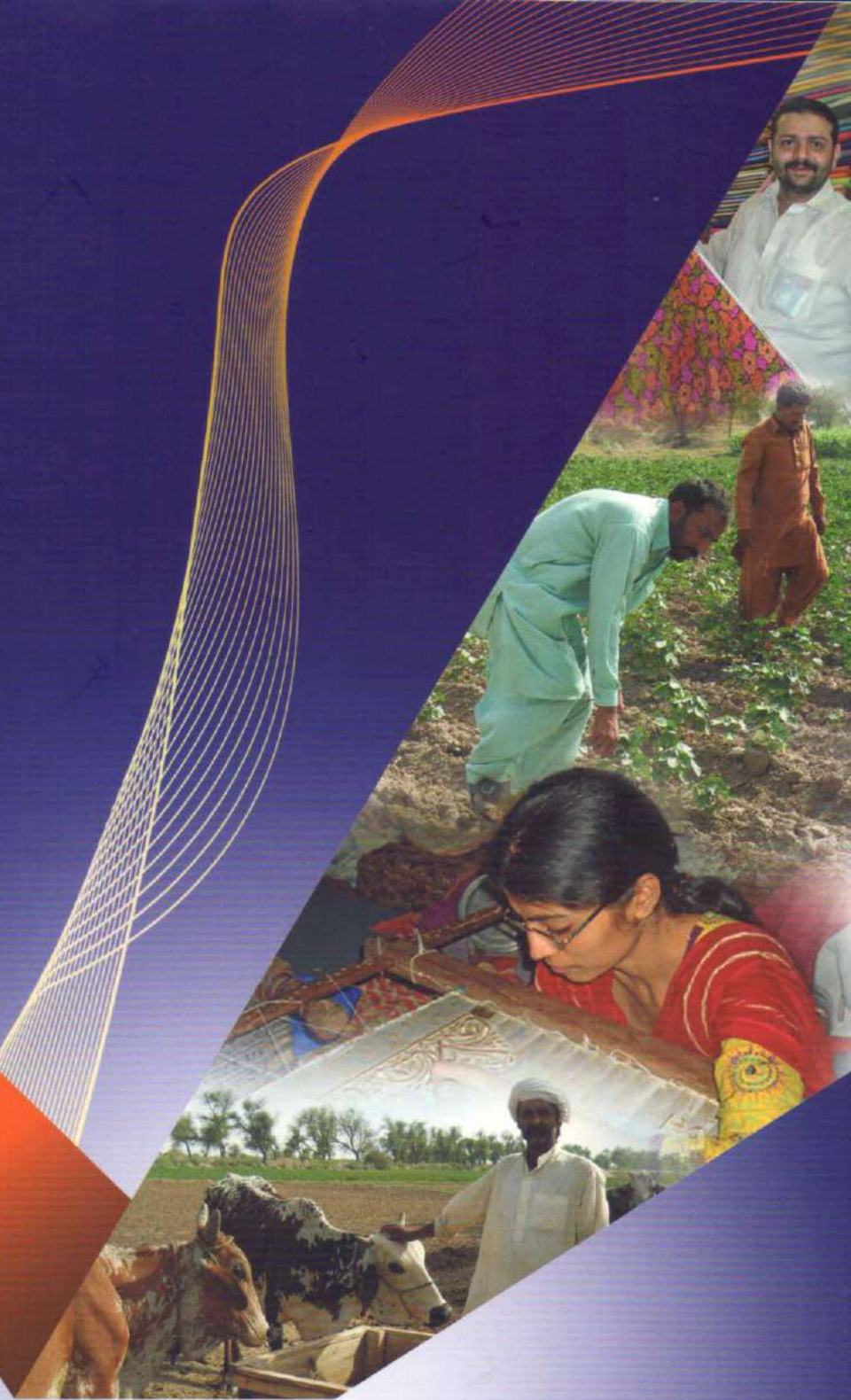


# Annual Report 2013

**NRSP  
BANK**

NRSP  
Microfinance  
Bank  
Limited

بڑھیں روشن اور کامیاب زندگی کی جانب





**NRSP**  
**BANK** | NRSP  
Microfinance  
Bank  
Limited





# Table of Contents

Corporate Profile	1
Organization Information	2
Mission	3
Vision	3
President's Note	4
Our Investors	5
Products & Services	6
Corporate Social Responsibility	7
Beneficiaries	8
Highlights of 2013	10
Summary of 3-year Performance	11
Directors' Report – Year 2013	12
Auditors' Report to the Members	15
Balance Sheet	17
Profit and Loss Account	18
Cash Flow Statement	19
Statement of Changes in Equity	20
Notes to the Financial Statements	21



## Corporate Profile

NRSP Microfinance Bank Limited (NRSPB) commenced its operations in March 2011 in Southern Punjab with a countrywide license to offer microcredit, deposits and other banking services to customers. The Bank currently provides demand-driven financial services to low-income markets across 22 districts of Pakistan, prioritizing rural and poor clientele while also serving an array of urban and rural customers and institutions; hence catering to a diverse socio-economic client base.

The Bank holds a medium to long-term entity rating of 'BBB+' (Triple B Plus) and short-term rating of 'A-3' (Single A-Three) as issued by JCR-VIS in April 2013.



## Organization Information

### Board of Directors

Dr. Rashid Bajwa (Chair)

Shoaib Sultan Khan

Fazlullah Qureshi

Aziz Rajkotwala

Rashid Khan

Farrukh H. Khan

Barbara Schnell

Amena Arif Buksh

### Company Secretary

Waqas Ahmad

### Head Office

NRSP Microfinance Bank

Near Baghdad Railway Station,

University Road,

Bahawalpur 63100, Pakistan

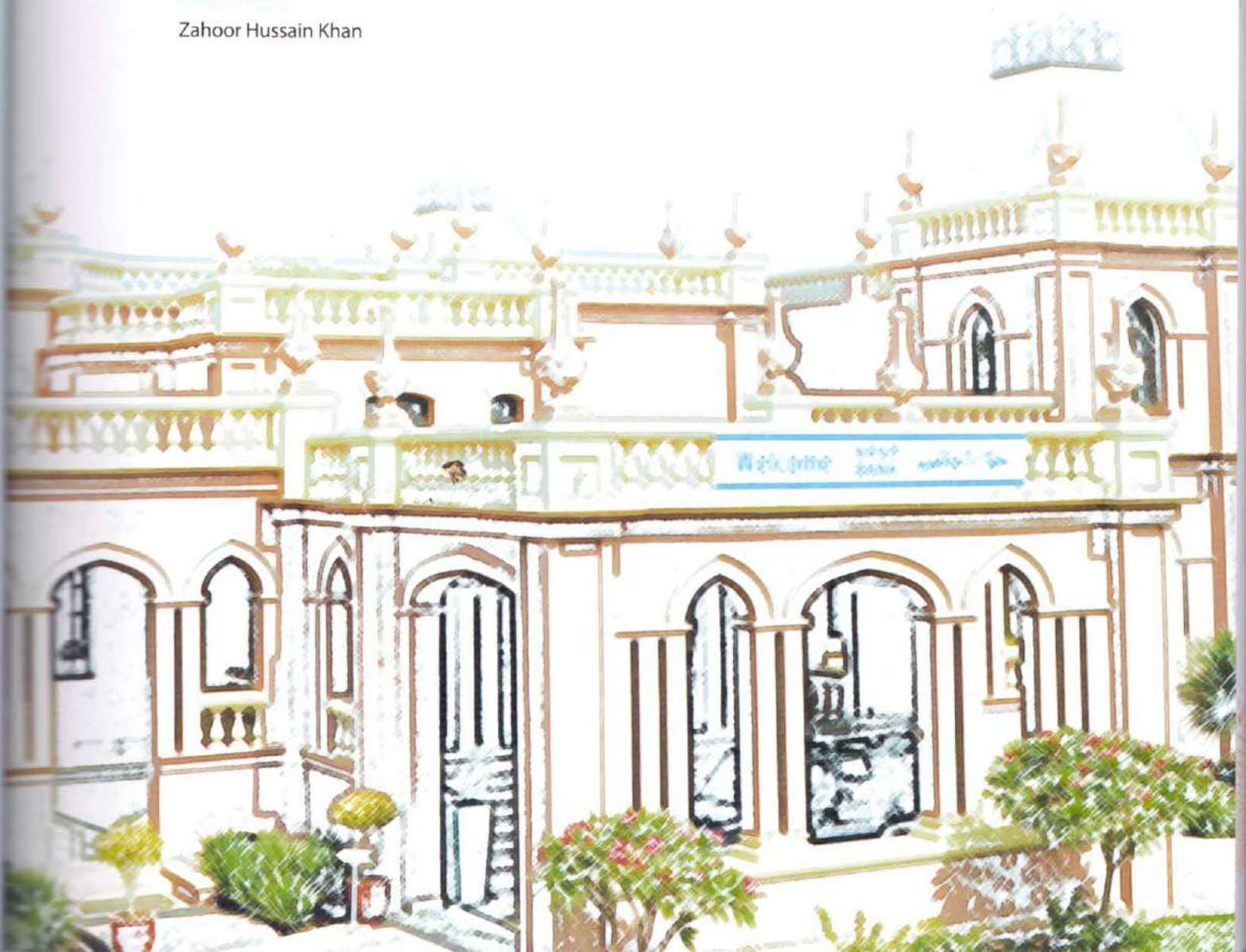
Tel: +92-62-2285126

Fax: +92-62-2280051

[www.nrspbank.com](http://www.nrspbank.com)

### President

Zahoor Hussain Khan







## Mission

The mission of the bank is to reduce the effect of poverty by giving timely access to financially viable financial products and services to the poor masses of Pakistan. The bank aims to become a large-scale national provider of financial services while retaining its core business of providing focused services to low-income clientele.

## Vision

The bank's central vision is to become a basic bank for common Pakistanis; the broader vision is to sustain a localized image and branding in the eyes of the management, staff, and especially clients.



## President's Note

Pakistan has an agriculture-based economy and over 60% of its population lives in rural areas. There are approximately 8.2 million farmer households in Pakistan and approximately 64.7% of these have a land holding of up to 5 acres. Such farmers have either no or little access to Banks/MFIs. To cater to this market, National Rural Support Program (NRSP) - the largest rural support program in Pakistan - started its microcredit program for small farmers in Southern Punjab back in 2002.

At that time, NRSP had over 15,000 borrowers in the region. The microcredit model which NRSP followed worked successfully for years and was finally transformed into a regulated microfinance bank in 2011; headquartered in Bahawalpur.

The transformation, however, wasn't easy. It brought along huge challenges, yet bigger challenges unfurled greater opportunities. In 2013, the Bank reached over 200,000 people with 54 branches operating in 22 districts across Punjab and Sindh. Loan disbursement reached Rs. 10 billion during the year with 99% recovery and deposits stood at Rs. 3.6 billion at the close of the year - an achievement which speaks volumes for NRSPB's remarkable progress.

All of the Bank's branches have now been computerized with some 1,247 dedicated staff members working hard to realize the institution's vision. We are also keen on keeping our staff up to date with the latest banking trends, for which reason a number of staff members attended foreign and domestic trainings on improved service delivery during the year. We thus feel encouraged and inspired by all the positive trends that reflect our Bank's performance in 2013.

For us, efficiency continues to be a cross cutting priority as it reflects our mission to provide quality service at the lowest possible cost. Dedicated efforts to increase our deposit base and to achieve scale in loan portfolio are being made as we continue to strive towards our goals.

I take this opportunity to convey my thanks to our customers, staff, partners and well-wishers for their all-out support and contribution for making 2013 a tremendous success for us.



### Zahoor Hussain Khan

President NRSP Bank





## Our Investors

The Bank's capital has been contributed by a diverse group of investors; namely National Rural Support Program (NRSP), Acumen, KfW and International Finance Corporation (IFC).

NRSP Microfinance Bank's shareholding pattern is as follows:

Investor	Shareholding
National Rural Support Program	52%
Acumen	16%
Kreditanstalt Für Wiederaufbau (KfW)	16%
International Finance Corporation (IFC)	16%





## Products & Services

### Loan Products

NRSP Bank currently offers various credit products like agricultural, livestock, enterprise loan, and financing against gold ornaments & land. Given the region's demographics and the relative ease of assessing income from agricultural farming, agricultural loans account for the largest proportion of total loan portfolio.

### Saving Services

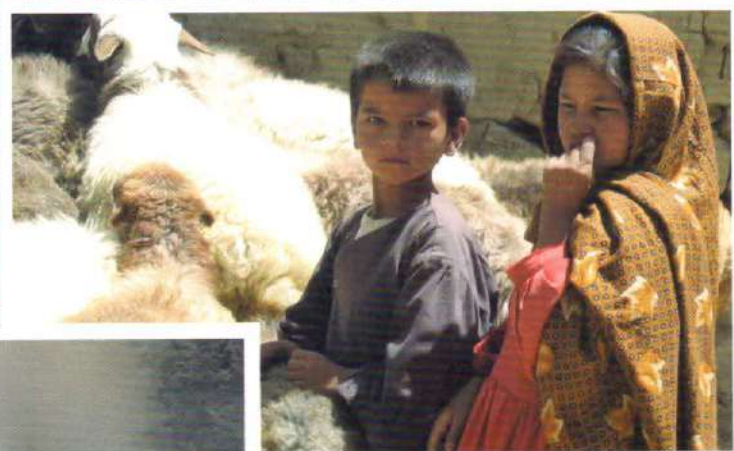
NRSP Microfinance Bank recognizes the importance of savings for low-income groups. Microcredit clients can use savings to overcome the odds or unfavorable conditions. Currently, the Bank is offering various deposit products not only for its micro-borrowers but also for general public; these include Behtreen Current Account, Term Deposit Receipts, Tanzeem Bachat, Mukamal Sahulat, Mahana Bachat, Kisan Bachat and Asan Bachat Savings Account. These schemes earn attractive returns and also offer ease and banking flexibility.

### Micro-Health Insurance

The borrowers of NRSP Bank are generally the bread winners of their respective families. These families face serious troubles at the illness of their respective family guardian. NRSP MFB's Health Insurance Scheme provides Rs. 15,000 at the following instances:

- Hospitalization expenses due to acute illness or accidents. In case of borrower's death, the family of deceased is served with an amount up to Rs. 15,000 to provide for the expenses of normal death.
- Physical disability due to accidents.
- Child birth expenses up to Rs. 15,000.
- Pre and post pregnancy complications in women.





## Corporate Social Responsibility

### Employment Opportunities and Financial Support for Females

NRSP Bank makes a conscious effort to work towards the empowerment of women, particularly those in underprivileged rural areas of the country. Underprivileged women with no regular income have been seen applying for loans for house improvement purposes e.g. to buy materials for constructing their house's roof, doors, windows, compound wall, latrine and hand pumps; however, their loan requests were rejected by the field staff due to unavailability of perennial cash flow.

In order to provide such women with a steady cashflow and to enable them to access loans, a carpet weaving project has been initiated at Chak 9 BC Bahawalpur. Under this project, women acquire carpet weaving training for a period of two months and are paid in cash while they are being trained so that they may support their families during the training period. Once they have learnt how to weave, their products are sold in the market and they are accordingly paid. In this way, not only does the Bank arrange for on the job training, but it also provides self-employment opportunities to poor women.

In addition to this, the Bank also provides education to the children of poor women who are heading their households and have bright children but are unable to send them to school due to lack of funds.





## Beneficiaries

### A Story of Courage

**Parveen Bibi**, 52, has been working at the carpet-weaving center for quite some time. To date, she has availed microcredit four times.

"After my husband died, I had to raise the children on my own. I faced a lot of difficulties since I didn't possess any vocational skill. Then this center opened and I started learning how to weave, and also obtained my first microcredit of Rs. 5,000 to build my house's boundary wall. I took two more loans subsequently for purchasing a donkey cart and roofing-material respectively. Now I am availing my fourth loan from NRSP Bank to finance my younger son's Qingqi Motorcycle Rickshaw which he purchased recently," she relates while beaming.

Parveen's eldest daughter is studying in 10th grade and Parveen strongly believes that both vocational training and NRSP Bank's microcredit have largely made this possible. She is living a respectable life after her husband's death and is enormously proud of her hard work.





## A Brighter Tomorrow

**Bashiran Mae** is an NRSP Bank beneficiary who has been living in Musa Colony for the last 13 years. Before this, she resided in Hasil Pur where her husband sold wood to a brick kiln.

"We did not have our own place for living and it was also very difficult to earn our daily bread," recalls Bashiran Mae. "We sold our animals and bought 13 Marlas of land in Musa Colony; but my husband was jobless. We were so needy but had no means of earning. Fortunately, I came to know of NRSP Bank's micro loans scheme, so I formed a group with 3 other ladies and conducted the CO meeting. I then took out a loan of Rs. 10,000/- for the first time in order to buy a donkey cart. And my husband and I started working on a brick kiln to feed the family while repaying our loan alongside. Living was still a problem so we borrowed a second loan of Rs. 20,000/- to build a single room for ourselves. Our life thus improved slightly."

"We borrowed Rs. 15,000/- as our third loan to purchase some goats. We nurtured these animals and sold them at a profit once they grew up, using the cash thus

generated to purchase a cow. Our fourth loan followed through when we borrowed Rs. 30,000/- to put a better roof material on the room we had built previously. Having done that, we still had some money left over which we used to buy a calf. After paying off our fourth loan successfully, we borrowed Rs. 40,000/- as our fifth loan and bought another donkey cart for our son. Now my husband, my son and I are all working at a brick kiln. Our work not only helps us finance daily expenses but also allows us to easily pay off our loan installments while saving some money at the same time for future use," says Bashiran.

"These five loans have played a great role in helping my family settle down. I have 5 children - three sons and two daughters - and I have even managed to get one of my sons married. Now, with the grace of God, we are living a very comfortable life. All this has been made possible with NRSP Bank's help which gave us hope and motivated us to work harder every passing day."



## Highlights of 2013

Maximum number of active borrowers during the year	205,378
Number of active borrowers as at Dec. 31, 2013	171,718
Number of branches	54
Number of districts served	22
Number of employees	1,247
Paid up Capital	Rs. 1,000 million
Advances disbursed during 2013	Rs. 9,974 million
Outstanding Advances as at December 31, 2013	Rs. 4,845 million
Deposits as at Dec. 31, 2013	Rs. 3,619 million
Shareholders' Equity and Reserves as at Dec. 31, 2013	Rs. 1,391 million
Net Investments as at Dec. 31, 2013	Rs. 2,451 million
Profit before tax for the year ended Dec. 31, 2013	Rs. 338 million



## Summary of 3-year Performance

Year	2011	2012	2013
Number of Branches	19	39	54
Maximum number of active borrowers during the year	127,018	177,576	205,378
Maximum Amount of outstanding loans (PKR in Billion) during the year	2.59	3.73	5.71
Paid up Capital (PKR in Million) as on year end	840	1,000	1,000
Outstanding Loans (PKR in Billion) as on year-end	2.09	3.06	4.85
Number of Active Borrowers as on year end	101,767	126,717	171,718
Deposits (PKR in Billion) as on year end	0.63	1.83	3.62
Number of Savers as on year end	14,683	80,623	108,326
Profit before taxation (PKR in million) as on year end	37	148	338
Number of Employees	884	1,033	1,247



## Directors' Report – Year 2013

On behalf of the Board of Directors, I am pleased to present the 5th Annual report of the Bank with the audited financial statements and Auditors' Report thereon, for the year ended December 31, 2013.

### Corporate Reporting Framework

The Bank has continued with adopted 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 the preparation of accounts and there is no departure from the said standards.
- ▶ As a continuous process, efforts are 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 constituted Audit Committee comprising of non - executive members which has defined terms of reference. The Board has met four times during the financial year 2013 with a special meeting on business strategy.

### Performance Review

The Bank has achieved remarkable progress during the year. It posted a profit before tax of PKR 337.672 million as against that of PKR 148.030 million of last year with 128% growth. The operational activity showed good results, where net advances stood as high as PKR. 4.790 billion, at financial year end, with 59% growth. However the Bank managed to serve 345,431 poor masses and PKR 9.974 billion was disbursed during the year among the underprivileged masses. 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 3.619 billion at the year end with a notable 98% growth from the previous year.

The Bank has opted for non-payment of dividend for the year despite after-tax profit of PKR 244.249 million. The decision has been made to re-invest funds for future growth.



The operational results for the year are presented below;

	2013 Rupees	2012 Rupees
Profit before taxation	337,671,517	148,029,726
Less: Taxation-Current	(88,421,427)	(9,659,270)
-Prior	-	1,208,308
-Deferred	(5,001,245)	27,154,443
Profit after taxation	244,248,845	166,733,207
Earnings per share	2.44	1.75

### Transfer to reserves:

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

### Pattern of Shareholding

The Pattern of shareholding of the Bank as at December 31, 2013 as required under section 236 of the Companies Ordinance 1984 is as follows:

No of Shareholder(s)	From	To	Total Shares Held
5	1	100	400
4	16,000,000	51,999,600	99,999,600
			100,000,000

#### Categories of Shareholder

Particular	Number	Shares held	Percentage
Individual	5	400	0.0004%
Corporate entities	4	99,999,600	99.9996%

#### Shareholder holding above 10% of voting shares

Shareholders	Shares
National Rural Support Program (NRSP)	51,999,600
Acumen Fund USA	16,000,000
KfW Germany	16,000,000
International Finance Corporation – IFC	16,000,000
Total Shares	99,999,600



## Capital Adequacy

As of December 31, 2013, the Bank's capital adequacy ratio (CAR) measure at 17.50% as against the mandatory requirement of 15% under the Prudential Regulations (PR) for Microfinance Banks.

## Corporate Social Responsibility - CSR

During the year the Bank contributed towards CSR in under welfare spending for under privileged classes. Bank actively contributed towards its responsibility and trained the women of the poor localities for cloth and carpet weaving so that women are empowered and home industry is flourished. This contribution will help reduction in poverty being our ultimate goal. During current year the contribution towards CSR was to the tune of PKR 2,346,560.

## Auditors

The Statutory Auditors of the Bank, M/s. Deloitte M. Yousaf Adil Saleem & Co, Chartered Accountants, Lahore, have completed their assignment for the year ended December 31, 2013 and shall retire at the conclusion of the fifth Annual General Meeting and have confirmed their eligibility and willingness to accept office of the statutory Auditors, if appointed. Upon recommendation of the Audit Committee, the Board of Directors have recommended reappointment of M/s. Deloitte M. Yousaf Adil Saleem & Co, Chartered Accountants, Lahore, as Statutory Auditors of the Company for the FY-2014.

## 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.

For and on behalf of the Board



Chairman

Date: March 10, 2014



## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of NRSP Microfinance Bank Limited ("the Bank") as at December 31, 2013 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the financial statements) for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a. in our opinion, proper books of account have been kept by the Bank as required by the Microfinance Institutions Ordinance, 2001 and Companies Ordinance, 1984;
- b. in our opinion:
  - i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and the Microfinance Institutions Ordinance, 2001 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as mentioned in note 5 to the financial statements with which we concur;
  - ii. the expenditure incurred during the year was for the purpose of the Bank's business; and
  - iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank;



- c. in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984 and the Microfinance Institutions Ordinance, 2001, in the manner so required and give a true and fair view of the state of the Bank's affairs as at December 31, 2013 and of the profit, its cash flows and changes in equity for the year then ended; and
- d. in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (xviii of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

*M. Yousuf Adil Saleem*

**Chartered Accountants**

**Engagement Partner:**  
Talat Javed

**Date:** March 10, 2014  
Multan



## BALANCE SHEET

### AS AT DECEMBER 31, 2013

	Note	2013 Rupees	2012 Rupees Restated
<b>ASSETS</b>			
Cash and balances with SBP and NBP	6	209,957,266	143,503,180
Balances with other Banks/NBFIs/MFBs	7	1,697,755,435	1,234,409,417
Lending to financial institutions		-	-
Investment- net of provisions	8	2,451,194,605	1,470,847,646
Advances-net of provision	9	4,790,356,242	3,021,054,494
Operating fixed assets	10	244,170,578	243,245,281
Other assets	11	386,130,011	191,000,926
Deferred tax asset - net	12	24,451,265	29,452,510
<b>Total Assets</b>		<b>9,804,015,402</b>	<b>6,333,513,454</b>
<b>LIABILITIES</b>			
Deposits and other accounts	13	3,618,714,041	1,830,958,395
Borrowings	14	4,457,250,000	3,063,922,179
Subordinated debts		-	-
Other liabilities	15	277,801,085	171,379,546
Deferred tax liability		-	-
<b>Total Liabilities</b>		<b>8,353,765,126</b>	<b>5,066,260,120</b>
<b>Net Assets</b>		<b>1,450,250,276</b>	<b>1,267,253,334</b>
<b>REPRESENTED BY:</b>			
Share capital	16	1,000,000,000	1,000,000,000
Statutory reserve	5.9	89,304,966	40,455,197
Depositor's protection fund	5.10	23,100,660	10,307,878
Accumulated profit		275,289,336	108,137,758
		<b>1,387,694,962</b>	<b>1,158,900,833</b>
Surplus on revaluation of assets	17	3,046,314	28,624,181
Deferred grants	18	59,509,000	79,728,320
<b>Total capital</b>		<b>1,450,250,276</b>	<b>1,267,253,334</b>
<b>MEMORANDUM / OFF-BALANCE SHEET ITEMS</b>			
	19		

The annexed notes 1 to 36 form an integral part of these financial statements.

  
PRESIDENT

  
CHAIRMAN

  
DIRECTOR

  
DIRECTOR



# PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2013

	Note	2013 Rupees	2012 Rupees Restated
Mark-up / return / interest earned	20	1,402,012,771	941,711,783
Mark-up / return / interest expensed	21	(617,777,563)	(495,658,086)
Net mark-up / interest income		784,235,208	446,053,697
Provision against non-performing loans and advances	9	(58,707,102)	(17,654,726)
Provision for diminution in the value of investments		-	-
Bad debts written off directly	9.5	(6,814,448)	(1,882,474)
		(65,521,550)	(19,537,200)
Net mark-up / interest income after provision		718,713,658	426,516,497
<b>NON MARK-UP / NON INTEREST INCOME</b>			
Fee, commission and brokerage income	22	211,143,844	174,278,574
Dividend Income		-	-
Other income	23	164,832,826	73,949,927
Total non-markup / non interest income		375,976,670	248,228,501
		1,094,690,328	674,744,998
<b>NON MARK-UP / NON INTEREST EXPENSES</b>			
Administrative expenses	24	(757,018,811)	(526,715,272)
Other provisions/write offs		-	-
Other charges		-	-
Total non-markup / non interest expense		(757,018,811)	(526,715,272)
		337,671,517	148,029,726
Extra ordinary / unusual items		-	-
<b>PROFIT BEFORE TAXATION</b>		337,671,517	148,029,726
Taxation - Current	25	(88,421,427)	(9,659,270)
- Prior year		-	1,208,308
- Deferred		(5,001,245)	27,154,443
		(93,422,672)	18,703,481
<b>PROFIT AFTER TAXATION</b>		244,248,845	166,733,207
<b>OTHER COMPREHENSIVE INCOME</b>			
Re-measurement component - Net actuarial loss	3.2 & 32	(16,035,056)	(4,746,719)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		228,213,789	161,986,488
Accumulated profit/ (loss) brought forward		108,137,758	(12,165,429)
Accumulated profit		336,351,547	149,821,059
<b>APPROPRIATIONS:</b>			
Transfer to:			
Statutory reserve	5.8	48,849,769	33,346,641
Capital reserve		-	-
Depositors' protection fund	5.9	12,212,442	8,336,660
Contribution to MSDF/DPF/RMF		-	-
Revenue reserve		-	-
		61,062,211	41,683,301
<b>ACCUMULATED PROFIT CARRIED FORWARD</b>		275,289,336	108,137,758
Earnings per share - restated	26	2.44	1.75

The annexed notes 1 to 36 form an integral part of these financial statements.

  
 PRESIDENT

  
 CHAIRMAN

  
 DIRECTOR

  
 DIRECTOR



# CASH FLOW STATEMENT

## FOR THE YEAR ENDED DECEMBER 31, 2013

	Note	2013 Rupees	2012 Rupees Restated
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before taxation		337,671,517	148,029,726
Less: Dividend income		-	-
Accounting gain on investment		(124,408,368)	(61,313,462)
		<u>213,263,149</u>	<u>86,716,264</u>
Adjustments for non-cash charges			
Depreciation		51,452,316	31,471,929
Amortization of intangible assets		35,324,030	15,515,208
Provision against non-performing advances		58,707,102	17,654,726
Provision for diminution in the value of investments		-	-
Amortization of deferred grant		(57,164,138)	(18,122,696)
Gain on sale of operating fixed assets		(213,778)	(2,005,934)
Advances written off		6,814,448	1,882,474
Provision for gratuity and leave encashment		22,475,028	14,890,820
		<u>117,395,008</u>	<u>61,286,527</u>
Increase in operating assets			
Lending to financial institutions		-	-
Advances		(1,834,823,298)	(974,687,859)
Other assets		(225,328,156)	(86,895,913)
		<u>(2,060,151,454)</u>	<u>(1,061,583,772)</u>
Increase in operating liabilities			
Borrowings from financial institutions		1,393,327,821	617,234,814
Deposits and other accounts		1,787,755,646	1,198,413,387
Other liabilities (excluding current taxation)		32,989,884	45,799,471
		<u>3,214,073,351</u>	<u>1,861,447,672</u>
Income tax paid		(20,351,608)	(35,618,590)
Gratuity and leave encashment paid (including contributions)		(2,949,177)	(14,103,742)
<b>Net cash flow from operating activities</b>		<u>1,461,279,269</u>	<u>898,144,359</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Net investment in available-for-sale securities		-	-
Net investment in held to maturity securities		(87,970,411)	(309,374,916)
Net investment in held for trading securities		(892,376,548)	(1,068,198,760)
Dividend income		-	-
Gain realized on investments		99,410,841	61,507,541
Investments in operating fixed assets		(89,746,495)	(79,083,276)
Sale proceeds of property and equipment disposed-off		2,258,630	5,159,155
Interest income on grants		-	42,691
<b>Net cash flow from investing activities</b>		<u>(968,423,983)</u>	<u>(1,389,947,565)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Issue of share capital		-	160,000,000
Grants received		36,944,818	32,220,463
<b>Net cash flow from financing activities</b>		<u>36,944,818</u>	<u>192,220,463</u>
<b>Net increase in cash and cash equivalents</b>		<u>529,800,104</u>	<u>(299,582,743)</u>
Cash and cash equivalents at beginning of the year		1,377,912,597	1,677,495,340
Cash and cash equivalents at end of the year	27	<u>1,907,712,701</u>	<u>1,377,912,597</u>

The annexed notes 1 to 36 form an integral part of these financial statements.

  
PRESIDENT

  
CHAIRMAN

  
DIRECTOR

  
DIRECTOR



## STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR ENDED DECEMBER 31, 2013

	Capital reserves			Revenue reserves	
	Share capital	Statutory reserve	Depositors' protection fund	Accumulated profit / (loss)	Total
			Rupees		
Balance as at January 1, 2012	840,000,000	7,108,556	1,777,139	(12,165,429)	836,720,266
Profit for the year - restated	-	-	-	161,986,488	161,986,488
Transfer to statutory reserves - restated	-	33,346,641	-	(33,346,641)	-
Transfer to depositors' protection fund - restated					
- 5% of the profit after tax for the year	-	-	8,336,660	(8,336,660)	-
- return on investments - net of tax	-	-	194,079	-	194,079
	-	-	8,530,739	(8,336,660)	194,079
Issue of share capital	160,000,000	-	-	-	160,000,000
Balance as at December 31, 2012 - restated	1,000,000,000	40,455,197	10,307,878	108,137,758	1,158,900,833
Profit for the year	-	-	-	228,213,789	228,213,789
Transfer to statutory reserves	-	48,849,769	-	(48,849,769)	-
Transfer to depositors' protection fund					
- 5% of the profit after tax for the year	-	-	12,212,442	(12,212,442)	-
- return on investments - net of tax	-	-	580,340	-	580,340
	-	-	12,792,782	(12,212,442)	580,340
Balance as at December 31, 2013	1,000,000,000	89,304,966	23,100,660	275,289,336	1,387,694,962

The annexed notes 1 to 36 form an integral part of these financial statements.

  
PRESIDENT

  
CHAIRMAN

  
DIRECTOR

  
DIRECTOR



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2013

### 1 STATUS AND NATURE OF BUSINESS

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

"The Bank was established to mobilize funds for providing microfinance services to low income people for mitigating poverty through community building and social mobilization with the ultimate objective of poverty alleviation."

The Bank's registered office is situated at 46, Aga Khan Road, F/6-4, Islamabad and principal place of business is situated at University road, Bahawalpur. There are 54 branches of the Bank as at December 31, 2013 (2012: 39 branches).

National Rural Support Programme (NRSP) is holding company of the Bank which holds 52% (2012: 52%) shares of the Bank.

### 2 BASIS OF PRESENTATION

These financial statements have been presented in accordance with requirements of format prescribed by the SBP Banking Supervision Department (BSD) Circular number 11 dated December 30, 2003.

### 3 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standard Board (IASB) as are notified under the Companies Ordinance 1984, the requirements of the Companies Ordinance 1984, Microfinance Institutions Ordinance 2001, the Prudential Regulations for Microfinance Banks ("the Regulations") and the directives issued by the Securities and Exchange Commission of Pakistan and State Bank of Pakistan. Wherever the requirements of the Companies Ordinance 1984, the Microfinance Institutions Ordinance 2001, the Prudential Regulation for Microfinance Banks and directives issued by the Securities and Exchange Commission of Pakistan and State Bank of Pakistan differ with the requirements of the IFRSs, the requirements of the Companies Ordinance 1984, the Microfinance Institutions Ordinance 2001, the Prudential Regulations for Microfinance Banks and the requirements of the said directives shall prevail.

SBP has clarified that International Accounting Standard 39, "Financial Instruments: Recognition and Measurement" and International Accounting Standard 40, "Investment Property" are not applicable to the Banking Companies through BSD Circular No. 10 dated August 26, 2002. Further, SECP has deferred the applicability of IFRS 7 - 'Financial instruments - disclosures' through its notification S.R.O. 411(I)/2008 dated April 28, 2008. Accordingly, the requirements of the said standards have not been considered in the preparation of these financial statements.



### 3.1 Standards, interpretations and amendments to published approved accounting standards

New accounting standards / amendments to existing standards which have been published, are applicable to the Bank's financial statements covering annual periods, beginning on or after the dates given in note 3.2 and 3.3.

### 3.2 New accounting standards / amendments and IFRS interpretations that are effective for the year ended December 31, 2013:

#### New accounting standards / amendments in existing standards with no / insignificant effect

The following standards, amendments and interpretations are effective for the year ended December 31, 2013. These standards, interpretations and the amendments are either irrelevant to the Bank's operations or are not expected to have significant impact on the Bank's financial statements other than certain additional disclosures.

Amendments to IAS 1 - Presentation of Financial Statements - Clarification of Requirements for Comparative information	Effective from accounting period beginning on or after January 01, 2013
Amendments to IAS 16 - Property, Plant and Equipment - Classification of servicing equipment	Effective from accounting period beginning on or after January 01, 2013
Amendments to IAS 32 Financial Instruments: Presentation - Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction	Effective from accounting period beginning on or after January 01, 2013
Amendments to IAS 34 - Interim Financial Reporting - Interim reporting of segment information for total assets and total liabilities	Effective from accounting period beginning on or after January 01, 2013
Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting financial assets and financial liabilities	Effective from accounting period beginning on or after January 01, 2013
IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine	Effective from accounting period beginning on or after January 01, 2013

#### IAS 1 - Presentation of Financial Statements - Presentation of items of Other Comprehensive Income

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gains on hedges of net investments, exchange differences on translation of foreign operations, net movements on cash flow hedges and net losses or gains on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans). Income tax on items of other comprehensive income is required to be allocated on the same basis i.e. the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments require retrospective application.



## IAS 19 - Employee Benefits (as revised in 2011)

During the current year, the Company has applied IAS 19 Employee Benefits (as revised in 2011) and the related consequential amendments for the first time.

IAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligation and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous versions of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated statement of financial position to reflect the full value of plan deficit or surplus.

Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net interest' amount under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. These changes have had an impact on the amounts recognized in profit or loss and other comprehensive income in prior years. In addition, IAS 19 (as revised in 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures.

Specific transitional provisions are applicable to the first-time application of IAS 19 (as revised in 2011). The Bank has applied the relevant transitional provisions and restated the comparative amounts on a retrospective basis.

### 3.3 New accounting standards and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Bank's operations or are not expected to have significant impact on the Bank's financial statements other than certain additional disclosures.

Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities	Effective from accounting period beginning on or after January 01, 2014
IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting.	Effective from accounting period beginning on or after January 01, 2014
IFRIC 21 - Levies	Effective from accounting period beginning on or after January 01, 2014

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan.

- IFRS 1 - First Time Adoption of International Financial Reporting Standards	- IFRS 11 - Joint Arrangements - IFRS 12 - Disclosure of Interests in Other Entities	Statements due to non-adoption of IFRS 10 and IFRS 11
- IFRS 9 - Financial Instruments	- IFRS 13 - Fair Value Measurement	- IAS 28 (Revised 2011) - Investments in Associates and Joint Ventures due to non-adoption of
- IFRS 10 - Consolidated Financial Statements	- IAS 27 (Revised 2011) - Separate Financial	IFRS 10 and IFRS 11



#### 4 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 at present value.

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the use of certain accounting estimates and judgments in application of accounting policies. The area involving a high degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 5.19.

These financial statements are prepared in Pak Rupee which is Bank's functional and presentation currency.

#### 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### 5.1 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement represent cash in hand, balances held with treasury banks and balances held with other banks.

##### 5.2 Financial Instruments

Financial assets and liabilities are recognized when the Bank becomes a party to the contractual provisions of the instrument and de-recognized when the Bank loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired.

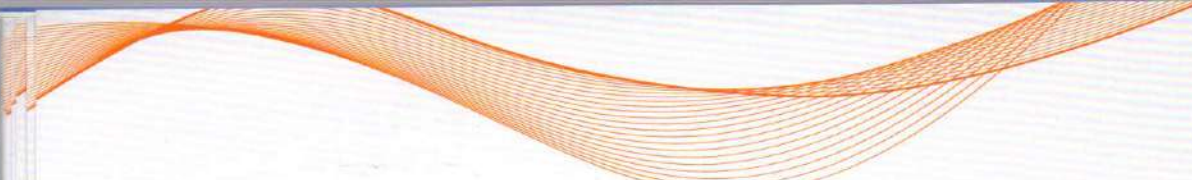
Derivatives are initially recorded at fair value on the date a derivative contract is entered into and are re-measured to fair value at subsequent reporting dates. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Bank designates certain derivatives as cash flow hedges.

The Bank documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Bank also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flow of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the profit and loss account.

Amounts accumulated in equity are recognized in profit and loss account in the periods when the hedged item will affect profit or loss. However, when the forecast hedged transaction results in the recognition of a non-financial asset or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.





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

### **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 5.3.

### **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.

## **5.3 Investments**

All purchases and sales of investments are recognized using settlement date accounting. Settlement date is the date on which investments are delivered to or by the Bank. All investments are derecognized when the right to receive economic benefits from the investments has expired or has been transferred and the Bank has transferred substantially all the risks and rewards of ownership.

Investments are classified as follows:

### **Available for sale investments**

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.

The surplus/ (deficit) arising on revaluation of available for sale investments is kept in "Surplus/ (deficit) on revaluation of assets" and is shown in the balance sheet below equity. The surplus / (deficit) arising on these investments is taken to the profit and loss account, when actually realized upon disposal.

### **Held for trading investments**

These represent securities acquired with the intention to trade by taking advantage of short-term market / interest rate movements. These are marked to market and surplus / deficit arising on revaluation of 'held for trading' investments is taken to profit and loss account.



### **Held to maturity investments**

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 revalued at balance sheet date as per local Prudential Regulations based on the value of comparable instruments being traded if an active market exists. 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 investment's is amortized through profit and loss account over the remaining period till maturity.

## **5.4 Advances**

Advances are stated net of provisions for non-performing advances. Advances that are overdue for 30 days or more are classified as non-performing and divided into categories as prescribed in the Regulations.

The Bank maintains, in addition to the general provision over total advances, specific provision for potential losses for all non-performing advances on the basis of the Regulations and other directives issued by the State Bank of Pakistan.

General and specific provisions are charged to the profit and loss account.

In accordance with the Regulations, non-performing advances are written-off one month after the loan is categorized as Loss. However, the Bank continues its efforts for recovery of the written-off balances.

## **5.5 Operating fixed assets**

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

Capital work-in-progress is stated at cost less accumulated impairment losses, if any.

### **Property and equipment**

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. All other expenditures are recognized in profit and loss account as incurred. Carrying amount of the replaced part is derecognized. All other repair and maintenance are charged to profit and loss account.

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.

Depreciation is charged on the straight line at rates specified in note 10.2 to the financial statements, so as to write-off the cost of assets over their estimated useful lives. Depreciation is charged on acquisition and disposal based on number of months the assets are available for use. Full month's depreciation is charged in the month of acquisition while no depreciation is charged in the month of disposal.



Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amounts of fixed asset and are recognized in the profit and loss account.

### **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 enterprise 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 10.3 to the financial statements. Amortized is charged on acquisition and disposal based on number of months the assets are available for use. Full month's amortized is charged in the month of acquisition while no amortized is charged in the month of disposal. 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.

### **5.6 Impairment - 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 estimated.

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 or loss. 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 (group of units) 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.

### **5.7 Taxation**

#### **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 to 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 substantively enacted by the balance sheet date.

Deferred tax, on revaluation of investments, if any, is recognized as an adjustment to surplus/ (deficit) arising on such revaluation.

## **5.8 Employee benefits**

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

### **Defined benefit plan**

#### **- Staff gratuity**

The Bank operates an approved funded gratuity scheme 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.

#### **- Accumulated compensated absences**

The Bank provides annually for the expected cost of accumulating compensated absences on the basis of actuarial valuations. Regular employees of the Bank are entitled to accumulate the unutilized privilege leaves up to 60 days.

The most recent valuation is carried out as at December 31, 2013 using the projected unit credit method. Actuarial gains and losses are recognized in other comprehensive Income as per the requirement of IAS 19 which is explained in note 3.2.

#### **- Defined contribution plan**

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

## **5.9 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 made till such time the reserve fund equals the paid up capital of the Bank. Thereafter, the contribution is reduced to 5% of the profit after tax.

## **5.10 Depositors' protection fund**

The Bank has a policy to maintain a depositors' protection fund for the purpose of mitigating risk of its depositors, to which the Bank is required to credit not less than 5% of its annual profit after taxes.



### 5.11 Grants

Grants that compensate the Bank for expenses incurred are recognized in the profit and loss account as other operating income on a systematic basis in the same periods in which the expenses are incurred.

Grants that compensate the Bank for the cost of an asset are recognized in the profit and loss account as other operating income on a systematic basis over the useful life of the asset.

The grant related to an asset is recognized in the balance sheet initially as deferred income when there is reasonable assurance that it will be received and that the Bank will comply with the conditions attached to it.

### 5.12 Revenue recognition

Mark-up/return (service charge) on advances is recognized on accrual/ time proportion basis, except for income, if any, which warrants suspension in compliance with the Regulations. Mark-up 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.

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

Income from interbank deposits in saving accounts are recognized in the profit and loss account as it accrues.

### 5.13 Borrowing costs

Mark up, interest and other charges on borrowings are charged to profit and loss account in the year in which they are incurred.

### 5.14 Operating leases

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

### 5.15 Impairment – Financial Assets

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



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

#### **5.16 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.

#### **5.17 Foreign currencies**

Transactions in foreign currencies are recorded at the approximate rates of exchange ruling on the date of the transaction. All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupee at the rate of exchange ruling on the balance sheet date and exchange differences, if any, are charged to profit and loss account.

#### **5.18 Provisions**

Provisions are recognized when the Bank has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate of the amount can be made.

#### **5.19 Use of Critical accounting estimates and judgments**

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires the use of certain accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The Bank uses estimates and assumptions concerning the future. The resulting accounting estimate will, by definition, seldom equal the related actual results. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The areas where assumptions and estimates are significant to the Bank's financial statements or where judgment was exercised in application of accounting policies are as follows:

- 1) Useful lives of operating fixed assets;
- 2) Income taxes;
- 3) Staff retirement benefits;
- 4) Classification of Advances and Investments;
- 5) Provision of Advances; and
- 6) Valuation and impairment of investments.



	Note	2013 Rupees	2012 Rupees Restated
<b>6 CASH AND BALANCES WITH SBP AND NBP</b>			
Cash in hand		23,943,590	39,505,163
Balances with State Bank of Pakistan (SBP) in:			
Local currency current accounts	6.1	184,407,818	103,998,017
Balances with National Bank of Pakistan (NBP) in:			
Current account		1,605,858	-
Deposit account		-	-
		<u>209,957,266</u>	<u>143,503,180</u>

6.1 This represents balance maintained with SBP to meet the requirement of maintaining cash reserve equivalent to not less than 5% (2012: 5%) of the Bank's deposits, including demand deposits and time deposits, with tenor of less than one year, in accordance with regulation 6A of the Prudential Regulations.

#### 7 BALANCES WITH OTHER BANKS/NBFIs/MFBs

##### In Pakistan

Local currency current accounts		17,265,074	360,948
Local currency deposit accounts	7.1	<u>1,680,490,361</u>	<u>1,234,048,469</u>
		<u>1,697,755,435</u>	<u>1,234,409,417</u>

7.1 This represents deposits with commercial banks payable on demand carrying mark-up at 7.50% to 9.50% (2012: 10.25% to 12.00%) per annum. This also includes Term Deposit Receipts amounting to Rs. 816 million (2012: Rs 220 million) with local commercial banks carrying mark-up ranging from 9.09% to 10.15% (2012: 9.5% to 9.86%).

#### 8 INVESTMENT- NET OF PROVISIONS

##### Federal Government securities

Pakistan Investment Bonds (PIBs)	8.1	203,674,859	133,068,876
Market Treasury Bills (T-Bills)	8.2	<u>125,512,278</u>	<u>70,563,410</u>
		<u>329,187,137</u>	<u>203,632,286</u>

##### Term Finance Certificates

Mutual Fund Units	8.3	161,432,160	199,016,600
Less: Provision for diminution in value of investments	8.4	<u>1,960,575,308</u>	<u>1,068,198,760</u>
		<u>-</u>	<u>-</u>
		<u>2,451,194,605</u>	<u>1,470,847,646</u>

8.1 These PIBs are held to maturity and due to be matured on August 18, 2014 and July 18, 2016. Further, these carries coupon rate of 11.25% per annum.

8.2 These T-Bills are held to maturity and have less than six months maturity as at December 31, 2013 and have a yield of 9.31% (2012; 9.3%) per annum.



8.3 This represents term finance certificates issued by the Pakistan Mobile Communication Limited and these are available for sale and carries markup at the rate of 3 months KIBOR plus a spread of 2.65% per annum (2012: 3 months KIBOR plus a spread of 2.65% per annum) with a maturity period of 4 years from April 18, 2012 to April 18, 2016. The Bank holds 2,000 certificates with face value of Rs. 100,000 each.

8.4 The portfolio of Mutual Funds Units is maintained as investments held for trading. The details of investments as of financial year end are as follows:

	Face value per unit in Rupees	2013 Number of Units	2012
ABL Cash Fund	10	63,819,291.83	106,682,255.87
UBL Liquidity Plus Fund - Class 'C'	100	3,000,852.93	-
Faysal Money Market Fund - Growth Units	100	1,091,717.51	-
MCB Cash Management Optimizer - Mcbcmo	100	3,486,130.01	-
NAFA Money Market Fund	10	25,968,448.97	-
HBL Money Market Fund	100	2,970,108.26	-

## 9 ADVANCES-NET OF PROVISION

Loan type	Note	2013		2012	
		No. of loans outstanding	Amount outstanding	No. of loans outstanding	Amount outstanding
Micro Credit	9.1	171,718	4,845,000,279	126,717	3,057,044,999
Less: Provision held:					
Specific		1,310	(7,479,621)	988	(5,417,025)
General	9.2	169,835	(47,164,416)	125,972	(30,573,480)
			(54,644,037)		(35,990,505)
Advances - net of provision			4,790,356,242		3,021,054,494

9.1 All advances are unsecured except for gold loans amounting to Rs. 121.1 million (2012: Rs. 25.5 million) and loans against pledge of agricultural land amounting to Rs. 5.5 million (2012: Rs. 0.8 million). Further, a mandatory deposit account equivalent to 10% of amount of advances is required to be kept with the Bank. The interest rates on these advances range from 28% to 30% (2012: 28% to 30%) per annum.

9.2 General provision is maintained in accordance with the Prudential Regulations for Microfinance Banks.



9.3 Advances include Rs. 15,148,782 (2012: Rs. 12,204,402) which as detailed below have been placed under non performing status:

Category of Classification	Amount Outstanding	Provision Required	Provision Held
OAEM	1,073,721	-	-
Sub-Standard	1,028,743	257,185	257,185
Doubtful	11,647,765	5,823,883	5,823,883
Loss	1,398,553	1,398,553	1,398,553
	15,148,782	7,479,621	7,479,621

9.4 Particulars of provision against non performing advances:

	2013		2012	
	Specific	General	Specific	General
Opening Balance	5,417,025	30,573,480	-	20,867,715
Charge for the year	42,116,166	16,590,936	7,948,961	9,705,765
Amounts written off	(40,053,570)	-	(2,531,936)	-
Reversals	-	-	-	-
Closing balance	7,479,621	47,164,416	5,417,025	30,573,480

Note 2013 Rupees 2012 Rupees

9.5 Particulars of Write Offs

Against provision	40,053,570	2,531,936
Directly charged to profit & loss account	6,814,448	1,882,474
	46,868,018	4,414,410

9.6 Movement of advance

	2013		2012	
	No. of loans	Amount Rupees	No. of loans	Amount Rupees
Opening balance	126,717	3,057,044,999	101,870	2,068,083,405
Disbursement during the year	345,431	9,974,011,673	294,424	6,730,448,880
	472,148	13,031,056,672	396,294	8,798,532,285
Recovery during the year	299,911	8,139,188,375	269,378	5,737,072,876
Loans written off	519	46,868,018	199	4,414,410
Closing	171,718	4,845,000,279	126,717	3,057,044,999



## 10. OPERATING FIXED ASSETS

Capital work-in-progress  
Property and equipment  
Intangible assets

Note  
2013  
Rupees  
2012  
Rupees  
Restated

### 10.1 Capital work-in-progress Civil works

10.1	4,793,000	165,000
10.2	180,754,311	157,069,588
10.3	58,623,267	86,010,693
	244,170,578	243,245,281
	4,793,000	165,000
	4,793,000	165,000

### 10.2 Property and equipment

Particulars	COST			DEPRECIATION			Net Book Value as at December 31, 2013	Rate of depreciation (%)
	As at January 01, 2013	Additions / (deletion) / revaluations	As at December 31, 2013	As at January 01, 2013	Charge / (deletion) / impairment	As at December 31, 2013		
Furniture and fixtures	48,662,364	25,938,950 (1,527,885)	73,073,429	5,612,075	5,433,865 (309,165)	10,736,775	62,336,654	10
Office equipment	34,493,282	25,304,939 (74,674)	59,723,547	8,563,852	8,839,781 (31,079)	17,372,554	42,350,993	20
Computer equipment	69,065,768	14,037,231 (15,922)	83,087,077	15,265,076	25,882,079 (10,913)	41,136,242	41,950,835	33.33
Vehicles	48,656,143	11,900,771 (1,711,828)	58,845,086	14,366,966	11,296,591 (934,300)	24,729,257	34,115,829	20
2013	200,877,557	77,181,891 (3,330,309)	274,729,139	43,807,969	51,452,316 (1,285,457)	93,974,828	180,754,311	

During the year, capitalization threshold was changed for better presentation and control. Impact on WDV is Rs. 1.267 Million with cost of Rs. 1.618 Million; being immaterial effect is accounted for prospectively.

Particulars	COST			DEPRECIATION			Net Book Value as at December 31, 2012	Rate of depreciation (%)
	As at January 01, 2012	Additions / (deletion) / revaluations	As at December 31, 2012	As at January 01, 2012	Charge / (deletion) / impairment	As at December 31, 2012		
Furniture and fixtures	23,031,810	25,630,554	48,662,364	1,829,869	3,782,206	5,612,075	43,050,289	10
Office equipment	22,640,811	12,295,123 (442,652)	34,493,282	3,346,128	5,356,820 (139,096)	8,563,852	25,929,430	20
Computer equipment	10,109,141	58,956,627	69,065,768	1,926,318	13,338,758	15,265,076	53,800,692	33.33
Vehicles	39,345,345	13,258,900 (3,948,102)	48,656,143	6,471,258	8,994,145 (1,098,437)	14,366,966	34,289,177	20
2012	95,127,107	110,141,204 (4,390,754)	200,877,557	13,573,573	31,471,929 (1,237,533)	43,807,969	157,069,588	



### 10.3 Intangible assets

Particulars	COST		DEPRECIATION		Net Book Value as at December 31, 2013	Rate of amortization (%)
	As at January 01, 2013	Additions	As at January 01, 2013	Amortization December 31, 2013		

Rupees-----

Computer Software	103,805,474	7,936,604	111,742,078	17,794,781	35,324,030	53,118,811	58,623,267	33.33
2013	103,805,474	7,936,604	111,742,078	17,794,781	35,324,030	53,118,811	58,623,267	

Particulars	COST		DEPRECIATION		Net Book Value as at December 31, 2013	Rate of amortization (%)
	As at January 01, 2012	Additions	As at January 01, 2012	Amortization December 31, 2012		

Rupees-----

Computer Software	6,070,470	97,735,004	103,805,474	2,279,573	15,515,208	17,794,781	86,010,693	33.33
2012	6,070,470	97,735,004	103,805,474	2,279,573	15,515,208	17,794,781	86,010,693	



	Note	2013 Rupees	2012 Rupees Restated
<b>11 OTHER ASSETS</b>			
Mark-up accrued on advances		256,764,660	108,226,231
Mark-up accrued on bank deposits		11,837,477	7,022,878
Accrued income on investment		3,840,000	4,839,549
Advances to employees			
- Personal	11.1	38,065,359	7,029,522
- Operational		1,591,903	427,017
Advances to suppliers		13,806,954	5,576,081
Prepayments		27,290,575	19,089,010
Advance tax		-	30,199,071
Receivable from National Rural Support Programme (NRSP)		15,583,893	323,843
Insurance receivable		9,250,656	4,605,546
Other receivables		8,098,534	3,662,178
		<u>386,130,011</u>	<u>191,000,926</u>

11.1 This includes interest bearing loans made to employees of the Bank carrying interest at the rate of 10% (2012: 10%) per annum. Further this also includes Rs. 32.355 million (2012: Rs. 2.690 million) as present value of minimum lease payments receivables for vehicles leased by the Bank to its employees as per the Bank's policy. The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The average effective interest rate contracted is 5% per annum.

## 12 DEFERRED TAX ASSET - NET

Deferred debits arising in respect of

Amortization allowance

Provision against advances

Tax credit u/s 113c

Grants

-	1,583,775
19,125,413	12,596,677
-	2,904,763
20,007,448	27,904,912
<u>39,132,861</u>	<u>44,990,127</u>

Deferred credits arising in respect of

Accelerated depreciation allowance

Amortization allowance

Un-realized capital gain

Revaluation surplus on investment

10,804,578	12,357,152
685,883	-
2,124,925	-
1,066,210	3,180,465
<u>14,681,596</u>	<u>15,537,617</u>
<u>24,451,265</u>	<u>29,452,510</u>



### 13 DEPOSITS AND OTHER ACCOUNTS

		2013		2012	
	Note	No. of accounts	Amount Rupees	No. of accounts	Amount Rupees
Fixed Deposits	13.1	307	1,067,506,441	12,049	349,722,000
Saving Deposits	13.2	85,805	2,386,096,227	68,494	1,413,385,410
Current Deposits		22,214	165,111,373	80	67,850,985
		<u>108,326</u>	<u>3,618,714,041</u>	<u>80,623</u>	<u>1,830,958,395</u>

13.1 This represents term deposit receipts carrying interest rates ranging from 5% to 13.75% (2012: 11.5% to 12.1%) per annum.

13.2 This represents saving accounts carrying interest rates ranging from 6% to 8% (2012: 5% to 9%) per annum.

#### 13.3 PARTICULARS OF DEPOSITS BY OWNERSHIP

		2013		2012	
		No. of accounts	Amount Rupees	No. of accounts	Amount Rupees
1) Individual depositors		108,101	2,614,558,232	80,606	1,471,773,164
2) Institutional depositors					
a) Corporation / firms etc		225	1,004,155,809	17	359,185,231
b) Banks & financial institutions		-	-	-	-
		<u>108,326</u>	<u>3,618,714,041</u>	<u>80,623</u>	<u>1,830,958,395</u>

	Note	2013 Rupees	2012 Rupees
<b>14 BORROWINGS</b>			
Borrowings from Banks/Financial Institutions			
- in Pakistan	14.1	2,715,000,000	1,200,000,000
Borrowings from Banks/Financial Institutions			
- outside Pakistan	14.2	542,250,000	-
Borrowings from Govt. of Pakistan		-	-
Borrowings from SBP		-	-
Others	14.3	1,200,000,000	1,863,922,179
		<u>4,457,250,000</u>	<u>3,063,922,179</u>



	Note	2013 Rupees	2012 Rupees
<b>14.1 Borrowings from Banks/Financial Institutions (Secured)</b>			
JS Bank Limited	14.1.1	350,000,000	450,000,000
JS Bank Limited (Tranche - I)	14.1.2	800,000,000	-
JS Bank Limited (Tranche - II)	14.1.3	800,000,000	-
Standard Chartered Bank (Pakistan) Limited	14.1.4	325,000,000	650,000,000
Pak Oman Investment Company Limited	14.1.5	80,000,000	100,000,000
Askari Bank Limited	14.1.6	360,000,000	-
		<u>2,715,000,000</u>	<u>1,200,000,000</u>

**14.1.1** This represents borrowing made from JS Bank Limited of Rs. 500 million which carries interest at the rate of six months KIBOR plus a spread of 2% per annum. The loan has to be repaid in ten equal installments of Rs. 50 million, each to be made semi annually commencing from June 06, 2012.

**14.1.2** This represents borrowing made from JS Bank Limited of Rs. 800 million which carries interest at the rate of three months KIBOR plus a spread of 2% per annum. The loan was commenced from February 20, 2013 and will be repaid in a single payment after 2 years.

**14.1.3** This represents borrowing made from JS Bank Limited of Rs. 800 million which carries interest at the rate of three months KIBOR plus a spread of 2% per annum. The loan was commenced from August 23, 2013 and will be repaid in a single payment after 2 years.

**14.1.4** This represents borrowing made from Standard Chartered Bank (Pakistan) Limited of Rs. 650 Million which carries interest at the rate of six month KIBOR plus a spread of 2% per annum. The loan has to be repaid in four equal semi annual installments of Rs. 162.5 million, each to be made half yearly ending on July 31, 2014 .

**14.1.5** This represents borrowing made from Pak Oman Investment Company Limited of Rs. 100 Million which carries interest at the rate of six month KIBOR plus a spread of 2% per annum. The loan has to be repaid in ten equal installments of Rs 10 million, each to be made semi annually commencing from October 15, 2012.

**14.1.6** This represents borrowing made from Askari Bank Limited of Rs. 400 Million which carries interest at the rate of six month KIBOR plus a spread of 2% per annum. The loan has to be repaid in ten equal installments of Rs 10 million, each to be made semi annually commencing from July 02, 2013.

	Note	2013 Rupees	2012 Rupees
<b>14.2 Borrowings from Banks/Financial Institutions</b>			
ECO Trade and Development Bank	14.2.1	542,250,000	-
		<u>542,250,000</u>	<u>-</u>



- 14.2.1** This represents borrowing made from ECO Trade and Development Bank of USD 5 Million which carries interest at the rate of six month USD BBA LIBOR plus a spread of 2.5% per 360 days. The loan will be repaid in two equal installments of USD 2.5 million, each to be made semi annually commencing from June 06, 2016.

The Bank has entered into a currency SWAP agreement with JS Bank Limited for the loan. Under such arrangement USD 5 million were translated at the exchange rate of Rs. 108.45 and the loan will be repaid in two equal installments of Rs. 271.125 million, each to be made semi annually commencing from June 06, 2016. Further under this arrangement the interest is payable at the rate of six month KIBOR plus a spread of 2.39% per annum.

	Note	2013 Rupees	2012 Rupees
<b>14.3 Others</b>			
Pakistan Poverty Alleviation Fund (PPAF) 1	14.3.1	-	350,000,000
Pakistan Poverty Alleviation Fund (PPAF) 2	14.3.2	1,200,000,000	1,500,000,000
NRSP	14.3.3	-	13,922,179
		<u>1,200,000,000</u>	<u>1,863,922,179</u>

- 14.3.1** This represents borrowing from PPAF amounting to Rs. 350 million which carries interest at the rate of 14.25% (2012: 14.25%) per annum. Funds were received in two equal installments of Rs. 350 million each making total amount of loan equal to Rs. 700 million. The loan has been repaid in two equal installments of Rs. 350 million each out of which one installment has been paid during the year.

- 14.3.2** This represents borrowing received from PPAF amounting to Rs. 1,500 million which carries interest at the rate of one year KIBOR (2012: fixed interest rate of 12.36%) per annum. The loan has to be repaid in five equal installments starting from June 30, 2013.

- 14.3.3** This represents the amount collected from customers on behalf of NRSP. The amount collected is subsequently used to finance operations of the Bank by providing advances to the Bank's customers. This carries mark-up at the rate of KIBOR plus a spread of 2% per annum. The loan was settled in full during the year.

	Note	2013 Rupees	2012 Rupees Restated
<b>15 OTHER LIABILITIES</b>			
Mark up payable to financial institutions		84,400,857	113,804,025
Mark up payable on Deposits and Other accounts		18,144,075	5,259,260
Payable to defined benefit plan			
Staff gratuity	15.1	28,999,856	7,510,978
Accumulated compensated absences	15.2	22,522,470	8,450,441
Withholding tax payable		15,334,193	7,919,200
Income tax payable		37,870,748	-
Liability against finance lease of assets, subleased to staff		25,343,474	-
Accrued expenses		28,245,060	15,434,896
Payable to NRSP		1,309,344	-
Payable to Suppliers		5,035,114	-
Insurance payable		9,753,442	9,320,200
Others		842,452	3,680,546
		<u>277,801,085</u>	<u>171,379,546</u>



	Note	2013 Rupees	2012 Rupees
<b>15.1 Staff gratuity</b>			
i) Amounts recognized in the balance sheet			
Present value of defined benefit obligations		43,953,400	20,574,912
Fair value of plan assets		(14,953,544)	(13,063,934)
Net liability		<u>28,999,856</u>	<u>7,510,978</u>
ii) Amounts recognized in the profit and loss account			
Current service cost		14,147,281	10,700,969
Interest cost		2,263,240	929,283
Expected return on plan assets		(1,437,033)	-
		<u>14,973,488</u>	<u>11,630,252</u>
iii) Remeasurements chargeable in other comprehensive income			
Experience adjustments		8,853,175	1,960,395
Return on plan assets, excluding interest income		(452,577)	(63,934)
		<u>8,400,598</u>	<u>1,896,461</u>
iv) Changes in present value of defined benefit obligation			
Opening defined benefit obligation		20,574,912	7,434,265
Current service cost		14,147,281	10,700,969
Benefits paid during the period/ year		-	-
Actuarial gain		-	-
Interest cost for the year		2,263,240	929,283
Benefits paid during the year		(1,885,208)	(450,000)
Actuarial loss		8,853,175	1,960,395
Closing defined benefit obligation		<u>43,953,400</u>	<u>20,574,912</u>
v) Changes in fair value of plan assets			
Opening fair value of plan asset		13,063,934	-
Total contribution paid during the year		1,885,208	13,450,000
Expected return on plan assets for the year		1,437,033	-
Benefits paid during the year		(1,885,208)	(450,000)
Actuarial gain		452,577	63,934
Closing fair value of plan assets		<u>14,953,544</u>	<u>13,063,934</u>



	Note	2013 Rupees	2012 Rupees
vi) Changes in net liability as follows:			
Opening defined benefit obligation		7,510,978	7,434,265
Amounts recognized in the profit and loss account		14,973,488	11,630,252
Remeasurements chargeable in other comprehensive Income		8,400,598	1,896,461
Benefits paid during the year		(1,885,208)	(13,450,000)
		<u>28,999,856</u>	<u>7,510,978</u>

vii) Significant actuarial assumptions were as follows:

Discount rate - per annum	13.00%	11.00%
Expected return on plan assets - per annum	-	-
Expected rate of increase in salaries - per annum	12.00%	10.00%
Mortality rate	SLIC 2001- 2005	EFU 1961-66
Average expected remaining working life of employees	10 years	11 years

viii) Amounts for current and previous year

Present value of defined benefit obligations	43,953,400	20,574,912
Fair value of plan assets	(14,953,544)	(13,063,934)
Deficit	<u>28,999,856</u>	<u>7,510,978</u>

ix) Year End Sensitivity Analysis ( $\pm$  100 bps) on Defined Benefit Obligation

Discount Rate + 100 bps	40,006,591	-
Discount Rate - 100 bps	48,742,610	-
Salary Increase + 100 bps	48,352,726	-
Salary Increase -100 bps	40,260,034	-



	Note	2013 Rupees	2012 Rupees
<b>15.2 Accumulated compensated absences</b>			
i) Present value of accumulated compensated absence		22,522,470	8,450,441
Fair value of plan assets		-	-
Net liability		<u>22,522,470</u>	<u>8,450,441</u>
ii) Amounts recognized in the profit and loss account			
Current service cost		6,571,991	2,886,398
Interest cost		929,549	374,170
		<u>7,501,540</u>	<u>3,260,568</u>
iii) Remeasurements chargeable in other comprehensive income			
Experience adjustments		7,634,458	2,850,258
Return on plan assets, excluding interest income		-	-
		<u>7,634,458</u>	<u>2,850,258</u>
iv) Changes in present value of defined benefit obligation			
Opening defined benefit obligation		8,450,441	2,993,357
Current service cost for the year		6,571,991	2,886,398
Benefits paid during the period/ year		-	-
Actuarial gain		-	-
Interest cost for the year		929,549	374,170
Benefits paid during the year		(1,063,969)	(653,742)
Actuarial loss		7,634,458	2,850,258
Closing defined benefit obligation		<u>22,522,470</u>	<u>8,450,441</u>
v) Significant actuarial assumptions were as follows:			
Discount rate - per annum		13.00%	11.00%
Expected return on plan assets - per annum			-
Expected rate of increase in salaries - per annum		12.00%	10.00%
Mortality rate		SLIC 2001- 2005	EFU 1961-66
Average expected remaining working life of employees		11 years	11 years
Average number of leaves accumulated - per annum		10 days	10 days
vi) Amounts for current and previous year			
Present value of defined benefit obligations		22,522,470	8,450,441
Fair value of plan assets		-	-
Deficit		<u>22,522,470</u>	<u>8,450,441</u>



## 16 SHARE CAPITAL

### 16.1 Authorized Capital

2013	2012		2013	2012
(Number of shares)			(Rupees)	
<u>300,000,000</u>	<u>100,000,000</u>	Ordinary shares of Rs. 10 each	<u>3,000,000,000</u>	<u>1,000,000,000</u>

### 16.2 Issued, subscribed and paid-up capital

2013	2012		2013	2012
(Number of shares)			(Rupees)	
<u>100,000,000</u>	<u>100,000,000</u>	Ordinary shares of Rs. 10 each fully paid in cash	<u>1,000,000,000</u>	<u>1,000,000,000</u>

#### 16.2.1 The shareholders of the Bank are as follows:

2013	2012		2013	2012
(Number of shares)			(Rupees)	
51,999,600	51,999,600	NRSP Pakistan	519,996,000	519,996,000
16,000,000	16,000,000	KFW Germany	160,000,000	160,000,000
16,000,000	16,000,000	Acumen Fund USA	160,000,000	160,000,000
16,000,000	16,000,000	IFC	160,000,000	160,000,000
100	100	Mr. Shoaib Sultan	1,000	1,000
100	100	Mr. Fazalullah Qureshi	1,000	1,000
100	100	Dr. Rashid Bajwa	1,000	1,000
50	100	Mr. Aziz Rajkot Wala	500	1,000
50	-	Mr. Rashid Khan	500	-
<u>100,000,000</u>	<u>100,000,000</u>		<u>1,000,000,000</u>	<u>1,000,000,000</u>

Note

2013  
Rupees

2012  
Rupees

## 17 SURPLUS ON REVALUATION OF ASSETS

Surplus on revaluation of fixed assets

Surplus on revaluation of securities

i) Federal and Provincial Government securities

ii) Quoted shares

iii) Other securities

1,614,154	4,130,357
-	-
1,432,160	24,493,824
3,046,314	28,624,181
<u>3,046,314</u>	<u>28,624,181</u>



	Note	2013 Rupees	2012 Rupees
<b>18. DEFERRED GRANTS</b>			
Opening balance		79,728,320	65,587,862
Grant received from:			
State Bank of Pakistan	18.1	36,944,818	19,893,363
Shore Bank International Limited	18.2	-	12,327,100
Interest income		-	42,691
Amortization of grant during the year		(57,164,138)	(18,122,696)
		<u>59,509,000</u>	<u>79,728,320</u>
<b>18.1</b>	This represents grant received from State Bank of Pakistan (SBP) under the Institutional Strengthening Fund (ISF) of the Financial Inclusion Program (FIP), under which the Bank was granted Rs. 56.838 million for certain activities provided under the Project Document (the Document).		
<b>18.2</b>	This represents grant received from Shore Bank International Limited (SBI). SBI has provided financial assistance in the form of grant to the Bank in order to implement a Core Banking Application i.e. OFSS FLEXCUBE (Universal Banking System) by the partner of Oracle Corporation, USA, Techlogix Pakistan (Pvt.) Limited, who are authorized to implement and support ORACLE FLEXCUBE (Universal Banking System).		
<b>19 MEMORANDUM / OFF BALANCE SHEET ITEMS</b>			
There are no known commitments and contingent liabilities at year end.			
<b>20 MARK-UP / RETURN / INTEREST EARNED</b>			
Mark-up / interest income on advances		1,308,914,851	808,372,654
Mark-up / interest income on investment in Government securities		26,896,857	19,794,556
Mark-up / interest income on bank deposits		66,201,063	113,544,573
		<u>1,402,012,771</u>	<u>941,711,783</u>
<b>21 MARK-UP / RETURN / INTEREST EXPENSED</b>			
Mark-up on Deposits		186,111,033	55,945,998
Loan Processing Fee		15,184,000	26,365,000
Interest on borrowings		416,482,530	413,347,088
		<u>617,777,563</u>	<u>495,658,086</u>
<b>22 FEE, COMMISSION AND BROKERAGE INCOME</b>			
Loan Processing Fee		208,709,451	154,134,601
Other Transaction processing fee		2,434,393	485,268
Collection Service income		-	19,658,705
		<u>211,143,844</u>	<u>174,278,574</u>



	Note	2013 Rupees	2012 Rupees Restated
<b>23 OTHER INCOME</b>			
Amortization of Deferred Grant	18	57,164,138	18,122,696
Other Services Incomes		9,943,399	12,302,392
Gain on disposal of operating fixed assets		213,778	2,005,933
Investment Income		97,511,511	41,518,906
		<u>164,832,826</u>	<u>73,949,927</u>
	Note	2013 Rupees	2012 Rupees Restated
<b>24 ADMINISTRATIVE EXPENSES</b>			
Staff salaries and benefits		360,869,911	240,006,970
Non-executive directors expense		1,948,278	555,343
Training		25,333,940	8,794,380
Legal and professional charges		15,219,603	4,306,821
Communication		30,777,924	24,675,569
Repair and maintenance		4,733,682	3,480,131
Stationary and printing		10,406,685	12,304,672
Advertisement and publicity		2,077,306	949,501
Depreciation	10.2	51,452,316	31,471,929
Amortization	10.3	35,324,030	15,515,208
Staff travel		16,361,232	16,693,650
Fuel charges		54,843,616	44,351,014
Vehicle running and maintenance		14,363,757	14,487,683
Office supplies		3,819,826	3,768,808
Meetings and conferences		3,591,140	5,904,425
Utilities		17,325,994	11,757,931
Rent expenses		31,661,356	20,820,380
Corporate Social Responsibility		2,346,560	600,950
Insurance expenses		24,387,373	37,099,719
Security and administration		22,440,989	9,606,717
Auditor's remuneration	24.1	1,265,456	1,564,150
Flex Cube Maintenance Fee		18,156,455	7,127,038
Miscellaneous expenses		8,311,382	10,872,283
		<u>757,018,811</u>	<u>526,715,272</u>
	Note	2013 Rupees	2012 Rupees Restated
<b>24.1 Auditors' Remuneration</b>			
Audit fee		450,000	450,000
Fee for review of financial statements		400,000	250,000
Fee for special certification and advisory services		125,000	-
Out-of-pocket expenses		290,456	864,150
		<u>1,265,456</u>	<u>1,564,150</u>



	Note	2013 Rupees	2012 Rupees Restated
<b>25 TAXATION</b>			
<b>25.1 For the year</b>			
Current		88,421,427	9,659,270
Deferred		5,001,245	(27,154,443)
		93,422,672	(17,495,173)
For prior year			
Current		-	(1,208,308)
Deferred		-	-
		-	(1,208,308)
		<u>93,422,672</u>	<u>(18,703,481)</u>

**25.2 Relationship between tax expense and accounting profit:**

	2013 %age	2012 %age
Applicable tax rate	34.00	35.00
Tax effect of:		
Temporary differences	(6.95)	-
Tax relating to prior years	-	0.84
Income charged at different rate of taxes	1.38	10.36
Tax exemption on account of tax holiday	-	(58.27)
Others	-	(2.12)
Average effective tax rate	<u>28.43</u>	<u>(14.19)</u>

	Note	2013 Rupees	2012 Rupees Restated
<b>26 EARNINGS PER SHARE</b>			
Profit for the year (Rupees)		244,248,845	166,733,207
Weighted average ordinary shares (Numbers)		100,000,000	95,147,541
Basic and diluted earning per share (Rupees)		<u>2.44</u>	<u>1.75</u>

<b>27 CASH AND CASH EQUIVALENTS</b>			
Cash and balances with SBP and NBP		209,957,266	143,503,180
Balances with other Banks / NBFIs / MFBs		1,697,755,435	1,234,409,417
		<u>1,907,712,701</u>	<u>1,377,912,597</u>

	Credit / sales staff	Banking / support staff	Total
<b>28 NUMBER OF EMPLOYEES</b>			
For the year ended December 31, 2013			
Permanent	496	473	969
Contractual	128	150	278
Total	<u>624</u>	<u>623</u>	<u>1,247</u>



**For the year ended December 31, 2012**

	<b>Credit / sales staff</b>	<b>Banking / support staff</b>	<b>Total</b>
Permanent	505	443	948
Contractual	29	56	85
<b>Total</b>	<b>534</b>	<b>499</b>	<b>1,033</b>

**2013**

**2012**

Number

**29 NUMBER OF BRANCHES**

As at beginning of the year	39	19
Opened during the year	15	20
As at end of the year	<b>54</b>	<b>39</b>

**30 REMUNERATION OF DIRECTORS AND EXECUTIVES**

**For the year ended December 31, 2013**

	<b>President</b>	<b>Directors</b>	<b>Executives</b>
	(Rupees)		
Managerial remuneration	4,121,208	-	28,425,371
Other benefits	566,667	-	4,086,709
Provident fund contribution	412,124	-	2,355,603
Charge for defined benefit plan	571,567	-	3,991,942
Rent and house maintenance	1,854,542	-	12,791,438
Medical	28,814	-	486,918
Utilities	412,126	-	2,842,481
Conveyance	412,124	-	2,842,608
Bonus	-	-	150,168
	<b>8,379,172</b>	<b>-</b>	<b>57,973,238</b>
Number of persons	<b>1</b>	<b>-</b>	<b>48</b>

**For the year ended December 31, 2012**

	<b>President</b>	<b>Directors</b>	<b>Executives</b>
	(Rupees)		
Managerial remuneration	2,666,664	-	23,587,640
Other benefits	1,257,530	-	8,052,478
Provident fund contribution	290,906	-	2,128,826
Rent and house maintenance	1,200,000	-	10,614,455
Medical	-	-	-
Utilities	266,672	-	2,358,737
Conveyance	266,664	-	2,358,792
Bonus	-	-	325,973
	<b>5,948,436</b>	<b>-</b>	<b>49,426,901</b>
Number of persons	<b>1</b>	<b>-</b>	<b>51</b>

**30.1 The President and certain executives are provided with use of Bank maintained cars.**



### 31 RELATED PARTY TRANSACTIONS

The Bank's related parties comprise of directors, key management personnel, shareholders and entities over which the directors are able to exercise significant influence and employee gratuity fund. The detail of Bank's shareholders is given in note 16.2.1 while remuneration of key employee personnel is disclosed in note 30 to the financial statements. Transactions with the Bank's shareholders during the period were under normal commercial banking terms.

	2013 Rupees	2012 Rupees
Transactions with shareholders during the year/ period		
<b>Repayment of lending to NRSP</b>	-	2,147,552,418
<b>Interest expense NRSP</b>	-	168,119,543
Collection Service Income	-	19,658,705
<b>Payment of rent to NRSP</b>	3,480,000	3,480,000
<b>Contributions to gratuity fund</b>	1,885,208	13,000,000
<b>Contributions to provident fund</b>	27,178,864	19,012,400
<b>Corporate social Responsibility</b>	2,346,560	600,950
<b>Purchases from Rohil Hand Loom</b>	341,250	
<b>Funds Placement by (Gratuity Fund)</b>		13,000,000
Repayment to (Gratuity Fund)	152,415	-
Profit Paid to (Gratuity Fund)	2,042,025	63,934
<b>Funds Placement by (PF Trust)</b>	27,178,864	31,672,436
Repayment to (PF Trust)	4,180,689	-
Profit Paid to (PF Trust)	7,306,011	179,243
<b>Funds Placement by (RSPN)</b>	608,518,388	132,500,000
Repayment to (RSPN)	461,776,937	-
Profit Paid to (RSPN)	24,864,923	-
<b>Funds Placement (SRSO)</b>	1,439,186,152	162,152,034
Repayment to (SRSO)	1,158,238,782	-
Profit Paid to (SRSO)	26,498,496	11,938,989
<b>Funds Placement (Employee Welfare Trust)</b>	3,002,260	6,749,007
Repayment to (Employee Welfare Trust)	996,377	538,301
Profit Paid to (Employee Welfare Trust)	825,503	386,397
<b>NRSP Natural Resource Management</b>	1,118,714	-
Repayment to (NRSP Natural Resource Management)	847,447	-
Profit Paid to (NRSP Natural Resource Management)	4,927	-
<b>Funds Placement (Rohi Hand loom)</b>	3,631,209	-
Repayment to (Rohi Hand Loom)	3,636,671	-
Profit Paid to (Rohi Hand Loom)	5,955	-
<b>Funds Placement (PAK Rural Support Programme)</b>	11,000	-
Repayment to (PAK Rural Support Programme)	10,054	-
Profit Paid to (PAK Rural Support Programme)	43	-
<b>Funds Placement (SRSO UC BPRP ENTERPRISE)</b>	2,256,824	-
Repayment to (SRSO UC BPRP ENTERPRISE)	13,971	-
Profit Paid to (SRSO UC BPRP ENTERPRISE)	139,248	-



	2013 Rupees	2012 Rupees
<b>Funds Placement (AJK RURAL SUPPORT PROGRAMME)</b>	190,259,177	
Repayment to (AJK RURAL SUPPORT PROGRAMME )	108,532,244	
Profit Paid to (AJK RURAL SUPPORT PROGRAMME )	9,755,538	
<b>Funds Placement (NRSP EMPLOYEES HOUSING COLONY )</b>	212,100	1,237,000
Repayment to (NRSP EMPLOYEES HOUSING COLONY)	1,036,065	270,980
Profit Paid to (NRSP EMPLOYEES HOUSING COLONY )	55,796	
<b>Balances outstanding at the period end:</b>		
Advances receivable from executives	-	1,023,291
Receivable from NRSP	15,468,738	323,843
Payable to NRSP	1,022,372	-
Markup payable on borrowing from NRSP	-	10,028,327
Institutional Deposits (RSPN)	304,106,374	132,500,000
Institutional Deposits (SRSO)	511,525,741	204,079,876
Institutional Deposits (AJKRSP)	91,482,471	-
Institutional Deposits (Employee Welfare Trust)	10,325,784	7,673,705
Institutional Deposits (Gratuity Fund Trust)	14,953,544	13,063,934
Institutional Deposits (PF Trust)	62,155,865	31,851,679
Institutional Deposits NRSP Natural Resource Management	279,240	3,046
Institutional Deposits Rohi Hand loom	110,510	110,017
Institutional Deposits PAK Rural Support Programme	989	-
Institutional Deposits SRSO UC BPRP ENTERPRISE	3,204,900	-
Institutional Deposits NRSP Housing colony	197,851	966,020
Borrowings outstanding to NRSP	-	13,922,179

### 32 RETROSPECTIVE APPLICATION OF IAS 19

In accordance with the requirement of the IAS 19 which is explained in note 3.2, following are effects for retrospective application:

	Rupees
Decrease in Other Comprehensive Income	4,746,719
Increase in Administrative Expenses	4,746,719
Increase in Income tax payable	1,661,352
Increase in current taxation	1,661,352
Increase in Statutory reserve	617,073
Increase in Depositors' Protection Fund	154,268
Decrease in Accumulated profit	771,341

The above effects are specifically related to the actuarial gain/ (loss) previously recognized in the profit and loss account. However, as per the requirement of the revised IAS 19 all the actuarial gain/ (loss) is reclassified in other comprehensive income. There is a nil impact on the components of the financial statements prior to the January 01, 2012, because all actuarial gains/ (losses) were recognized from the start of financial year 2012.



### 33 RECLASSIFICATION

Corresponding figures have been reclassified wherever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison. Significant reclassifications are as follows:

From	To	Reason	Rupees
<b>Advances - Net of Provision</b>			
- Others	<b>Other assets</b>		
- Others	Advances to employees		
	- Personal	For better presentation	5,720,026
<b>Other Assets</b>	<b>Other Assets</b>		
- Prepayments	- Insurance receivable	For better presentation	3,383,584
<b>Other Assets</b>	<b>Other Assets</b>		
- Other receivables	- Insurance receivable	For better presentation	1,221,962
<b>Other liabilities</b>	<b>Other assets</b>		
- Income tax payable	Advance income tax	For better presentation	7,997,918
<b>Other income</b>	<b>Mark-up / return / interest earned</b>		
- Investment Income			
	Mark-up / interest income on investment in Government Securities	For better presentation	19,794,556
<b>Administrative expenses</b>	<b>Administrative expenses</b>		
- Legal and professional charges	- Flex Cube Maintenance Fee	For better presentation	7,127,038



### 34 SCHEDULE OF MATURITY OF MARKET RATE ASSETS AND LIABILITIES AS AT DECEMBER 31, 2013

#### 34.1 For the year ended December 31, 2013

	Total	Upto one month	Over one month upto six months	Over six months upto one year	Over one year
	(Rupees)				
<b>Market rate assets</b>					
Advances-net of provision	4,790,356,242	42,079,289	614,133,738	2,158,848,368	1,975,294,847
Investment- net of provisions	2,451,194,605	2,086,087,586	-	130,968,277	234,138,742.00
Balances with other Banks - deposit accounts	1,697,755,435	1,525,755,435	172,000,000	-	-
<b>Total market rate assets</b>	<b>8,939,306,282</b>	<b>3,653,922,310</b>	<b>786,133,738</b>	<b>2,289,816,645</b>	<b>2,209,433,589</b>
<b>Other non-earning assets</b>					
Cash and balances with SBP	209,957,266	209,957,266	-	-	-
Balances with other Banks - current accounts	17,265,074	17,265,074	-	-	-
Operating fixed assets	244,170,578	-	-	-	244,170,578
Other assets	386,130,011	23,762,530	102,385,585	115,313,266	144,668,630.00
Deferred tax asset	24,451,265	-	-	24,451,265.0	-
<b>Total non-earning assets</b>	<b>881,974,194</b>	<b>250,984,870</b>	<b>102,385,585</b>	<b>139,764,531</b>	<b>388,839,208</b>
<b>Total assets</b>	<b>9,821,280,476</b>	<b>3,904,907,180</b>	<b>888,519,323</b>	<b>2,429,581,176</b>	<b>2,598,272,797</b>
<b>Market rate liabilities</b>					
Deposits	3,618,714,041	2,864,127,600	500,253,441	179,454,000	74,879,000
Borrowings	4,457,250,000	162,500,000	485,000,000	372,500,000	3,437,250,000
<b>Total market rate liabilities</b>	<b>8,075,964,041</b>	<b>3,026,627,600</b>	<b>985,253,441</b>	<b>551,954,000</b>	<b>3,512,129,000</b>
<b>Other non-cost bearing liabilities</b>					
Other liabilities	277,801,085	114,092,198	82,755,245	2,884,328	78,069,314
<b>Total non-cost bearing liabilities</b>	<b>277,801,085</b>	<b>114,092,198</b>	<b>82,755,245</b>	<b>2,884,328</b>	<b>78,069,314</b>
<b>Total liabilities</b>	<b>8,353,765,126</b>	<b>3,140,719,798</b>	<b>1,068,008,686</b>	<b>554,838,328</b>	<b>3,590,198,314</b>

#### 34.2 For the year ended December 31, 2012

	Total	Upto one month	Over one month upto six months	Over six months upto one year	Over one year
	(Rupees)				
<b>Market rate assets</b>					
Advances-net of provision	3,021,054,494	99,059,108	239,389,956	2,088,762,18	593,843,249
Investment- net of provisions	1,470,847,646	1,470,847,646	-	-	-
Balances with other Banks - deposit accounts	1,209,048,469	989,048,469	-	-	220,000,000
<b>Total market rate assets</b>	<b>5,700,950,609</b>	<b>2,558,955,223</b>	<b>239,389,956</b>	<b>2,088,762,181</b>	<b>813,843,249</b>
<b>Other non-earning assets</b>					
Cash and balances with SBP and NBP	143,503,180	143,503,180	-	-	-
Balances with other Banks - current accounts	360,948	360,948	-	-	-
Operating fixed assets	243,245,281	-	-	-	243,245,281
Other assets	191,000,926	24,383,003	129,657,925	39,858,341	2,898,343
Deferred tax asset - net	29,452,510	29,452,510	-	-	-
<b>Total non-earning assets</b>	<b>607,562,845</b>	<b>197,699,641</b>	<b>129,657,925</b>	<b>39,858,341</b>	<b>240,346,938</b>
<b>Total assets</b>	<b>6,308,513,454</b>	<b>2,756,654,864</b>	<b>369,047,881</b>	<b>2,128,620,522</b>	<b>1,054,190,187</b>
<b>Market rate liabilities</b>					
Deposits	1,830,958,395	1,511,251,395	217,047,000	85,550,000	17,110,000
Borrowings	3,063,922,179	526,422,179	160,000,000	697,500,000	1,680,000,000
<b>Total market rate liabilities</b>	<b>4,894,880,574</b>	<b>2,037,673,574</b>	<b>377,047,000</b>	<b>783,050,000</b>	<b>1,697,110,000</b>
<b>Other non-cost bearing liabilities</b>					
Other liabilities	171,379,546	78,546,348	49,844,182	15,052,855	27,936,161
<b>Total non-cost bearing liabilities</b>	<b>171,379,546</b>	<b>78,546,348</b>	<b>49,844,182</b>	<b>15,052,855</b>	<b>27,936,161</b>
<b>Total liabilities</b>	<b>5,066,260,120</b>	<b>2,116,219,922</b>	<b>426,891,182</b>	<b>798,102,855</b>	<b>1,725,046,161</b>



### 35 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. Currently the Bank has paid up capital of Rs. 1 Billion. The minimum paid up capital requirement applicable to the Bank is Rs. 1 billion. The bank has maintained capital adequacy ratio in accordance with regulation number 4 of the Regulations which states that the Bank shall maintain capital equivalent to at least 15% of its risk-weighted assets.

The Bank will continue 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.

### 36 DATE OF APPROVAL

These financial statements were approved by the Board of Directors of the Bank in their meeting held on March 10, 2014.



PRESIDENT



CHAIRMAN

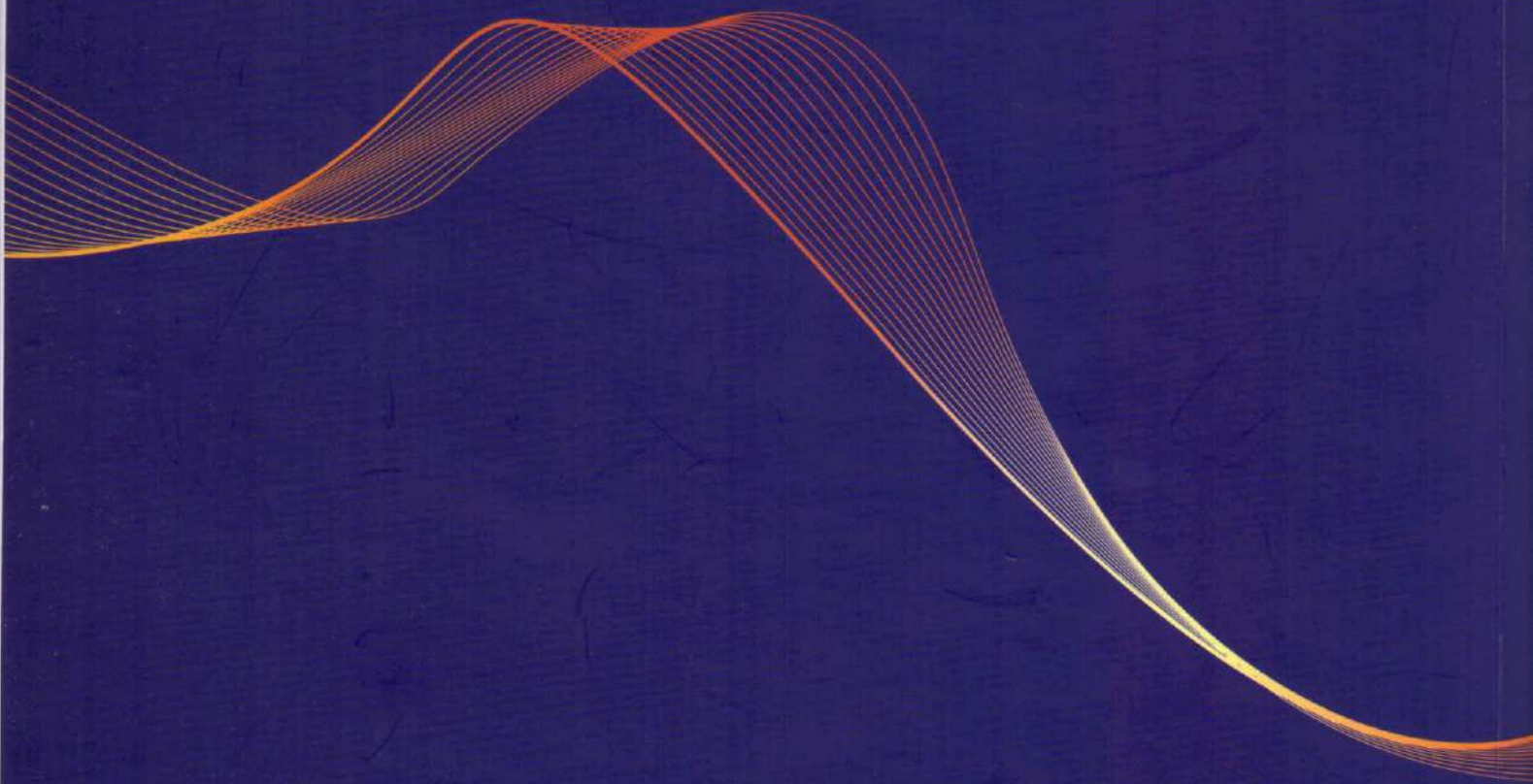


DIRECTOR



DIRECTOR





**NRSP**  
**BANK** | NRSP  
Microfinance  
Bank  
Limited

Head Office: Near Baghdad Railway Station,  
University Road, Bahawalpur 63100, Pakistan  
Tel: +92-62-2285126, Fax: +92-62-2280051  
Email: [info@nrspbank.com](mailto:info@nrspbank.com)