shariah-compliant and they have been addressed as per the instructions of Shariah Advisor.
- There is an adequate level of awareness, capacity and sensitization among staff, management and the Board of NRSP Bank on the importance of Shariah compliance in the products and processes of IMD. The same will be further improved through orientations / trainings.
- During 2018, training sessions have been organized for staff members across Pakistan by the training department of NRSP Bank. This includes orientations, refresher programs and certifications in Islamic Financial Products from internal and external sources. The Bank is also actively supporting capacity-building activities of the industry by extending its support to institutions including National Institute of Banking and Finance (NIBAF), State Bank of Pakistan and various other national and international institutions in conducting Islamic banking training sessions.
- Shariah Advisor has been provided adequate resources enabling it to effectively discharge its duties.

Conclusion

On that note, I, the Shariah Advisor of IMD, do hereby confirm that the operations of the Islamic Microfinance Division for the year ended December 31, 2018 have been conducted in conformity with the Shariah rules and principles.

Recommendation

Based on the review of various transactions, reports of Internal Shariah Audit and Shariah Compliance department of the IMD; it is recommended that:

- IMD may continue its expansion of Islamic banking through establishing Islamic banking branches and Islamic Windows. This will further strengthen IMD's ability to create awareness and extensively deliver Islamic banking services.
- We appreciate the focus of management on capacity-building and recommend continuing its focus on employees' training related to Islamic banking products and services with specific focus on front-line staff.

May Allah bless us with the best Tawfeeq to accomplish His cherished tasks, make us successful in this world and in the life hereafter and forgive our mistakes.



Qazi Abdul Samad
Shariah Advisor

March 08, 2019

شریعی ایڈوائزر رپورٹ

(برائے مالی سال 2018)



(شروع اللہ کے نام سے جو بڑا مہربان اور نہایت رحم کرنے والا ہے)

این آر ایس پی مائیکرو فنانس بینک کے اسلامک ڈویژن نے کامیابی سے ایک اور سال مکمل کر لیا ہے۔ سال 2018 کے اختتام تک اسلامک مائیکرو فنانس ڈویژن کی اسلامی بینکاری پر مبنی 26 برانچیں شرعی اصولوں کے مطابق اسلامی بینکاری کی وسیع خدمات و سہولیات فراہم کر رہی ہیں۔ بینک کے بورڈ آف ڈائریکٹرز اور ایگزیکٹو مینجمنٹ اسلامک مائیکرو فنانس آپریشنز میں شرعی اصولوں کی پاسداری کے ذمہ دار ہیں تاہم میں بحیثیت شریعی ایڈوائزر اس رپورٹ میں مجموعی شریعی کمپلائنس کی صورتحال پیش کر کے اپنی ذمہ داری انجام دے رہا ہوں۔

اسلامک مائیکرو فنانس ڈویژن میں شرعی اصولوں کی تعمیل

اسلامک مائیکرو فنانس ڈویژن شرعی اصولوں پر ہمہ وقت عمل پیرا ہے جو کہ اس کی ہمیشہ سے طاقت رہی ہے۔ اسلامک مائیکرو فنانس ڈویژن میں شریعی کمپلائنس کا ایک ایسا طریقہ کار متعارف کرایا گیا ہے جس میں صارف کی برانچ میں آمد سے لے کر مجموعی طور پر بینک میں رائج تمام معاملات بشمول صارف کو نفع کی فراہمی، ٹرانزیکشن کی جانچ پڑتال و جائزہ اور رسمی شریعی آڈٹ تک کہ تمام درجے شامل ہیں۔ شریعی کمپلائنس ڈپارٹمنٹ شریعی ایڈوائزر کی زیر نگرانی اپنے فرائض تن دہی سے سرانجام دیتے ہوئے متعدد طریقہ کار اپنا کر شریعی کمپلائنس کے تمام اصولوں کے نفاذ کو یقینی بناتا ہے۔

زیر بحث سال کے تمام معاملات میں شرعی اصولوں کی تعمیل کا جائزہ لینے کی غرض سے بطور شریعی ایڈوائزر میں نے مختلف مصنوعات، عوامل اور لین دین (ٹرانزیکشن) کے امور کی نظر ثانی کی ہے۔ اسکے علاوہ بینک کی شریعی کمپلائنس ٹیم اور انٹرنل شریعی آڈٹ ٹیم کا مختلف دورانیہ میں ہونیوالی ٹرانزیکشن کے نمونہ کی بنیاد پر تجزیہ کرنے کے لئے نظام بھی موجود ہے۔ آڈٹ اور تجزیات میں مخصوص ٹرانزیکشن کی جانچ پڑتال کے ساتھ ساتھ بینک کے اسلامک فنانس سے منسلک عملہ کی شرعی معاملات میں معلومات بھی جانچی جاتی ہیں اور عملہ کی کارکردگی اور صلاحیتوں کو بھی پرکھا جاتا ہے۔ اسی سلسلے میں شریعی کمیٹی نے 80 فیصد اسلامک برانچوں کا وزٹ کیا جبکہ انٹرنل شریعی آڈٹ ٹیم نے 100 فیصد اسلامک برانچوں اور اسلامک مائیکرو فنانس ڈپارٹمنٹس کا آڈٹ کیا۔ مزید برآں شریعی کمپلائنس ڈپارٹمنٹ اسلامی ڈویژن تمام پالیسی، گائیڈ لائنز اور لین دین کے عمل کی ساخت کی مسلسل نظر ثانی کے ذریعے شرعی کمپلائنس یقینی بنا رہا ہے۔

نتائج

- ہر درجے کی ٹرانزیکشن سے متعلقہ دستاویزات اور اسلامک ڈویژن کی جانب سے اپنائے گئے طریقہ کار کا ٹیسٹ چیک کی بنیاد پر تجزیہ کرنے کے بعد میرا نقطہ نظر یہ ہے کہ:-
- اسلامک مائیکرو فنانس ڈویژن نے شریعی ایڈوائزر کی جانب سے جاری کردہ فتویٰ اور ہدایات کی روشنی میں شرعی اصولوں اور قوانین کی تعمیل کی ہے۔
- اسلامک مائیکرو فنانس ڈویژن نے اسٹیٹ بینک آف پاکستان کی شریعی کمیٹی کی جانب سے جاری کردہ ہدایات اور قوانین کی تعمیل کی ہے۔
- فنڈز کی تقسیم، شرح تناسب (Weightages)، شرح منافع اور PLS اکاؤنٹ سے متعلقہ منافع شریعی ایڈوائزر کی جانچ کے مطابق شرعی اصولوں اور قوانین کے مطابق ہے۔

- نفع و نقصان کی تقسیم اور پول مینجمنٹ اسٹیٹ بینک آف پاکستان کی ہدایات کے مطابق اور بینک کی منظور شدہ پالیسی کے مطابق ہے۔
- اسلامک مائیکروفنانس ڈویژن کی تمام ذرائع سے حاصل ہونے والی آمدن شریعہ کمپلائنس کے مطابق ہے۔ ایسی آمدن جو غیر شرعی ذرائع سے حاصل کی گئی وہ چیریٹی اکاؤنٹ میں منتقل کر دی گئی ہے جو کہ بینک کی منظور شدہ چیریٹی پالیسی کے مطابق تقسیم کی کر دی گئی ہے۔ یہاں یہ بات قابل ذکر ہے کہ مندرجہ بالا کے علاوہ شریعہ کمپلائنس ٹیم اور شریعہ آڈٹ یونٹ کی جانب سے دستاویزات میں کچھ غلطیاں نوٹ کی گئی ہیں جو آمدن کو غیر شرعی ظاہر نہیں کرتیں اور ان غلطیوں کو شریعہ ایڈوائزر کی ہدایت کے مطابق درست کر دیا گیا۔
- بینک کا عملہ، مینجمنٹ اور بورڈ آف ڈائریکٹرز شریعہ کمپلائنس کی معلومات اور اہمیت کے حوالے سے باشعور اور باصلاحیت ہیں جن کو ٹریننگ پروگرامز کے ذریعے مزید بہتر کیا جا سکتا ہے۔
- بینک کے ٹریننگ ڈپارٹمنٹ نے عملے کی تربیت کے حوالے سے پورے پاکستان میں بینک کے اندرونی و بیرونی وسائل زیر استعمال لاتے ہوئے اسلامک فنانس پروڈکٹس کے حوالے سے ٹریننگ سیشن، سیمینارز اور یاددہانی کے پروگرام منعقد کئے۔ مزید برآں بینک نے مختلف اداروں بشمول نیشنل انسٹیٹیوٹ آف بینکنگ اینڈ فنانس (NIBAF)، اسٹیٹ بینک آف پاکستان اور دیگر قومی و بین الاقوامی اداروں کے تعاون سے اسلامک بینکاری کے ٹریننگ سیشن کا انعقاد کیا۔
- شریعہ ایڈوائزر کو مؤثر خدمات فراہم کرنے کیلئے مناسب وسائل مہیا کئے گئے ہیں۔

نتیجہ

لہذا میں بطور بینک کا شریعہ ایڈوائزر تصدیق کرتا ہوں کہ این آر ایس پی مائیکروفنانس بینک کے اسلامک مائیکروفنانس ڈویژن کے تمام آپریشن برائے سال 2018 شرعی اصولوں اور قوانین کے مطابق سرانجام دیئے گئے۔

سفارشات

- بینک کی متعدد ٹرانزیکشن، شریعہ آڈٹ رپورٹ اور شریعہ کمپلائنس رپورٹ کا جائزہ لینے کے بعد مندرجہ ذیل ہدایات دی جاتی ہیں:-
- بینک اسلامک برانچوں اور اسلامک ونڈوز کے ذریعے اسلامک بینکاری میں توسیع کی پالیسی کو جاری رکھ سکتا ہے۔ جس سے اسلامک مائیکروفنانس ڈویژن کی اسلامی بینکاری کاشعور پیدا کرنے اور وسیع خدمات مہیا کرنے کی صلاحیت میں اضافہ ہوگا۔
- یہ بات قابل تعریف ہے کہ مینجمنٹ کی توجہ اسلامی بینکاری کی تربیت پر مرکوز رہی اور تجویز دی جاتی ہے کہ بینک یہ سلسلہ جاری رکھتے ہوئے اپنے عملے بالخصوص ص فرنٹ لائن سٹاف کی اسلامی بینکاری کے پروڈکٹس اور خدمات کے حوالے سے مناسب تربیت کرے۔

اللہ تعالیٰ سے دعا ہے کہ وہ ہمیں اس نیک اور قیمتی مقصد میں کامیاب ہونے کی توفیق دے۔ مزید ہمیں دنیا اور آخرت میں کامیابیوں سے نوازے اور ہماری غلطیوں اور خطاؤں کو درگزر فرمائے۔ آمین



قاضی عبدالصمد
شریعی ایڈوائزر



Independent Auditor's Report

To the Members of NRSP Microfinance Bank Limited Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of the NRSP Microfinance Bank Limited (the Company) which comprise of the balance sheet as at December 31, 2018, and the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanation given to us, the balance sheet, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Microfinance Institutions Ordinance, 2001, the Companies Act, 2017 (XIX of 2017) and the directives issued by the State Bank of Pakistan in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2018 and of the profit, the other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* for the *Audit of the Financial Statements* section of our report. We are independent of the Bank accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information obtained at the date of this auditor's report is information included in the director's report, but does not include the financial statements of the Company and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.



In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If based on the work we have performed, on other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of the Microfinance Institutions Ordinance, 2001, the Companies Act, 2017 (XIX of 2017) and the directives issued by the State Bank of Pakistan and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the balance sheet, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes thereon have been drawn up in conformity with the Microfinance Institutions Ordinance, 2001, the Companies Act, 2017 (XIX of 2017), and the directives issued by the State Bank of Pakistan and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of the Ordinance.

The engagement partner on the audit resulting in this independent auditor's report is JehanZeb Amin.

Chartered Accountants
Islamabad
Date: March 8, 2019

BALANCE SHEET

As at December 31, 2018

	Note	2018 Rupees	2017 Rupees
ASSETS			
Cash and balances with SBP and NBP	7	1,120,907,602	1,642,950,036
Balances with other Banks/NBFIs/MFBs	8	3,699,044,247	5,223,369,743
Lending to financial institutions	9	2,522,202,000	-
Investments - net of provisions	10	3,458,697,984	2,696,482,931
Advances - net of provision	11	23,311,121,828	20,705,809,185
Operating fixed assets	12	1,008,607,370	533,617,070
Other assets	13	3,136,557,194	2,787,279,551
Deferred tax asset - net	14	93,447,540	-
Total Assets		38,350,585,765	33,589,508,516
LIABILITIES			
Deposits and other accounts	15	26,263,175,128	23,671,819,632
Borrowings	16	4,531,799,881	3,293,888,888
Subordinated debt	17	672,360,000	672,360,000
Other liabilities	18	2,275,492,810	1,922,913,622
Deferred tax liability - net		-	14,616,979
Total Liabilities		33,742,827,819	29,575,599,121
Net Assets		4,607,757,946	4,013,909,395
REPRESENTED BY:			
Share capital	19	1,498,372,010	1,498,372,010
Statutory reserve	6.10	640,217,412	522,034,107
Depositors' protection fund	6.10	180,937,261	142,607,377
Unappropriated profit		2,278,585,992	1,849,115,619
		4,598,112,675	4,012,129,113
Surplus / (Deficit) on revaluation of assets		-	-
Deferred grants	20	9,645,271	1,780,282
Total capital		4,607,757,946	4,013,909,395
MEMORANDUM / OFF BALANCE SHEET ITEMS	21		

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



 President / Chief Executive



 Chairman



 Director



 Director

PROFIT AND LOSS ACCOUNT

For the Year Ended December 31, 2018

	Note	2018 Rupees	2017 Rupees
Mark-up / return / interest earned	22	6,331,528,190	4,976,176,699
Mark-up / return / interest expensed	23	(2,226,359,614)	(2,038,966,710)
Net mark-up / interest income		4,105,168,576	2,937,209,989
Provision against non-performing loans and advances	11.3	(1,124,872,140)	(383,809,692)
Provision for diminution in the value of investments		-	-
Bad debts written off directly - net of insurance recover-	11.4	(29,984,417)	(3,700,406)
		(1,154,856,557)	(387,510,098)
Net mark-up / interest income after provisions		2,950,312,019	2,549,699,891
NON MARK-UP / NON INTEREST INCOME			
Fee, commission and brokerage income	24	722,596,172	615,784,095
Dividend income		8,403,290	441,034
Other income - net	25	102,261,942	254,897,425
Total non mark-up / non interest income		833,261,404	871,122,554
		3,783,573,423	3,420,822,445
NON MARK-UP / NON INTEREST EXPENSES			
Administrative expenses	26	(2,881,731,158)	(2,313,916,396)
Other charges	27	(3,291,554)	(1,232,479)
Total non mark-up / non interest expenses		(2,885,022,712)	(2,315,148,875)
		898,550,711	1,105,673,570
Extra ordinary / unusual items		-	-
		898,550,711	1,105,673,570
PROFIT BEFORE TAXATION			
Taxation - Current	28	(337,865,084)	(270,513,654)
Prior year		(77,833,621)	-
Deferred		108,064,519	(13,685,440)
		(307,634,186)	(284,199,094)
PROFIT AFTER TAXATION		590,916,525	821,474,476
Unappropriated profit brought forward		1,849,115,619	1,250,224,935
Less: Other comprehensive income		(13,717,021)	(17,215,174)
Profit available for appropriation		2,426,315,123	2,054,484,237
APPROPRIATIONS:			
Transfer to:			
Statutory reserve		(118,183,305)	(164,294,895)
Depositors' protection fund		(29,545,826)	(46,024,099)
		(147,729,131)	(210,318,994)
Unappropriated profit carried forward		2,278,585,992	1,844,165,243
Earnings per share	29	3.94	5.48

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


 President / Chief Executive


 Chairman


 Director


 Director

STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended December 31, 2018

	Note	2018 Rupees	2017 Rupees
Profit after taxation		590,916,525	821,474,476
Other comprehensive income/ (loss)			
Items that will not be subsequently reclassified through profit and loss account:			
Loss on re-measurement of employees' retirement benefits - net of tax	18.2	(13,717,021)	(17,215,174)
Total comprehensive income for the year		577,199,504	804,259,302

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



 President / Chief Executive



 Chairman



 Director



 Director

STATEMENT OF CHANGES IN EQUITY

For the Year Ended December 31, 2018

	Capital reserves			Revenue reserve	Total
	Share capital	Statutory reserve	Depositors' protection fund	Unappropriated profit	
	Rupees				
Balance as at January 01, 2017	1,498,372,010	357,739,212	96,583,278	1,250,224,935	3,202,919,435
Profit for the year	-	-	-	821,474,476	821,474,476
Other comprehensive loss for the year	-	-	-	(17,215,174)	(17,215,174)
Total comprehensive income for the year	-	-	-	804,259,302	804,259,302
Transfer to statutory reserve	-	164,294,895	-	(164,294,895)	-
Transfer to depositors' protection fund	-	-	-	-	-
5% of the profit after tax for the year	-	-	41,073,723	(41,073,723)	-
Return on investments - net of tax	-	-	4,950,376	-	4,950,376
	-	-	46,024,099	(41,073,723)	4,950,376
Balance as at December 31, 2017	1,498,372,010	522,034,107	142,607,377	1,849,115,619	4,012,129,113
Profit for the year	-	-	-	590,916,525	590,916,525
Other comprehensive loss for the year	-	-	-	(13,717,021)	(13,717,021)
Total comprehensive income for the year	-	-	-	577,199,504	577,199,504
Transfer to statutory reserve	-	118,183,305	-	(118,183,305)	-
Transfer to depositors' protection fund	-	-	-	-	-
5% of the profit after tax for the year	-	-	29,545,826	(29,545,826)	-
Return on investments - net of tax	-	-	8,784,058	-	8,784,058
	-	-	38,329,884	(29,545,826)	8,784,058
Balance as at December 31, 2018	1,498,372,010	640,217,412	180,937,261	2,278,585,992	4,598,112,675

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



President / Chief Executive



Chairman



Director



Director

CASH FLOW STATEMENT

For the Year Ended December 31, 2018

	Note	2018 Rupees	2017 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		898,550,711	1,105,673,570
Less: Dividend income		(8,403,290)	(441,034)
		890,147,421	1,105,232,536
Adjustments:			
Depreciation		164,946,253	104,742,244
Amortization of intangible assets		38,417,438	34,949,552
Provision against non-performing advances		1,124,512,862	383,809,692
Provision against advances to employees		-	359,278
Advances directly written off - net of recoveries		29,984,417	3,700,406
Unrealized gain on revaluation of investments classified as held for trading		(7,466,315)	(7,161,348)
Gain on sale / redemption of securities		(39,032,788)	(182,621,319)
Unrealized exchange loss		227,182,500	55,000,000
Unrealized gain on derivative asset		(202,478,746)	(66,570,718)
Gain on sale of fixed assets		(3,573,264)	(13,339,939)
Finance charges on leased assets		8,186,023	7,871,473
Amortization of deferred grant		(10,477,586)	(8,067,044)
Provision for gratuity and leave encashment		146,802,658	107,977,735
		1,477,003,452	420,650,012
(Increase) / decrease in operating assets			
Lendings to financial institutions		(497,202,000)	-
Net investment in held-for-trading securities		(1,610,953,769)	4,274,782,411
Advances		(3,760,169,200)	(7,966,588,372)
Other assets (excluding advance taxation)		(239,315,745)	(1,041,881,063)
		(6,107,640,714)	(4,733,687,024)
Increase / (decrease) in operating liabilities			
Bills payable		(497,889,859)	370,619,738
Borrowings from financial institutions		1,010,728,493	(1,438,286,112)
Deposits and other accounts		2,591,355,496	6,749,736,015
Other liabilities (excluding bills payable, current taxation, gratuity and leave encashment, finance lease)		734,781,690	442,746,635
		3,838,975,820	6,124,816,276
Payments against provisions held against off-balance sheet obligations			
Income tax paid		(304,951,341)	(325,783,430)
Gratuity and Leave encashment paid (including contributions)		(35,728,933)	(35,001,060)
Net cash (used in) / generated from operating activities		(242,194,295)	2,556,227,310
CASH FLOW FROM INVESTING ACTIVITIES			
Net investment in available-for-sale securities		-	-
Net investment in held-to-maturity securities		894,300,844	(660,114,748)
Investment in operating fixed assets		(650,693,005)	(306,285,021)
Interest income on depositor's protection fund		8,784,058	-
Dividend received from mutual funds		8,403,290	441,034
Sale proceeds from property and equipment disposed-off		4,499,195	14,493,460
Net cash used in financing activities		265,294,382	(951,465,275)
CASH FLOW FROM FINANCING ACTIVITIES			
Grant received		18,342,575	9,036,969
Net payments of lease obligations		(62,810,592)	(14,361,322)
Net cash used in financing activities		(44,468,017)	(5,324,353)
Net (decrease) / increase in cash and cash equivalents		(21,367,930)	1,599,437,682
Cash and cash equivalents at beginning of the year		6,866,319,779	5,266,882,097
Cash and cash equivalents at end of the year	30	6,844,951,849	6,866,319,779

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


President / Chief Executive


Chairman


Director


Director

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2018

1 STATUS AND NATURE OF BUSINESS

NRSP Microfinance Bank Limited (the Bank) was incorporated in Pakistan on October 22, 2008 as a public limited company under the Companies Ordinance, 1984. The Bank obtained license from the State Bank of Pakistan (SBP) on February 18, 2009 to operate, on nationwide basis, as a microfinance bank under Microfinance Institutions Ordinance, 2001. Certificate of commencement of business was issued by the Securities and Exchange Commission of Pakistan (SECP) on February 8, 2011 and certificate of commencement of business from SBP was received on February 28, 2011.

The Bank was established to mobilize funds for providing microfinance banking and related services to low income and underserved segment of society for mitigating poverty through providing access to financial markets at micro level.

The Bank's registered office is situated at 7th Floor, UBL Tower, Jinnah Avenue, Blue Area, Islamabad and principal place of business is situated at University Road, Bahawalpur. The Bank is operating 143 branches including 26 (2017: 10) Islamic branches as at December 31, 2018 (2017: 104 branches and 1 booth/rural service center).

National Rural Support Programme (NRSP) is holding company of the Bank which holds 52.06% (2017: 52.06%) shares of the Bank.

2 BASIS OF PRESENTATION

2.1 These financial statements have been presented in accordance with the requirements of Banking Supervision Department (BSD) Circular No. 11 dated December 30, 2003 issued by the State Bank of Pakistan (SBP).

2.2 The financial results of the Islamic Microfinance Division (IMD) of the Bank have been consolidated in these financial statements for reporting purpose, after eliminating inter-branch transactions/balances. Key figures of the IMD, derived from the related accounting records of the Bank, are disclosed as Annexure-II to these financial statements for disclosure purpose only to comply with the requirements of the license issued by the SBP to the Bank to commence Islamic microfinance operations. Further, the IMD results are to be separately reported upon for Shariah Compliance by the Shariah Advisor of the Bank as required by the SBP in conditions prescribed for the Bank to commence Islamic Microfinance operations.

3 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for Banks/DFIs/MFIs. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Microfinance Institutions Ordinance, 2001 and the Companies Act, 2017; and
- Directives issued by the SBP and the SECP.

Wherever the requirements of the Microfinance Institutions Ordinance, 2001, the Companies Act, 2017, or the directives issued by the SBP and the SECP differ with the requirements of the IFRSs or IFASs, the requirements of the Microfinance Institutions Ordinance, 2001, the Companies Act, 2017, and said directives shall prevail.

The SBP vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and IAS 40, "Investment Property" till further instructions. Further, SECP vide its S.R.O. 411(I)/2008 dated April 28, 2008 has deferred the applicability of IFRS 7 - 'Financial instruments - disclosures'. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been measured in accordance with the Prudential Regulations (the Regulations) of the SBP and presented in accordance with the requirements of SBP BSD Circular No. 11 dated December 30, 2003.

4 NEW AND REVISED STANDARDS AND INTERPETATIONS

- 4.1 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company:

		Effective date (annual periods beginning on or after)
IFRS 3	Business Combinations	January 1, 2019
IFRS 9	Financial Instruments	July 1, 2018
IFRS 11	Joint Ventures	January 1, 2019
IFRS 15	Revenue from Contracts with Customers	July 1, 2018
IFRS 16	Leases	January 1, 2019
IAS 1	Presentation of Financial Statements	January 1, 2020
IAS 8	Accounting Policies, Changes in Account- ing Estimates and Errors	January 1, 2020
IAS 12	Income Taxes	January 1, 2019
IAS 19	Employee Benefits - (Amendments)	January 1, 2019
IAS 23	Borrowing Costs	January 1, 2019
IAS 28	Investment in Associate (Amendments)	January 1, 2019
IFRIC 23	Uncertainty over Income Tax	January 1, 2021

The management does not anticipate early adoption of above standards and amendments and is currently evaluating the impact of adopting these standards.

- 4.2 Following standards have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of its applicability in Pakistan:

IFRS 1	First Time Adoption of International Financial Reporting Standards
IFRS 14	Regulatory Deferral Accounts
IFRS 17	Insurance contracts

- 4.3 The following interpretations issued by the IASB have been waived of by SECP:

IFRIC 4	Determining whether an arrangement contains lease
IFRIC 12	Service concession arrangements

5 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except for certain investments carried at fair value and recognition of certain staff retirement benefits, liabilities against assets subject to finance lease which are stated at present value.

5.1 Functional and presentation currency

These financial statements are presented in Pakistan Rupee (PKR), which is the Bank's functional currency. All financial information presented in PKR has been rounded to the nearest of PKR, unless otherwise stated.

5.2 Significant accounting estimates

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments/ estimates and associated assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These judgments/ estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the estimates about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have significant effect on the amounts recognized in the financial statements are discussed in following paragraphs:

a) Impairment of investments

Impairment in the value of investments is made after considering objective evidence of impairment. Provision for diminution in the value of investments is made as per the Regulations issued by SBP.

b) Advances

The Bank reviews its micro credit loan portfolio to assess amount of non-performing advances and provision required there against on regular basis. While assessing this requirement, the Regulations of SBP are taken into consideration.

c) Operating fixed assets/ intangible assets

Estimates of residual values and useful lives of operating fixed assets and intangible assets are reassessed annually and any change in estimate is taken into account in the determination of depreciation/ amortization charge and impairment loss. Changes in estimates are accounted for over the estimated remaining useful life of the assets.

d) Fair value of derivative financial instruments

The Company reviews the fair values of derivative financial instruments on a regular basis. Fair values are sensitive to changes in interest and foreign currency exchange rates, and if there is any change in interest and foreign currency exchange rates, the fair values are adjusted accordingly.

e) Employees' benefits

Employees' benefits include gratuity and compensated absences which are provided for on basis of actuarial valuation. Estimate is made on the basis of expected period of service of employees, expected increase in salary, discount rate and other demographic assumptions.

f) Provisions and contingencies

Estimates of the amount of provisions recognized are based on current legal and constructive

requirements. As actual outflows can differ from estimates due to changes in laws, regulations, public expectations, prices and conditions, and can take many years in the future, the carrying amounts of provisions are regularly reviewed and adjusted to take account of such changes. Further, the Bank also reviews the status of all the legal cases on a regular basis. Based on the expected outcome and consideration of opinion of its legal advisor, appropriate provision / disclosure is made.

g) Impairment of financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events would have a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original interest rate.

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

h) Taxation

The Bank takes into account the current income tax law and decisions taken by the taxation authorities. Those amounts are shown as contingent liabilities wherein, the Bank's views differ from the views taken by the taxation authorities at the assessment stage and where the Bank considers that its views on items of material nature are in accordance with law.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

6.1 Cash and cash equivalents

Cash and cash equivalents represent cash in hand, balances held with State Bank of Pakistan (SBP) and National Bank of Pakistan (NBP), balances held with other banks/ Non-Banking Financial Institutions (NBFIs) / Microfinance Banks (MFBs) and call money lendings carried at cost.

6.2 Financial instruments

Financial assets and liabilities are recognized when the Bank becomes a party to the contractual provisions of the instrument. These are derecognized when the Bank ceases to be the party to the contractual provisions of the instrument.

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or historical cost, as the case may be.

Other particular recognition methods adopted by the Bank are disclosed in the individual policy statements associated with each item of financial instruments.

a) Financial Assets

Financial assets are cash and balances with SBP and NBP, balances with other banks, lending to financial institutions, investments, advances and other receivables. Advances are stated at their nominal value as reduced by appropriate provisions against non-performing advances, while other financial assets excluding investments are stated at cost. Investments are recognized as per note 6.4.

b) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangement entered into. Financial liabilities include borrowings and other liabilities which are stated at their nominal value. Financial charges are accounted for on accrual basis.

Any gain or loss on the recognition and de-recognition of the financial assets and liabilities is included in the net profit and loss for the year in which it arises.

c) Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value using 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.

6.3 Sale and repurchase agreements

Securities sold under repurchase agreement (repo) are retained in the financial statements as investments and a liability for consideration received is included in borrowings. Conversely, consideration for securities purchased under resale agreement (reverse repo) are included in lendings to financial institutions. The difference between sale and repurchase / purchase and resale price is recognized as mark-up / return expensed and earned respectively on a time proportion basis as the case may be. Repo and reverse repo balances are reflected under borrowings from and lendings to financial institutions respectively.

6.4 Investments

All purchase and sale of investments that require delivery within the time frame established by regulation or market convention are recognized at the trade date, which is the date the Bank commits to purchase or sell the investment. All investments are derecognized when the right to receive economic benefits from the investments has expired or has been transferred or the Bank has transferred substantially all the risks and rewards of ownership.

Investments are classified into following categories:

a) Held for trading

These represent securities acquired with the intention to trade by taking advantage of short-term market / interest rate movements. These securities are required to be disposed off within 90 days from the date of their acquisition. After initial measurement, these are marked to market and surplus / deficit arising on revaluation of 'held for trading' investments is taken to profit and loss account in accordance with the requirements prescribed by SBP.

b) Held to maturity

Investments with fixed maturity, where management has both the intent and the ability to hold till maturity, are classified as held to maturity. Subsequent to initial recognition at cost, these investments are measured at amortized cost, less provision for impairment in value, if any, and amortized cost is calculated taking into account effective interest rate method. Profit on held to maturity investments is recognized on a time proportion basis taking into account the effective yield on the investments.

Premium or discount on acquisition of held to maturity investments is amortized through profit and loss account over the remaining period till maturity.

c) Available for sale

Investments which may be sold in response to need for liquidity or changes in interest rates, exchange rates or equity prices are classified as available for sale. Available for sale investments are initially recognized at cost and subsequently measured at fair value. Profit on available-for-sale investments is recognized on a time proportion basis taking into account the effective yield on the investments.

The surplus / (deficit) arising on revaluation of available for sale investments is kept in "surplus/(deficit) on revaluation of assets" through statement of comprehensive income.

The surplus/(deficit) arising on these investments is taken to profit and loss account, when actually realized upon disposal of the investment.

6.5 Advances

Advances are stated net of provision for non-performing advances. The outstanding principal and mark-up of the loans and advances, payments against which are overdue for 30 days or more are classified as non-performing loans (NPLs). The unrealized interest / profit / mark-up / service charges on NPLs is suspended and credited to interest suspense account. Further the NPLs are classified into following categories as prescribed in the Regulations:

a) **Other assets especially mentioned**

These are advances, payments against which are overdue for 30 days or more but less than 60 days.

b) **Substandard**

These are advances, payments against which are overdue for 60 days or more but less than 90 days.

c) **Doubtful**

These are advances, payments against which are overdue for 90 days or more but less than 180 days.

d) **Loss**

These are advances, payments against which are overdue for 180 days or more.

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

In accordance with the Regulations, the Bank maintains specific provision of outstanding principal net of cash collaterals and Gold (ornaments and bullion) realizable without recourse to a Court of Law at the following rates:

Other assets especially mentioned	Nil
Substandard	25% of outstanding principal net of cash collaterals
Doubtful	50% of outstanding principal net of cash collaterals
Loss	100% of outstanding principal net of cash collaterals

In addition to above, a general provision is made equivalent to 1% (2017: 1%) of the net outstanding balance (advances net of specific provisions) in accordance with the requirement of the Regulations.

General and specific provisions are charged to the profit and loss account in the period in which they occur.

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

6.5.1 Islamic financing and related assets

a) **Murabaha**

Receivable under Murabaha financing represent cost price plus an agreed markup on sale arrangement. Markup income is recognized on straight line basis over the tenure of financing period.

b) **Ijarah**

Ijarah financing represent arrangements whereby the Bank (being the owner of assets) transfers its usufruct to its customers for an agreed period at an agreed consideration. Assets leased out under Ijarah are stated at cost less accumulated depreciation and accumulated

impairment losses, if any. These assets are depreciated over the term of the Ijarah financing. Ijarah income is recognized on an accrual basis.

6.6 Operating fixed assets

a) Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any, and is transferred to the respective item of operating fixed assets when available for intended use.

b) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset and the costs of dismantling and removing the items and restoring the site on which they are located, if any. Property and equipments are recognized 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. Subsequent expenditure is capitalized only when it increases the future economic benefit embodied in the specific asset to which it relates. Carrying amount of the replaced component is derecognized. All other repair and maintenance are charged to profit and loss account.

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

Gains and losses arising on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amounts of fixed asset. Net gain is recognized within other income while net loss is recognized in administrative expenses in the profit and loss account.

c) Intangible assets

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

Intangible assets comprise of computer software and related applications. Intangible assets are amortized over their estimated useful lives at rate specified in note 12.3 to the financial statements. Subsequent expenditure is capitalized only when it increases the future economic benefit embodied in the specific asset to which it relates. All other expenditure is recognized in profit and loss account as incurred.

6.7 Impairment

a) Non - financial assets

The carrying amounts of the Bank's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is determined.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in profit and loss account. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss recognized in prior years is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

b) Financial Assets

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

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

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

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

6.8 Taxation

Income tax expense comprises of current and deferred tax. Income tax expense is recognized in the profit and loss account except to the extent that it relates to items recognized directly in equity or below equity/ other comprehensive income in which case it is recognized in equity or below equity/ other comprehensive income.

Management periodically evaluates positions taken in tax returns, with respect to situations in which applicable tax regulation is subject to legal interpretation and decisions of superior appellate fora, and accordingly establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities. Instances where the Bank's view differs from the view taken by the income tax department at the assessment stage, the amounts are shown as contingent liabilities.

Current

Current tax is the tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, taking into account tax credits, rebates and tax losses, if any, and any adjustment to tax payable in respect of previous years.

Deferred

Deferred tax is accounted for on all major taxable temporary differences between the carrying amounts of assets for financial reporting purposes and their tax base. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. At each balance sheet date, the bank reassesses the carrying amount and the unrecognized amount of deferred tax assets.

Deferred tax assets and liabilities are calculated at the rate that are expected to apply for the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantially enacted till the balance sheet date. Deferred tax, on revaluation of investments, if any, is recognized as an adjustment to surplus/ (deficit) arising on such revaluation.

6.9 Employee benefits

The main features of the schemes operated by the Bank for its employees are as follows:

a) Defined benefit plan

i) Employees gratuity fund

The Bank operates an approved funded gratuity fund for all its regular employees. The cost of providing benefits under the plan is determined using the projected unit credit actuarial valuation method. Estimate is made on the basis of expected period of service of employees, expected increase in salary, discount rate and other demographic assumptions. Six or more months of service is counted as one full year. Qualifying service period is two years. Gratuity is paid to employee upon leaving the bank's service and is calculated on basis of last drawn gross salary multiplied with numbers of years of service with the bank.

The most recent valuation for defined benefit plan was carried out as at December 31, 2018 by an independent actuary using the projected unit credit method. Actuarial gains and losses arising due to changes in defined benefit obligations are recognized immediately in other comprehensive income in order for the net asset or liability recognized in the balance sheet to reflect the full value of plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets is calculated by applying the discount rate to the net defined benefit liability or asset.

ii) Accumulated compensated absences

The Bank provides compensated absences to all its regular employees who are entitled to accumulate the unutilized privilege leaves up to 90 days (2017: 90 days). Provision for expected cost of accumulated compensated absences is charged to profit and loss account on the basis of actuarial valuations. The most recent valuation for defined benefit plan was carried out as at December 31, 2018 by an independent actuary using the projected unit credit method.

b) Defined contribution plan

The Bank operates an approved defined contribution provident fund for all permanent employees. Equal monthly contributions at the rate of 10% of basic salary are made by the employees and by the Bank to the fund.

6.10 Reserves

a) Statutory reserve

In compliance with the Regulations, the Bank is required to maintain a statutory reserve to which an appropriation equivalent to 20% of the profit after tax is to be made till such time the reserve fund equals the paid up capital of the Bank. Thereafter, the contribution is to be reduced to 5% of the annual profit after tax.

b) Depositors' protection fund (DPF)

The Bank is required under the Microfinance Institutions Ordinance, 2001 to contribute 5% of annual after tax profit and profit earned on investments of the fund shall be credited to DPF for the purpose of providing security or guarantee to persons depositing money in the bank.

c) Cash reserve

In compliance with the related regulatory requirements, the Bank is required to maintain a cash reserve equivalent to not less than 5% of its deposits (including demand deposits and time deposits with tenor of less than 1 year) in a current account opened with the State Bank or its agent.

d) Statutory liquidity requirement

In compliance with the related regulatory requirements, the Bank is required to maintain liquidity equivalent to at least 10% of its total demand and time liabilities with tenor of less than one year in form of liquid assets i.e. cash, gold, unencumbered treasury bills, Pakistan

Investment Bonds and Government of Pakistan sukuk bonds. Treasury bills and Pakistan Investment Bonds held under depositor protection fund are excluded for the purpose of determining liquidity.

6.11 Grants

Grants that compensate the Bank for the cost of an asset are initially recognized in the balance sheet as deferred income when grant is received or there is reasonable assurance that it will be received and that the Bank will comply with the conditions attached to it and are charged to the profit and loss account as other operating income on a systematic basis over the useful life of the asset. Grants that compensate the Bank for expenses are initially recognized as deferred income or receivable, depending upon the nature of grant arrangement and are recognized as income in the profit and loss account on a systematic basis in the same period in which the related expenses are incurred.

6.12 Earnings per share

The Bank presents earnings per share (EPS) for its ordinary shares which is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effect of all dilutive potential ordinary shares. There were no dilutive potential ordinary shares in issue as at December 31, 2018.

6.13 Revenue recognition

a) Markup / return / interest earned on advances

Markup / income / return / service charges on advances is recognized on accrual / time proportion basis using effective interest rate method at the Bank's prevailing interest rates for the respective loan products. Markup/ income on advances is collected with loan instalments. Due but unpaid service charges / income are accrued on overdue advances for period up to 30 days. After 30 days, overdue advances are classified as non-performing and recognition of unpaid service charges / income ceases. Further, accrued markup on non-performing advances are reversed and credited to suspense account. Subsequently, markup recoverable on non-performing advances is recognized on a receipt basis in accordance with the requirements of the Regulations. Application processing fee is recognized as income when service is performed.

b) Income from investments

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

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

c) Fee, commission and brokerage income

Fee, commission and brokerage income are recognized as services are performed.

d) Income on inter bank deposits

Income from interbank deposits in saving accounts are recognized in the profit and loss account using the effective interest method.

6.14 Borrowing costs

Borrowing costs are recognized as an expense in the period in which they are incurred except where such costs relate to the acquisition, construction or production of a qualifying asset in which case such costs are capitalized as part of the cost of that asset. Borrowing cost includes exchange differences arising from foreign currency borrowings to the extent these are regarded as an adjustment to borrowing costs.

6.15 Leases

Leases are classified as finance lease when the terms of lease substantially transfer all the risk and rewards of ownership to the Bank. All other leases are classified as operating leases.

Assets held under finance lease are initially recognized at fair value at the inception of lease or, if lower, at present value of minimum lease payments. A corresponding liability is recorded in the statement of financial position as finance lease obligation. Lease payments are apportioned between finance expenses and reduction of lease obligation so as to achieve a constant rate of interest on the remaining balance of liability. Depreciation on assets subject to finance lease is charged on the basis similar to the owned assets.

Operating lease rentals are recorded in profit and loss account on a time proportion basis over the term of the lease arrangements.

6.16 Off-setting

Financial assets and financial liabilities and tax assets and tax liabilities are only off-set and the net amount is reported in the financial statements when there is a legally enforceable right to set off the recognized amount and the Bank intends either to settle on 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.

6.17 Foreign currencies translation

Transactions in foreign currencies are translated into Pak Rupee at exchange rate on the date of transaction. All monetary assets and liabilities in foreign currencies are translated into Pak Rupee at the rate of exchange approximating those ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit and loss account.

6.18 Provisions

A provision is recognized when, and only when, the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

	Note	2018 Rupees	2017 Rupees
7 CASH AND BALANCES WITH SBP AND NBP			
Cash in hand		374,339,561	283,223,658
Balances with State Bank of Pakistan	7.1	743,212,216	1,358,647,431
Balances with National Bank of Pakistan in			
Current account		28,836	28,836
Deposit accounts		3,326,989	1,050,111
		1,120,907,602	1,642,950,036

7.1 This represents balance maintained with SBP to comply with requirements of Prudential Regulations for Microfinance Banks to maintain minimum cash reserve equivalent to not less than 5% (2017: 5%) of the Bank's demand deposits and time deposits with tenor of less than one year.

	Note	2018 Rupees	2017 Rupees
8 BALANCES WITH OTHER BANKS / NBFIs / MFBS			
In Pakistan			
Local currency current accounts		93,013,283	31,413,117
Local currency deposit accounts	8.1	3,306,030,964	4,475,956,626
Local currency term deposits	8.2 & 8.3	300,000,000	716,000,000
		3,699,044,247	5,223,369,743

8.1 These represent deposits with commercial banks and Islamic banks payable on demand carrying mark-up/profit ranging from 5% to 10.30% (2017: 2.75% to 6.30%) per annum.

8.2 These represent term deposits with local commercial banks carrying mark-up at the rate of 9.60% (2017: 6.15% to 7.15%) per annum and maturing upto February 8, 2019.

8.3 Local currency term deposits include amount of Rs Nil (2017: Rs 316 million) which were placed under lien with lenders against long term loans as explained further in note 16.1.3 and 16.1.7.

	Note	2018 Rupees	2017 Rupees
9 LENDING TO FINANCIAL INSTITUTIONS			
Call money lending		2,025,000,000	-
Repurchase agreement lendings	9.1 & 9.2	497,202,000	-
		2,522,202,000	-

9.1 These are secured against underlying Market Treasury Bills. The differential between the contracted rate and resale price is amortised over the period of related contracts and recorded under mark-up / return / interest earned. These carry mark-up at the rate of 10.15% per annum and are due to mature in the month of January 2019.

9.2 Securities held as collateral against lending to financial institutions	December 31, 2018		
	Held by bank	Further given as collateral	Total
		Rupees	
Market treasury bills (MTBs)	500,000,000	-	500,000,000

	Note	2018 Rupees	2017 Rupees
10 INVESTMENTS - NET OF PROVISIONS			
Held to maturity			
Federal Government securities			
Market Treasury Bills	10.1	599,040,701	1,484,679,524
Ijarah Sukuks	10.2	136,393,878	145,055,899
		735,434,579	1,629,735,423
Held for trading			
Mutual funds	10.3	2,723,263,405	1,066,747,508
Less: Provision in diminution in value of investments			
Investments - net of provision		3,458,697,984	2,696,482,931

10.1 The T-Bills carry mark up at the rate of 8.72% to 8.8% (2017: 5.99% to 6.02%) per annum and are due to mature in January 2019.

10.2 Ijarah Sukuks carry mark up at the rate of 5.59% to 6.10% (2017: 5.59% to 6.10%) per annum and are due to mature between February 2019 to March 2019.

10.3 This represents units held in funds as tabulated below:

	2018		2017	
	No. of units	Rupees	No. of units	Rupees
ABL Cash Fund	-	-	10,179,801	105,084,040
Alfalah GHP Money Market Fund	3,598,125	352,200,319	255,835	25,570,989
Askari Sovereign Cash Fund	990,503	100,077,336	-	-
Atlas Money Market Fund	770,942	401,830,226	201,271	103,769,484
Faysal Money Market Fund	1,447,537	152,475,283	-	-
First Habib Cash Fund	498,568	50,301,434	-	-
Lakson Money Market Fund	1,937,785	201,584,333	1,002,602	103,070,244
MCB Cash Management Optimizer	4,481,795	451,427,953	1,019,644	105,201,030
NAFA Money Market Fund	35,554,069	351,373,755	30,799,709	311,837,811
HBL Asset Management	-	-	2,022,023	208,585,266
HBL Cash Fund	4,569,345	461,364,021	-	-
UBL Liquidity Plus Fund	1,992,670	200,628,745	1,002,273	103,628,644
		2,723,263,405		1,066,747,508

11 ADVANCES - NET OF PROVISION

Loan type	Note	2018		2017	
		Number	Rupees	Number	Rupees
Micro credit		383,854	20,638,998,148	409,755	19,559,056,801
Islamic financing		15,504	3,138,634,605	16,656	1,375,136,900
		399,358	23,777,632,753	426,411	20,934,193,701
Less: Provision held					
Specific	11.1	13,536	(238,020,546)	1,099	(21,554,081)
General	11.2	-	(228,490,379)	-	(206,830,435)
		13,536	(466,510,925)	1,099	(228,384,516)
Advances - net of provisions			23,311,121,828		20,705,809,185

11.1 Particulars of non performing loans

Advances include Rs 646.3 million (2017: 69 million) which as detailed below, have been placed under non performing status.

Category of classification	2018			2017		
	Amount outstanding	Provisions required	Provisions held	Amount outstanding	Provisions required	Provisions held
OAEM	144,865,634	-	-	30,510,464	-	-
Sub-Standard	168,877,107	42,219,277	42,219,277	7,757,521	1,939,377	1,939,377
Doubtful	272,785,681	136,061,026	136,061,026	22,034,827	11,002,508	11,002,508
Loss	59,740,244	59,740,244	59,740,244	8,738,194	8,612,196	8,612,196
	646,268,666	238,020,546	238,020,546	69,041,006	21,554,081	21,554,081

11.2 This represents general provision maintained against unsecured microcredit advances net of specific provision at the rate of 1 % (2017: 1%) in accordance with the requirement of Prudential Regulations issued by the State Bank of Pakistan.

11.3 Particulars of provision against non-performing advances

	2018			2017		
	Specific	General	Total	Specific	General	Total
Opening balance	21,554,081	206,830,435	228,384,516	12,124,598	132,184,396	144,308,994
Charge for the year	1,103,212,196	21,659,944	1,124,872,140	309,163,653	74,646,039	383,809,692
Amounts written off	(886,745,731)	-	(886,745,731)	(299,734,170)	-	(299,734,170)
Reversals	-	-	-	-	-	-
Closing balance	238,020,546	228,490,379	466,510,925	21,554,081	206,830,435	228,384,516

	Note	2018	2017
		Rupees	Rupees
11.4 Particulars of advances written off			
Against provisions		886,745,731	299,734,170
Directly charged to profit & loss account		29,984,417	3,700,406
		916,730,148	303,434,576

	Note	2018 Rupees	2017 Rupees
Capital work-in-progress	12.1	68,901,907	21,020,457
Property and equipment	12.2	890,543,261	469,819,997
Intangible assets	12.3	49,162,202	42,776,616
		1,008,607,370	533,617,070

12.1 Capital work-in-progress

Civil works	41,637,619	21,020,457
ATM machines installation	2,803,902	-
Implementation of Oracle Financials	24,460,386	-
	68,901,907	21,020,457

12.2 Property and Equipment

Particulars	COST				ACCUMULATED DEPRECIATION				Net Book value as at December 31, 2018	" Rate of depreciation (%) "
	As at January 01, 2018	Additions	Disposal	As at December 31, 2018	As at January 01, 2018	Charge for the year	Disposal	As at December 31, 2018		
Owned assets										
Freehold land	-	253,090,088	-	253,090,088	-	-	-	-	253,090,088	-
Furniture and fixtures	230,099,632	123,681,896	(105,862)	353,675,666	57,766,933	28,460,777	(72,038)	86,155,672	267,519,994	10
Office equipment	182,674,110	81,444,426	(5,075,782)	259,042,754	81,322,216	38,584,879	(4,981,074)	114,926,021	144,116,733	20
Computer equipment	271,249,157	72,709,572	(5,307,640)	338,651,089	143,167,167	70,179,842	(4,986,287)	208,360,722	130,290,367	33.33
Vehicles	33,048,416	27,082,549	(3,808,287)	56,322,678	19,543,564	8,098,734	(3,332,240)	24,310,058	32,012,620	20
	717,071,315	558,008,531	(14,297,571)	1,260,782,275	301,799,880	145,324,232	(13,371,639)	433,752,473	827,029,802	
Leased assets										
Vehicles	87,100,413	28,586,918	-	115,687,331	32,551,851	19,622,021	-	52,173,872	63,513,459	20
	804,171,728	586,595,449	(14,297,571)	1,376,469,606	334,351,731	164,946,253	(13,371,639)	485,926,345	890,543,261	

Particulars	COST				ACCUMULATED DEPRECIATION				Net Book value as at December 31, 2017	" Rate of depreciation (%) "
	As at January 01, 2017	Additions	Disposal	As at December 31, 2017	As at January 01, 2017	Charge for the year	Disposal	As at December 31, 2017		
Owned assets										
Furniture and fixtures	130,761,158	99,510,396	(171,922)	230,099,632	41,114,992	16,718,683	(66,742)	57,766,933	172,332,699	10
Office equipment	117,401,211	70,326,901	(5,054,002)	182,674,110	59,331,469	26,847,562	(4,856,815)	81,322,216	101,351,894	20
Computer equipment	144,098,704	132,037,912	(4,887,459)	271,249,157	106,692,699	41,091,078	(4,616,610)	143,167,167	128,081,990	33.33
Vehicles	38,630,698	8,247,467	(13,829,749)	33,048,416	28,043,146	4,749,862	(13,249,444)	19,543,564	13,504,852	20
	430,891,771	310,122,676	(23,943,132)	717,071,315	235,182,306	89,407,185	(22,789,611)	301,799,880	415,271,435	
Leased assets										
Vehicles	72,100,363	15,000,050	-	87,100,413	17,216,792	15,335,059	-	32,551,851	54,548,562	20
	502,992,134	325,122,726	(23,943,132)	804,171,728	252,399,098	104,742,244	(22,789,611)	334,351,731	469,819,997	

12.2.1 Cost of fully depreciated property and equipment that are still in use is Rs 131 million (2017: Rs 128.5 million).

12.2.2 As required by BSD Circular No 11 of 2003, details of property and equipment disposed off during the year is disclosed in Annexure-I and forms integral part of these financial statements.

	Note	2018 Rupees	2017 Rupees
12.3 Intangible assets			
Computer softwares	12.3.1	49,162,202	42,776,616
12.3.1 Computer softwares			
Cost			
Opening balance		220,106,206	215,159,446
Additions during the year		44,803,024	4,946,760
Closing balance		264,909,230	220,106,206
Amortization			
Opening balance		(177,329,590)	(142,380,038)
Charge for the year		(38,417,438)	(34,949,552)
Closing balance		(215,747,028)	(177,329,590)
Net book value		49,162,202	42,776,616

12.3.2 Amortization is charged on straight line basis at the rate of 33.33% per annum, starting from the month the asset is available for use and no amortization is charged in month of disposal.

12.3.3 Cost of fully amortized intangible assets that are still in use is Rs 155 million (2017: Rs 114 million).

13 OTHER ASSETS

	Note	2018 Rupees	2017 Rupees
Income / mark-up accrued on			
Loans and Advances		1,743,606,173	1,477,966,982
Bank deposits		9,587,582	27,375,349
Lending to financial institutions		2,911,746	-
Advances to employees			
Personal advances - net of provision	13.1	163,924,139	89,438,478
Operational		3,769,051	2,607,558
Advances to suppliers		73,979,406	91,705,058
Prepayments		109,294,320	120,885,591
Income tax refundable (payments less provisions)		18,726,159	125,743,535
FED/Sales tax refundable		26,705,615	24,392,456
Fair value of derivative financial instrument		297,629,379	66,570,718
Insurance claims receivables		65,941,894	32,252,705
Crop and livestock insurance claims	13.2	434,578,460	383,155,649
Receivable from Employees' Provident Fund		6,174,422	-
Others		179,728,847	345,185,472
		3,136,557,193	2,787,279,551
Less : Provisions held against classified other assets		-	-
Other assets - net of provisions		3,136,557,193	2,787,279,551

- 13.1** The Bank provides advances & loans to its employees as per Bank's HR policies. Specific and general provision is charged against personal advances to employees in accordance with provisions of the Regulations as explained in note 6.5. Breakup of employee advances and provision held there against is as follow:

	Note	Markup Rate in (%)		Amount in Rupees	
		2018	2017	2018	2017
Advances against Salary		10.40%	10.40%	45,170,076	30,429,491
Advances for house		KIBOR + 1%	KIBOR + 1%	63,198,443	13,334,109
Advances for cars	13.1.1	5%	5%	52,269,839	39,341,561
Advances for motorcycles	13.1.1	5%	5%	1,036,161	4,727,879
Other personal advances				2,744,596	1,964,716
				164,419,115	89,797,756
Less provision held					
Specific				(44,650)	(55,538)
General				(450,326)	(303,740)
				(494,976)	(359,278)
				163,924,139	89,438,478

- 13.1.1** The loan for acquisition of personal vehicles represent present value of minimum lease payments in respect of vehicles leased by the Bank for its employees as per the Bank's policy. The interest rate inherent in the leases range from 7.71% to 13.38% (2017: 7.56% to 13.38%) per annum however interest rate charged to the employee is fixed at 5% (2017: 5%) per annum.

- 13.2** This represents claims for the amount of insurance premiums lodged with SBP under crop loan insurance scheme and livestock insurance scheme for borrowers of the Bank.

14 DEFERRED TAX ASSET - NET

	Note	2018 Rupees	2017 Rupees
Deferred tax asset arising on account of deductible temporary differences on:			
Amortization on intangible assets		2,001,250	2,658,020
Lease liability		20,739,415	26,153,614
Grants		2,700,676	536,785
Un-realized exchange loss on borrowings		63,611,100	16,500,000
Provision for non-performing loans		130,723,658	-
		219,776,099	45,848,419
Deferred tax liability arising on account of taxable temporary differences on:			
Accelerated depreciation allowance - owned assets		(22,342,887)	(19,422,358)
Accelerated depreciation allowance - leased assets		(17,530,990)	(16,364,569)
Un-realized gain on derivative financial instrument		(83,336,225)	(19,971,215)
Un-realized capital gains		(1,119,947)	(1,074,202)
Un-realised mark-up on Government Securities		(1,998,510)	(3,633,054)
		(126,328,559)	(60,465,398)
		93,447,540	(14,616,979)

15 DEPOSITS AND OTHER ACCOUNTS

	2018		2017	
	No of accounts	Rupees	No of accounts	Rupees
Conventional				
Current deposits	215,372	1,266,901,893	119,711	1,606,445,824
Saving deposits	798,206	4,555,376,409	740,885	6,123,624,050
Fixed deposits	3,423	18,478,829,522	1,985	13,598,156,292
	1,017,001	24,301,107,824	862,581	21,328,226,166
Islamic				
Current deposits	26,241	363,153,549	13,545	954,194,361
Saving deposits	19,498	760,050,330	16,408	226,264,335
Fixed deposits	484	838,863,425	378	1,163,134,770
	46,223	1,962,067,304	30,331	2,343,593,466
	1,063,224	26,263,175,128	892,912	23,671,819,632

15.1 Particulars of Deposits by ownership

Individual depositors	1,061,842	8,222,220,838	891,933	8,534,347,502
Institutional depositors				
Corporation / firms etc.	1,167	12,250,200,835	903	12,289,337,135
Banks & financial institutions	215	5,790,753,455	76	2,848,134,995
	1,382	18,040,954,290	979	15,137,472,130
Total	1,063,224	26,263,175,128	892,912	23,671,819,632

15.2 Deposits include related parties balances amounting to Rs 4,040 million (2017: Rs 3,251 million) as disclosed in note 34.

16 BORROWINGS

	Note	2018 Rupees	2017 Rupees
Borrowings from Banks / Financial Institutions			
In Pakistan	16.1	3,374,617,381	2,188,888,888
Outside Pakistan	16.2	1,157,182,500	1,105,000,000
		4,531,799,881	3,293,888,888

16.1 Borrowings from Banks / Financial Institutions in Pakistan

Secured			
Pak Oman Investment Company Limited (TF II)	16.11	80,000,000	240,000,000
Pak Oman Investment Company Limited	16.12	277,777,776	388,888,888
Askari Bank Limited	16.13	-	40,000,000
Syndicated Term Finance	16.14	-	300,000,000
United Bank Limited (Term Finance)	16.15	70,000,000	170,000,000
United Bank Limited (Running Finance)	16.16	749,253,420	300,000,000
Term Finance Certificates	16.17	-	750,000,000
Askari Bank Limited (Running Finance)	16.18	349,202,623	-
Allied Bank Limited (Running Finance)	16.19	150,002,596	-
Allied Bank Limited (Term Finance)	16.110	200,000,000	-
Faysal Bank Limited (Running Finance)	16.111	498,380,966	-
National Bank of Pakistan (Running Finance)	16.112	1,000,000,000	-
		3,374,617,381	2,188,888,888

16.1.1 The Bank entered into a loan agreement amounting to Rs 800 million with Pak Oman Investment Company Limited to finance its operations. The principal amount is repayable in ten equal semi-annual installments of Rs 80 million each commencing from October 16, 2014 and culminating in April 2019. Markup is chargeable at the rate of six months KIBOR+1.85% per annum payable on semi-annual basis.

The loan is secured through a guarantee issued by the SBP under Microfinance Credit Guarantee Facility (MCGF) in favor of the Pak Oman Investment Company Limited for 40% of the outstanding principal and a first hypothecation charge ranking pari passu with all prior charges on the present and future current assets of the Bank with 25% margin.

16.1.2 The Bank entered into a loan agreement amounting to Rs 500 million with Pak Oman Investment Company Limited to finance its operations. The principal amount is repayable in nine equal semi-annual installments of Rs 55.55 million each commencing from June 30, 2017 and culminating in June 2021. Markup is chargeable at the rate of six months KIBOR+2.25% per annum payable on semi-annual basis.

This loan is secured against a demand promissory note and a first pari passu hypothecation charge on the present and future current assets of the Bank.

16.1.3 The Bank entered into a loan agreement amounting to Rs 400 million with Askari Bank Limited to finance its operations. The principal amount was repayable in ten equal semi-annual installments of Rs 40 million each that commenced from July 02, 2013 and culminated in January 2018. Markup was chargeable at the rate of six months KIBOR+2% per annum payable on semi-annual basis.

The loan was secured through a cash margin of 40% of outstanding principal amount, guarantee issued by the SBP under Microfinance Credit Guarantee Facility (MCGF) in favor of the Askari Bank Limited for 40% of the outstanding principal and a first hypothecation charge ranking pari passu with all prior charges on the present and future current assets of the Bank with 25% margin.

16.1.4 The Bank entered into a syndicated term finance facility amounting to Rs 900 million to finance its operations. The contributors to this facility were Silk Bank Limited, Pakistan Kuwait Investment Company (Private) Limited and Pak China Investment Company Limited contributing Rs. 500 million, 250 million and 150 million respectively. The principal amount was repayable in six equal semi-annual installments of 150 million each, that commenced from January 2, 2016 and culminated in July 2018. Markup was chargeable at the rate of six months KIBOR+1.85% per annum payable on quarterly basis.

The syndicated loan was secured through a guarantee issued by the SBP under Microfinance Credit Guarantee Facility (MCGF) in favour of the syndicate for 40% of the outstanding principal and a first hypothecation charge ranking pari passu with all prior charges on the present and future current assets of the Bank with 25% margin.

16.1.5 The Bank entered into a loan agreement amounting to Rs 300 million with United Bank Limited to finance its operations. The principal amount is repayable in six equal semi-annual installments of Rs 50 million each commencing from November 30, 2016 and culminating in November 2019. Markup is chargeable at the rate of six months KIBOR+2% per annum payable on semi-annual basis.

This loan is secured against a demand promissory note and a first pari passu hypothecation charge on the present and future current assets of the Bank with 25% margin.

16.1.6 The Bank entered into a running finance facility agreement initially amounting to Rs 300 million with United Bank Limited to finance its operations. However, in February 2018 the facility was enhanced upto Rs. 750 million on the same terms and conditions as applicable to the earlier facility. The principal amount is repayable at the end of terms

and carries markup at the rate of three month KIBOR+1% per annum. As at year end the facility has been availed upto Rs 749 million (2017: 300 million).

The loan is secured through a first hypothecation charge ranking pari passu with all prior charges on the present and future current assets of the Bank with 25% margin.

16.1.7 The Bank issued Term Finance Certificates (TFCs) amounting to Rs 3,000 million to finance its operations. JS Bank Limited and Askari Bank Limited were the arranger while Pak Oman Investment Company Limited was the trustee. First participants of the issue were JS Bank Limited with investment of Rs 300 million, Askari Bank Limited invested Rs 1,000 million, Faysal Bank Limited Rs 445 million, PAIR Investment Company Limited Rs 400 million, Pak Brunei Investment Company Limited Rs 300 million, Pak Libya Holding Company Limited Rs 250 million, Lakson Income Fund Rs 100 million, Faysal Income & Growth Fund Rs 75 million, JS Income Fund Rs 50 million, Lakson Tactical Fund Rs 50 million and First Credit & Investment Bank Limited invested Rs 30 million.

The principal amount was repayable in 8 equal quarterly installment of Rs 375 million and carried markup at the rate of three month KIBOR plus 2.35% annum. The term of the loan was 2 years commencing from June 30, 2016. TFCs were secured against a partial cash coverage of upto Rs 300 million till the last coupon was paid and a first pari passu hypothecation charge on the present and future current assets of the bank with 25% margin.

16.1.8 The Bank entered into running finance facility agreement amounting to Rs 350 million with Askari Bank Limited to finance its operations. The principal amount is repayable at the end of the term and carries mark-up at the rate of three months KIBOR + 1% per annum payable on quarterly basis. The term of the loan is 1 year commencing from September 26, 2018. As at the year end, the facility has been availed upto Rs. 349 million (2017: Rs Nil).

This loan is secured against a demand promissory note and a first hypothecation charge ranking pari passu on the present and future current assets of the Bank.

16.1.9 The Bank entered into running finance facility agreement amounting to Rs 200 million with Allied Bank Limited to finance its operations. The principal amount is repayable at the end of the term and carries mark-up at the rate of three months KIBOR + 1.25% per annum payable on quarterly basis. The term of the loan is 1 year commencing from September 24, 2018. As at year end the facility has been availed upto Rs. 150 million (2017: Rs Nil).

This loan is secured against a demand promissory note and a first hypothecation charge ranking pari passu on the present and future current assets of the Bank.

16.1.10 The Bank entered into a loan agreement amounting to Rs 200 million with Allied Bank Limited to finance its operations. The loan has grace period of one year and principal amount is repayable in eight equal quarterly installments of Rs 25 million each commencing from December 2019 and culminating in September 2021. Markup is chargeable at the rate of three months KIBOR + 1.5% per annum payable on quarterly basis.

The loan is secured through a first hypothecation charge ranking first pari passu with all prior charges on the present and future current assets of the Bank with 25% margin.

16.1.11 The Bank entered into running finance facility agreement amounting to Rs 500 million with Faysal Bank Limited to finance its operations. The principal amount is repayable at the end of the term and carries mark-up at the rate of three months KIBOR + 1% per annum payable on quarterly basis. The term of the loan is 1 year commencing from September 27, 2018. As at the year end, the facility has been availed upto Rs 498.3 million (2017: Rs Nil).

This loan is secured against a demand promissory note and a first hypothecation charge

ranking pari passu on the present and future current assets of the Bank.

16.1.12 The Bank entered into running finance facility agreement amounting to Rs 1,000 million with National Bank of Pakistan to finance its operations. The principal amount is repayable at the end of the term and carries mark-up at the rate of three months KIBOR + 0.75% per annum payable on quarterly basis. The term of the loan is 1 year commencing from December 26, 2018. As at the year end, the facility has been fully availed by the Bank.

This loan is secured against a demand promissory note and a first pari passu hypothecation charge on the present and future current assets of the Bank.

16.2 Borrowings from Banks / Financial Institutions outside Pakistan

	Note	2018 Rupees	2017 Rupees
ECO Trade & Development Bank	16.2.1	1,157,182,500	1,105,000,000
		<u>1,157,182,500</u>	<u>1,105,000,000</u>

16.2.1 The Bank entered into a loan agreement amounting to USD 10 million with ECO Trade and Development Bank on January 30, 2017 and the loan amount was received on April 18, 2017. The loan has a grace period of one year and principal amount is repayable in six equal semi-annual installments of USD 1.7 million each commencing from October, 2018 and culminating on April 2021. The loan carries markup at the rate of six month USD LIBOR plus a spread of 2.7% per annum.

The Bank entered into a cross currency swap and interest rate swap agreement with JS Bank Limited on April 5, 2017 to mitigate any foreign currency risk and interest rate risk.

17 SUBORDINATED DEBT

	Note	2018 Rupees	2017 Rupees
KfW - Germany	17.1	<u>672,360,000</u>	<u>672,360,000</u>

17.1 The Bank entered into a loan agreement with KfW - Germany, shareholder of the Bank, on December 29, 2014 for an amount of EURO 6 million. The loan is intended to be availed as TIER-II subordinated debt for inclusion in the Bank's Supplementary Capital. The amount was translated into local currency at the exchange rate of Rs.112.06 and subordinated debt of Rs 672,360,000 was recorded in the financial statements. Loan carries interest at rate of KIBOR + 3.5% per annum. Principal amount and interest is repayable in a bullet payment at the end of loan term by converting the principal and accrued markup into EUROS at the exchange rate prevalent as at June 30, 2023. All foreign currency risks in connection with the transaction rest with the KfW.

18 OTHER LIABILITIES

	Note	2018 Rupees	2017 Rupees
Mark-up / return / interest payable on			
Deposits and other accounts		706,951,339	446,433,015
Borrowings	18.1	235,089,697	153,626,377
Payable for employees' benefit plans			
Employees' gratuity fund	18.2	250,264,276	159,611,984
Accumulated compensated absences	18.3	142,445,966	102,428,789
Provident Fund	18.4	-	-
Payable to employees' - final settlement		4,388,718	6,588,689
Obligation under finance lease			
Company's vehicles		43,245,213	51,331,515
Vehicles sub-leased to employees'		30,824,128	35,847,199
	18.5	74,069,341	87,178,714
Payable to suppliers		920,013	28,461,906
Withholding tax payable		23,458,573	25,331,312
Sindh Workers' Welfare Fund		3,404,783	966,479
Accrued expenses		31,695,732	71,139,292
Security deposits against Islamic financing		376,890,571	52,815,533
Payable to the parent company		29,034,097	26,168,108
Insurance payable		34,344,066	9,948,966
Unearned / deferred income on Islamic financing		219,289,654	112,835,881
Bills payable		132,613,793	630,503,652
Others		10,632,191	8,874,925
		2,275,492,810	1,922,913,622

18.1 This includes markup payable amounting to Rs 199.1 million (2017: Rs 129.5 million) in respect of subordinated loan from a shareholder.

18.2 Employees' gratuity fund

The latest actuarial valuation was carried out at December 31, 2018 on the basis of which, amounts recognised in financial statements in respect of employees' gratuity fund as at December 31, 2018 are as follow:

	2018 Rupees	2017 Rupees
i) Amounts recognized in the balance sheet		
Present value of defined benefit obligation	321,474,221	229,963,632
Fair value of plan assets	(79,986,370)	(75,026,451)
Benefits due but not paid	8,776,426	4,674,803
Net liability	250,264,277	159,611,984
ii) Amounts recognized in the profit and loss account		
Current service cost	80,550,131	54,637,432
Interest cost	20,575,121	14,373,999
Expected return on plan assets	(7,127,513)	(5,672,956)
	93,997,739	63,338,475

	2018 Rupees	2017 Rupees
iii) Remeasurements chargeable to other comprehensive income		
Actuarial gains from changes in financial assumptions	4,881,812	-
Experience adjustments	12,270,344	22,968,792
Return on plan assets, excluding interest income	2,167,593	1,624,314
	19,319,749	24,593,106
iv) Changes in present value of defined benefit obligation		
Opening defined benefit obligation	229,963,632	164,627,094
Current service cost for the year	80,550,131	54,637,432
Interest cost for the year	20,575,121	14,373,999
Adjustment for opening payables	(66,504)	-
Benefits due but not paid	(7,680,419)	(4,118,729)
Benefits paid during the year	(19,019,896)	(22,524,956)
Remeasurements:		
Actuarial gains from changes in financial assumptions	4,881,812	-
Experience adjustments	12,270,344	22,968,792
	321,474,221	229,963,632
v) Changes in fair value of plan assets		
Opening fair value of plan assets	75,026,451	70,977,809
Contributions paid during the year	-	23,163,438
Interest income on plan assets	7,127,513	5,672,956
Benefit paid during the year from plan assets	-	(23,163,438)
Actuarial (loss) / gain	-	-
Return on plan assets, excluding interest income	(2,167,593)	(1,624,314)
Closing fair value of plan assets	79,986,370	75,026,451
vi) Changes in net liability as follows:		
Opening defined benefit obligation	159,611,984	94,843,841
Amounts recognized in the profit and loss account	93,997,739	63,338,475
Remeasurements chargeable in other comprehensive income	19,319,749	24,593,106
Benefits paid	(22,665,195)	(23,163,438)
	250,264,277	159,611,984

vii) Plan assets of the staff gratuity fund comprise of only term deposits with the Bank. The bank ensures that the investment positions are managed to match the assets with retirement benefit obligations by investing in long term fixed interest securities having maturities that match the benefit payments as they fall due. The Bank actively monitors that duration and expected yield of the investments are matching the expected cash outflows arising from retirement benefit plan obligations. The bank has not changed the processes used to manage its risks from the previous periods.

viii) Significant actuarial assumptions were as follows

The Projected Unit Credit Method using the following significant assumptions was used for the valuation:

	2018	2017
Discount rate - per annum	13.75%	9.50%
Expected rate of increase in salaries - per annum	12.75%	8.50%
Mortality rate	SLIC 2001 - 2005	SLIC 2001 - 2005
Average expected remaining working life of employees	10 years	10 years

ix) Sensitivity Analysis

The calculation of the defined benefit obligation is sensitive to assumptions set out above. The following table summarizes how the defined benefit obligation at the end of reporting period would have increased/ (decreased) as a result of change in respective assumptions by one percent.

	Defined benefit obligation	
	Effect of 1% in Rupees	
	Increase	(Decrease)
Expected impact of change in discount rate	(28,915,792)	34,748,475
Expected impact of change in rate of increment in salaries	35,645,708	(30,198,496)

- x)** Based on actuarial advice, expense to be charged in profit and loss account during financial year 2019 in respect of employees' gratuity scheme is estimated to be Rs 127 million.

18.3 Accumulated compensated absences

All employees of the bank are entitled to earned leaves of thirty days every year. Earned leaves can be accumulated upto fifteen days each year upto a maximum of ninety days. Unutilized leaves are encashed on basis of gross salary upon leaving the service with the Bank. Amount recognised in the financial statements in respect of accumulated compensated absences on basis of actuarial valuation as at December, 2018 are as follows:

	2018 Rupees	2017 Rupees
i) Amounts recognized in the balance sheet		
Present value of accumulated compensated absences	137,091,032	98,977,361
Benefits due but not paid	5,354,935	3,451,428
Fair value of plan assets	-	-
Net liability	<u>142,445,967</u>	<u>102,428,789</u>
ii) Amounts recognized in the profit and loss account		
Current service cost	29,590,876	31,024,493
Past service cost due to change in rule	-	-
Adjustment for opening payables	44,790	35,463
Interest cost	8,702,887	5,888,349
Remeasurement adjustment	14,466,366	7,690,955
	<u>52,804,919</u>	<u>44,639,260</u>

	2018 Rupees	2017 Rupees
iii) Changes in present value of defined benefit obligation		
Opening defined benefit obligation	98,977,361	69,627,151
Current service cost for the year	29,590,876	31,024,493
Past service cost due to change in rule	-	-
Adjustment for opening payables	44,790	35,463
Interest cost for the year	8,702,887	5,888,349
Benefits due but not paid	(4,803,515)	(3,451,428)
Benefits paid during the year	(9,887,733)	(11,837,622)
Actuarial loss recognised	2,126,026	-
Experience adjustment	12,340,340	7,690,955
Closing defined benefit obligation	137,091,032	98,977,361

	2018	2017
iv) Significant actuarial assumptions were as follows:		
Discount rate - per annum	13.75%	9.50%
Expected rate of increase in salaries - per annum	12.75%	8.50%
Mortality rate	SLIC 2001- 2005	SLIC 2001- 2005
Average expected remaining working life of employees	10 years	11 years
Average number of leaves accumulated - per annum	15 days	15 days
v) Sensitivity Analysis		

The calculation of the accumulated compensated absences is sensitive to assumptions set out above. The following table summarizes how the accumulated compensated absences at the end of reporting period would have increased/ (decreased) as a result of change in respective assumptions by one percent.

	Defined benefit obligation	
	Effect of 1% in Rupees	
	Increase	(Decrease)
Expected impact of change in discount rate	(12,614,165)	15,221,235
Expected impact of change in rate of increment in salaries	14,831,644	(12,466,109)

18.4 Defined contribution plan

The bank operates a recognised provident fund for all its regular employees for which equal monthly contributions are made both by the Bank and the employees to the fund at the rate of 10% of basic salary of the employee. Payments are made to the employees as specified in the rules of the fund.

Details of the provident fund based on un-audited financial statements for the year ended December 31, 2018 are as follows:

	2018 (Un-Audited) Rupees	2017 (Audited) Rupees
Size of the fund	368,787,162	268,921,957
Cost of investments made	353,881,779	255,670,948
Fair value of investments made	353,881,779	255,670,948
%age of investments made	95.96%	95.07%

	2018		2017	
	Rupees	Percentage	Rupees	Percentage
Breakup of investment - at cost				
Term deposits with banks	300,000,000	84.77%	200,000,000	78.23%
Saving deposits with banks	53,881,779	15.23%	55,670,948	21.77%
	353,881,779	100%	255,670,948	100%

Investments out of provident funds have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules formulated for the purpose.

18.5 Obligation under finance leases

The Bank has acquired certain vehicles under finance leases. The average lease term is 3 to 5 years. The Bank has option to purchase the vehicles for a nominal amount at the end of the lease term. The Bank's obligations under finance leases are secured by the lessors's title to the leased assets.

Interest rates underlying obligation under finance leases are 7.71% to 13.38% (2017: 7.56% to 13.38%) per annum.

	2018 Rupees	2017 Rupees
Finance lease liabilities against vehicles		
Minimum lease payments:		
Not later than one year	30,094,301	32,135,905
Later than one year but not later than five years	58,759,864	73,792,403
Later than five years	-	-
	88,854,165	105,928,308
Less: Finance cost allocated to future period	(14,784,824)	(18,749,594)
	74,069,341	87,178,714
Present value of minimum lease payments		
Not later than one year	25,083,032	24,551,675
Later than one year but not later than five years	48,986,309	62,627,039
Later than five years	-	-
	74,069,341	87,178,714

19 SHARE CAPITAL

19.1 Authorized capital

2018 Number	2017 Numbers		2018 Rupees	2017 Rupees
<u>300,000,000</u>	<u>300,000,000</u>	Ordinary shares of Rs. 10 each	<u>3,000,000,000</u>	<u>3,000,000,000</u>

19.2 Issued, subscribed and paid-up capital

2018 Number	2017 Numbers		2018 Rupees	2017 Rupees
<u>149,837,201</u>	<u>149,837,201</u>	Ordinary shares of Rs. 10 each fully paid in cash	<u>1,498,372,010</u>	<u>1,498,372,010</u>

19.3 The shareholders of the Bank are as follows:

2018 Number	2017 Numbers		2018 Rupees	2017 Rupees
77,999,550	77,999,475	NRSP	779,995,500	779,994,750
24,000,000	24,000,000	International Finance Corporation (IFC)	240,000,000	240,000,000
23,837,201	23,837,201	KfW Germany	238,372,010	238,372,010
16,000,000	16,000,000	Acumen Fund USA	160,000,000	160,000,000
8,000,000	8,000,000	Acumen Capital Markets LLP	80,000,000	80,000,000
150	150	Mr. Shoaib Sultan	1,500	1,500
150	150	Mr. Fazalullah Qureshi	1,500	1,500
150	150	Dr. Rashid Bajwa	1,500	1,500
-	75	Mr. Rashid Khan	-	750
149,837,201	149,837,201		1,498,372,010	1,498,372,010

20 DEFERRED GRANTS

	Note	2018 Rupees	2017 Rupees
Opening balance		1,780,282	810,357
Grants received from			
SBP	20.1	1,027,180	168,410
SWF - PMIC	20.2	-	4,716,600
KfW	20.3	17,315,395	4,151,959
		18,342,575	9,036,969
Interest income		-	-
Amortization of grants during the year		(10,477,586)	(8,067,044)
		9,645,271	1,780,282

20.1 This represents grant received from State Bank of Pakistan (SBP) under the Financial Innovation Challenge Fund (FICF) for activities related to establishment of Islamic Banking.

20.2 This represents grant received from Sona Welfare Foundation (SWF) under a Memorandum of Understanding (MoU) dated May 22, 2017 between Pakistan Microfinance Investment Company (PMIC) Limited, SWF and the Bank for the purpose of implementation of Agriculture Value Chain Program in four union councils of district Bahawalpur. The activities to be undertaken for implementation of the program include training of one thousand farmers aimed at reducing crop cultivation cost and increasing crop yield for the farmers.

20.3 This represents grant received under an agreement with KfW-Germany (a shareholder of the Bank) through Economic Affairs Division of Government of Pakistan for the purpose of institutional strengthening, to develop and strengthen its overall strategy and planning process, internal procedures, banking functions, product offerings and staff capacities of the Bank.

21 MEMORANDUM / OFF BALANCE SHEET ITEMS

21.1 Contingencies

- i) For the tax year 2012, 2013, 2014 and 2015, the Assistant/Deputy Commissioner Inland

Revenue raised tax demands amounting to Rs 17.67 million for alleged default in withholding / collecting of tax. The Bank filed appeals before the Commissioner Inland Revenue (Appeals) [CIR (A)] which are pending adjudication till date.

- ii) The income tax assessment for the tax years 2013 and 2014 were amended by the Additional Commissioner Inland Revenue (ADCIR) by making certain disallowances and add backs including, apportionment of income and expenses between exempt and taxable period, disallowance of provision against non performing loans, bad debts written off etc. and created an aggregate tax demand of Rs 362 million. The Bank filed appeal against the order of ADCIR before CIR (A) who remanded the case back to ADCIR for reassessment. The Bank has preferred appeal against the decision of CIR (A) before the Appellate Tribunal, Inland Revenue (ATIR) which is pending for adjudication.
- iii) The income tax assessment for the tax year 2014 was amended by the ACIR and tax demand of Rs 23 million was raised by making certain disallowances and add backs including, mark-up paid to AJK Rural Support Programme, mark-up paid to PPAF, provision against non-performing loans and advances and net actuarial loss on re-measurement of employees' retirement benefits. The bank filed appeal with the CIR (A) which is pending for adjudication.
- iv) For the tax year 2015 and 2016, the ADCIR issued notices to the Bank for levy of super tax for an amount of Rs 34 million for each of the above tax years. In this respect, the Bank preferred a writ petition before the Honourable Lahore High Court (LHC) on legal grounds and was granted stay by the LHC against the proceedings till disposal of the case by the LHC, subject to deposit of 10% of the tax demand raised and which was duly deposited by the Bank. The petition is pending for adjudication.
- v) The income tax assessment for the tax year 2016 was amended by the ADCIR by recomputing tax liability by making certain disallowances and add backs including disallowance of provision against non performing loans, disallowance of minimum tax brought forward, disallowance of prior years' tax refunds etc. and created an aggregate tax demand of Rs 104 million. The Bank has filed appeal before CIR (A) against the order of ADCIR which is pending for adjudication till date.
- vi) The income tax assessment for the tax year 2017 was amended by the ADCIR and tax demand of Rs 22 million was raised which was mainly on account of disallowance of provision for non-performing loan/ advances. The Bank has filed appeal with the CIR (A) which is pending adjudication.
- vii) The Bank is defending its stance in various tax proceedings for alleged non/short withholding of tax of which proceedings are not yet culminated.

The management of the Company is of the view that ultimate outcome of the proceedings in respect of cases referred to in (i) to (vii) above are expected to be favorable to the Bank. The management further believes that liability, if any, arising on the settlement of the aforementioned cases is not likely to be material.

21.2 Commitments:

There are no known material capital and other commitments as at December 31, 2018 (2017: Nil).

	Note	2018 Rupees	2017 Rupees
22 MARK-UP / RETURN / INTEREST EARNED			
Interest / mark-up on			
Advances		5,579,247,088	4,494,252,195
Lending to financial institutions		38,708,715	-
Investments in government securities		63,896,404	64,552,708
Deposits accounts, placements with other bank / financial institutions		201,273,086	229,433,589
Employees' loan		3,870,249	1,638,407
Profit on Islamic financing		444,532,648	186,299,800
		6,331,528,190	4,976,176,699

23 MARK-UP / RETURN / INTEREST EXPENSED

Deposits	23.1	1,766,687,131	1,497,789,578
Profit Sharing Islamic Deposits		141,932,846	58,808,040
Borrowings	23.2	274,180,948	406,707,463
Ammortization of loan processing fee on borrowings		26,592,535	42,711,764
Finance lease charges		8,173,251	4,894,145
Other costs of deposits		8,792,903	28,055,720
		2,226,359,614	2,038,966,710

23.1 Mark-up expense on deposits includes amount of Rs 256 million (2017: 299.7 million) in respect of deposit account balances of related parties as disclosed in note 34.

23.2 It includes an amount of Rs 69.54 million (2017: Rs 65.84 million) in respect of markup expense on subordinated loan from a shareholder.

24 FEE, COMMISSION AND BROKERAGE INCOME

	Note	2018 Rupees	2017 Rupees
Loan processing fee on advances		550,064,662	545,715,946
Other banking services fee		169,127,449	68,252,069
Commission Income		3,404,061	1,816,080
		722,596,172	615,784,095

25 OTHER INCOME - NET

Investment income		38,095,813	189,341,632
Amortization of deferred grant	20	10,710,246	8,067,044
Gain on disposal of fixed assets - Annexure I		3,573,264	13,339,939
Unrealized gain on derivative financial instrument		202,478,746	66,570,718
Unrealized exchange loss on borrowings		(227,182,500)	(55,000,000)
Write off recovered		69,543,053	29,263,686
Other services income		5,043,320	3,314,406
		102,261,942	254,897,425

	Note	2018 Rupees	2017 Rupees
26 ADMINISTRATIVE EXPENSES			
Staff salaries and benefits		1,559,805,161	1,343,376,108
Charge for defined benefit plans		146,802,658	107,977,735
Contribution for defined contribution plan		58,166,201	45,755,301
Non-Executive directors' fee		4,436,135	4,853,386
Trainings		30,179,309	13,176,016
Legal and professional charges		17,833,591	19,360,797
Communication		88,868,657	43,164,725
Postage, courier etc.		14,823,640	12,952,252
Verification fee	26.1	49,309,466	14,591,267
Repair and maintenance		15,357,424	11,633,450
Stationary and printing		52,696,699	82,395,122
Advertisement and publicity		7,767,017	2,680,666
Depreciation	12.2	164,946,253	104,742,244
Amortization	12.3	38,417,438	34,949,552
Staff travel		29,137,232	35,019,072
Fuel and power		68,586,407	41,060,354
Vehicle running and maintenance		20,380,988	13,629,005
Office supplies		8,510,353	6,524,869
Meetings and conferences		26,251,505	18,601,588
Utilities		50,342,749	35,040,202
Rent expenses		145,500,746	111,152,517
Flex Cube Maintenance Fee		55,034,677	35,132,534
Insurance expenses		116,199,680	89,435,251
Security and administration		89,761,719	59,725,295
Donations	26.2	540,990	-
Auditor's remuneration	26.3	3,237,500	2,868,205
Corporate social responsibility		378,177	3,176,100
Financial charges on leased vehicles		12,772	2,977,328
Miscellaneous expenses		18,446,014	17,965,455
		2,881,731,158	2,313,916,396

26.1 This includes verification charges of National Database and Registration Authority (NADRA) for verisys and eCIB charges of SBP.

26.2 The directors / executives of the Bank, or their spouses have no interest in the donees.

	Note	2018 Rupees	2017 Rupees
26.3 Auditor's remuneration			
Annual audit		900,000	750,000
Special purpose financial statements and group reporting		1,100,000	1,000,000
Special certifications etc.		775,000	872,500
Out of pocket expenses		462,500	245,705
		3,237,500	2,868,205

27 OTHER CHARGES

Penalties imposed by the State Bank of Pakistan		853,250	266,000
Provision for Sindh Workers' Welfare Fund		2,438,304	966,479
		3,291,554	1,232,479

	Note	2018 Rupees	2017 Rupees
28 TAXATION			
Current tax			
Current year		337,865,084	270,513,654
Prior year		77,833,621	-
		415,698,705	270,513,654
Deferred tax			
		(108,064,519)	13,685,440
		307,634,186	284,199,094

		2018 %	2017 %
28.1 Reconciliation of average tax rate and applicable tax rate			
Applicable tax rate		29.00	30.00
Effect of change in rate		1.00	(0.00)
Income charged at different tax rate		(1.56)	(3.17)
Penalties		0.03	0.01
Remeasurement		(0.62)	-
Super tax		5.12	(0.66)
Prior year tax due to NPLs		6.07	-
Others		(3.72)	(0.60)
Average effective tax rate		35.32	25.57

		2018	2017
29 EARNINGS PER SHARE			
Profit after taxation	Rupees	590,916,525	821,474,476
Weighted average ordinary shares	Number	149,837,201	149,837,201
Basic and diluted earning per share	Rupees	3.94	5.48

	Note	2018 Rupees	2017 Rupees
30 CASH AND CASH EQUIVALENTS			
Cash and balances with SBP and NBP	7	1,120,907,602	1,642,950,036
Balances with other banks / NBFIs / MFBS	8	3,699,044,247	5,223,369,743
Call money lendings	9	2,025,000,000	-
		6,844,951,849	6,866,319,779

	Credit/ sales staff	Banking /support staff Numbers	Total
31 NUMBER OF EMPLOYEES			
For the year ended December 31, 2018			
Permanent	1,694	1,016	2,710
Temporary / contractual	510	177	687
	<u>2,204</u>	<u>1,193</u>	<u>3,397</u>
For the year ended December 31, 2017			
Permanent	1,404	803	2,207
Temporary / contractual	226	212	438
	<u>1,630</u>	<u>1,015</u>	<u>2,645</u>

32 NUMBER OF BRANCHES/SERVICE CENTRES

	2018		2017	
	Branches Numbers	Service centers	Branches Numbers	Service centers
Branches at beginning of the year	104	1	82	16
Add: Opened during the year	39	-	22	-
Less: Closed / merged during the year	-	(1)	-	(15)
As at end of the year	<u>143</u>	<u>-</u>	<u>104</u>	<u>1</u>

33 REMUNERATION OF DIRECTORS AND EXECUTIVES

	President / CEO		Executives	
	2018 Rupees	2017 Rupees	2018 Rupees	2017 Rupees
Short-term employee benefits				
Fees / Managerial remuneration	9,774,540	8,727,276	150,178,405	120,036,437
Rent and house maintenance	4,398,540	3,927,276	67,580,538	54,016,558
Utilities	977,460	872,724	15,018,014	12,003,757
Conveyance	977,460	872,724	15,018,014	12,003,757
Medical	39,182	139,540	3,629,984	3,200,512
Other allowances	-	-	10,409,798	8,567,171
Leave encashment	1,284,000	1,131,666	19,739,951	15,620,070
Bonus	-	727,273	37,984,389	45,111,914
Termination benefits				
Charge for defined benefit plan	1,291,800	1,139,466	20,790,977	16,427,316
Contribution to defined contribution plan	933,820	872,726	13,829,574	10,866,338
	<u>19,676,802</u>	<u>18,410,671</u>	<u>354,179,644</u>	<u>297,853,830</u>
Number of persons	<u>1</u>	<u>1</u>	<u>142</u>	<u>110</u>

In addition to the above, President / CEO and certain other executives are provided with the Bank maintained car in accordance with their terms of employment.

Non-executive directors of the Bank were not paid any remunerations except the fee for attending meetings amounting to Rs 4.4 million (2017: Rs 4.2 million). Boarding / lodging expenses incurred for such meetings were borne by the Bank.

Executives mean employees, other than President / CEO and directors, whose basic salary exceeds five hundred thousand rupees in a financial year.

34 BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The Bank is a subsidiary of National Rural Support Program (NRSP) which holds 52% share capital of the Bank. Therefore, all subsidiaries and associated undertakings of NRSP are related parties of the Bank. Other related parties include staff retirement benefits, directors, key management personnel which include CEO and Head of Departments (HOD's) and entities under common directorship. Remuneration to directors and executives is disclosed in note 33 to these financial statements. All transactions involving related parties are subject to the approval of the Board of Directors. Significant transactions with the related parties other than those referred to in the foregoing entered into during the year are as follows:

Transactions during the year:	Relationship with related party	2018 Rupees	2017 Rupees
National Rural Support Program (NRSP) Payment of rent including advance rent	Parent Company	2,076,980	10,394,148
KfW Germany Markup accrued on sub-ordinated loan Grant received	Shareholder	69,536,591 17,315,395	66,110,977 4,151,959
Institute of Rural Management (IRM) Funds deposited Funds withdrawn Payment of profit on deposits	Parent Company's Subsidiary	400,510,000 418,548,400 17,678,847	400,000,000 419,450,100 19,414,450
Employees' Gratuity Fund Payment of profit on deposits Expense charged in respect of gratuity fund	Employees' Trust	4,959,920 93,997,739	4,048,642 63,338,475
Employees' Provident Fund Trust Funds deposited including terms deposit roll overs Funds withdrawn including term deposits maturity Payment of profit on deposits Bank's contribution paid to the fund Expense charged in respect of employer's contribution	Employees' Trust	614,307,136 541,309,469 22,450,614 58,166,201 58,166,201	439,707,883 380,853,302 16,230,591 45,755,301 45,755,301
Employees' Welfare Trust Funds deposited Funds withdrawn Payment of profit on deposits	Employees' Trust	7,169,766 7,248,255 1,154,138	5,502,163 9,821,250 1,001,174
Employee Housing Colony Funds deposited Funds withdrawn Payment of profit on deposits	Employees' Trust	2,267,230 2,430,626 92,672	3,503,299 4,389,018 1,071,145
NRSP Contributory Provident Fund Funds deposited Funds withdrawn Payment of profit on deposits	Parent Company's Employees' Trust	822,370,604 714,945,545 12,780,866	627,643,483 677,644,183 30,717,477
NRSP Employees Gratuity Fund Trust Funds deposited Funds withdrawn Payment of profit on deposits	Parent Company's Employees' Trust	1,140,982,460 1,003,881,702 21,722,682	993,910,552 1,143,911,252 62,801,016
NRSP Natural Resource Management Funds deposited Funds withdrawn Payment of profit on deposits	Parent Company's Project	252,450 106,310 2,673	251,550 134,300 2,182
Rural Support Programmes Network (RSPN) Funds deposited Funds withdrawn Payment of profit on deposits	Common Directorship	950,209,658 1,000,165,587 49,924,686	1,412,416,045 1,431,028,256 33,887,539
Sindh Rural Support Organization (SRSO) Funds deposited Funds withdrawn Payment of profit on deposits	Common Directorship	2,122,068,065 2,150,361,603 102,879,287	1,987,583,520 1,908,534,137 71,958,337

Transactions during the year:	Relationship with related party	2018 Rupees	2017 Rupees
SRSO UC BPRP Enterprise	Common Directorship		
Funds deposited		5,153,094	5,498,557
Funds withdrawn		4,212,233	5,020,385
Payment of profit on deposits		96,661	40,786
Ghazi Barotha Tarqati Idara	Common Directorship		
Funds deposited		1,273,882,908	1,125,670,051
Funds withdrawn		1,092,602,014	1,208,797,417
Payment of profit on deposits		12,616,135	48,060,647
BRSP Endowment Funds	Common Directorship		
Funds deposited		500,000,000	430,673,400
Funds withdrawn		360,167,708	330,673,825
Payment of profit on deposits		9,534,972	695,614
Pakistan Microfinance Network	Common Directorship		
Funds deposited		40,463,808	60,000,100
Funds withdrawn		50,927,616	20,000,000
Profit on deposits		463,808	-
Dubai Islamic Bank Limited (DIBL)	Common Directorship		
Funds deposited with DIBL		1,983,937,734	2,035,330,084
Funds withdrawn from DIBL		2,485,108,300	1,415,332,434
Profit on deposits received from DIBL		26,404,263	28,324,499
Silk Bank Limited (SBL)	Common Share holder		
Funds deposited with SBL		6,036,470,082	-
Funds withdrawn from SBL		5,916,156,932	-
Profit on deposits received from SBL		33,690,819	-
Bank Alfalah (BAFL)	Common Share holder		
Call money lending to BAFL		2,573,771,950	-
Repayments received from BAFL		2,076,569,950	-
Profit on call money lending received from BAFL		5,165,943	-
Balances outstanding as at December 31, 2018			
Payable to NRSP	Parent Organisation	29,034,098	26,168,108
Sub-ordinated Debt from KfW	Shareholder	672,360,000	672,360,000
Markup accrued on Sub-ordinated Debt from KfW	Shareholder	199,051,514	129,514,923
Bank balance with Dubai Islamic Bank Limited	Common Directorship	247,933,134	719,937,333
Markup receivable from Dubai Islamic Bank Limited	Common Directorship	1,673,420	3,028,455
Payable to employees' gratuity fund	Employees' Trust	250,264,276	159,611,984
Receivable from employees' provident fund	Employees' Trust	6,174,422	-
Balance Maintained with Silk Bank Limited	Common Share holder	553,005,099	413,793,743
Markup receivable from Silk Bank Limited	Common Share holder	4,260,822	1,844,384
Balance Maintained with Bank Alfalah Limited	Common Share holder	8,683	9,903
Call Money Lending to Bank Alfalah Limited	Common Share holder	497,202,000	-
Pakistan Microfinance Network	Common Directorship	477,441	1,049,708
Deposits accounts contain amounts relating to following related parties:			
Institute of Rural Management (IRM)	Parent Company's Subsidiary	200,009,522	200,369,075
Employees' Gratuity Fund	Employees' Trust	79,986,370	75,026,450
Employees' Provident Fund Trust	Employees' Trust	358,799,390	263,351,109
Employees' Welfare Trust	Employees' Trust	19,026,713	17,951,063
Employee Housing Colony	Employees' Trust	1,461,470	1,532,195
NRSP Contributory Provident Fund	Parent Company's Employees' Trust	357,170,535	236,964,610
NRSP Employees Gratuity Fund Trust	Parent Company's Employees' Trust	591,623,756	432,800,316
NRSP Rohi Handlooms	Parent Company's Project	2,762	2,628
NRSP Natural Resource Management	Parent Company's Project	405,476	256,663
Rural Support Programmes Network (RSPN)	Common Directorship	475,000,000	475,031,243
Sindh Rural Support Organization (SRSO)	Common Directorship	1,039,703,106	965,117,357
SRSO UC BPRP Enterprise	Common Directorship	1,937,459	899,937
Ghazi Barotha Tarqati Idara	Common Directorship	635,296,355	441,399,326
BRSP Endowment Funds	Common Directorship	250,062,453	100,695,189
Pakistan Microfinance Network	Common Directorship	30,000,100	40,000,100

35 FAIR VALUE MEASUREMENT

The fair value of traded investments is based on quoted market prices, except for securities classified by the Bank as 'held to maturity'. Securities classified as held to maturity are carried at amortized cost. Fair value of unquoted equity investments is determined on the basis of break up value of these investments as per the latest available audited financial statements.

Fair value of fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in note 6.7 to these financial statements.

Fair value of remaining financial assets and liabilities except fixed term loans, staff loans, non-performing advances and fixed term deposits is not significantly different from the carrying amounts since assets and liabilities are either short term in nature or are frequently repriced in the case of customer loans and deposits.

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

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

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

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

a) Financial instruments in level 1

Currently, no financial instruments are classified in level 1.

b) Financial instruments in level 2

Financial instruments included in level 2 comprise of investment in units of mutual funds.

c) Financial instruments in level 3

Financial instruments included in level 3 comprise of derivative financial assets.

The Bank's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused such transfer takes place. There were no transfers between levels 1 and 2 during the year.

The table below analyses the financial and non-financial assets carried at fair values, by valuation methods. Valuation of investments is carried out as per guidelines specified by the SBP.

	<u>Level 1</u> in Rupees	<u>Level 2</u> in Rupees	<u>Level 3</u> in Rupees
December 31, 2018			
Financial assets measured at fair value			
Held for trading investments - Units of mutual funds	-	2,723,263,405	-
Fair value of derivative financial instruments	-	-	297,629,379
	<u>-</u>	<u>2,723,263,405</u>	<u>297,629,379</u>
December 31, 2017			
Financial assets measured at fair value			
Held for trading investments - Units of mutual funds	-	1,066,747,508	-
Fair value of derivative financial instruments	-	-	66,570,718
	<u>-</u>	<u>1,066,747,508</u>	<u>66,570,718</u>

Valuation techniques and inputs used in determination of fair values

Item	Valuation techniques and inputs used
Units of mutual funds	Fair value of investment in units of mutual funds is determined based on Net Asset Value per unit as at close of business day available at MUFAP.
Fair value of derivative financial instrument	Fair value of derivative financial instruments is calculated is determined by discounting estimated future cash flows that are based on the respective currency's yield curve.

36 SCHEDULE OF MATURITY OF MARKET RATE ASSETS AND LIABILITIES

	Total	Upto one month	Over one month upto six months	Over six months upto one year	Over one year
	Rupees				
As at December 31, 2018					
Market rate assets					
Advances - net of provision	23,311,121,828	4,458,104,660	10,442,846,740	5,715,619,878	2,694,550,550
Lending to financial institutions	2,522,202,000	2,522,202,000	-	-	-
Investments	3,458,697,984	3,322,304,106	136,393,878	-	-
Balances with NBP on saving deposits	3,326,989	3,326,989	-	-	-
Balances with other banks on saving deposits	3,606,030,964	3,306,030,964	300,000,000	-	-
Total market rate assets	32,901,379,765	13,611,968,719	10,879,240,618	5,715,619,878	2,694,550,550
Other non-earning assets					
Cash and balances with SBP and NBP	1,117,580,613	1,117,580,613	-	-	-
Balances with other banks on current accounts	93,013,283	93,013,283	-	-	-
Operating fixed assets	1,008,607,370	-	-	-	1,008,607,370
Other assets	3,136,557,194	623,823,152	1,397,459,550	388,261,396	727,013,096
Deferred tax asset	93,447,540	-	93,447,540	-	-
Total non-earning assets	5,449,206,000	1,834,417,048	1,490,907,090	388,261,396	1,735,620,466
Total assets	38,350,585,765	15,446,385,767	12,370,147,708	6,103,881,274	4,430,171,016
Market rate liabilities					
Deposits and other accounts	24,633,119,686	7,401,021,165	8,390,092,495	6,437,626,489	2,404,379,537
Finance lease obligation	74,069,341	2,151,251	10,455,418	12,476,363	48,986,309
Subordinated loan	672,360,000	-	-	-	672,360,000
Borrowings	4,531,799,881	2,463,612,105	793,637,555	308,637,555	965,912,666
Total market rate liabilities	29,911,348,908	9,866,784,521	9,194,185,468	6,758,740,407	4,091,638,512
Other non-cost bearing liabilities					
Current deposits	1,630,055,442	1,630,055,442	-	-	-
Other liabilities	2,201,423,469	458,127,686	746,182,826	243,173,959	753,938,998
Total non-cost bearing liabilities	3,831,478,911	2,088,183,128	746,182,826	243,173,959	753,938,998
Total liabilities	33,742,827,819	11,954,967,649	9,940,368,294	7,001,914,366	4,845,577,510
Net Assets	4,607,757,946				
Represented by					
Share capital	1,498,372,010				
Statutory reserve	640,217,412				
Depositors' protection fund	180,937,261				
Unappropriated profit	2,278,585,992				
Deferred grants	9,645,271				
Total capital	4,607,757,946				

36.1 SCHEDULE OF MATURITY OF MARKET RATE ASSETS AND LIABILITIES

	Total	Upto one month	Over one month upto six months	Over six months upto one year	Over one year
	Rupees				
As at December 31, 2017					
Market rate assets					
Advances - net of provision	20,705,809,185	564,451,754	7,269,016,027	6,669,458,991	6,202,882,413
Investments	2,696,482,931	1,067,240,648	1,484,679,524	5,000,000	139,562,759
Balances with NBP on saving deposits	1,050,111	1,050,111	-	-	-
Balances with other banks on saving deposits	5,191,956,626	4,591,956,626	600,000,000	-	-
Total market rate assets	28,595,298,853	6,224,699,139	9,353,695,551	6,674,458,991	6,342,445,172
Other non-earning assets					
Cash and balances with SBP and NBP	1,641,899,925	1,641,899,925	-	-	-
Balances with other banks on current accounts	31,413,117	31,413,117	-	-	-
Operating fixed assets	533,617,070	-	-	-	533,617,070
Other assets	2,787,279,551	201,219,548	1,001,358,812	447,374,148	1,137,327,043
Total non-earning assets	4,994,209,663	1,874,532,590	1,001,358,812	447,374,148	1,670,944,113
Total assets	33,589,508,516	8,099,231,729	10,355,054,363	7,121,833,139	8,013,389,285
Market rate liabilities					
Deposits and other accounts	21,111,179,447	7,512,494,413	6,385,436,640	6,578,404,124	634,844,270
Finance lease obligation	87,178,714	2,131,389	10,288,412	12,131,873	62,627,040
Subordinated loan	672,360,000	-	-	-	672,360,000
Borrowings	3,293,888,888	190,000,000	1,465,555,555	510,555,555	1,127,777,778
Total market rate liabilities	25,164,607,049	7,704,625,802	7,861,280,607	7,101,091,552	2,497,609,088
Other non-cost bearing liabilities					
Current deposits	2,560,640,185	2,560,640,185	-	-	-
Other liabilities	1,835,734,908	788,311,203	388,881,676	187,800,078	470,741,951
Deferred tax liability	14,616,979	-	-	-	14,616,979
Total non-cost bearing liabilities	4,410,992,072	3,348,951,388	388,881,676	187,800,078	485,358,930
Total liabilities	29,575,599,121	11,053,577,190	8,250,162,283	7,288,891,630	2,982,968,018
Net Assets	4,013,909,395				
Represented by					
Share capital	1,498,372,010				
Statutory reserve	522,034,107				
Depositors' protection fund	142,607,377				
Unappropriated profit	1,849,115,619				
Deferred grants	1,780,282				
Total capital	4,013,909,395				

37 CAPITAL MANAGEMENT

The Bank's objectives when managing its capital are:

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

Capital requirements applicable to the Bank are set out under Microfinance Institutions Ordinance, 2001. These requirements are put in place to ensure sufficient solvency margins. The Bank manages its capital requirement by assessing its capital structure against required capital level on regular basis. The minimum paid up capital requirement applicable to the Bank is Rs 1 billion whereas the paid up capital of the Bank as at December 31, 2018 is Rs 1.49 billion (2017: Rs 1.49 billion).

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

38 GENERAL

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

39 DATE OF APPROVAL

These financial statements were approved and authorised by the Board of Directors of the Bank in their meeting held on March 8, 2019.



President / Chief Executive



Chairman



Director



Director

Annexure I

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

Details of property and equipment disposed off during the year as referred to in Note 12.2.2 of financial statements:

Particulars of assets	Cost	Depre- ciation	Book value	Sale Proceed	Gain/ Loss	Mode of disposal	Particulars of buyers
Motor vehicles							
1000 CC - Potohar (Reg # BRK-05-9204, Eng # J 109951, Chassis # 333536)	260,690	260,690	-	530,000	530,000	Assets Auction	Muhammad Mujeeb urRehman
1000 CC - Potohar (Reg # BRO-08-6185, Eng # J 106000, Chassis # 336797)	249,880	249,880	-	540,000	540,000	Assets Auction	Muhammad Mujeeb urRehman
1000 CC - Potohar (Reg # IDL-02-1851, Eng # J 704007, Chassis # 331481)	224,022	224,022	-	490,000	490,000	Assets Auction	Muhammad Mujeeb urRehman
70 CC - Bike (Reg # BRL-12-439, Eng # 5615876, Chassis # JE 045953)	69,700	69,700	-	26,200	26,200	Assets Auction	Bakhtawar Shah
70 CC - Bike (Reg # BRM-12-2880, Eng # 5693992, Chassis # JE 144151)	69,575	69,575	-	27,300	27,300	Assets Auction	Bakhtawar Shah
70 CC - Bike (Reg # BRK-13-6748, Eng # 5897183, Chassis # JE 417250)	71,030	71,030	-	25,600	25,600	Assets Auction	Bakhtawar Shah
70 CC - Bike (Reg # BRK-13-6753, Eng # 5899886, Chassis # JE 421950)	71,030	71,030	-	28,510	28,510	Assets Auction	Bakhtawar Shah
70 CC - Bike (Reg # BRK-13-6738, Eng # 5904421, Chassis # JE 426346)	71,030	71,030	-	29,050	29,050	Assets Auction	Bakhtawar Shah
70 CC - Bike (Reg # BRK-13-6547, Eng # 5891735, Chassis # JE 412063)	71,030	71,030	-	27,930	27,930	Assets Auction	Bakhtawar Shah
70 CC - Bike (Reg # BRK-13-8355, Eng # 5993091, Chassis # JE 413152)	71,030	71,030	-	29,929	29,929	Assets Auction	Bakhtawar Shah
70 CC - Bike (Reg # BRM-13-3549, Eng # 6008040, Chassis # JE 586077)	71,030	71,030	-	27,002	27,002	Assets Auction	Muhammad Qasim
70 CC - Bike (Reg # BRK-13-8359, Eng # 5903926, Chassis # JE 426153)	71,030	71,030	-	30,330	30,330	Assets Auction	Bakhtawar Shah
70 CC - Bike (Reg # BRK-13-8352, Eng # 5892101, Chassis # JE 412156)	71,030	71,030	-	28,800	28,800	Assets Auction	Bakhtawar Shah
70 CC - Bike (Reg # BRK-13-8350, Eng # 5904360, Chassis # JE 426534)	71,030	71,030	-	30,000	30,000	Assets Auction	Muhammad Shahid
70 CC - Bike (Reg # BRK-13-8356, Eng # 5892048, Chassis # JE 412100)	71,030	69,644	1,386	50,000	48,614	Insurance Claim	Insurance claim received from Jubilee General Insurance
70 CC - Bike (Reg # BRK-13-8360, Eng # 5893062, Chassis # JE 413124)	71,030	71,030	-	27,770	27,770	Assets Auction	Bakhtawar Shah
70 CC - Bike (Reg # BRK-13-7297, Eng # 5891978, Chassis # JE 412013)	71,030	71,030	-	30,111	30,111	Assets Auction	Bakhtawar Shah
70 CC - Bike (Reg # BRK-13-7290, Eng # 5891966, Chassis # JE 412044)	71,030	71,030	-	31,003	31,003	Assets Auction	Bakhtawar Shah
70 CC - Bike (Reg # BRM-13-3557, Eng # 6025267, Chassis # JE 607425)	71,385	67,575	3,810	28,876	25,066	Assets Auction	Bakhtawar Shah
70 CC - Bike (Reg # BRM-13-3549, Eng # 6008040, Chassis # JE 586077)	71,385	67,575	3,810	29,626	25,816	Assets Auction	Bakhtawar Shah
70 CC - Bike (Reg # BRM-13-3533, Eng # 6025354, Chassis # JE 607420)	71,385	67,575	3,810	30,000	26,190	Assets Auction	Bakhtawar Shah
70 CC - Bike (Reg # BRM-13-3531, Eng # 6025262, Chassis # JE 607306)	71,385	67,575	3,810	27,700	23,890	Assets Auction	Bakhtawar Shah
70 CC - Bike (Reg # BRM-13-3529, Eng # 6025281, Chassis # JE 607334)	71,385	67,575	3,810	31,230	27,420	Assets Auction	Bakhtawar Shah
70 CC - Bike (Reg # BRN-13-4044, Eng # 6114812, Chassis # JE-730877)	71,985	61,939	10,046	32,000	21,954	Assets Auction	Bakhtawar Shah
70 CC - Bike (Reg # BRN-13-4034, Eng # 6116513, Chassis # JE-732568)	71,985	61,939	10,046	28,505	18,459	Assets Auction	Bakhtawar Shah
70 CC - Bike (Reg # BRK-14-8355, Eng # 6187901, Chassis # JE-851979)	72,885	60,389	12,496	32,436	19,940	Assets Auction	Bakhtawar Shah
70 CC - Bike (Reg # BRK-14-8359, Eng # 6187877, Chassis # JE-851956)	72,885	60,389	12,496	33,330	20,834	Assets Auction	Bakhtawar Shah
70 CC - Bike (Reg # BRK-14-8360, Eng # 6182978, Chassis # JE-845006)	72,885	60,389	12,496	33,029	20,533	Assets Auction	Bakhtawar Shah
70 CC - Bike (Reg # BRK-14-8365, Eng # 6187832, Chassis # JE-851916)	72,885	60,389	12,496	31,936	19,440	Assets Auction	Bakhtawar Shah
70 CC - Bike (Reg # BRK-14-8367, Eng # 6182980, Chassis # JE-845008)	72,885	60,389	12,496	30,510	18,014	Assets Auction	Muhammad Kashif Rafique
70 CC - Bike (Reg # BRK-14-8370, Eng # 6175541, Chassis # JE-815573)	72,885	60,389	12,496	33,681	21,185	Assets Auction	Bakhtawar Shah
70 CC - Bike (Reg # BRK-14-8377, Eng # 6182974, Chassis # JE-845002)	72,885	60,389	12,496	31,211	18,715	Assets Auction	Bakhtawar Shah
70 CC - Bike (Reg # BRK-14-8379, Eng # 6182969, Chassis # JE-844995)	72,885	60,389	12,496	31,500	19,004	Assets Auction	Muhammad Shahid
70 CC - Bike (Reg # BRK-14-8380, Eng # 6187880, Chassis # JE-851946)	72,885	60,389	12,496	32,000	19,504	Assets Auction	Abdul Wajid Qureshi
70 CC - Bike (Reg # BRK-14-8381, Eng # 6187884, Chassis # JE-851961)	72,885	60,389	12,496	32,332	19,836	Assets Auction	Bakhtawar Shah
70 CC - Bike (Reg # BRN-14-8535, Eng # 6296012, Chassis # JE-985915)	72,885	53,399	19,486	31,525	12,039	Assets Auction	Muhammad Kashif Rafique
70 CC - Bike (Reg # BRN-14-8736, Eng # 6286377, Chassis # JG-974435)	72,885	53,399	19,486	30,500	11,014	Assets Auction	Muhammad Shahid
70 CC - Bike (Reg # BRM-12-2865, Eng # 5693744, Chassis # JE 143821)	69,575	31,051	38,524	40,000	1,476	Insurance Claim	General Insurance
70 CC - Bike (Reg # BRP-14-1241, Eng # 6330578, Chassis # JG-047158)	72,990	49,825	23,165	30,786	7,621	Assets Auction	Riaz Ahmed
70 CC - Bike (Reg # BRO-14-8696, Eng # 6362214, Chassis # JG-094808)	72,990	49,825	23,165	29,510	6,345	Assets Auction	Bakhtawar Shah
70 CC - Bike (Reg # BRO-14-7293, Eng # 6361993, Chassis # JG-094557)	72,990	49,825	23,165	30,350	7,185	Assets Auction	Riaz Ahmed
70 CC - Bike (Reg # BRO-14-7301, Eng # 6362108, Chassis # JG-094657)	72,990	49,825	23,165	31,800	8,635	Assets Auction	Irshad Ahmed
70 CC - Bike (Reg # BRP-14-2390, Eng # 6380688, Chassis # JG-117260)	72,990	49,825	23,165	32,002	8,837	Assets Auction	Muhammad Qasim
70 CC - Bike (Reg # BRP-14-2391, Eng # 6380512, Chassis # JG-117008)	72,990	4,815	68,176	43,000	(25,176)	Insurance Claim	General Insurance
125 CC - Bike (Reg # BLN-15-3460, Eng # 7757975, Chassis # U940206)	128,000	78,933	49,067	68,700	19,633	Leased to Staff	Mr. Zakir Hussain (employee)
Sub-Total	3,808,287	3,332,241	476,046	2,907,610	2,431,564		
Office Equipments							
Photocopier	35,276	35,276	-	1,833	1,833	Assets Auction	Adnan Hussain
Photocopier	38,425	38,425	-	1,833	1,833	Assets Auction	Adnan Hussain
Television LG 14"	7,347	7,347	-	2,050	2,050	Assets Auction	Muhammad Ashfaq
Television LG 14"	7,871	7,871	-	2,050	2,050	Assets Auction	Muhammad Ashfaq
Generator Honda EP-6500	49,416	49,416	-	16,167	16,167	Assets Auction	Adnan Hussain
Generator (Simens 50 KVA)	668,668	668,668	-	151,000	151,000	Assets Auction	Muhammad Jameel
Generator (Honda)	90,892	90,892	-	16,161	16,161	Assets Auction	Adnan Hussain
AC (Mitsubishi)	21,753	21,753	-	1,000	1,000	Assets Auction	Muhammad Ashfaq
A.C (Mitsubishi)	93,134	93,134	-	1,000	1,000	Assets Auction	Muhammad Ashfaq
Air Condition (Dawlance)	11,581	11,581	-	1,000	1,000	Assets Auction	Muhammad Ashfaq
Air Condition (Dawlance)	14,944	14,944	-	8,730	8,730	Assets Auction	Muhammad Ashfaq
Air Condition (Dawlance)	20,712	20,712	-	8,730	8,730	Assets Auction	Muhammad Ashfaq
Split Acson 1.0 ton	48,523	21,506	27,017	31,920	4,903	Assets Auction	Muhammad Ashfaq
Split AC (1.5 Ton)	14,902	14,902	-	8,730	8,730	Assets Auction	Muhammad Ashfaq
Air Condition (Dawlance)	19,747	19,747	-	8,730	8,730	Assets Auction	Muhammad Ashfaq
Air Condition (Dawlance)	65,707	61,668	4,139	8,730	4,591	Assets Auction	Muhammad Ashfaq
Split Acson 1.0 ton	21,414	21,414	-	8,730	8,730	Assets Auction	Muhammad Ashfaq
Split Hier1.0 ton	12,059	12,059	-	8,730	8,730	Assets Auction	Muhammad Ashfaq
Split A.C 1.5 ton Haier	32,754	32,754	-	8,820	8,820	Assets Auction	Muhammad Ashfaq
Split A.C 1.5 ton Haier	42,815	42,815	-	8,730	8,730	Assets Auction	Muhammad Ashfaq
Split A.C 1.5 ton Haier	42,815	42,815	-	8,730	8,730	Assets Auction	Muhammad Ashfaq
Split A.C 1.5 ton Haier	37,220	37,220	-	8,730	8,730	Assets Auction	Muhammad Ashfaq
Split A.C 1.5 ton Haier	37,220	37,220	-	8,730	8,730	Assets Auction	Muhammad Ashfaq
1.5 ton LEA Haier	46,658	38,303	8,355	8,730	375	Assets Auction	Muhammad Ashfaq
1.5 ton LEA Haier	46,658	38,303	8,355	8,730	375	Assets Auction	Muhammad Ashfaq
1.5 ton LEA Haier	46,658	38,303	8,355	8,730	375	Assets Auction	Muhammad Ashfaq
1.5 ton LEA Haier	40,679	40,679	-	8,730	8,730	Assets Auction	Muhammad Ashfaq

Particulars of assets	Cost	Depre- ciation	Book value	Sale Proceed	Gain/ Loss	Mode of disposal	Particulars of buyers
Split AC Haier	34,296	34,296	-	8,730	8,730	Assets Auction	Muhammad Ashfaq
Split AC Haier	34,296	34,296	-	8,730	8,730	Assets Auction	Muhammad Ashfaq
Split AC Haier 1 Ton	36,805	36,805	-	8,730	8,730	Assets Auction	Muhammad Ashfaq
Split AC Haier 1 Ton	36,805	36,805	-	8,730	8,730	Assets Auction	Muhammad Ashfaq
Split AC Haier	34,110	34,110	-	8,730	8,730	Assets Auction	Muhammad Ashfaq
Split AC Haier	34,110	34,110	-	8,730	8,730	Assets Auction	Muhammad Ashfaq
Split AC Haier	34,110	34,110	-	8,730	8,730	Assets Auction	Muhammad Ashfaq
Split AC	35,636	35,636	-	8,730	8,730	Assets Auction	Muhammad Ashfaq
Split AC	35,636	35,636	-	8,730	8,730	Assets Auction	Muhammad Ashfaq
Split AC	35,636	35,636	-	8,730	8,730	Assets Auction	Muhammad Ashfaq
Split AC Haier	45,252	45,252	-	8,730	8,730	Assets Auction	Muhammad Ashfaq
Split AC Haier	45,252	45,252	-	8,730	8,730	Assets Auction	Muhammad Ashfaq
Split AC Haier	45,252	45,252	-	8,730	8,730	Assets Auction	Muhammad Ashfaq
Split AC (Haier)	36,808	36,808	-	8,730	8,730	Assets Auction	Muhammad Ashfaq
Air Cooler	2,868	2,868	-	2,778	2,778	Assets Auction	Amjad Hussain
Air Cooler Pak	10,137	10,137	-	2,777	2,777	Assets Auction	Amjad Hussain
Refrigerator, Dowlance	7,198	7,198	-	14,595	14,595	Assets Auction	Ghulam Qadir
Deep Freezer	5,353	5,353	-	7,400	7,400	Assets Auction	Liaqat Ali
Stabilizer 2500 Watt L.G	2,465	2,465	-	3,893	3,893	Assets Auction	Muhammad Shabir
Fax Machine	4,942	4,942	-	832	832	Assets Auction	Adnan Hussain
Fax Machine	12,069	12,069	-	406	406	Assets Auction	Adnan Hussain
Fax Machine (Panasonic)	8,617	8,617	-	406	406	Assets Auction	Adnan Hussain
Fax Machine	6,315	6,315	-	406	406	Assets Auction	Adnan Hussain
FAX MACHINE	6,373	6,373	-	406	406	Assets Auction	Adnan Hussain
FAX MACHINE	5,529	5,529	-	406	406	Assets Auction	Adnan Hussain
FAX MACHINE	4,484	4,484	-	406	406	Assets Auction	Adnan Hussain
FAX MACHINE (Panasonic)	6,075	6,075	-	406	406	Assets Auction	Adnan Hussain
Fax Machine (Panasonic)	4,804	4,804	-	406	406	Assets Auction	Adnan Hussain
Fax Machine	4,049	4,049	-	406	406	Assets Auction	Adnan Hussain
Fax Machine	6,471	6,471	-	406	406	Assets Auction	Adnan Hussain
FAX MACHINE	5,031	5,031	-	406	406	Assets Auction	Adnan Hussain
Fax Machine (Panasonic)	5,342	5,342	-	406	406	Assets Auction	Adnan Hussain
Fax Machine	2,844	2,844	-	406	406	Assets Auction	Adnan Hussain
Fax Machine	3,461	3,461	-	406	406	Assets Auction	Adnan Hussain
Fax Machine (Panasonic)	4,695	4,695	-	406	406	Assets Auction	Adnan Hussain
Fax Machine (Panasonic)	4,200	4,200	-	406	406	Assets Auction	Adnan Hussain
Fax Machine - Panasonic	4,670	4,670	-	406	406	Assets Auction	Adnan Hussain
Fax Machine - Panasonic	4,670	4,670	-	406	406	Assets Auction	Adnan Hussain
FAX MACHINE (Panasonic)	6,152	6,152	-	406	406	Assets Auction	Adnan Hussain
FAX MACHINE (Panasonic)	4,979	4,979	-	406	406	Assets Auction	Adnan Hussain
Fax Machine Panasonic	6,739	6,739	-	406	406	Assets Auction	Adnan Hussain
Fax Machine Panasonic	4,286	4,286	-	406	406	Assets Auction	Adnan Hussain
Fax Machine Panasonic-KX-FT-903	5,426	5,426	-	406	406	Assets Auction	Adnan Hussain
Fax Machine	10,053	10,053	-	406	406	Assets Auction	Adnan Hussain
Fax Machine Panasonic	22,880	22,880	-	406	406	Assets Auction	Adnan Hussain
Fax Machine (Panasonic)	14,791	14,791	-	406	406	Assets Auction	Adnan Hussain
Fax Machine (Panasonic)	6,838	6,838	-	406	406	Assets Auction	Adnan Hussain
Fax Machine (Panasonic)	5,534	5,534	-	406	406	Assets Auction	Adnan Hussain
Split AC 2 Ton Dawlance	56,265	56,265	-	8,730	8,730	Assets Auction	Muhammad Ashfaq
Split AC 1.5 Ton Haier	56,265	56,265	-	8,730	8,730	Assets Auction	Muhammad Ashfaq
Split AC 2 Ton Haier	56,265	56,265	-	8,730	8,730	Assets Auction	Muhammad Ashfaq
Split AC 2 Ton Haier	56,265	56,265	-	1,000	1,000	Assets Auction	Muhammad Ashfaq
Split AC 1 Ton Haier	44,802	44,802	-	1,000	1,000	Assets Auction	Muhammad Ashfaq
Air Conditioner (Dawlance)	92,937	76,937	16,000	24,190	8,190	Assets Auction	Muhammad Ashfaq
Packet Note Binding Machine KX-ZB2	16,700	16,700	-	10	10	Assets Auction	Adnan Hussain
Packet Note Binding Machine	16,700	16,700	-	10	10	Assets Auction	Adnan Hussain
Packet Note Binding Machine	27,700	27,700	-	50	50	Assets Auction	Adnan Hussain
Packet Note Binding Machine (China TU 10 J)	16,700	16,700	-	30	30	Assets Auction	Adnan Hussain
Packet Note Binding Machine	16,700	16,700	-	50	50	Assets Auction	Adnan Hussain
Packet Note Binding Machine	16,700	16,700	-	50	50	Assets Auction	Adnan Hussain
Packet Note Binding Machine	19,900	19,845	55	720	665	Assets Auction	Adnan Hussain
Packet Note Binding Machine	16,700	16,700	-	50	50	Assets Auction	Adnan Hussain
Packet Note Binding Machine	22,200	22,200	-	50	50	Assets Auction	Adnan Hussain
Generator Siemens 20 KVA (Foundation, Earthing and Cable)	62,197	62,197	-	105,000	105,000	Assets Auction	Muhammad Jameel
Floor Standing (Orient 2 Ton)	96,082	96,082	-	8,730	8,730	Assets Auction	Muhammad Ashfaq
Split Acson 1.0 ton	72,539	72,539	-	8,730	8,730	Assets Auction	Muhammad Ashfaq
Split Acson 1.0 ton	77,539	72,956	4,583	8,730	4,147	Assets Auction	Muhammad Ashfaq
Split Acson 1.0 ton	72,539	72,539	-	8,730	8,730	Assets Auction	Muhammad Ashfaq
Split Acson 1.0 ton	72,539	72,539	-	8,730	8,730	Assets Auction	Muhammad Ashfaq
Split Acson 1.0 ton	72,539	72,539	-	8,730	8,730	Assets Auction	Muhammad Ashfaq
Split Acson 1.0 ton	72,539	72,539	-	8,730	8,730	Assets Auction	Muhammad Ashfaq
Stabilizer Pel 10000 Watt	12,000	12,000	-	3,893	3,893	Assets Auction	Muhammad Shabir
Packet Note Binding Machine	16,700	16,700	-	100	100	Assets Auction	Adnan Hussain
Packet Note Binding Machine	24,333	23,225	1,108	2,000	892	Assets Auction	Adnan Hussain
Packet Note Binding Machine	16,700	16,700	-	50	50	Assets Auction	Adnan Hussain
Packet Note Binding Machine	16,700	16,700	-	50	50	Assets Auction	Adnan Hussain
Honda Generator EP 6500 CX	176,500	176,500	-	16,161	16,161	Assets Auction	Adnan Hussain
Packet Note Binding Machine	20,033	20,033	-	50	50	Assets Auction	Adnan Hussain
Packet Note Binding Machine (TC-310)	16,700	16,700	-	50	50	Assets Auction	Adnan Hussain
Yamaha Generator 5 KVA	172,656	172,656	-	16,161	16,161	Assets Auction	Adnan Hussain
Yamaha Generator 5 KVA	160,996	160,996	-	16,161	16,161	Assets Auction	Adnan Hussain
Yamaha Generator 5 KVA	173,376	173,376	-	16,161	16,161	Assets Auction	Adnan Hussain
Yamaha Generator 5 KVA	160,996	160,996	-	16,161	16,161	Assets Auction	Adnan Hussain
Yamaha Generator 5 KVA	174,796	174,796	-	16,161	16,161	Assets Auction	Adnan Hussain
Yamaha Generator 5 KVA	160,996	160,996	-	16,161	16,161	Assets Auction	Adnan Hussain
Yamaha Generator 5 KVA	160,996	160,996	-	32,322	32,322	Assets Auction	Adnan Hussain
Packet Note Binding Machine (TC-310)	16,000	15,200	800	1,340	540	Assets Auction	Adnan Hussain
Packet Note Binding Machine (TC-310)	16,000	15,200	800	1,340	540	Assets Auction	Adnan Hussain
Referigerator Pel	37,700	32,045	5,655	14,595	8,940	Assets Auction	Ghulam Qadir
Packet Note Binding Machine (TC-310)	16,000	13,334	2,667	3,200	534	Assets Auction	Adnan Hussain
Referigerator Orient 5544 ip	34,100	27,280	6,820	14,596	7,776	Assets Auction	Ghulam Qadir
Sub-Total	5,075,782	4,981,075	94,707	937,870	843,163		

Particulars of assets	Cost	Depreciation	Book value	Sale Proceed	Gain/ Loss	Mode of disposal	Particulars of buyers
Furniture and Fixtures							
Almirah (Iron)	8,138	5,765	2,373	2,770	397	Assets Auction	Muhammad Qasim
Cash Safe (Small)	18,987	11,170	7,817	15,786	7,969	Assets Auction	Muhammad Ismail
Cash Safe for Bank Branch	33,298	23,586	9,712	15,000	5,288	Assets Auction	Muhammad Ismail
Bed With Foam	2,907	2,059	848	1,621	773	Assets Auction	Muhammad Qasim
Bed With Foam	3,933	2,786	1,147	1,620	473	Assets Auction	Muhammad Qasim
Bed With Foam	3,933	2,786	1,147	1,620	473	Assets Auction	Muhammad Qasim
Bed With Foam	3,933	2,786	1,147	1,620	473	Assets Auction	Muhammad Qasim
Bed With Foam	3,933	2,786	1,147	1,620	473	Assets Auction	Muhammad Qasim
Cash Safe	26,800	18,313	8,487	15,000	6,513	Assets Auction	Muhammad Ismail
Sub-Total	105,862	72,038	33,824	56,657	22,833		
Computer Equipments							
Computer	7,866	7,790	76	1,200	1,124	Assets Auction	Muhammad Ashfaq
Computer System (Dell, Pentium R, Dual Core, 2.5 GHz, 1GB Ram)	10,443	10,341	102	1,200	1,098	Assets Auction	Muhammad Ashfaq
HP Computer Pentium-4	13,848	13,713	135	1,200	1,065	Assets Auction	Muhammad Ashfaq
Laptop Acer Aspire 4710 (At Store)	29,567	29,279	288	6,870	6,582	Assets Auction	Muhammad Qasim
Scanner	5,484	5,431	53	131	78	Assets Auction	Adnan Hussain
Scanner	5,585	5,531	54	131	77	Assets Auction	Adnan Hussain
Scanner	12,296	12,296	-	131	131	Assets Auction	Adnan Hussain
printer Hp-1102	4,494	4,450	44	1,345	1,301	Assets Auction	Adnan Hussain
HP Laserjet 2055 DN	11,764	11,650	114	1,345	1,231	Assets Auction	Adnan Hussain
PRINTERS (hp-2015)	10,198	10,099	99	1,345	1,246	Assets Auction	Adnan Hussain
Canon laser Jet LBP2900	14,123	13,986	137	1,345	1,208	Assets Auction	Adnan Hussain
Color Printer Epson T 60	26,424	26,167	257	1,345	1,088	Assets Auction	Adnan Hussain
Laser Jet HP 1005 Printer	13,551	13,419	132	1,345	1,213	Assets Auction	Adnan Hussain
Computer System HP Optiplex	16,000	15,844	156	1,200	1,044	Assets Auction	Muhammad Ashfaq
Lap Top (HP) Pavilion G Series (At Store)	63,465	63,465	-	6,870	6,870	Assets Auction	Muhammad Qasim
Lap Top (HP) Pavilion G 6 (At Store)	66,640	61,001	5,639	6,870	1,231	Assets Auction	Muhammad Qasim
LBP-2900	11,800	11,685	115	1,345	1,230	Assets Auction	Adnan Hussain
Laptop HP Compaq (Q60) In Store	25,825	23,686	2,139	6,870	4,731	Assets Auction	Muhammad Qasim
HP Scanjet G 2410 Flatbed Scanner	6,786	6,720	66	131	65	Assets Auction	Adnan Hussain
HP Scanjet G 2410 Flatbed Scanner	6,786	6,720	66	131	65	Assets Auction	Adnan Hussain
HP Scanjet G 2410 Flatbed Scanner	6,786	6,720	66	131	65	Assets Auction	Adnan Hussain
HP Scanjet G 2410 Flatbed Scanner	6,786	6,720	66	131	65	Assets Auction	Adnan Hussain
HP Scanjet G 2410 Flatbed Scanner	6,786	6,720	66	131	65	Assets Auction	Adnan Hussain
HP Scanjet G 2410 Flatbed Scanner	6,786	6,720	66	131	65	Assets Auction	Adnan Hussain
HP Scanjet G 2410 Flatbed Scanner	6,786	6,720	66	131	65	Assets Auction	Adnan Hussain
HP Scanjet G 2410 Flatbed Scanner	6,786	6,720	66	131	65	Assets Auction	Adnan Hussain
HP Scanjet G 2410 Flatbed Scanner	6,786	6,720	66	131	65	Assets Auction	Adnan Hussain
HP Scanjet G 2410 Flatbed Scanner	6,786	6,720	66	131	65	Assets Auction	Adnan Hussain
Printer HP 1020	2,660	2,634	26	1,345	1,319	Assets Auction	Adnan Hussain
Printer Hp 1320	11,644	11,531	113	1,345	1,232	Assets Auction	Adnan Hussain
UPS 3 KVA Esp 3000VA	84,140	83,322	818	4,500	3,682	Assets Auction	Muhammad Ashfaq
UPS 3 KVA Esp 3000VA	84,140	83,322	818	4,500	3,682	Assets Auction	Muhammad Ashfaq
UPS 3 KVA Esp 3000VA	84,140	83,322	818	4,500	3,682	Assets Auction	Muhammad Ashfaq
Dell CPU 3.2 GHz 80 GB HDD 2GB Ram with LCD	17,000	16,835	165	1,200	1,035	Assets Auction	Muhammad Ashfaq
Dell CPU 3.2 GHz 80 GB HDD 2GB Ram	17,000	16,835	165	1,200	1,035	Assets Auction	Muhammad Ashfaq
HP Lasejet 1102	9,650	9,556	94	1,345	1,251	Assets Auction	Adnan Hussain
HP Lasejet 1102	9,650	9,556	94	1,345	1,251	Assets Auction	Adnan Hussain
HP Lasejet 1102	9,650	9,556	94	1,345	1,251	Assets Auction	Adnan Hussain
HP Lasejet 1102	9,650	9,556	94	1,345	1,251	Assets Auction	Adnan Hussain
HP Lasejet 1102	9,650	9,556	94	1,345	1,251	Assets Auction	Adnan Hussain
HP Lasejet 1102	9,650	9,556	94	1,345	1,251	Assets Auction	Adnan Hussain
HP Probook 4530 Core i3 (In Store)	71,825	70,693	1,132	6,866	5,734	Assets Auction	Muhammad Qasim
HP Probook 4530 Core i3 (In Store)	56,000	55,456	544	6,870	6,326	Assets Auction	Muhammad Qasim
HP Probook 4530 Core i3 (In Store)	69,000	69,000	-	6,870	6,870	Assets Auction	Muhammad Qasim
HP Probook 4530 Core i3 (In Store)	72,200	72,038	162	1	(161)	As Per Policy	Mir Yousaf Khan (employee)
Computer System with LCD (Core 2 Duo, 3.00 Ghz, 4 GB Ram, 80 GB HDD)	17,000	16,835	165	1,200	1,035	Assets Auction	Muhammad Ashfaq
Computer System with LCD (Core 2 Duo, 3.00 Ghz, 4 GB Ram, 80 GB HDD)	17,000	16,835	165	1,200	1,035	Assets Auction	Muhammad Ashfaq
Computer with LCD (Core 2 Duo, 2.33 GHz, 2 GB Ram)	17,000	16,835	165	1,200	1,035	Assets Auction	Muhammad Ashfaq
Computer with LCD (Core 2 Duo, 2.33 GHz, 2 GB Ram)	17,000	16,835	165	1,200	1,035	Assets Auction	Muhammad Ashfaq
Computer with LCD (Core 2 Duo, 2.33 GHz, 2 GB Ram)	17,000	16,835	165	1,200	1,035	Assets Auction	Muhammad Ashfaq
Computer with LCD (Core 2 Duo, 2.33 GHz, 2 GB Ram)	17,000	16,835	165	1,200	1,035	Assets Auction	Muhammad Ashfaq
Computer with LCD (Core 2 Duo, 2.33 GHz, 2 GB Ram)	17,000	16,835	165	1,200	1,035	Assets Auction	Muhammad Ashfaq
Computer with LCD (Core 2 Duo, 2.33 GHz, 2 GB Ram)	17,000	16,835	165	1,200	1,035	Assets Auction	Muhammad Ashfaq
Computer with LCD (Core 2 Duo, 2.33 GHz, 2 GB Ram)	17,000	16,835	165	1,200	1,035	Assets Auction	Muhammad Ashfaq
Computer with LCD (Core 2 Duo, 2.33 GHz, 2 GB Ram)	17,000	16,835	165	1,200	1,035	Assets Auction	Muhammad Ashfaq
UPS 3 KVA Esp 3000VA	84,140	83,322	818	4,500	3,682	Assets Auction	Muhammad Ashfaq
UPS 3 KVA Esp 3000VA	84,140	83,322	818	4,500	3,682	Assets Auction	Muhammad Ashfaq
UPS 3 KVA Esp 3000VA	84,140	83,322	818	4,500	3,682	Assets Auction	Muhammad Ashfaq
UPS 3 KVA Esp 3000VA	84,140	83,322	818	4,500	3,682	Assets Auction	Muhammad Ashfaq
UPS 3 KVA Esp 3000VA	84,140	83,322	818	4,500	3,682	Assets Auction	Muhammad Ashfaq
HP Lasejet 2055 Printer	40,600	40,205	395	1,345	950	Assets Auction	Adnan Hussain
HP Lasejet 2055 Printer	40,600	40,205	395	1,345	950	Assets Auction	Adnan Hussain
HP Lasejet 2055 Printer	40,600	40,205	395	1,345	950	Assets Auction	Adnan Hussain
HP Lasejet 2055 Printer	40,600	40,205	395	1,345	950	Assets Auction	Adnan Hussain
UPS 3 KVA Apex Wave + 4 Batteries	79,965	79,188	777	4,500	3,723	Assets Auction	Muhammad Ashfaq
UPS 3 KVA Apex Wave	79,966	79,189	777	4,500	3,723	Assets Auction	Muhammad Ashfaq
UPS 3 KVA Apex Wave	79,966	79,189	777	4,500	3,723	Assets Auction	Muhammad Ashfaq
UPS 3 KVA Apex Wave	79,966	79,189	777	4,500	3,723	Assets Auction	Muhammad Ashfaq
Acer Desktop Computer with LCD	17,500	17,330	170	1,200	1,030	Assets Auction	Muhammad Ashfaq
Acer Desktop Computer with LCD	17,500	17,330	170	1,200	1,030	Assets Auction	Muhammad Ashfaq
UPS Exc-1618-SP	130,500	129,231	1,269	4,500	3,231	Assets Auction	Muhammad Ashfaq
UPS Exc-1618-SP	130,500	129,231	1,269	4,500	3,231	Assets Auction	Muhammad Ashfaq
UPS Exc-1618-SP	130,500	129,231	1,269	4,500	3,231	Assets Auction	Muhammad Ashfaq
UPS Exc-1010-SP	75,400	74,667	733	4,500	3,767	Assets Auction	Muhammad Ashfaq
Scanner	5,000	4,951	49	131	82	Assets Auction	Adnan Hussain
HP Probook 4530 Core i3 (In Store)	57,999	57,435	564	6,870	6,306	Assets Auction	Muhammad Qasim
HP Probook 4530 Core i3 (In Store)	62,449	62,449	-	6,870	6,870	Assets Auction	Muhammad Qasim
HP Probook 4530 Core i3 (In Store)	68,999	66,617	2,382	1	(2,381)	As Per Policy	Rafia Saleem (employees)
HP Probook 4530 Core i3 (In Store)	62,999	59,238	3,761	6,870	3,109	Assets Auction	Muhammad Qasim
HP Probook 4530 Core i3 (In Store)	57,999	57,435	564	6,870	6,306	Assets Auction	Muhammad Qasim

Particulars of assets	Cost	Depre- ciation	Book value	Sale Proceed	Gain/ Loss	Mode of disposal	Particulars of buyers
Dell 3521 Core i3 (1.8 GHz, 4 GB Ram, 500 GB Hard Disk) In Store	46,000	46,000	-	6,870	6,870	Assets Auction	Muhammad Qasim
HP Elite Book 840 (Core i-7, 1.8 GHz, 8 GB Ram, 256 GB Hard Disk)	206,037	206,037	-	-	-	As Per Policy	Zahoor Hussain (CEO)
Dot Matrix Printer (LQ-310)	23,400	23,400	-	2,083	2,083	Assets Auction	Adnan Hussain
HP Core i3 (1.8 GHz, 4 GB Ram, 500 GB Hard Disk)	46,000	46,000	-	6,870	6,870	Assets Auction	Muhammad Qasim
I Phone 5 (HMS)	33,000	33,000	-	3,000	3,000	Insurance Claim	Claim Received from Jubilee General Insurance
Samsung Galaxy A5	33,000	33,000	-	8,000	8,000	Insurance Claim	Claim Received from Jubilee General Insurance
Q Mobile i-9	16,000	16,000	-	3,000	3,000	Insurance Claim	Claim Received from Jubilee General Insurance
Huawei P8	16,000	16,000	-	5,000	5,000	Insurance Claim	Claim Received from Jubilee General Insurance
HP Probook Core i5 450 (8 GB Ram, 1 TB Hard Disk)	86,463	7,205	79,258	41,000	(38,258)	Insurance Claim	Claim Received from Jubilee General Insurance
Samsung J2	16,000	15,555	445	3,500	3,055	Insurance Claim	Claim Received from Jubilee General Insurance
Samsung Galaxy A5	31,350	31,350	-	3,000	3,000	Insurance Claim	Claim Received from Jubilee General Insurance
Samsung A510 (2016)	33,000	20,167	12,833	14,000	1,167	Insurance Claim	Claim Received from Jubilee General Insurance
Lenovo A6010	16,000	12,889	3,111	5,500	2,389	Insurance Claim	Insurance Claim
Huwaie 5x	20,000	10,555	9,445	10,001	556	As Per Policy	Sabir Saleem (employee)
Dell Core i5 (2.3 GHz, 8 GB Ram, 1 TB HDD)	68,300	43,636	24,664	22,000	(2,664)	Insurance Claim	Claim Received from Jubilee General Insurance
Dell Core i5 (2.3 GHz, 8 GB Ram, 1 TB HDD)	68,300	43,636	24,664	22,000	(2,664)	Insurance Claim	General Insurance
Dell Vostro 3558 i3 (2.0 GHz, 4 GB Ram, 500 GB HDD, 15.6" Screen)	44,000	17,111	26,889	26,890	1	As Per Policy	Saad Bashir (employee)
Samsung Galaxy A5	20,000	9,444	10,556	10,556	-	As Per Policy	Haseeb Farrukh (employee)
Infinix Note 3	20,000	5,556	14,444	14,445	1	As Per Policy	Yaseen Imran (employee)
Oppo A57	20,000	5,556	14,444	15,001	557	As Per Policy	Khadim Hussain (employee)
HP Pro Book 450 Core i5	78,500	17,444	61,056	61,056	-	As Per Policy	
Sub-Total	5,307,640	4,986,288	321,352	597,058	275,706		
Grand Total	14,297,571	13,371,641	925,930	4,499,195	3,573,265		

Annexure II

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

Financial results of the Islamic Microfinance Division, as referred to in note 2.2 of the financial statements

Balance sheet as at December 31, 2018

	2018 Rupees	2017 Rupees
ASSETS		
Cash and Balances with SBP and NBP	149,651,578	206,669,400
Balances with Other Banks/NBFIs/MFBs	427,823,566	1,349,962,357
Investment- net of provisions	136,393,878	145,055,899
Islamic Financing and related assets - net of provisions	3,096,835,182	1,360,319,556
Operating fixed assets	107,192,134	23,352,109
Other assets	57,554,561	13,272,729
Total Assets	3,975,450,899	3,098,632,050
LIABILITIES		
Deposits and other accounts		
- Current accounts	363,153,549	954,194,347
- Saving accounts	758,410,675	226,264,355
- Term accounts	838,863,425	1,163,134,770
Other Liabilities	1,542,676,074	461,378,411
Total Liabilities	3,503,103,723	2,804,971,883
NET ASSETS	472,347,176	293,660,167
REPRESENTED BY:		
Islamic Banking Fund	314,000,000	185,000,000
Unappropriated profit	158,347,176	108,660,167
	472,347,176	293,660,167
Remuneration of the Shariah Advisor	1,200,000	1,200,000



President / Chief Executive



Chairman



Director



Director

Annexure II

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

Financial results of the Islamic Microfinance Division, as referred to in note 2.2 of the financial statements

Profit and loss account for the year ended December 31, 2018

	2018 Rupees	2017 Rupees
Profit / return earned	494,467,123	239,413,861
Profit / return expensed	(141,932,847)	(58,808,040)
Net profit / return / income	352,534,276	180,605,821
Provisions against non-performing financing	(26,982,077)	(12,051,091)
Bad debts written off directly	(26,051,697)	(147,935)
	(53,033,774)	(12,199,026)
Net return earned after provisions	299,500,502	168,406,795
 OTHER INCOME		
Fee, Commission and brokerage income	38,502,013	26,369,165
Total other income	338,002,515	194,775,960
 OTHER EXPENSES		
Administrative expenses	(288,315,506)	(104,055,692)
	49,687,009	90,720,268
Extraordinary/unusual items	-	-
PROFIT BEFORE TAXATION	49,687,009	90,720,268



President / Chief Executive



Chairman



Director



Director

Annexure II

FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

Financial results of the Islamic Microfinance Division, as referred to in note 2.2 of the financial statements

Statement of Sources and Uses of Charity Fund for the year ended December 31, 2018

	2018 Rupees	2017 Rupees
Opening balance	-	-
Additions during the period		
- Received from customers on delayed payments	1,746,962	516,940
- Non-Shariah compliant income	540,706	-
- Profit on charity account	51,988	-
- Others	-	-
	2,339,656	516,940
Payments / utilization during the period		
- Community welfare (Bait-ul-mal)	2,339,656	-
- Health	-	200,000
- Orphanage	-	316,940
	2,339,656	516,940
Closing Balance	-	-



President / Chief Executive



Chairman



Director



Director

Annexure II

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

Financial results of the Islamic Microfinance Division, as referred to in note 2.2 of the financial statements.

Notes to the Annexure for the year ended December 31, 2018

A-1 As at the year end, the Bank is operating 26 (2017: 10) Islamic branches. Islamic Microfinance Division (IMD) is operating a General pool to manage profit and loss distribution.

FEATURES OF GENERAL POOL

In this pool, savings and terms deposits are accepted on Mudarbah basis. The Bank invests the funds given by account holders in Islamic assets like Murabaha, Ijarah, Sukuks and any other Shariah Compliant Investment which are duly approved by the Shariah Advisor. The profit earned is shared on the basis of profit & loss sharing ratio. In case of loss, the same is borne by the depositors in proportionate to their investment and the bank bear the loss of its efforts / services in managing Mudarabah.

The profit of the pool is calculated from the income earned on all the remunerative assets booked by utilizing the funds from pool and is distributed between bank and depositors based on declared sharing ratio. The ratio for Bank (mudarib) and depositors is 50:50 for general pool.

As per policy of the Bank, weightages are declared three days before start of each month. Gift (Hiba) given during the year was Rs 4,486,552 (2017: Nil). No gift (Hiba) is given in favor of any particular customer or a particular class or category of customers/investors.

Brief highlights of profit earned and distributed to depositors and retained by IMD are as under:

	2018 Rupees	2017 Rupees
Gross income / profit	584,408,145	245,972,974
Administrative expenses of pool	125,494,286	8,726,900
Net distributable share	458,913,859	237,246,074
Profit paid to PLS accounts / Certificates	141,932,847	60,453,465
Bank equity share	184,021,281	118,116,580
Bank Mudarib Share	132,959,735	59,594,691
	316,981,016	177,711,271
Return on average earning assets	20.20%	15.36%
Return on average PLS / Deposits	8.95%	7.97%

All types of direct administrative expenses of General pool are shared with the depositors. However, equity holders have the option to absorb all or part of administrative expenses. All general and specific provisions created against non-performing financing and diminution in the value of investment as under Prudential Regulations and other SBP directives have not been passed on to the PLS depositors. However, income reversals due to classification of assets and losses due to actual write-offs have been considered as expenses of the pool.

A-2 ISLAMIC FINANCING AND RELATED ASSETS-NET

	2018 Rupees	2017 Rupees
Murabah financing	2,152,554,139	1,235,244,575
Ijarah under IFAS 2	986,080,466	139,892,325
	3,138,634,605	1,375,136,900
Less: Provisions held against non-performing facilities	(41,799,423)	(14,817,344)
	3,096,835,182	1,360,319,556

Annexure II

FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

Financial results of the Islamic Microfinance Division, as referred to in note 2.2 of the financial statements
Statement of Sources and Uses of Charity Fund for the year ended December 31, 2018

A-2.1 Net book value of assets / investment under IFAS 2

	2018			2017		
	Not later than one year	later than one year but not later than three years	Total	Not later than one year	later than one year but not later than three years	Total
	Rupees			Rupees		
Asset acquired under Ijarah	898,086,645	167,340,331	1,065,426,976	54,976,118	90,853,170	145,829,288
Accumulated depreciation on Ijarah	(61,281,464)	(18,065,046)	(79,346,510)	(5,494,030)	(442,933)	(5,936,963)
Net Assets / investment in Ijarah	836,805,181	149,275,285	986,080,466	49,482,088	90,410,237	139,892,325

A-2.2 Net Investment under Ijarah

	2018			2017		
	Not later than one year	later than one year but not later than three years	Total	Not later than one year	later than one year but not later than three years	Total
	Rupees			Rupees		
Ijarah rentals receivable	640,909,277	102,308,745	743,218,022	41,323,120	70,190,894	111,514,014
Residual value	308,812,703	68,077,868	376,890,571	16,685,961	36,129,572	52,815,533
Minimum Ijarah payments	949,721,980	170,386,613	1,120,108,593	58,009,081	106,320,466	164,329,547
Profit for future periods	(112,916,799)	(21,111,328)	(134,028,127)	(8,526,993)	(15,910,229)	(24,437,222)
Net Assets / investment in Ijarah	836,805,181	149,275,285	986,080,466	49,482,088	90,410,237	139,892,325

A-3 MATURITY PROFILES OF FUNDS

	2018						
	Upto 1 month	Over 1 month upto 3 months	Over 3 month upto 6 months	Over 6 month upto 1 year	Over 1 year upto 2 year	Over 2 year upto 3 year	Total
	Rupees						
Term accounts	137,184,000	195,909,000	58,590,000	212,816,000	65,015,425	169,349,000	838,863,425
Saving accounts	745,410,247	5,226,309	7,774,119	-	-	-	758,410,675
	882,594,247	201,135,309	66,364,119	212,816,000	65,015,425	169,349,000	1,597,274,100

	2017						
	Upto 1 month	Over 1 month upto 3 months	Over 3 month upto 6 months	Over 6 month upto 1 year	Over 1 year upto 2 year	Over 2 year upto 3 year	Total
	Rupees						
Term accounts	14,400,000	208,950,000	273,250,000	223,562,000	368,406,000	74,566,770	1,163,134,770
Saving accounts	216,816,405	2,125,700	7,322,250	-	-	-	226,264,355
	231,216,405	211,075,700	280,572,250	223,562,000	368,406,000	74,566,770	1,389,399,125

Annexure II

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

A-4 Sectors of economy/business where Mudarbah based deposits have been deployed:

All earning assets of Islamic banking group are jointly financed by Unrestricted Investments/PLS deposits account holders and the Bank. Detail of jointly financed earning assets are:

	2018 Rupees	2017 Rupees
Agri business	2,901,487,453	1,325,912,532
Livestock and Dairy farming	47,200,000	9,270,300
Micro enterprises	191,700,000	42,152,770
	3,140,387,453	1,377,335,602
 GOP Ijarah Sukuk	 136,393,878	 145,055,899
	3,276,781,331	1,522,391,501



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