

Annual Report '14



Table of Contents

01	Mission
01	Vision
01	Our Core Values
02	Corporate Profile
03	President's Note
04	Our Shareholders
05	Profile of our Shareholders
07	Our Approach
08	Board of Directors
09	Management Team
10	Products and Services
11	Corporate Social Responsibility
12	Success Stories
15	Highlights of 2014
16	Summary of 4-year Performance
17	Director's Report - Year 2014
20	Capital Adequacy
21	Auditors' Report
23	Balance Sheet
24	Profit And Loss Account
25	Cash Flow Statement
26	Statement of Changes in Equity
27	Notes to the Financial Statements

Our Vision



To become the leading Microfinance Bank in Pakistan.

Our Mission



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

Our Core Values



Integrity

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

Transparency

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

Innovation

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

Accountability

We take complete responsibility for all our decisions and actions.

NRSP Microfinance Bank Limited ("NRSP MFB"), headquartered in Bahawalpur, launched its operations in March 2011. The Bank was established to provide microcredit, deposits and other banking services to a diverse socio-economic customer base.

Currently, NRSP Bank has 58 branches across 23 districts of Pakistan. NRSP Bank offers a range of financial services including Deposits, Micro Loans and Micro-health Insurance. Based on the results of the year ended December 31, 2013, the credit rating company JCR-VIS upgraded the long-term entity rating of NRSP Bank to 'A-' for long-term and 'A2' for short-term in April 2014.

President's Note

In the year 2014, NRSP Microfinance Bank Limited witnessed another year of continued growth and expansion. The Bank remained not only committed to its social mandate but also reflected positive trends in key financial and operational indicators.

Growth in Pakistan's agriculture economy remained modest during the year due to persistent energy shortages, floods, high cost of agriculture inputs and security challenges. However, the bank was able to achieve reasonable Return on Equity in addition to equity injection of PKR 500 million. Growth in deposit volume was 44%. Profit Margin and Operational Self-sufficiency was 13.88% and 120.3% respectively for the year 2014. Dedicated staff efforts and customers' trustworthiness also helped the Bank in achieving a sound footing. Credit-rating of the Bank improved as well to 'A-' for long-term and 'A2' for short-term with a "Stable" outlook.

Since inception to December 31, 2014, the Bank has disbursed some 1.2 million loans amounting to PKR 29.82 billion; over 90% of which has been disbursed in agriculture sector. Cumulative recovery rate of the period stands at 99.6% which speaks volume of the customers' creditworthiness and loyalty to the Bank. The Bank also remained committed to its mission of poverty alleviation whereby 80% of the loans were disbursed to those farmers who were either landless or owned less than 5 acres of agriculture land. Our maximum active loan clients increased to 226,165 during the year 2014.

In Pakistan, microfinance banks have yet to attract large volume of low-cost deposits from public due to various reasons. On the other hand, small savings with banks are less popular among the poor clientele. Despite this challenge, the Bank has been able to achieve loan-to-deposit ratio of 100% as at December 31, 2014 wherein small savings constitute 50% of total deposit volume.

During the year, the Bank also embarked on a number of new initiatives. Acquisition of technological infrastructure was one such example; enabling the Bank to offer ATM cards and POS-machine-enabled services to its clients. Work continues for the full-scale launch of the Project. Besides that, the Bank started a pilot of building agri value-chains in partnership with Pakistan Poverty Alleviation Fund. The Bank also received SBP's in-principle approval for launching a pilot of Islamic Microfinance Operations. Regulatory formalities for commencing Islamic Operations are currently being fulfilled. Launch of Customer Call Centre and development of Regular Saving Plan product for long-term savings were other landmarks achieved during the year 2014.

With the vision to become Pakistan's leading microfinance bank, NRSP MFB continues to strive. I am confident that it will achieve greater heights with everyone's support in the years to come...

Zahoor Hussain Khan

President/CEO

March 01, 2015



Our Shareholders

NRSP MFB's capital has been contributed by highly-reputed organizations including National Rural Support Program (NRSP), International Finance Corporation (IFC), Kreditanstalt für Wiederaufbau (KfW) and Acumen.

Shareholding composition of NRSP MFB is as follows:

	Shareholding	Board Seats
NRSP	52%	3
Acumen	16%	1
KfW	16%	1
IFC	16%	1
Independent	-	2

Profile of Our Shareholders



Established in 1991 by Mr. Shoaib Sultan Khan, National Rural Support Program ("NRSP") builds upon the earlier work of Aga Khan Rural Support Program ("AKRSP") done in northern mountainous region of Pakistan. NRSP, the largest Rural Support Program in the country in terms of outreach, staff and development activities, is a not-for-profit organization registered under Section 42 of Companies Ordinance 1984.

NRSP's mandate is to alleviate poverty by harnessing people's potential to undertake development initiatives in rural areas of Pakistan. The organization has a presence in 62 Districts in all the four Provinces including Azad Jammu and Kashmir through its regional and field offices. NRSP is currently working with more than 2.5 million poor households organized into a network of 165,328 Community Organizations.



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



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



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

Our Approach

NRSP MFB's approach is to strive for improving the life of underprivileged and underserved. The Bank endeavors to realize this approach through working with low-income households organized into Community Organizations ("COs"). These COs, the credit and saving groups, meet fortnightly in presence of Bank's field staff and share information about savings, agri inputs, farm-produce prices etc. amongst themselves. Thus, the Bank goes a step forward and facilitates its borrowers beyond mere financing. The institution also provides support to the clients in the form of financial literacy trainings and health insurance covers.



Board of Directors

The Bank's governing body comprises of 9 Directors members including 3 representatives of NRSP, 1 nominee each from IFC, KfW and Acumen, 2 independent directors and the CEO. Meetings of the Board are regularly held to evaluate performance of the Bank vis-à-vis the Corporate Strategy as well as to plan for the mission-focused future operations. The governing body has appropriate gender diversity with 2 female members. Under the guidance of a seasoned and committed group, the Bank remains devoted to changing the lives of rural and urban poor.

- | | | | |
|--------------------------|-----------------|---------------------------|---------------------------|
| • Dr. Rashid Bajwa | NRSP Chairman | • Ms. Amena Arif | IFC Director |
| • Mr. Shoaib Sultan Khan | NRSP Director | • Mr. Aziz Rajkotwala | Independent Director |
| • Mr. Fazlullah Qureshi | NRSP Director | • Mr. Rashid Ali Khan | Independent Director |
| • Mr. Farrukh H. Khan | Acumen Director | • Mr. Zahoor Hussain Khan | CEO / Ex-officio Director |
| • Ms. Barbara Schnell | KfW Director | | |

Board Committees

Sub-committees of the Board actively oversee and monitor the critical areas and activities of the Bank. Following three Board committees presently operate in the Bank:

Governance, Nomination and Remuneration Committee:

- Mr. Aziz Rajkotwala, the Chairman
- Mr. Shoaib Sultan Khan
- Dr. Rashid Bajwa

Audit Committee:

- Mr. Rashid Khan, the Chairman
- Dr. Rashid Bajwa
- Mr. Fazlullah Qureshi

Operations and Risk Policy Committee:

- Mr. Rashid Khan, the Chairman
- Ms. Barbara Schnell
- Ms. Amena Arif



Management Team

Management team of the Bank possesses the experience and competence as are necessary to adequately discharge its responsibilities. All departments of the Bank are sufficiently staffed. The Bank is also working on improving skills and competence of its existing staff members through regular training programs and on-the-job training.

- Mr. Zahoor Hussain Khan President/CEO
- Mr. Zafar Iqbal Group Head Microfinance Operations
- Mr. Tanveer Hussain Head Microfinance Services
- Mr. Waqas Ahmad Head Finance and Treasury, Company Secretary
- Mr. Syed Imran Bashir Head Operations
- Lt. Col. (R) Mir Yousaf Head HR, Admin and Security
- Ms. Rafia Saleem Head Risk and Compliance
- Mr. Waqas Ashraf Head Internal Audit

Management Committees

To effectively manage the affairs of the Bank, two management-level committees are functioning at present. The Committee Members, suitably skilled and experienced, meet regularly to address issues of importance.

Operations and Risk Management Committee:

- President/CEO, the Chairman
- Group Head Microfinance Operations
- Head Microfinance Services
- Head Finance and Treasury
- Head Operations
- Head IT
- Head HR, Admin and Security
- Head Risk and Compliance

Asset and Liability Committee (ALCO)

- President/CEO, the Chairman
- Group Head Microfinance Operations
- Head Microfinance Services
- Head Finance and Treasury
- Head Operations
- Head Risk and Compliance

Products and Services

Loan Products



NRSP Bank currently offers various credit products including Agriculture, Livestock, Enterprise, Gold and Salary/Pension loan. These loans are offered to individuals as well as Community Organizations ("COs"). As the Bank focuses on serving landless and small rural farmers, agricultural loans account for the largest proportion of total loan portfolio.

Savings Products



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

Micro-health Insurance Scheme



NRSP MFB's borrowers are usually the bread winners of their families. These families face serious difficulties at the illness of their respective family guardian. Recognizing the need to support clients in such circumstances, NRSP Bank provides complementary health insurance cover. This insurance covers hospitalization expenses for the client and its spouse up to PKR 15,000 each and death coverage for the client only up to PKR 15,000.

This insurance scheme includes the following:

- Hospitalization expenses due to acute illness or accidents.
- Physical disability due to accidents.
- Child birth expenses up to Rs. 15,000.
- Pre and post pregnancy complications.

Corporate Social Responsibility

As a socially responsible organization, NRSP Bank recognizes itself as a part of the community at large. Thus throughout 2014, the Bank remained involved in skill-development activities of underprivileged women in Bahawalpur. Women in these areas have no source of regular income. These women are imparted on-the-job training of carpet, fabric weaving and embroidery skills. NRSP MFB equips these women with skills to generate steady cash flows and also facilitates their access to credit. The Bank also assists them in marketing their final products.

In this way, NRSP Bank not only demonstrates its utmost commitment to corporate social responsibility but also provides self-employment opportunities to the local poor women.



From Adversity To Prosperity

One of our customers, **Muhammad Ramzan** was born in Hootwala village of Bahawalpur. Hailing from a household of growers, he started assisting his family in agriculture and livestock activities since childhood. After his father died in 1996, the family got dispersed and financial conditions started deteriorating. To cope with circumstances, Ramzan had to work hard to make both ends meet. From being a laborer, a shopkeeper to a worker at a gas station; he strived really hard to sustain. "I did not want to end cultivation on the small piece of my inherited land. So I started raising animals to generate some extra money", Ramzan shared. A father of 5 sons and 2 daughters, Ramzan needed more income to raise his children in a better manner. "Due to limited resources, I was unable to buy required inputs for my crop and had to obtain credit from shopkeepers on a markup of about 120% per annum," he added. In 2007, Ramzan met a field officer of NRSP that made him aware of its small agriculture loan facilities. After that, he availed his first loan worth PKR 15,000 and never looked back.

Due to timely repayment, his loan size increased on every cycle. Timely access to funds from NRSP, unlike other sources of funding, enabled him to earn an attractive income from agriculture. That additional income was ploughed back into purchase of livestock. Ramzan kept working hard and expanded to livestock trade and dairy business, bringing him good fortune. Gaining the confidence, he finally ventured into property business. "I sold my 1.5 acres of agricultural land to purchase 1 acre of land in the urban area. Over a short period of time, the urban land was resold and I purchased 3 acres of agri land with the proceeds, helping me earn good profits," he told. Ramzan continued to invest into property business and today owns some 34 acres of agricultural land worth millions of rupees.

Now owner of a house and a car, he has recently availed a loan of PKR 150,000 against gold ornaments from NRSP MFB. Owing his success to the institution that provided him easy access to credit, Ramzan thinks that the micro-financing saved him from all hassles of arranging funds. "I firmly believe that NRSP MFB has enabled me to realize my forte. I am now able to provide more than enough for my family and have earned a respectable position in society. This is all because of my hard work and support of the Bank's microcredit program," he beams while relating.



Ghulam Fatima belongs to Liaqat Pur, Rahimyar Khan. Her family shifted to Bahawalpur some 30 years ago when her father was transferred to this city. After completing her primary education, Fatima got married to a rickshaw driver. Her husband drove a rental rickshaw then. Due to high rental expense, it was difficult for the family with 8 children to meet the basic household needs. Luckily, Fatima got to know about enterprise loan facility of NRSP MFB.

"I availed my first loan of PKR 10,000 through a community group and started cloth-embroidery work. Prior to this, I used to work as a maid for a living but the earnings were meager. After repaying my first loan, I took another loan of PKR 20,000 to buy my husband an auto rickshaw on installments," she told. Thus, her husband no longer had to pay the vehicle-rent. With increased earnings, Fatima was able to pay off not only her loan but also rickshaw installments on a gradual basis. She availed another loan of PKR 30,000 from the Bank. After taking this loan, Fatima was diagnosed with some gynecological problems and had to be treated at an expensive private hospital.

"NRSP MFB staff informed me about their health insurance scheme. I submitted my documents with the Bank and was paid PKR 15,000 to meet medical expenses," Fatima told. This insurance amount greatly eased the financial burden on Fatima's family.

She currently utilizes PKR 30,000 loan for her cloth-embroidery enterprise. Her husband has completely paid off the installments of auto rickshaw; three of her daughters have been married and her three younger sons now attend School. She owes her success to the microcredit program.

"I now have my own savings account where I regularly deposit small sums. This account has been my savior in difficult times," she shares gratefully.



Mahmood Akhtar and his wife **Kishwar Mai** have been living in Bahawalpur since 1960. A father of 5 daughters and 2 sons, Mahmood comes from a family of farmers. He was 8 years old when he caught typhoid and became disabled. After completing his middle school, he started working as a tailor. As paralysis affected other parts of his body, Mahmood began to lose his eyesight, resulting in abandoning of tailoring activity. *"I was unable to stitch clothes and could not support my family anymore,"* Mahmood told. This rendered survival difficult.

It was at that time that Kishwar, wife of Mahmood, came to know about NRSP MFB and its loan facilities. She joined a credit group and availed her first loan of PKR 10,000 to start embroidery work on clothes. The effort bore fruit and she was able to repay her loan timely. She availed a second loan of PKR 15,000 and the amount was utilized under the guidance of NRSP MFB to set up a small general store. The shop started to generate good income for the family.

"NRSP MFB also provided me with a wheel chair to move on, making mobility easier," Mahmood related. Kishwar continued to do embroidery work and availed further two loans of PKR 20,000 to fund the business. *"We have been able to marry two of our elder daughters while the younger two assist me in embroidery work. We have also been able to send our two little sons to school,"* Kishwar told.

The family is all praise for NRSP MFB. *"I previously had a bitter experience of borrowing from a financial institution and I praise NRSP MFB much for its client-centric approach,"* Mahmood said. Mahmood and Kishwar's shop is running good and the family is now finally able to stand on their feet.



Highlights of 2014

Maximum number of Active Borrowers during the year

226,165

Number of Active Borrowers as on year end

194,489

Number of Branches

58

Number of Districts served

23

Number of Employees

1,429

Paid up Capital (PKR in Billion)

1.50 Bn

Advances disbursed during the year

8.45 Bn

Outstanding Advances as on year end (PKR in Billion)

5.19 Bn

Deposits as on year end (PKR in Billion)

5.16 Bn

Shareholder's Equity and Reserves as on year end

2.08 Bn

Net Investments as on year end

3.97 Bn

Profit before taxation as on year end (PKR in Million)

286 M

Summary of 4-year Performance

	2011	2012	2013	2014
Number of Branches	19	39	54	58
Maximum number of Active Borrowers during the year	127,018	177,576	205,378	226,165
Maximum amount of Outstanding Loans during the year (PKR in Billion)	2.59	3.73	5.71	6.48
Paid up Capital (PKR in Million)	840	1,000	1,000	1,498
Outstanding Loans as on year end (PKR in Billion)	2.09	3.06	4.85	5.19
Number of Active Borrowers as on year end	101,767	126,717	171,718	194,489
Deposits as on year end (PKR in Billion)	0.63	1.83	3.62	5.16
Number of Savers as on year end	14,683	80,623	108,326	327,128
Profit before taxation as on year end (PKR in Million)	37	148	338	286
Number of employees	884	1,033	1,247	1,429

Directors' Report - Year 2014

On behalf of the Board of Directors, I am pleased to present the 6th Annual report of your Bank with the audited Financial Statements and Auditors' Report thereon, for the year ended December 31, 2014.

Corporate Reporting Framework

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

- The financial statements prepared by the management of the Bank presents a true and fair view of the state of its affairs, operational results, cash flows and changes in equity.
- Proper books of accounts of the Bank have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements.
- The Bank has followed international accounting standards (as applicable in Pakistan) in preparation of accounts. Also there has been no departure from the said standards.
- As a continuous process, efforts have been made to effectively implement the internal control system.
- There are no doubts about the Bank's ability to continue as a going concern.
- The Board has functional Audit Committee comprising of non - executive members which has defined terms of reference. The Board has met five times during the financial year 2014.

Performance Review

Your Bank has served 226,165 borrowers during the year mostly in rural areas and has posted a profit before tax of PKR 286 million. Operational activity showed encouraging results, where net advances stood as high as PKR. 5.1 billion at financial year-end. Through loan disbursement, the Bank has processed 289,706 requests from poor masses with a volume of PKR 8.5 billion. In pursuance of the Bank's strategy of generating low cost funding for business growth and expansion, the Bank has focused on scaling up its deposit base to PKR 5.2 billion at the year end with a favorable growth of 43%.

The Bank has opted for non-payment of dividend during the year despite after-tax profit of PKR 198 million and retained earnings of PKR 414 million. The decision has been made to re-invest funds for future growth.

	2014 Rupees	2013 Rupees
Profit before taxation	285,731,671	337,671,517
Less: Taxation-Current	(83,216,262)	(88,421,427)
-Prior	9,888,165	-
-Deferred	(14,724,412)	(5,001,245)
Profit after taxation	197,679,162	244,248,845
Earnings per share	1.75	2.44

Transfer to reserves

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

Pattern of Shareholding

The Pattern of shareholding of the Bank as at December 31, 2014 as required under section 236 of the Companies Ordinance 1984 is as follows:

No of Shareholder(s)	From	To	Total Shares Held
5	1	150	600
4	23,837,201	77,999,400	149,836,601
			149,837,201

Categories of Shareholder

Particular	Number	Shares held	Percentage
Individual	5	600	0.0004%
Corporate entities	4	149,836,601	99.9996%

Shareholder holding above 10% of voting shares

Shareholders	Shares
National Rural Support Program (NRSP)	77,999,400
Acumen Fund USA	24,000,000
KfW Germany	23,837,201
International Finance Corporation – IFC	24,000,000
Total Shares	149,836,601

Capital Adequacy

As of December 31, 2014, the Bank's capital adequacy ratio (CAR) measure at 21.5% against the mandatory requirement of 15% under the Prudential Regulations (PR) for Microfinance Banks.

CSR

Corporate Social Responsibility

During the year, the Bank contributed towards CSR under welfare spending for underprivileged classes. Bank actively contributed towards its responsibility and trained the women of the poor localities for cloth and carpet weaving for female empowerment and growth of home industry. This contribution reflects the Bank's commitment towards poverty alleviation. During the current year, contribution towards CSR was to the tune of PKR 2,186,899.

Auditors

Statutory Auditors of the Bank, M/S Deloitte M. Yousaf Adil Saleem & Co, Chartered Accountants, Multan, have completed their assignment for the year ended December 31, 2014 and shall retire at the conclusion of the sixth Annual General Meeting. They 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, Multan, as Statutory Auditors of the Company for the FY-2015.

Appreciation and Acknowledgement

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



Chairman

Date: March 03, 2015

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of NRSP Microfinance Bank Limited (the Bank) as at December 31, 2014 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.
 - 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, 2011, in the manner so required and give a true and fair view of the state of the Bank's affairs as at December 31, 2014 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 03, 2015
Multan

BALANCE SHEET


AS AT DECEMBER 31, 2014

	Note	2014 Rupees	2013 Rupees Restated
ASSETS			
Cash and Balances with SBP and NBP	6	308,723,036	209,957,266
Balances with other Banks/NBFIs/MFBs	7	1,686,937,820	1,697,755,435
Lending to financial institutions		-	-
Investment- net of provisions	8	3,971,191,370	2,451,194,605
Advances-net of provision	9	5,125,177,047	4,790,356,242
Operating fixed assets	10	222,810,333	244,170,578
Other assets	11	473,049,174	376,376,569
Deferred tax asset - net	12	9,726,853	24,451,265
Total Assets		11,797,615,633	9,794,261,960
LIABILITIES			
Deposits and other accounts	13	5,159,809,714	3,618,714,041
Borrowings	14	4,204,216,370	4,457,250,000
Subordinated debts		-	-
Other liabilities	15	307,485,949	268,047,643
Deferred tax liability		-	-
Total Liabilities		9,671,512,033	8,344,011,684
Net Assets		2,126,103,600	1,450,250,276
REPRESENTED BY:			
Share capital	16	1,498,372,010	1,000,000,000
Statutory reserve	5.10	128,840,798	89,304,966
Depositor's protection fund	5.11	34,646,895	23,100,660
Accumulated profit		413,516,645	275,289,336
		2,075,376,348	1,387,694,962
Surplus on revaluation of assets	17	1,498,750	3,046,314
Deferred grants	18	49,228,502	59,509,000
Total capital		2,126,103,600	1,450,250,276
MEMORANDUM / OFF-BALANCE SHEET ITEMS	19		

The annexed notes 1 to 35 form an integral part of these financial statements.


PRESIDENT


CHAIRMAN


DIRECTOR


DIRECTOR

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2014

	Note	2014 Rupees	2013 Rupees Restated
Mark-up / Return / Interest earned	20	1,731,236,416	1,402,012,771
Mark-up / Return / Interest expensed	21	(793,087,433)	(617,777,563)
Net Mark-up / Interest Income		938,148,983	784,235,208
Provision against non-performing loans and advances	9.4	(53,672,400)	(58,707,102)
Provision for diminution in the value of investments		-	-
Bad debts written off directly	9.5	(8,558,847)	(6,814,448)
		(62,231,247)	(65,521,550)
Net Mark-up / Interest Income after provisions		875,917,736	718,713,658
NON MARK-UP / NON INTEREST INCOME			
Fee, Commission and Brokerage income	22	188,017,055	211,143,844
Dividend Income		-	-
Other Income	23	140,009,532	164,832,826
Total non-markup / non interest income		328,026,587	375,976,670
		1,203,944,323	1,094,690,328
NON MARK-UP / NON INTEREST EXPENSES			
Administrative expenses	24	(918,212,652)	(757,018,811)
Other charges		-	-
Total non-markup / non interest expense		(918,212,652)	(757,018,811)
		285,731,671	337,671,517
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		285,731,671	337,671,517
Taxation - Current	25	(83,216,262)	(88,421,427)
- Prior years		9,888,165	-
- Deferred		(14,724,412)	(5,001,245)
		(88,052,509)	(93,422,672)
PROFIT AFTER TAXATION		197,679,162	244,248,845
OTHER COMPREHENSIVE INCOME			
Items that will never be classified to profit and loss:			
-Re-measurement component - net actuarial loss	15.1 & 15.2	(10,032,063)	(16,035,056)
"Items that may be reclassified subsequently to profit or loss"		-	-
		(10,032,063)	(16,035,056)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		187,647,099	228,213,789
Accumulated profit brought forward		275,289,336	108,137,758
Accumulated profit		462,936,435	336,351,547
APPROPRIATIONS:			
Transfer to:			
Statutory reserve	5.10	39,535,832	48,849,769
Capital reserve		-	-
Depositors' Protection Fund	5.11	9,883,958	12,212,442
Contribution to MSDF/DPF/RMF		-	-
Revenue reserve		-	-
		49,419,790	61,062,211
ACCUMULATED PROFIT CARRIED FORWARD		413,516,645	275,289,336
Earnings per share-Basic and Diluted	26	1.75	2.44

The annexed notes 1 to 35 form an integral part of these financial statements.


PRESIDENT


CHAIRMAN


DIRECTOR


DIRECTOR


CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2014

	Note	2014 Rupees	2013 Rupees Restated
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		285,731,671	337,671,517
Less: Dividend income		-	-
Accounting gain on investment		(134,628,578)	(124,408,368)
		151,103,093	213,263,149
Adjustments for non-cash charges			
Depreciation		61,156,944	51,452,316
Amortization of intangible assets		35,956,504	35,324,030
Provision against non-performing advances		53,672,400	58,707,102
Provision for diminution in the value of investments		-	-
Amortization of deferred grant		(38,062,723)	(57,164,138)
Gain on sale of operating fixed assets		(611,073)	(213,778)
Advances written off		8,558,847	6,814,448
Finance charges on leased assets		1,055,247	-
Provision for gratuity and leave encashment		34,814,531	22,475,028
		156,540,677	117,395,008
Increase in operating assets			
Lending to financial institutions		-	-
Advances		(397,052,052)	(1,834,823,298)
Other assets		(96,672,605)	(225,328,156)
		(493,724,657)	(2,060,151,454)
Increase in operating liabilities			
Bills Payable		-	-
Borrowings from financial institutions		(253,033,630)	1,393,327,821
Deposits and other accounts		1,541,095,673	1,787,755,646
Other liabilities (excluding current taxation, gratuity and leave encashment, Finance lease)		23,923,932	32,989,884
		1,311,985,975	3,214,073,351
Payments against provisions held against off-balance sheet obligations			
Income tax paid		(94,855,884)	(20,351,608)
Gratuity and Leave encashment paid (including contributions)		(21,561,538)	(2,949,177)
Net cash flow from operating activities		1,009,487,666	1,461,279,269
CASH FLOW FROM INVESTING ACTIVITIES			
Net investment in available-for-sale securities		-	-
Net investment in held to maturity securities		(30,590,414)	(87,970,411)
Net investment in held for trading securities		(1,489,406,351)	(892,376,548)
Dividend income		-	-
Gain realized on investments		134,743,291	99,410,841
Investments in operating fixed assets		(60,935,025)	(89,746,495)
Sale proceeds of property and equipment disposed-off		2,463,095	2,258,630
Net cash flow from investing activities		(1,443,725,404)	(968,423,983)
CASH FLOW FROM FINANCING ACTIVITIES			
Payments of lease obligations		(3,968,342)	-
Issue of share capital		498,372,010	-
Grants received		27,782,225	36,944,818
Net cash flow from financing activities		522,185,893	36,944,818
Net increase in cash and cash equivalents		87,948,155	529,800,104
Cash and cash equivalents at beginning of the year		1,907,712,701	1,377,912,597
Cash and cash equivalents at end of the year		1,995,660,856	1,907,712,701

27

The annexed notes 1 to 35 form an integral part of these financial statements.


PRESIDENT


CHAIRMAN


DIRECTOR


DIRECTOR

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2014

	Capital reserves			Revenue reserves	
	Share capital	Statutory reserve	Depositors'	Accumulated profit / (loss)	Total
			protection fund		
Rupees.....				
Balance as at January 1, 2013	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
Issue of share capital	-	-	-	-	-
Balance as at December 31, 2013	1,000,000,000	89,304,966	23,100,660	275,289,336	1,387,694,962
Profit for the year	-	-	-	187,647,099	187,647,099
Transfer to statutory reserves	-	39,535,832	-	(39,535,832)	-
Transfer to depositors' protection fund					
- 5% of the profit after tax for the year	-	-	9,883,958	(9,883,958)	-
- return on investments - net of tax	-	-	1,662,277	-	1,662,277
	-	-	11,546,235	(9,883,958)	1,662,277
Issue of share capital	498,372,010	-	-	-	498,372,010
Balance as at December 31, 2014	1,498,372,010	128,840,798	34,646,895	413,516,645	2,075,376,348

The annexed notes 1 to 35 form an integral part of these financial statements.


 PRESIDENT


 CHAIRMAN


 DIRECTOR


 DIRECTOR



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

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 58 branches of the Bank as at December 31, 2014 (2013: 54 branches).

National Rural Support Programme (NRSP) is holding company of the Bank which holds 52.06% (2013: 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

- 3.1 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.

3.2 New accounting standards/amendments and IFRS interpretations that are effective for the year ended December 31, 2014:

The following standards, amendments and interpretations are effective for the year ended December 31, 2014. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company'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 36 Impairment of Assets - Recoverable amount disclosures for non-financial assets	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

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 banks's financial statements other than certain additional disclosures

Amendments to IAS 16 and IAS 38 Clarification of acceptable methods of depreciation and amortization	Effective from accounting period beginning on or after January 01, 2016
Amendments to IAS 16 and IAS 41 Agriculture: Bearer plants	Effective from accounting period beginning on or after January 01, 2016
Amendments to IAS 19 Employee Benefits: Employee contributions	Effective from accounting period beginning on or after January 01, 2016
IAS 27 (Revised 2011) – Separate Financial Statements	Effective from accounting period beginning on or after January 01, 2015. IAS 27 (Revised 2011) will concurrently apply with IFRS 10.
IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures	Effective from accounting period beginning on or after January 01, 2015
IFRS 10 – Consolidated Financial Statements	Effective from accounting period beginning on or after January 01, 2015. Earlier adoption is encouraged.
IFRS 11 – Joint Arrangements	Effective from accounting period beginning on or after January 01, 2015
IFRS 12 – Disclosure of Interests in Other Entities	Effective from accounting period beginning on or after January 01, 2015
IFRS 13 – Fair Value Measurement	Effective from accounting period beginning on or after January 01, 2015

Certain annual improvements have also been made to a number of IFRSs.



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 9 – Financial Instruments
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers

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 5.20.

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 in current and deposit accounts.

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.

Gain 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. Amortization is charged on acquisition and disposal based on number of months the assets are available for use. Full month amortization is charged in the month of acquisition while no amortization 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, 2014 using the projected unit credit method. Actuarial gains and losses arising due to changes in defined benefit obligations and in the fair value of plan assets are recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the statement of financial position to reflect the full value of plan deficit or Furthermore, the interest cost and expected return on plan assets is calculated by applying the discount rate to the net defined benefit liability or asset.

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 Earnings per share

The Bank presents earnings per share (EPS) for its ordinary shares which is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effect of all dilutive potential ordinary shares (if any).

5.10 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.

5.11 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.

5.12 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.



5.13 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.

5.14 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.

5.15 Leasing

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

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

Assets held under finance lease are initially recognised at fair value at the inception of lease or, if lower, at present value of minimum lease payments. The corresponding liability to the lesser is included in the statement of financial position as finance lease obligation. Lease payments are apportioned between finance expenses and reduction of lease obligation so as to achieve a constant rate of interest on the remaining balance of liability. Financial charges are immediately recognised in profit and loss .

5.16 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.

5.17 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.

5.18 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.

5.19 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.

5.20 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	2014 Rupees	2013 Rupees Restated
6 CASH AND BALANCES WITH SBP AND NBP			
Cash in hand		79,625,389	23,943,590
Balances with State Bank of Pakistan (SBP) in:			
Local currency current accounts	6.1	228,887,903	184,407,818
Balances with National Bank of Pakistan (NBP) in:			
Current account		209,744	1,605,858
Deposit account		-	-
		<u>308,723,036</u>	<u>209,957,266</u>

6.1 This represents balance maintained with SBP to meet the requirement of maintaining cash reserve equivalent to not less than 5% (2013: 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		24,843,667	17,265,074
Local currency deposit accounts	7.1	1,662,094,153	1,680,490,361
		<u>1,686,937,820</u>	<u>1,697,755,435</u>

7.1 This represents deposits with commercial banks payable on demand carrying mark-up at 7.92 % to 9.50% (2013: 7.50% to 9.50%) per annum. This also includes Term Deposit Receipts amounting to Rs. 838 million (2013: Rs 816 million) with local commercial banks carrying mark-up ranging from 9.09% to 10.17% (2013: 9.09% to 10.15%).

8 INVESTMENT- NET OF PROVISIONS

Federal Government securities - Held to Maturity

Pakistan Investment Bonds (PIBs)	8.1	409,710,961	203,674,859
Market Treasury Bills (T-Bills)	8.2	-	125,512,278
		<u>409,710,961</u>	<u>329,187,137</u>
Term finance certificates - Available for Sale	8.3	111,498,750	161,432,160
Mutual funds - Held for Trading		3,449,981,659	1,960,575,308
Less: Provision for diminution in value of investments		-	-
		<u>3,971,191,370</u>	<u>2,451,194,605</u>

8.1 These PIBs are held to maturity and due to be matured on July 18, 2016 and July 17, 2017. Further, these carries coupon rate of 11.25% per annum.

8.2 These T-Bills were held to maturity with yield Nil per annum as at December 31, 2014 (2013: 9.3%) as these have been settled in full during the year.

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% per annum (2013: 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.

9 ADVANCES-NET OF PROVISION

Loan type	Note	2014		2013	
		No. of loans outstanding	Amount outstanding	No. of loans outstanding	Amount outstanding
Micro Credit	9.1	194,489	5,192,071,349	171,718	4,845,000,279
Less: Provision held:					
Specific		3,501	(16,333,831)	1,310	(7,479,621)
General	9.2		(50,560,471)		(47,164,416)
			(66,894,302)		(54,644,037)
Advances - net of provision			5,125,177,047		4,790,356,242

9.1 All advances are secured by personal guarantees except for gold loans amounting to Rs. 119 million (2013: Rs. 121 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% (2013: 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. 51,108,954 (2013: Rs. 15,148,782) which as detailed below have been placed under non performing status:

Category of Classification	Amount Outstanding	Provision Required	Provision Held
OAEM	17,677,611	-	-
Sub-Standard	5,941,231	1,485,307	1,485,307
Doubtful	25,283,175	12,641,587	12,641,587
Loss	2,206,937	2,206,937	2,206,937
	51,108,954	16,333,831	16,333,831

9.4 Particulars of provision against non performing advances:

	2014			2013		
	Specific	General	Total	Specific	General	Total
Opening Balance	7,479,621	47,164,416	54,644,037	5,417,025	30,573,480	35,990,505
Charge for the year	50,276,345	3,396,055	53,672,400	42,116,166	16,590,936	58,707,102
Amounts written off	(41,422,135)	-	(41,422,135)	(40,053,570)	-	(40,053,570)
Reversals	-	-	-	-	-	-
Closing balance	16,333,831	50,560,471	66,894,302	7,479,621	47,164,416	54,644,037

9.5 Particulars of Write Offs

	2014 Rupees	2013 Rupees
Against provision	41,422,135	40,053,570
Directly charged to profit & loss account	8,558,847	6,814,448
	49,980,982	46,868,018

9.6 Movement of advance

	2014		2013	
	No. of loan	Amount	No. of loan	Amount
Opening balance	171,718	4,845,000,279	126,717	3,057,044,999
Disbursement during the year	289,706	8,450,966,191	345,431	9,974,011,673
	461,424	13,295,966,470	472,148	13,031,056,672
Recovery during the year	263,189	8,053,914,139	299,911	8,139,188,375
Loans written off	3,746	49,980,982	519	46,868,018
Closing	194,489	5,192,071,349	171,718	4,845,000,279

10 OPERATING FIXED ASSETS

	Note	2014 Rupees	2013 Rupees
Capital work-in-progress	10.1	15,475,513	4,793,000
Property and equipment	10.2	182,260,390	180,754,311
Intangible assets	10.3	25,074,430	58,623,267
		222,810,333	244,170,578

10.1 Capital work-in-progress

	Note	2014 Rupees	2013 Rupees
Civil works		15,475,513	4,793,000
		15,475,513	4,793,000

10.2 Property and equipment

Particulars	COST			DEPRECIATION			Net Book Value as at December 31, 2014	Rate of depreciation (%)
	As at January 01, 2014	Additions / (deletion) / revaluations	As at December 31, 2014	As at January 01, 2014	Charge / (deletion) / impairment	As at December 31, 2014		
Rupees								
Furniture and fixtures	73,073,429	17,668,479 (4,191)	90,737,717	10,736,775	8,396,169 (1,362)	19,131,582	71,606,135	10
Office equipment	59,723,547	10,148,237 (81,984)	69,789,800	17,372,554	12,809,073 (52,509)	30,129,118	39,660,682	20
Computer equipment	83,087,077	8,977,935	92,065,012	41,136,242	26,657,048	67,793,290	24,271,722	33.33
Vehicles	58,845,086	9,985,595 (3,003,911)	65,826,770	24,729,257	11,845,064 (1,184,193)	35,390,128	30,436,642	20
	274,729,139	46,780,246 (3,090,086)	318,419,299	93,974,828	59,707,354 (1,238,064)	152,444,118	165,975,181	
Asset held under finance lease								
Vehicles	-	17,734,799	17,734,799	-	1,449,590	1,449,590	16,285,209	20
Total Property and Equipment	274,729,139	64,515,045 (3,090,086)	336,154,098	93,974,828	61,156,944 (1,238,064)	153,893,708	182,260,390	

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		
Rupees								
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
	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	

10.2.1 The information relating to disposal of operating fixed assets is disclosed as Annexure-I which is an integral part of these financial statements.

10.3 Intangible assets

Particulars	COST			AMORTIZATION			Net Book Value as at December 31, 2014	Rate of depreciation (%)
	As at January 01, 2014	Additions /	As at December 31, 2014	As at January 01, 2014	Amortization	As at December 31, 2014		
Rupees								
Computer Software	111,742,078	2,407,667	114,149,745	53,118,811	35,956,504	89,075,315	25,074,430	33.33
	111,742,078	2,407,667	114,149,745	53,118,811	35,956,504	89,075,315	25,074,430	

Particulars	COST			AMORTIZATION			Net Book Value as at December 31, 2013	Rate of depreciation (%)
	As at January 01, 2013	Additions /	As at December 31, 2013	As at January 01, 2013	Amortization	As at 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
	103,805,474	7,936,604	111,742,078	17,794,781	35,324,030	53,118,811	58,623,267	

11 OTHER ASSETS	Note	2014 Rupees	2013 Rupees
Mark-up accrued on advances		324,840,912	256,764,660
Mark-up accrued on bank deposits		15,283,383	11,837,477
Accrued income on investment		2,755,275	3,840,000
Advances to employees			
- Personal	11.1	35,173,240	38,065,359
- Operational		1,783,154	1,591,903
Advances to suppliers		32,579,057	13,806,954
Prepayments		36,343,701	17,537,133
Advance tax		16,342,961	-
Receivable from National Rural Support Programme (NRSP)		259,878	15,583,893
Insurance receivable		5,164,570	9,250,656
Other receivables		2,523,043	8,098,534
		<u>473,049,174</u>	<u>376,376,569</u>

11.1 This represents interest bearing loans made to employees of the Bank carrying interest at the rate of 10% (2013: 10%) per annum. Further this also includes Rs. 27.815 million (2013: 32.355 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 5.00% per annum.

12 DEFERRED TAX ASSET - NET	2014 Rupees	2013 Rupees
Deferred debits arising in respect of		
Amortization allowance	610,086	-
Provision against advances	-	19,125,413
Grants	16,245,406	20,007,448
	<u>16,855,492</u>	<u>39,132,861</u>
Deferred credits arising in respect of		
Accelerated depreciation allowance	2,520,799	10,804,578
Leased assets	834,274	-
Amortization allowance	-	685,883
Un-realized capital gain	3,773,566	2,124,925
Revaluation surplus on investment	-	1,066,210
	<u>7,128,639</u>	<u>14,681,596</u>
	<u>9,726,853</u>	<u>24,451,265</u>

13 DEPOSITS AND OTHER ACCOUNTS

		2014		2013	
		No. of loan	Amount	No. of loan	Amount
Fixed Deposits	13.1	407	1,841,283,000	307	1,067,506,441
Saving Deposits	13.2	296,221	2,966,763,538	85,805	2,386,096,227
Current Deposits		30,500	351,763,176	22,214	165,111,373
		<u>327,128</u>	<u>5,159,809,714</u>	<u>108,326</u>	<u>3,618,714,041</u>

13.1 This represents term deposit receipts carrying interest rates ranging from 5% to 15.39% (2013: 5% to 13.75%) per annum.

13.2 This represents saving accounts carrying interest rates ranging from 6% to 8% (2013: 6% to 8%) per annum.

13.3 Particulars of Deposits by Ownership


		2014		2013	
		No. of loan	Amount	No. of loan	Amount
1) Individual depositors		327,035	3,551,771,212	108,101	2,614,558,232
2) Institutional depositors					
a) Corporation / firms etc		93	1,608,038,502	225	1,004,155,809
b) Banks & financial institutions		-	-	-	-
		<u>327,128</u>	<u>5,159,809,714</u>	<u>108,326</u>	<u>3,618,714,041</u>

14 BORROWINGS

		2014 Rupees	2013 Rupees
Borrowings from Banks/Financial Institutions in Pakistan	14.1	3,259,791,370	2,715,000,000
Borrowings from Banks/Financial Institutions outside Pakistan	14.2	794,425,000	542,250,000
Borrowings from Govt. of Pakistan		-	-
Borrowings from SBP		-	-
Others	14.3	150,000,000	1,200,000,000
		<u>4,204,216,370</u>	<u>4,457,250,000</u>

14.1 Borrowings from Banks/Financial Institutions (Secured)

		2014 Rupees	2013 Rupees
JS Bank Limited	14.1.1	250,000,000	350,000,000
JS Bank Limited (Tranche - I)	14.1.2	800,000,000	800,000,000
JS Bank Limited (Tranche - II)	14.1.3	800,000,000	800,000,000
JS Bank (Running Finance)	14.1.4	349,791,370	-
Standard Chartered Bank (Pakistan) Limited	14.1.5	-	325,000,000
Pak Oman Investment Company Limited	14.1.6	60,000,000	80,000,000
Pak Oman Investment (800 M Facility)	14.1.7	720,000,000	-
Askari Commercial Bank	14.1.8	280,000,000	360,000,000
		<u>3,259,791,370</u>	<u>2,715,000,000</u>



14.1.1 The purpose of this loan is to finance on-going business operations of the bank as permitted by its memorandum and articles of association. The loan of Rs. 500 million has been obtained from JS Bank Limited and secured against guarantee issued by the state bank of Pakistan in favour of the JS Bank Limited, securing 40% of the outstanding principal payable to JS Bank Limited as partial security for the obligations of the bank and a first hypothecation charge ranking parri passu with all prior charges on the present and future current assets of the bank with 25% and is repayable in ten equal semi annual installments of Rs. 50 million each commencing from June 06, 2012. This loan carries markup rate of 6 months KIBOR plus 2 percent per annum. The term of the loan is 5 years.

14.1.2 The purpose of this loan is to finance on-going business operations of the bank as permitted by its memorandum and articles of association. The loan of Rs. 800 million under Tranche 1 has been obtained from JS Bank Limited and secured against a demand promissory note, placement of deposit of Rs 500 million by Pakistan Poverty Alleviation Fund with the JS Bank Limited under the lien and a hypothecation charge on all the present and future current assets of the bank. The Principal amount of this loan is repayable at the end of the term. This loan carries markup rate at three months KIBOR plus 2 percent per annum. The term of the loan is 2 years commenced from February 20, 2013.

14.1.3 The purpose of this loan is to finance on-going business operations of the bank as permitted by its memorandum and articles of association. The loan of Rs. 800 million under Tranche II has been obtained from JS Bank Limited and secured against a demand promissory note, placement of deposit of Rs 500 million by Pakistan Poverty Alleviation Fund with the JS Bank Limited under the lien and a hypothecation charge on all the present and future current assets of the bank. The Principal amount of this loan is repayable at the end of the term. This loan carries markup rate at three months KIBOR plus 2 percent per annum. The term of the loan is 2 years commenced from August 23, 2013.

14.1.4 The purpose of this loan is to finance on-going business operations of the bank as permitted by its memorandum and articles of association. The loan of Rs. 350 million under running finance facility has been obtained from JS Bank Limited and secured against a demand promissory note and a first pari passu hypothecation charge on the present and future current assets of the bank with 25% margin. The principal amount is repayable at the end of the term. This carries markup at the rate of one month KIBOR plus 1.5 percent per annum. The term of the loan is one year commenced from December 30, 2014.

14.1.5 The purpose of this loan was to support advances growth plans per the micro finance credit guarantee facility. The loan of Rs. 650 million was obtained from Standard Chartered Bank Limited and was secured against security duly issued by the State Bank of Pakistan at 25 percent of the principal. The principal amount was repayable in four equal semiannual installments of Rs. 162.5 million. The loan carried markup at six month KIBOR plus 2 percent per annum. This loan is fully repaid during the year ended December 31, 2014.

14.1.6 The purpose of this loan is finance on-going operations of the bank as permitted by its memorandum and articles of association. The loan of Rs. 100 million has been obtained from Pak Oman Investment Company Limited and secured by a partial guarantee of 40% on outstanding principal amount provided by State Bank of Pakistan and a pari passu charge on present and future current assets of the bank with 25% margin. Principal amount is repayable in ten equal semi annual installments of Rs. 10 million and carries markup rate of six month KIBOR plus 2 percent per annum. The term of the loan is 5 years commenced from October 15, 2012 .

14.1.7 The purpose of this loan is to finance on-going business operations of the bank and related services operations. The loan of Rs. 800,000,000 has been obtained from Pak Oman Investment Company Limited and secured by a partial guarantee of 40% on outstanding principal amount provided by State Bank of Pakistan and a pari passu charge on present and future current assets of the bank with 25% margin. Principal amount is repayable in ten equal semiannual installments of Rs. 80 million and carries markup rate of six month KIBOR plus 1.85 percent. The term of this loan is 5 years commenced on April 16, 2014.

14.1.8 The purpose of this loan is to finance on-going operations of the bank as permitted by its memorandum and articles of association. The loan of Rs. 400 million has been obtained from Askari Bank Limited and secured against first pari passu charge on the present and future current assets of the bank with 25% margin and a partial guarantee of 40% is given by the State Bank of Pakistan on the principle outstanding. Principal amount is repayable in ten equal semiannual of Rs. 40 million and carries markup at the rate of six month KIBOR plus 2 percent per annum. The term of this loan is 5 years commenced from July 02, 2013.

	Note	2014 Rupees	2013 Rupees
14.2 Borrowings from Banks/Financial Institutions			
ECO Trade And Development Bank :			
First Tranche	14.2.1	542,250,000	542,250,000
Second Tranche	14.2.2	252,175,000	-
		<u>794,425,000</u>	<u>542,250,000</u>

14.2.1 This represents borrowings from ECO Trade and Development Bank of USD 5 million. This loan has grace period of two years and principal amount to be repaid in two equal semiannual installments of USD 2.5 million each commencing from June 07, 2016. The term of this loan is 3 years. The loan carries markup at the rate six month USD BBA LIBOR plus a spread of 2.5% per 360 days.

The bank has entered into a currency SWAP agreement with JS Bank Limited for the loan. Under this currency SWAP agreement USD 5 million were translated at the exchange rate of Rs. 108.45 (Rs. 542,250,000) and the loan will be repaid into equal installments of USD 2.5 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.

14.2.2 This represents borrowings from ECO Trade and Development Bank of USD 2.5 million. This loan has grace period of two years and principal amount to be repaid in two equal semiannual installments of USD 1.25 million each commencing from June 29, 2016. The term of this loan is 3 years. The loan carries markup at the rate six month USD BBA LIBOR plus a spread of 2.5% per 360 days.

The bank has entered into a currency SWAP agreement with JS Bank Limited for the loan. Under this currency SWAP agreement USD 2.5 million were translated at the exchange rate of Rs. 100.87 (Rs. 252,175,000) and the loan will be repaid into equal installments of USD 1.25 million, each to be made semi annually commencing from June 29, 2016. Further under this arrangement the interest is payable at the rate of six month KIBOR plus a spread of 2.09% per annum.

	Note	2014 Rupees	2013 Rupees
14.3 Others			
Pakistan Poverty Alleviation Fund (PPAF) 2	14.3.1	-	1,200,000,000
Pakistan Poverty Alleviation Fund (PPAF) 3	14.3.2	150,000,000	-
		<u>150,000,000</u>	<u>1,200,000,000</u>

14.3.1 This loan amounting Rs. 1,500 million was obtained from Pakistan Poverty Alleviation Fund (PPAF) solely for the purpose of on-lending micro credit to the borrowers. The loan was secured against first charge on all assets / capital items creating out of the proceeds of the loan. Principal amount was to be repaid in quarterly installments with a grace period of one year and carried markup at the rate of 6 month KIBOR plus 1.5 percent per annum (2013: 12.36%). The loan is fully repaid during the year ended on December 31, 2014.

14.3.2 This loan amounting of Rs. 150 million is obtained from Pakistan Poverty Alleviation Fund (PPAF) solely for the purpose of on-lending of micro credit to the borrowers. The loan is secured against first charge on all assets / capital items creating out of the proceeds of the loan. The loan carries markup at the rate of 6 month KIBOR plus 1.5 percent. The term of this loan is 2 years with a grace period of two years and the principal amount is paid at the end of the term.

	Note	2014 Rupees	2013 Rupees
15 OTHER LIABILITIES			
Mark up payable to financial institutions		75,487,347	84,400,857
Mark up payable on Deposits and Other accounts		67,405,979	18,144,075
Payable to defined benefit plan			
Staff gratuity	15.1	43,657,091	28,999,856
Accumulated compensated absences	15.2	31,150,291	22,522,470
Withholding tax payable		4,041,010	15,334,193
Income tax payable		-	37,870,748
Liability against finance lease of assets to staff		21,376,011	25,343,474
Obligation under finance lease	15.3	13,757,105	-
Accrued expenses		39,559,131	28,245,060
Payable to NRSP		2,133,015	1,309,344
Payable to Suppliers		8,696,286	5,035,114
Others		222,683	842,452
		<u>307,485,949</u>	<u>268,047,643</u>

	Note	2014 Rupees	2013 Rupees
15.1 Staff gratuity			
i) Amounts recognized in the balance sheet			
Present value of defined benefit obligations		75,834,651	43,953,400
Fair value of plan assets		(32,177,560)	(14,953,544)
Net liability		<u>43,657,091</u>	<u>28,999,856</u>
ii) Amounts recognized in the profit and loss account			
Current service cost		22,173,152	14,147,281
Interest cost		5,344,484	2,263,240
Expected return on plan assets		(2,918,961)	(1,437,033)
		<u>24,598,675</u>	<u>14,973,488</u>
iii) Remeasurements Chargeable in Other Comprehensive Income			
Experience adjustments		8,795,668	8,853,175
Return on plan assets, excluding interest income		694,945	(452,577)
		<u>9,490,613</u>	<u>8,400,598</u>
iv) Changes in present value of defined benefit obligation			
Opening defined benefit obligation		43,953,400	20,574,912
Current service cost		22,173,152	14,147,281
Interest cost for the year		5,344,484	2,263,240
Benefits paid during the period/ year		(4,432,053)	(1,885,208)
Actuarial loss		8,795,668	8,853,175
Closing defined benefit obligation		<u>75,834,651</u>	<u>43,953,400</u>
v) Changes in fair value of plan assets			
Opening fair value of plan asset		14,953,544	13,063,934
Total contribution paid during the year		19,432,053	1,885,208
Expected return on plan assets for the year		2,918,961	1,437,033
Benefits paid during the year		(4,432,053)	(1,885,208)
Actuarial gain		(694,945)	452,577
Closing fair value of plan assets		<u>32,177,560</u>	<u>14,953,544</u>
vi) Changes in net liability as follows:			
Opening defined benefit obligation		28,999,856	7,510,978
Amounts recognized in the profit and loss account		24,598,675	14,973,488
Remeasurements chargeable in other comprehensive Income		9,490,613	8,400,598
Benefits paid during the year		(19,432,053)	(1,885,208)
		<u>43,657,091</u>	<u>28,999,856</u>

vii) Significant actuarial assumptions were as follows:

Discount rate - per annum	11.25%	13.00%
Expected return on plan assets - per annum	11.25%	13.00%
Expected rate of increase in salaries - per annum	10.25%	12.00%
Mortality rate	SLIC 2001- 2005	SLIC 2001- 2005
Average expected remaining working life of employees	9 years	10 years

viii) Amounts for current and previous year

Present value of defined benefit obligations	75,834,651	43,953,400
Fair value of plan assets	(32,177,560)	(14,953,544)
Deficit	<u>43,657,091</u>	<u>28,999,856</u>

	2014 Rupees	2013 Rupees
--	----------------	----------------

15.2 Accumulated compensated absences

i) Present value of accumulated compensated absence	31,150,291	22,522,470
Fair value of plan assets	-	-
Net liability	<u>31,150,291</u>	<u>22,522,470</u>

ii) Amounts recognized in the profit and loss account

Current service cost	7,426,351	6,571,991
Interest cost	2,789,505	929,549
	<u>10,215,856</u>	<u>7,501,540</u>

iii) Remeasurements Chargeable in Other Comprehensive Income

Experience adjustments	541,450	7,634,458
Return on plan assets, excluding interest income	-	-
	<u>541,450</u>	<u>7,634,458</u>

iv) Changes in present value of defined benefit obligation

Opening defined benefit obligation	22,522,470	8,450,441
Current service cost for the year	7,426,351	6,571,991
Interest cost for the year	2,789,505	929,549
Benefits paid during the period/ year	(2,129,485)	(1,063,969)
Actuarial (gain) / loss	541,450	7,634,458
Closing defined benefit obligation	<u>31,150,291</u>	<u>22,522,470</u>

v) Significant actuarial assumptions were as follows:

Discount rate - per annum	11.25%	13.00%
Expected return on plan assets - per annum	11.25%	13.00%
Expected rate of increase in salaries - per annum	10.25%	12.00%
Mortality rate	SLIC 2001- 2005	SLIC 2001- 2005
Average expected remaining working life of employees	10 years	11 years
Average number of leaves accumulated - per annum	10 days	10 days

	Note	2014 Rupees	2013 Rupees
v) Amounts for current and previous year			
Present value of defined benefit obligations		31,150,291	22,522,470
Fair value of plan assets		-	-
Deficit		<u>31,150,291</u>	<u>22,522,470</u>
15.3 OBLIGATION UNDER FINANCE LEASE		2014 Rupees	2013 Rupees
15.3.1 Finance lease liabilities			
Minimum lease payments:			
Not later than one year		4,203,887	-
Later than one year but not later than five years		14,688,273	-
		<u>18,892,160</u>	<u>-</u>
Less: Finance cost allocated to future period		5,135,055	-
		<u>13,757,105</u>	<u>-</u>
Present value of minimum lease payments			
Not later than one year		2,336,756	-
Later than one year but not later than five years		11,420,349	-
		<u>13,757,105</u>	<u>-</u>

15.3.2 Leasing arrangements

The bank leased certain of its vehicles under finance leases. The average lease term is 5 years (2013: nil). The bank has option to purchase the vehicles for a nominal amount at the end of the lease term. The bank's obligations under finance leases are secured by the lessors's title to the leased assets.

Interest rates underlying all obligations under finance leases are fixed at Kibor plus 4.5% (2013: Nil) per annum.

16 SHARE CAPITAL

16.1 Authorized Capital

2014 (Number of shares)	2013 (Number of shares)		2014 (Rupees)	2013 (Rupees)
<u>300,000,000</u>	<u>300,000,000</u>	Ordinary shares of Rs. 10 each	<u>3,000,000,000</u>	<u>3,000,000,000</u>

16.2 Issued, subscribed and paid-up capital

2014 (Number of shares)	2013 (Number of shares)		2014 (Rupees)	2013 (Rupees)
<u>149,837,201</u>	<u>100,000,000</u>	Ordinary shares of Rs. 10 each fully paid in cash	<u>1,498,372,010</u>	<u>1,000,000,000</u>

16.2.1 The shareholders of the Bank are as follows:

2014	2013		2014	2013
(Number of shares)			(Rupees)	
77,999,400	51,999,600	NRSP Pakistan	779,994,000	519,996,000
23,837,201	16,000,000	KFW Germany	238,372,010	160,000,000
24,000,000	16,000,000	Acumen Fund USA	240,000,000	160,000,000
24,000,000	16,000,000	IFC	240,000,000	160,000,000
150	100	Mr. Shoaib Sultan	1,500	1,000
150	100	Mr. Fazalullah Qureshi	1,500	1,000
150	100	Dr. Rashid Bajwa	1,500	1,000
75	50	Mr. Aziz Raj Kot Wala	750	500
75	50	Mr. Rashid Khan	750	500
<u>149,837,201</u>	<u>100,000,000</u>		<u>1,498,372,010</u>	<u>1,000,000,000</u>

	Note	2014 Rupees	2013 Rupees
17 SURPLUS ON REVALUATION OF ASSETS			
Surplus on revaluation of fixed assets		-	-
Surplus on revaluation of securities			
i) Federal and Provincial Government securities		-	1,614,154
ii) Quoted shares		-	-
iii) Other securities		1,498,750	1,432,160
		<u>1,498,750</u>	<u>3,046,314</u>
		<u>1,498,750</u>	<u>3,046,314</u>

	Note	2014 Rupees	2013 Rupees
18 DEFERRED GRANTS			
Opening balance		59,509,000	79,728,320
Grant received from:			
State Bank of Pakistan	18.1	4,100,000	36,944,818
Pakistan Poverty Alleviation Fund	18.2	23,682,225	-
Interest income		-	-
Amortization of grant during the year		<u>(38,062,723)</u>	<u>(57,164,138)</u>
		<u>49,228,502</u>	<u>59,509,000</u>

18.1 This represents grant received from State Bank of Pakistan (SBP) under the Financial Innovation Challenge Fund (FICF) (2013: Institutional Strengthening Fund) for activities related to establishment of Islamic Banking .

18.2 This represents grant received from Pakistan Poverty Allevation Fund (PPAF) for facilitating farmers in selling their agriculture products to main market.

19 MEMORANDUM / OFF BALANCE SHEET ITEMS

There are no known commitments and contingent liabilities at year end (2013: Nil).

	Note	2014 Rupees	2013 Rupees
20 MARK-UP / RETURN / INTEREST EARNED			
Mark-up / interest income on advances		1,603,278,052	1,308,914,851
Mark-up / interest income on investment in Government securities		41,525,736	26,896,857
Mark-up / interest income on bank deposits		69,599,961	66,201,063
Others		16,832,667	-
		<u>1,731,236,416</u>	<u>1,402,012,771</u>
21 MARK-UP / RETURN / INTEREST EXPENSED			
Markup on Deposits		303,004,117	186,111,033
Loan Processing Fee		9,126,100	15,184,000
Interest on borrowings		480,957,216	416,482,530
		<u>793,087,433</u>	<u>617,777,563</u>
22 FEE, COMMISSION AND BROKERAGE INCOME			
Loan Processing Fee		180,693,995	208,709,451
Other Transaction processing fee		7,323,060	2,434,393
Collection Service income		-	-
		<u>188,017,055</u>	<u>211,143,844</u>
23 OTHER INCOME			
Amortization of Deferred Grant	18	38,062,723	57,164,138
Other Services Incomes		7,888,289	9,943,399
Gain on disposal of operating fixed assets		611,073	213,778
Investment Income		93,102,842	97,511,511
Other Income		344,605	-
		<u>140,009,532</u>	<u>164,832,826</u>

	Note	2014 Rupees	2013 Rupees
24. ADMINISTRATIVE EXPENSES			
Staff salaries and benefits		472,417,848	360,869,911
Non-executive directors expense		1,844,044	1,948,278
Training		3,536,116	25,333,940
Legal and professional charges		18,676,760	15,219,603
Communication		36,859,608	30,777,924
Repair and maintenance		3,810,660	4,733,682
Stationary and printing		17,836,083	10,406,685
Advertisement and publicity		2,855,558	2,077,306
Depreciation	10.2	61,156,944	51,452,316
Amortization	10.3	35,956,504	35,324,030
Staff travel		16,101,598	16,361,232
Fuel charges		66,248,887	54,843,616
Vehicle running and maintenance		18,800,649	14,363,757
Office supplies		4,591,799	3,819,826
Meetings and conferences		5,049,645	3,591,140
Utilities		21,874,844	17,325,994
Rent expenses		38,914,600	31,661,356
Corporate Social Responsibility		2,186,899	2,346,560
Insurance expenses		31,819,143	24,387,373
Security and administration		29,721,236	22,440,989
Auditor's remuneration	24.1	2,044,825	1,265,456
Flex Cube Maintenance Fee		18,353,232	18,156,455
Miscellaneous expenses		6,499,923	8,311,382
Finance charges on leased assets		1,055,247	-
		<u>918,212,652</u>	<u>757,018,811</u>

	Note	2014 Rupees	2013 Rupees
24.1 Auditors' Remuneration			
Audit fee		540,000	450,000
Fee for review of financial statements		480,000	400,000
Fee for special certification and advisory services		550,000	125,000
Out-of-pocket expenses		474,825	290,456
		<u>2,044,825</u>	<u>1,265,456</u>

	2014 Rupees	2013 Rupees Restated
25 TAXATION		
25.1 For the year		
Current	83,216,262	88,421,427
Deferred	14,724,412	5,001,245
	97,940,674	93,422,672
For prior year		
Current	(9,888,165)	-
Deferred	-	-
	(9,888,165)	-
	<u>88,052,509</u>	<u>93,422,672</u>
25.2 Relationship between tax expense and accounting profit:		
	%age	%age
Applicable tax rate	33.00	34.00
Tax effect of:		
Temporary differences	5.98	(6.95)
Tax relating to prior years	(3.46)	-
Income charged at different rate of taxes	(6.69)	1.38
Tax exemption on account of tax holiday	-	-
Others	1.99	-
Average effective tax rate	<u>30.82</u>	<u>28.43</u>
26 EARNINGS PER SHARE		
Profit for the year (Rupees)	197,679,162	244,248,845
Weighted average ordinary shares (Numbers)	112,894,453	100,000,000
Basic and diluted earning per share (Rupees)	<u>1.75</u>	<u>2.44</u>
27 CASH AND CASH EQUIVALENTS		
Cash and balances with SBP and NBP	308,723,036	209,957,266
Balances with other Banks / NBFIs / MFBs	1,686,937,820	1,697,755,435
	<u>1,995,660,856</u>	<u>1,907,712,701</u>

28 NUMBER OF EMPLOYEES

For the year ended December 31, 2014

	Credit / sales staff	Banking / support staff	Total
	Number		
Permanent	611	567	1,178
Contractual	127	124	251
Total	738	691	1,429

For the year ended December 31, 2013

	Credit / sales staff	Banking / support staff	Total
	Number		
Permanent	496	473	969
Contractual	128	150	278
Total	624	623	1,247

29 NUMBER OF BRANCHES

As at beginning of the year

Opened during the year

As at end of the year

	2014	2013
	Number	
	54	39
	4	15
	58	54

30 REMUNERATION OF DIRECTORS AND EXECUTIVES

For the year ended December 31, 2014

	President	Directors	Executives
	(Rupees)		
Managerial remuneration	5,018,184	-	32,287,268
Other benefits	-	-	842,867
Provident fund contribution	501,817	-	3,042,747
Charge for defined benefit plan	681,000	-	4,364,612
Rent and house maintenance	2,258,184	-	14,529,285
Medical	173,045	-	494,000
Utilities	501,816	-	3,228,626
Conveyance	501,816	-	3,228,830
Leave encashment	675,000	-	4,178,612
Bonus / Incentive	-	-	405,523
	10,310,862	-	66,602,370
Number of persons	1	-	34

	President	Directors	Executives
For the year ended December 31, 2013	(Rupees)		
Managerial 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
	<u>8,379,172</u>	<u>-</u>	<u>57,973,238</u>
Number of persons	<u>1</u>	<u>-</u>	<u>48</u>

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.

		2014 Rupees	2013 Rupees
Transactions with shareholders during the year			
Corporate social Responsibility	Project of NRSP	2,186,899	2,346,560
Purchases from Rohil Hand Loom	Project of NRSP	1,410,755	341,250
Funds Placement by (NRSP PF Trust)	NRSP Employee's Trust	200,000,050	-
Repayment to (PF Trust)		100,002,307	-
Profit Paid to (PF Trust)		22,564	-
Funds Placement by (NRSP MFBL PF Trust)	Employee's Trust	111,852,307	27,178,864
Repayment to (PF Trust)		83,830,799	4,180,689
Profit Paid to (PF Trust)		12,360,260	7,306,011
Funds Placement (Zahoor Hussain Khan)	Chief Executive Officer / President	1,000,000	-
Funds Placement			
(GHAZI BAROTHA TARAQIATI IDARA)	Common Directorship	160,000,000	-
Repayment to (GHAZI BAROTHA TARAQIATI IDARA)		80,000,315	-
Profit Paid to (GHAZI BAROTHA TARAQIATI IDARA)		3,147	-

		2014 Rupees	2013 Rupees
Funds Placement			
(INSTITUTE OF RURAL MANAGEMENT)	Parent's Subsidiary	1,210,911,058	-
Repayment to (INSTITUTE OF RURAL MANAGEMENT)		1,002,176,576	-
Profit Paid to (INSTITUTE OF RURAL MANAGEMENT)		189,405	-
Payment of rent to NRSP including advances	Parent Organisation	3,625,000	3,480,000
Contributions to gratuity fund	Employee's Trust	19,432,053	1,885,208
Contributions to provident fund	Employee's Trust	39,585,274	27,178,864
Funds Placement by (Gratuity Fund)	Employee's Trust	15,372,293	-
Repayment to (Gratuity Fund)		1,180,651	152,415
Profit Paid to (Gratuity Fund)		3,319,518	2,042,025
Funds Placement by (RSPN)	Common Directorship	1,300,000,000	608,518,388
Repayment to (RSPN)		1,277,105,302	461,776,937
Profit Paid to (RSPN)		23,194,827	24,864,923
Funds Placement (SRSO)	Common Directorship	1,216,251,184	1,439,186,152
Repayment to (SRSO)		1,189,913,904	1,158,238,782
Profit Paid to (SRSO)		72,004,613	26,498,496
Funds Placement (Employee Welfare Trust)	Employee's Trust	6,315,767	3,002,260
Repayment to (Employee Welfare Trust)		3,587,109	996,377
Profit Paid to (Employee Welfare Trust)		1,448,422	825,503
NRSP Natural Resource Management	NRSP Project	837,625	1,118,714
Repayment to (NRSP Natural Resource Management)		921,321	847,447
Profit Paid to (NRSP Natural Resource Management)		18,929	4,927
Funds Placement (Rohi Hand loom)	NRSP Project	2,802,175	3,631,209
Repayment to (Rohi Hand Loom)		2,914,714	3,636,671
Profit Paid to (Rohi Hand Loom)		3,689	5,955
Funds Placement (SRSO UC BPRP ENTERPRISE)	Common Directorship	1,074,693	2,256,824
Repayment to (SRSO UC BPRP ENTERPRISE)		29,163	13,971
Profit Paid to (SRSO UC BPRP ENTERPRISE)		291,119	139,248

		2014 Rupees	2013 Rupees
Funds Placement			
(NRSP EMPLOYEES HOUSING COLONY)	Employee's Trust	198,798	212,100
Repayment to (NRSP EMPLOYEES HOUSING COLONY)		354,761	1,036,065
Profit Paid to (NRSP EMPLOYEES HOUSING COLONY)		17,507	55,796
Balances outstanding at the year end:			
Receivable from NRSP		259,878	15,468,738
Payable to NRSP		2,133,015	1,022,372
Institutional Deposits (RSPN)		350,195,899	304,106,374
Institutional Deposits (SRSO)		609,867,533	511,525,741
Institutional Deposits (AJKRSP)		-	91,482,471
Institutional Deposits (Employee Welfare Trust)		14,502,864	10,325,784
Institutional Deposits (Gratuity Fund Trust)		32,464,704	14,953,544
Institutional Deposits (PF Trust)		-	62,155,865
Institutional Deposits NRSP Natural Resource Management		214,473	279,240
Institutional Deposits Rohi Hand loom		1,660	110,510
Institutional Deposits PAK Rural Support Programme		-	989
Institutional Deposits SRSO UC BPRP ENTERPRISE		4,541,546	3,204,900
Institutional Deposits (NRSP PF Trust)		100,020,307	-
Institutional Deposits (NRSP MFBL PF Trust)		100,971,682	-
Institutional Deposits NRSP Housing colony		46,867	197,851
Zahoor Hussain Khan		1,000,000	-
Institutional Deposits (GHAZI BAROTHA TARAQIATI IDARA)		80,002,832	-
Institutional Deposits (INSTITUTE OF RURAL MANAGEMENT)		208,923,887	-

32 SCHEDULE OF MATURITY OF MARKET RATE ASSETS AND LIABILITIES AS AT DECEMBER 31, 2014

	Total	Upto one month	Over one month upto six months	Over six months upto one year	Over one year
	(Rupees)				
Market rate assets					
Advances-net of provision	5,125,177,047	210,443,973	1,038,490,410	2,001,968,972	1,874,273,692
Investment- net of provisions	3,971,191,370	3,464,981,659	15,000,000	40,000,000	451,209,711
Balances with other Banks - deposit accounts	1,662,094,153	1,662,094,153	-	-	-
Total market rate assets	10,758,462,570	5,337,519,785	1,053,490,410	2,041,968,972	2,325,483,403
Other non-earning assets					
Cash and balances with SBP	308,723,036	79,835,133	-	-	228,887,903
Balances with other Banks - current accounts	24,843,667	24,843,667	-	-	-
Operating fixed assets	222,810,333	-	-	-	222,810,333
Other assets	473,049,174	122,017,469	72,428,309	126,493,051	152,110,345
Deferred tax asset	9,726,853	-	-	9,726,853	-
Total non-earning assets	1,039,153,063	226,696,269	72,428,309	136,219,904	603,808,581
Total assets	11,797,615,633	5,564,216,054	1,125,918,719	2,178,188,876	2,929,291,984
Market rate liabilities					
Deposits	5,159,809,714	3,989,989,714	492,437,000	283,502,000	393,881,000
Borrowings	4,204,216,370	389,791,370	940,000,000	1,130,000,000	1,744,425,000
Total market rate liabilities	9,364,026,084	4,379,781,084	1,432,437,000	1,413,502,000	2,138,306,000
Other non-cost bearing liabilities					
Other liabilities	307,485,949	166,258,790	47,005,913	-	94,221,246
Total non-cost bearing liabilities	307,485,949	166,258,790	47,005,913	-	94,221,246
Total liabilities	9,671,512,033	4,546,039,874	1,479,442,913	1,413,502,000	2,232,527,246
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)				
Market rate assets					
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
Balances with other Banks - deposit accounts	1,697,755,435	1,525,755,435	172,000,000.00	-	-
Total market rate assets	8,939,306,282	3,653,922,310	786,133,738	2,289,816,645	2,209,433,589
Other non-earning assets					
Cash and balances with SBP and NBP	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	376,376,569	23,762,530	102,385,585	115,313,266	134,915,188
Deferred tax asset - net	24,451,265	-	-	24,451,265	-
Total non-earning assets	872,220,752	250,984,870	102,385,585	139,764,531	379,085,766
Total assets	9,811,527,034	3,904,907,180	888,519,323	2,429,581,176	2,588,519,355
Market rate liabilities					
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
Total market rate liabilities	8,075,964,041	3,026,627,600	985,253,441	551,954,000	3,512,129,000
Other non-cost bearing liabilities					
Other liabilities	268,047,643	104,841,542	82,755,245	2,884,328	77,566,528
Total non-cost bearing liabilities	268,047,643	104,841,542	82,755,245	2,884,328	77,566,528
Total liabilities	8,344,011,684	3,131,469,142	1,068,008,686	554,838,328	3,589,695,528

33 CAPITAL MANAGEMENT

The Bank's objectives when managing its capital are:

- To comply with the capital requirements set by the SBP;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- 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. 1.49 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 No.1 of the Regulations which states that the Bank shall maintain capital equivalent to at least 15% of its risk-weighted assets. As at December 31, 2014, the Bank's net equity and Capital Adequacy Ratio stood at Rs. 2,120,399,962 (2013: Rs. 1,450,250,276) and 21% (2013: 17%) respectively as against the minimum requirement of Rs. 1,000,000,000 and 15% prescribed by SBP.

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.

34 DATE OF APPROVAL

These financial statements were approved by the Board of Directors of the Bank in their meeting held on March 03, 2015.

35 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
Insurance Payable	Prepayments	For better presentation	9,753,442



PRESIDENT



CHAIRMAN



DIRECTOR



DIRECTOR

Details of disposal of operating fixed assets
December 31, 2014

Particulars	Cost	Book Value	Sale Price	Profit	Mode of Disposal	Particulars of Purchaser
	(Rupees)					
Vehicles:						
125 CC - Bike (Reg # BRJ-6238, Eng # 3013774, Chassis # D 08926)	48,088	18,434	28,100	9,666	Assets Auction	Syed Azeem Ahmed
125 CC - Bike (Reg # BRJ-6329, Eng # 3021883, Chassis # D 16383)	28,184	10,804	24,786	13,982	Assets Auction	Hashim Bhatti
125 CC - Bike (Reg # BRK-2151, Eng # 3208773, Chassis # H 98094)	35,507	13,611	25,000	11,389	Assets Auction	Bashir Ahmed Abid
125 CC - Bike (Reg # BRK-2573, Eng # 3053640, Chassis # D-46824)	44,214	16,949	27,000	10,051	Assets Auction	Syed Azeem Ahmed
125 CC - Bike (Reg # BRK-3308, Eng # 3211115, Chassis # S 00432)	27,500	10,542	28,000	17,458	Assets Auction	Bashir Ahmed Abid
125 CC - Bike (Reg # BRK-3721, Eng # 3231541, Chassis # S 20478)	41,790	14,627	33,786	19,160	Assets Auction	Muhammad Farid Qazi
125 CC - Bike (Reg # BRK-3735, Eng # 3231487, Chassis # S 20618)	46,789	16,376	33,786	17,410	Assets Auction	Muhammad Farid Qazi
125 CC - Bike (Reg # BRK-07-4928, Eng # 3218790, Chassis # S 08119)	45,351	17,385	24,000	6,616	Assets Auction	Hashim Bhatti
125 CC - Bike (Reg # BRK-08-4928, Eng # 3236970, Chassis # S 25910)	47,851	18,343	29,000	10,657	Assets Auction	Hashim Bhatti
125 CC - Bike (Reg # BRK-5642, Eng # 3245449, Chassis # S 34167)	31,201	11,960	28,500	16,540	Assets Auction	Muhammad Habib
125 CC - Bike (Reg # BRK-5974, Eng # 3225490, Chassis # S 14630)	22,500	8,625	26,000	17,375	Assets Auction	Syed Azeem Ahmed
125 CC - Bike (Reg # BRK-6052, Eng # 3248975, Chassis # S 37506)	25,000	9,583	26,501	16,918	Assets Auction	Bashir Ahmed Abid
125 CC - Bike (Reg # BRK-6057, Eng # 3249228, Chassis # S 37814)	36,135	13,852	26,000	12,148	Assets Auction	Syed Azeem Ahmed
125 CC - Bike (Reg # BRK-7487, Eng # 3256331, Chassis # S 44704)	46,312	17,753	25,000	7,247	Assets Auction	Wajid Shiekh
125 CC - Bike (Reg # BRK-7490, Eng # 3256453, Chassis # S 44792)	44,200	16,943	26,500	9,557	Assets Auction	Yasir Nazakat
125 CC - Bike (Reg # BRL-08-1179, Eng # 6268213, Chassis # S 56195)	47,571	18,236	26,200	7,965	Assets Auction	Kaifal Mehmood
125 CC - Bike (Reg # BRL-3769, Eng # 3380908, Chassis # S 68747)	40,588	15,559	24,501	8,942	Assets Auction	Muhammad Shahid Javaid
125 CC - Bike (Reg # BRL-3770, Eng # 3280891, Chassis # S 68730)	36,519	13,999	31,500	17,501	Assets Auction	Bashir Ahmed Abid
125 CC - Bike (Reg # BRM-1492, Eng # 3124063, Chassis # H 14660)	30,000	11,500	25,786	14,286	Assets Auction	Yasir Nazakat
125 CC - Bike (Reg # BRM-5640, Eng # 7009121, Chassis # BJ 009113)	41,824	16,032	36,788	20,756	Assets Auction	Yasir Nazakat
125 CC - Bike (Reg # BRN-07-3010, Eng # 3162174, Chassis # H 51823)	35,885	13,756	29,000	15,244	Assets Auction	Sana Ullah
125 CC - Bike (Reg # BRN-7918, Eng # 3179043, Chassis # H 68982)	45,293	17,362	27,788	10,426	Assets Auction	Yasir Nazakat
125 CC - Bike (Reg # BRO-2702, Eng # 3187350, Chassis # H 76879)	32,563	11,397	33,786	22,389	Assets Auction	Muhammad Farid Qazi
125 CC - Bike (Reg # BRO-2716, Eng # 3187405, Chassis # H 76936)	31,146	11,939	26,786	14,847	Assets Auction	Muhammad Saqib
125 CC - Bike (Reg # BRO-2734, Eng # 6187329, Chassis # H 76859)	39,452	15,123	27,100	11,977	Assets Auction	Hashim Bhatti
125 CC - Bike (Reg # HDQ-5559, Eng # 2637735, Chassis # AG-323009)	30,939	10,829	27,786	16,957	Assets Auction	Muhammad Farid Qazi
125 CC - Bike (Reg # HDS-9749, Eng # 3061123, Chassis # D-54086)	38,403	13,441	25,786	12,345	Assets Auction	Muhammad Farid Qazi
125 CC - Bike (Delux) (Reg # BRM-3278, Eng # 7007749, Chassis # BJ-007779)	49,214	18,866	29,200	10,335	Assets Auction	Yasir Nazakat
125 CC - Bike (Delux) (Reg # BRM-3293, Eng # 7008252, Chassis # BJ 008379)	42,390	16,250	37,100	20,851	Assets Auction	Yasir Nazakat
125 CC - Bike (Delux) (Reg # BRM-6358, Eng # 7010191, Chassis # BJ-010112)	37,037	14,198	25,700	11,502	Assets Auction	Shoukat Ali
125 CC - Bike (Delux) (Reg # BRM-8846, Eng # 7010074, Chassis # BJ 010020)	42,941	16,461	27,860	11,399	Assets Auction	Yasir Nazakat
125 CC - Bike (Delux) (Reg # BRM-9185, Eng # 7010980, Chassis # BJ 010876)	42,851	16,426	27,600	11,174	Assets Auction	Yasir Nazakat
70 CC - Bike (Reg # BRK-5046, Eng # 2669285, Chassis # AE 505453)	30,396	10,639	29,786	19,147	Assets Auction	Muhammad Farid Qazi
70 CC - Bike (Reg # HDQ-3281, Eng # 1866991, Chassis # AC 503513)	15,001	5,250	18,111	12,861	Assets Auction	Muhammad Farid Qazi
70 CC - Bike (Reg # HDQ-3285, Eng # 1866942, Chassis # AE 503479)	27,501	9,625	17,786	8,161	Assets Auction	Muhammad Farid Qazi
70 CC - Bike (Reg # HDS-8901, Eng # 1951972, Chassis # AE 697620)	15,001	5,250	26,111	20,861	Assets Auction	Muhammad Farid Qazi
70 CC - Bike (Reg # HDS-8908, Eng # 1951948, Chassis # AE 697569)	22,500	7,875	24,786	16,911	Assets Auction	Muhammad Farid Qazi
70 CC - Bike (Reg # HDX-5556, Eng # 2637692, Chassis # AG 322947)	31,129	10,895	30,786	19,891	Assets Auction	Muhammad Farid Qazi
1299 CC - XLI (Reg # BR-13-173, Eng # Y672099, Chassis # NZE140-2156324)	1,627,145	1,303,025	1,377,500	74,475	Insurance Claim	Adamjee Insurance Claim
	3,003,911	1,819,720	2,427,092	607,377		

Particulars	Cost	Book Value	Sale Price	Profit	Mode of Disposal	Particulars of Purchaser
Office Equipment:						
Air Condition LG 2.0 ton	51,955	18,184	20,000	1,816	Assets Auction	Muhammad Younis
Refrigerator (Pel)	12,571	4,819	6,000	1,181	Assets Auction	Bashir Ahmed Abid
Refrigerator Dawlance	10,845	4,157	4,500	343	Assets Auction	Bashir Ahmed Abid
FAX MACHINE (PANASONIC)	6,613	2,314	2,500	186	Assets Auction	Muhammad Younis
	<u>81,984</u>	<u>29,475</u>	<u>33,000</u>	<u>3,525</u>		
Furniture & Fixture:						
Single Bed	4,191	2,829	3,000	171	Assets Auction	Muhammad Younis
	<u>4,191</u>	<u>2,829</u>	<u>3,000</u>	<u>171</u>		
Total	<u>3,090,086</u>	<u>1,852,024</u>	<u>2,463,092</u>	<u>611,073</u>		



Head Office: Islamia University New Campus Road,
Bahawalpur - 63100, Pakistan.
Ph: (+92-62) 2285126, Fax: (+92-62) 2280051

UAN: 062-111-011-011
Email: info@nrspbank.com
Web: www.nrspbank.com