

**NRSP MICROFINANCE BANK LIMITED**  
**BALANCE SHEET (UN-AUDITED)**  
**AS AT SEPTEMBER 30th, 2012**

	<i>Notes</i>	<b>Sep-12 Rupees</b>
<b>ASSETS</b>		
Cash and balances with SBP and NBP	6	72,892,642
Balances with other Banks/ NBFIs/ MFBs	7	453,176,555
Investments	9	1,373,170,553
Advances	10	3,695,012,949
Operating fixed assets	11	238,430,683
Other assets	12	393,814,996
Deferred tax asset - net	11	5,478,532
<b>Total assets</b>		<b><u>6,231,976,910</u></b>
<b>LIABILITIES</b>		
Deposits	13	1,025,020,864
Borrowings	14	3,802,949,501
Other liabilities	16	209,189,163
Taxation	27	
<b>Total liabilities</b>		<b><u>5,037,159,528</u></b>
<b>NET ASSETS</b>		<b><u>1,194,817,382</u></b>
<b>REPRESENTED BY:</b>		
Share capital	17	1,000,000,000
Statutory reserve		28,710,515
Capital reserve		
Reserve for contingencies		
Accumulated Profit / (loss)		68,841,918
		<u>1,097,552,433</u>
Surplus / (Deficit) on revaluation of assets	18	5,168,309
Deferred grant	19	92,096,640
<b>Total capital</b>		<b><u>1,194,817,382</u></b>

**MEMORANDUM / OFF BALANCE SHEET ITEMS**

The annexed notes 1 to 33 form an integral part of these financial statements.

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PRESIDENT / CHIEF EXECUTIVE OFFICER

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CHIEF FINANCIAL OFFICER

**NRSP MICROFINANCE BANK LIMITED**  
**PROFIT AND LOSS ACCOUNT (UN-AUDITED)**  
**FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30th, 2012**

	<b>Notes</b>	<b>Sep-12 Rupees</b>
Mark-up / return / interest earned	21	694,643,794
Mark-up / return / interest expensed	22	354,241,737
Net Mark-up / Interest income		340,402,057
Provisions against non-performing loans, advances and other assets		
Specific provisions		5,284,302
General provisions		16,457,350
		21,741,652
Bad debts written off directly	10.3	1,552,134
<b>Net mark-up / interest income after provisions</b>		<b>317,108,271</b>
<b>NON-MARK-UP / NON-INTEREST INCOME</b>		
Fee, commission and brokerage income	23	109,478,252
Other income	24	54,340,546
Total Non-Mark-up / Non-Interest Income		163,818,798
<b>Total Income</b>		<b>480,927,069</b>
<b>NON MARK-UP/ NON INTEREST EXPENSES</b>		
Administrative expenses	25	358,448,688
Other charges	26	-
		358,448,688
<b>PROFIT (LOSS) BEFORE TAXATION</b>		<b>122,478,381</b>
Taxation - Current	27.1	14,468,585
Deffered	27.2	-
<b>PROFIT (LOSS) AFTER TAXATION</b>		<b>108,009,796</b>
Unappropriated loss brought forward		(12,165,429)
Profit/(Loss) available for appropriation		95,844,367
<b>APPROPRIATIONS:</b>		
<b>Transfer to:</b>		
Statutory reserve		21,601,959
Contribution to Depositors Protection Fund		5,400,490
General reserve		-
		27,002,449
<b>UNAPPROPRIATED PROFIT/(LOSS) CARRIED FORWARD</b>		<b>68,841,918</b>
<b>EARNING PER SHARE</b>	29	<b>1.15</b>

The annexed notes 1 to 33 form an integral part of these financial statements.

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PRESIDENT / CHIEF EXECUTIVE OFFICER

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CHIEF FINANCIAL OFFICER

**NRSP MICROFINANCE BANK LIMITED**  
**CASH FLOW STATEMENT (UN-AUDITED)**  
**FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30th, 2012**

	<i>Notes</i>	<b>Sep-12 Rupees</b>
<b>CASH FLOW FROM OPERATING ACTIVITES</b>		
Profit / (Loss) before taxation		122,478,381
Adjustments for:		
Depreciation		19,328,708
Amortization		6,913,547
Revaluation of Investment		5,181,965
(Gain)/Loss on Disposal of Fixed Assets		(1,625,000)
Provision against non-performing loans and advances		19,209,716
Loans Written Off		1,552,134
Amortization of grant		(5,754,383)
		44,806,687
		167,285,068
(Increase)/decrease in operating assets		
Advances - Microcredit Loan		(1,647,691,394)
Other assets		(321,337,890)
		(1,969,029,284)
Increase in operating liabilities		
Deposits		392,475,856
Other liabilities		69,777,380
		462,253,236
<i>Net cash flow from operating activities</i>		(1,339,490,980)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment in operating fixed assets		(77,340,371)
Investment in CWIP		122,733,033
Investment in Intangible assets		(97,648,379)
Net investments in held-to-maturity securities		(1,311,714,885)
Proceed Received on Sale of Fixed Assets		3,510,142
<i>Net cash flow from investing activities</i>		(1,360,460,460)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issue of share capital		160,000,000
Grant from the State Bank of Pakistan		32,263,161
Borrowings- Others		1,356,262,136
<i>Net cash flow from financing activities</i>		1,548,525,297
Net increase in cash and cash equivalents		(1,151,426,143)
Cash and cash equivalents at beginning of the year/period		1,677,495,340
<b>Cash and cash equivalents at end of the year/period</b>		<b>526,069,197</b>

The annexed notes 1 to 33 form an integral part of these financial statements.

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PRESIDENT / CHIEF EXECUTIVE OFFICER

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CHIEF FINANCIAL OFFICER

**NRSP MICROFINANCE BANK LIMITED**  
**STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)**  
**FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30th, 2012**

	Share Capital	Unappropriated Profit/(loss)	Statutory Reserve	General Reserve	Total
	-----Rupees-----				
Balance as at December 31, 2010	<b>1,006,000</b>	<b>(38,822,513)</b>	-	-	<b>(37,816,513)</b>
Profit/Loss for the Period	-	35,542,779	-	-	35,542,779
Issue of share capital	838,994,000	-	-	-	838,994,000
Transferred to Statutory Reserve		(7,108,556)	7,108,556		-
Transferred to Depositors Protection Fund		(1,777,139)	-		(1,777,139)
Balance as at December 31, 2011	<b>840,000,000</b>	<b>(12,165,429)</b>	<b>7,108,556</b>	-	<b>834,943,127</b>
Profit/Loss for the Period		108,009,796			108,009,796
Issue of share capital	160,000,000				
Transferred to Statutory Reserve		(21,601,959)	21,601,959		
Transferred to Depositors Protection Fund		(5,400,490)			(5,400,490)
Balance as at September 30th, 2012	<b>1,000,000,000</b>	<b>68,841,918</b>	<b>28,710,515</b>	-	<b>1,097,552,433</b>

The annexed notes 1 to 33 form an integral part of these financial statements.

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PRESIDENT / CHIEF EXECUTIVE OFFICER

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CHIEF FINANCIAL OFFICER

## **1. STATUS AND NATURE OF THE 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. Subsequent to year end on February 8, 2011 the Bank received certificate of commencement of business from Securities and Exchange Commission of Pakistan (SECP). Further SBP conditionally approved the application of the bank for commencement of business on March 2, 2011.

The Bank was established to Mobilize funds for providing microfinance services to economically challenged people for mitigating poverty and promoting social welfare and economic justice through community building and social mobilization with the ultimate objective of poverty alleviation.

The Bank's principal place of business is situated at University road Bahawalpur, There are 34 branch of the Bank as at 30 September, 2012.

## **2. BASIS OF PRESENTATION**

These financial statements have been presented in accordance with the International Accounting & Financial reporting standards for interim Financial Reporting.

## **3. STATEMENT OF COMPLIANCE**

standards as applicable in Pakistan, requirements of Companies Ordinance, 1984 and Microfinance Institution Ordinance, 2001. 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, provisions of and directives issued under the Companies Ordinance, 1984, and Microfinance Institution Ordinance, 2001 or directives issued by SECP and the SBP.

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 (1)/2008 dated April 28, 2008. Accordingly, the requirements of the said standards have not been considered in the preparation of these financial statements.

## **4. BASIS OF MEASUREMENT**

These financial statements have been prepared under the historical cost convention.

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.

## **5. SIGNIFICANT ACCOUNTING POLICES AND RISK MANAGEMENT**

The accounting policies adopted in the preparation of these financial statements are the same as those applied in the preparation of the annual financial statement of the bank for the year ended 31 December, 2011.

The Financial risk management objective and policies are consistent with those disclosed in the annual financial statements of the Bank for the year ended 31 December, 2011.

**NOTE TO THE FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30th, 2012**

	Note	Sep-12 Rupees
<b>6. CASH AND BALANCES WITH SBP AND NBP</b>		
Cash in hand		
Local currency		8,394,625
Balances with State Bank of Pakistan (SBP) in:		
Local currency current accounts	6.1	64,498,017
Balances with National Bank of Pakistan (NBP) in:		
Local currency current accounts		-
Local currency deposit accounts		-
		72,892,642
<b>6.1</b>	This represents balance maintained with SBP to meet the requirement of maintaining minimum balance equivalent to 5% (2011: 5%) Cash Reserve Requirements - CRR and 10% (2011: 10%) Statutory Liquidity Requirements - SLR in accordance with regulation 6 of the Prudential Regulations for MFBS.	
<b>7. BALANCES WITH OTHER BANKS/ NBFIS/ MFBS</b>		
In Pakistan		
Local currency current accounts		567,123
Local currency deposit accounts		452,609,432
		453,176,555
<b>7.1</b>	This represents deposits with commercial banks payable on demand carrying mark-up at 10.25% - 12.00% per annum.	
<b>8. LENDING TO FINANCIAL INSTITUTIONS</b>		
Call money lending		-
Repurchase agreement lending (reverse repo)		-
Clean lending		-
Less: Provision for impairment		-
		-
<b>9. INVESTMENTS</b>		
<b>Held for Trading Investments</b>		
Market Treasury Bills (T-Bills)		-
Other Investments		962,783,742
		962,783,742
<b>Available for sale securities</b>		
Market Treasury Bills (T-Bills)		-
Add/(less): Surplus/(deficit) on revaluation of available for sale securities		-
		-
<b>Held to maturity investments</b>		
Treasury Bills		86,128,084
Pakistan Investment Bonds (PIBs)		129,258,727
Term Finance Certificates		195,000,000
Other Investments		-
		410,386,811
		1,373,170,553

## 10. ADVANCES

### Loan Type

Micro Credit	3,729,408,466
Micro Lease	-
Others	5,681,914
	3,735,090,380

### Less: Provisions held:

Specific	(2,752,366)
General	(37,325,065)
	(40,077,431)

Advances- net of provisions

3,695,012,949

### 10.1 Particulars of Non-Performing Loans

Advances include Rs. 12218576 which, as detailed below, have been placed under non-performing status:-

Category of Classification	Amount Outstanding	Provisions Required	Provisions Held
OAEM	1,672,412	-	-
Sub-Standard	10,082,864	2,520,716	2,520,716
Doubtful	463,300	231,650	231,650
Loss	-	-	-
<b>Total</b>	12,218,576	2,752,366	2,752,366

### 10.2 Particulars of Provision against Non-Performing Advances

	Sep-12		
	Specific	General	Total
Opening balance	-	20,867,715	20,867,715
Charge for the year	5,284,302	16,457,350	21,741,652
Amounts written off	(2,531,936)	-	(2,531,936)
Reversals			
Other movements (to be specified)			
Closing balance	2,752,366	37,325,065	40,077,431

### 10.3 Particulars of Write Offs:

Against Provisions	2,531,936
Directly charged to Profit & Loss account	1,552,134
	4,084,070

## 11. OPERATING FIXED ASSETS

Capital Work-in-Progress	11.1	6,224,899
Operating Fixed Assets	11.2	137,680,055
Intangible Assets	11.3	94,525,729
		238,430,683

### 11.1 Capital Work-in-Progress

Civil works	6,224,899
	6,224,899

**NRSP MICROFINANCE BANK LIMITED**  
**NOTE TO THE FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30th, 2012**

**11.2 Operating Fixed Assets**

	<b>Motor Vehicles</b>	<b>Furniture &amp; Fixture</b>	<b>Office Equipment</b>	<b>Computer Equipment</b>	<b>Total</b>
<b>Cost</b>	-----Rupees-----				
Balance as at December 31, 2010	-	-	24,000	12,296	36,296
Additions during the period	40,187,054	23,308,516	22,903,414	10,527,036	96,926,020
Disposal during the period	(841,709)	(276,706)	(286,603)	(430,191)	(1,835,209)
Balance as at December 31, 2011	<u>39,345,345</u>	<u>23,031,810</u>	<u>22,640,811</u>	<u>10,109,141</u>	<u>95,127,107</u>
Additions during the period	11,079,400	14,511,586	4,806,847	46,942,538	77,340,371
Disposal during the period	(2,407,878)	-	(101,445)	-	(2,509,323)
Balance as at September 30th, 2012	<u><u>48,016,867</u></u>	<u><u>37,543,396</u></u>	<u><u>27,346,213</u></u>	<u><u>57,051,679</u></u>	<u><u>169,958,155</u></u>
<b>Depreciation</b>					
Balance as at December 31, 2010	-	-	2,800	4,714	7,514
Charge for the year	6,485,287	1,832,175	3,348,105	1,933,553	13,599,120
Depreciation of Disposal	(14,029)	(2,306)	(4,777)	(11,949)	(33,061)
Balance as at December 31, 2011	<u>6,471,258</u>	<u>1,829,869</u>	<u>3,346,128</u>	<u>1,926,318</u>	<u>13,573,573</u>
Charge for the year	6,588,357	2,652,008	3,666,394	6,421,949	19,328,708
Depreciation of Disposal	(598,820)	-	(25,361)	-	(624,181)
Balance as at September 30th, 2012	<u><u>12,460,795</u></u>	<u><u>4,481,877</u></u>	<u><u>6,987,161</u></u>	<u><u>8,348,267</u></u>	<u><u>32,278,100</u></u>
<b>Carrying value</b>					
September 2012	35,556,072	33,061,519	20,359,052	48,703,412	137,680,055
December 2011	<u>32,874,087</u>	<u>21,201,941</u>	<u>19,294,683</u>	<u>8,182,823</u>	<u>81,553,534</u>
<b>Useful life of assets</b>	5 years	10 years	5 years	3 years	



**NRSP MICROFINANCE BANK LIMITED**  
**NOTE TO THE FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30th, 2012**

		<b>Sep-12</b>
		<b>Rupees</b>
<b>11.3</b>	<b>Intangible Assets</b>	
	Computer Softwares	11.3.1 <u>94,525,729</u>
		<u>94,525,729</u>
<b>11.3.1</b>	<b>Computer Softwares</b>	
	Balance as at beginning of the period	6,070,470
	Additions during the period	<u>97,648,379</u>
	Balance as at end of the period	<u>103,718,849</u>
	<b>Amortization</b>	
	Balance as at beginning of the period	(2,279,573)
	Charge during the period	<u>(6,913,547)</u>
	Balance as at end of the period	<u>(9,193,120)</u>
	<b>Carrying value</b>	<u><u>94,525,729</u></u>
<b>11.3.1.1</b>	Amortization is charged on straight line basis @ 33.33% per annum, starting from the month the asset is available for use.	
<b>11.3.2.2</b>	<b>DEFERRED TAX ASSET - NET</b>	<b>Rupees</b>
	Deferred debits arising in respect of	
	Retirement benefits	13,684,123
	Accelerated amortization allowance	13,684,123
	Deferred credits arising in respect of	
	Accelerated depreciation allowance	8,205,591
	Deficit on revaluation of investment	8,205,591
		<u>5,478,532</u>
<b>12.</b>	<b>OTHER ASSETS</b>	
	Receivable from NRSP	445,831
	Accrued Mark-up on clean Loans	336,904,858
	Accrued Mark-up on Bank Balances	7,137,699
	Accrued Income on Investments	5,842,008
	Advances to Staff Personal	1,356,546
	Advances to Staff Operational	4,699,804
	Other Receivables	18,644,086
	Prepayments	13,879,105
	Advance Taxes	3,413,459
	Un-Delivered Cheques	<u>1,491,600</u>
		<u><u>393,814,996</u></u>

<b>13. DEPOSITS</b>		<b>Sep-12</b>
		<b>Rupees</b>
Current Accounts		9,593,113
Saving Accounts		850,527,751
Fixed Deposits		164,900,000
		<u>1,025,020,864</u>
<b>14. BORROWINGS</b>		
Borrowings from PPAF	14.1	1,850,000,000
Borrowing from NRSP	14.2	802,949,501
Borrowing from JS Bank	14.3	500,000,000
Borrowing from Standard Chartered Bank	14.4	650,000,000
		<u>3,802,949,501</u>
<b>14.1</b>	This represents loan payable to PPAF. This carries markup @ KIBOR per annum.	
<b>14.2</b>	This represents loan payable to NRSP. This carries markup @ KIBOR plus 2% per annum.	
<b>14.3</b>	This represents loan payable to NRSP. This carries markup @ KIBOR plus 2% per annum.	
<b>14.4</b>	This represents loan payable to NRSP. This carries markup @ KIBOR plus 2% per annum.	
<b>16. OTHER LIABILITIES</b>		
Payable to NRSP		151,467
Payable to Techlogix Pvt Ltd.		4,942,875
Staff Gratuity		33,425,295
Interest Mark-up Payable to NRSP	16.1	28,316,137
Mark-up Payable On Borrowings (PPAF)		67,059,192
Mark-up Payable On Borrowings (JS Bank)		22,294,246
Mark-up Payable On Borrowings (Standard Chartered Bank)		15,457,534
Mark-up Payable On Deposits and Others		8,009,243
Tax Payable		16,345,975
Depositor Protection Fund		7,177,629
Zakat Payable		16,465
Others		5,993,105
		<u>209,189,163</u>
<b>16.1</b>	This represents markup payable to NRSP on borrowings and sub-ordinated loan.	
<b>17. SHARE CAPITAL</b>		
<b>17.1 Authorized Capital</b>		
	<b>Sep-12</b>	<b>Sep-12</b>
	<b>Number</b>	<b>Rupees</b>
	<u>100,000,000</u>	Ordinary shares of Rs. 10 each <u>1,000,000,000</u>
<b>17.2 Issued, subscribed and paid-up capital</b>		
	<u>1,000,000,000</u>	Ordinary shares of Rs. 10 each <u>1,000,000,000</u>
<b>17.2.1</b>	This represents ordinary shares allotted to shareholders of the Bank.	

17.2.2 The shareholders of the Bank are as follows:

<b>Sep-12 Number</b>		<b>Sep-12 Rupees</b>
51,999,600	NRSP	519,996,000
16,000,000	Acumen Fund USA	160,000,000
16,000,000	KFW Germany	160,000,000
16,000,000	IFC	160,000,000
100	Mr. Shoaib Sultan	1,000
100	Mr. Fazalullah Qureshi	1,000
100	Dr. Rashid Bajwa	1,000
100	Aziz Raj Kot Wala	1,000
<b>100,000,000</b>		<b>1,000,000,000</b>

**18. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS**

Surplus on revaluation of Held to Maturity & Available for Sale securities	5,168,309
Unamortised loss on reclassification of available for sale securities to held to maturity	-
Surplus/Deficit on Revaluation of Operating Fixed Assets	-
	<b>5,168,309</b>

**19. DEFERRED GRANT**

Opening balance - January 1, 2011	65,587,862
Grant received	32,220,463
Interest income	42,698
Amortization of the grant during the period	(5,754,383)
	<b>92,096,640</b>

**19.1** This represents grant received from the State Bank of Pakistan under the Institutional Strengthening Fund (ISF) of the Financial Inclusion Program (FIP). The microfinance operations of NRSP were undergoing transformation into a microfinance bank, NRSP on behalf of the Bank applied and grant of Rs 82 million was approved for the year September, 2009 to August, 2010 to fulfill the objectives of the ISF of generating on-lending resources through commercial credit, equity investments or deposit mobilization strategy; improving in governance mechanisms, internal management controls and functions including human resource base; enhancing strategic direction of the organization through preparation of business plans, trainings and ratings; and employing cost reduction mechanisms for increasing outreach in rural and remote areas through product innovation, development or use of new technologies.

**19.2** Interest income relates to the savings account maintained for the grant.

<b>20. MEMORANDUM / OFF BALANCE SHEET ITEMS</b>	<b>Sep-12 Rupees</b>
<b>20.1</b> Commitments in respect of purchase of fixed assets	
<b>20.2</b> There are no contingent liabilities at the period end.	

**NRSP MICROFINANCE BANK LIMITED**  
**NOTE TO THE FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30th, 2012**

	<b>Sep-12</b> <b>Rupees</b>
<b>21. MARK-UP / RETURN / INTEREST EARNED</b>	
Mark-up Income on Advances - Microcredit Loans	599,356,493
Interest on deposit accounts/ placements with other banks/ financial institutions/ mutual funds	92,689,172
Others	2,598,129
	694,643,794
<b>22. MARK-UP / RETURN / INTEREST EXPENSED</b>	
Interest on:	
NRSP borrowings	156,097,524
Client acquisition cost	-
Loan processing fee	21,365,000
PPAF Loan	107,095,836
JS Bank Borrowing	22,294,246
Standard Chartered Bank Borrowing	15,457,534
Other deposits	31,931,597
Others	-
	354,241,737
<b>23. FEE, COMMISSION AND BROKERAGE INCOME</b>	
Micro-credit loan processing fee	103,176,580
Other Transaction Processing Fees	204,500
Commission Income	450
Collection Service income	6,096,722
	109,478,252
<b>24. OTHER INCOME</b>	
Income from Investments	41,176,019
Other Misc Services Incomes	5,785,144
Gain/(Loss) On Disposal Of Assets	1,625,000
Amortization of Deferred Grant	5,754,383
	54,340,546

**25. ADMINISTRATIVE EXPENSES**

Staff salaries and benefits	188,309,434
Non-Executive Directors Expense	375,373
Training	1,508,397
Legal & Professional Charges	7,019,357
Communication	16,785,322
Repair & Maintenance	1,919,024
Stationary and printing	5,765,631
Advertisement and publicity	737,429
Depreciation	19,328,708
Amortization	6,913,547
Staff Travel	10,923,453
POL Expenses	28,766,226
Vehicle running & maintenance	8,742,175
Office supplies	2,220,325
Meetings and conferences	2,891,323
Utilities	7,593,292
Rent Expenses	14,263,115
Corporate Social Responsibility	143,641
Miscellaneous Expenses	4,481,117
Insurance Expenses	20,213,822
Security & Administration	7,633,033
Auditor's remuneration	1,672,715
Disposal of Assets	-
Disposal of Investments	-
Others	242,229

358,448,688

**26. OTHER CHARGES**

Penalties imposed by SBP	-
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	<b>Sep-12</b> <b>Rupees</b>
<b>27. TAXATION - CURRENT</b>	<b>14,468,585</b>
<b>Provision For Taxation</b>	14,468,585
<b>27.1</b>	
<p>With effect from July 1, 2007, pursuant to Clause (66- XVIII) of part I of Second Schedule to the Income Tax Ordinance, 2001, the Bank's income is exempt from tax upto June 30, 2012 and 35% of profit will be paid as tax thereafter, provided that no dividend is paid to the shareholders and profits are retained for the objectives of the Bank. Accordingly, the Bank has opted for the tax holiday pursuant to the provisions of the aforementioned clause.</p> <p>However, as required under the provisions of section 113 of the Income Tax Ordinance, 2001, minimum tax at the rate of 1% of the turnover i.e. mark-up/return/interest earned and Fee, commission and brokerage income, will be provided in the current year.</p>	
<b>27.2 TAXATION - Deffered</b>	<b>Sep-12</b>
Deffered Tax Income	-
Deffered Tax Expense	-
	-
<b>27.2</b> Numeric tax rate reconciliation is not given as the Bank is exempt from tax.	
<b>28. NUMBER OF BRANCHES</b>	
Total branches at beginning of the year / period	19
Add: Opened during the year / period	15
Less: Closed / merged during the year / period	-
Total branches at the end of the year	34
<b>29. EARNINGS PER SHARE</b>	<b>Sep-12</b>
Profit for the year after tax (Rupees)	108,009,796
Weighted Average Shares outstanding during the year / period (Numbers)	93,518,248
Earnings per share- basic and diluted (Rupees)	1.15

There is no dilutive effect on the basic earnings per share of the Bank.

**30. 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 17.2.2 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.

Settlement of the liabilities of the Bank were mainly made by NRSP during the period ended December 31, 2011.

	<b>Sep-12</b>
	<b>Rupees</b>
<b>Transactions with shareholder banks during the year/ period</b>	
Profit earned on deposit accounts	-
Bank charges	-
Lending to shareholder banks	-
Repayment of lending from shareholder banks	-
Interest income	-
Lending from shareholder banks	-
Repayment of lending to shareholder banks	1,354,900,766
Interest expense	156,097,524
Contributions to gratuity fund	-
Contributions to provident fund	-
<b>Transactions with subsidiaries of shareholder banks</b>	
Sale of units in mutual fund	-
<b>Balances outstanding at the period end</b>	
Bank balances with shareholder banks	-
TDR placements with shareholder banks	-
Repo Borrowings with shareholder bank	-
Interest receivable on bank deposits with shareholder banks	-
Interest payable on repo borrowings from shareholder bank	-
Advances receivable from executives	-
Balance payable to gratuity fund	-
Receivable from NRSP	445,831
Payable to NRSP	151,467
Borrowings outstanding to NRSP	802,949,501

### **31. CAPITAL RISK MANAGEMENT**

The Bank's objectives when managing its capital are:

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

Capital requirements applicable to the Bank are set out under Microfinance Institutions Ordinance, 2001. These requirements are put in place to ensure sufficient solvency margins. The Bank manages its capital requirement by assessing its capital structure against required capital level on regular basis. Currently the Bank has paid up capital of Rs. 1 billion. The minimum paid up capital requirement applicable to the Bank is Rs. 1 billion. The bank has maintained capital adequacy ratio in accordance with regulation No. 4 of the Regulations which states that the Bank shall maintain capital equivalent to at least 15% of its risk-weighted assets.

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

### **32. DATE OF APPROVAL**

These financial statements were approved by the Board of Directors of the Bank in their meeting held on \_\_\_\_\_.

### **33. GENERAL**

Account captions as prescribed by BSD circular No. 11 dated December 30, 2003 issued by the SBP in respect of which no amounts are outstanding have not been reproduced in these financial statements.

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PRESIDENT / CHIEF EXECUTIVE OFFICER

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CHIEF FINANCIAL OFFICER