

**Balance Sheet as at September 30, 2013**

	Note	Actual 30-Sep-2013	Actual 31-Dec-2012
<b>ASSETS</b>			
Balances with State Bank of Pakistan	1	162,749,054	149,504,618
Cash in hand and balances with banks	2	442,345,162	925,974,905
Lending to financial institutions	3	-	790,014,893
Investments - net of provisions	4	852,862,810	1,043,516,082
Advances - net of provisions	5	8,444,145,502	5,717,031,631
Operating fixed assets	6	266,301,377	312,592,222
Other assets	7	1,524,012,896	888,289,322
Deferred tax assets		126,692,458	126,692,458
<b>Total Assets</b>		<b>11,839,109,259</b>	<b>9,953,616,111</b>
<b>LIABILITIES</b>			
Deposits and other accounts	8	5,661,415,231	4,040,646,992
Borrowings	9	2,974,335,342	3,009,835,832
Other liabilities	10	509,271,572	414,105,182
<b>Total Liabilities</b>		<b>9,145,022,145</b>	<b>7,464,588,006</b>
<b>NET ASSETS</b>		<b>2,694,087,114</b>	<b>2,489,028,105</b>
<b>REPRESENTED BY :</b>			
<b>CAPITAL</b>			
Paid up capital	16	1,705,000,000	1,705,000,000
Capital and general reserves	11	294,890,488	241,145,216
Unappropriated profit		687,005,919	525,770,167
		2,686,896,385	2,471,915,382
Surplus/(Deficit) on revaluation of assets	12	(1,544,267)	1,161,785
Deferred grants	13	8,734,996	15,950,938
<b>Total Capital</b>		<b>2,694,087,114</b>	<b>2,489,028,105</b>

**Profit & Loss Account for the period ended September 30, 2013**

	Note	Jan - Sep - 2013 Actual	Jan - Sep 12 Actual
Mark up / Interest on advances		1,631,122,473	928,954,273
Micro credit Processing Fees		204,232,312	158,628,300
Retail Banking Services Fees		6,072,492	5,563,283
		1,741,427,278	1,093,145,856
Return on Investments/bank accounts		104,550,581	171,060,331
		1,845,977,859	1,264,204,187
Interest on borrowings		(148,336,409)	(196,716,133)
Interest on deposits		(265,492,878)	(69,388,180)
Incentive on Liability Sales		(14,050,844)	(1,445,633)
		(427,880,131)	(267,549,946)
		1,388,097,728	1,007,656,041
<b>OPERATING EXPENSES</b>			
Salaries , wages & other benefits		579,694,922	524,997,781
Incentive Assets Sales		16,768,105	7,533,033
Recruitment & Development		2,498,174	2,878,002
Management consultancy		6,140,389	734,137
IT Operations		21,778,146	23,784,788
Training		9,484,980	11,644,022
Rent, rates & taxes		88,516,878	80,872,378
Meeting & Conferences		12,098,065	9,942,380
Utilities		45,781,804	43,072,523
Communication		21,216,747	19,179,031
Travelling & conveyance		9,848,572	8,762,307
Insurance		28,484,188	19,181,844
Repair & maintenance		11,783,603	14,200,531
Security services		6,088,612	3,242,326
Vehicle running & maintenance		67,415,430	70,298,892
Legal & Professional		2,228,643	1,951,079
Printing, stationery & office supplies		40,350,173	42,610,907
Subscription		1,257,578	1,353,242
Advertisement & business promotion		18,308,041	14,596,211
Financial charges		15,826,277	8,221,948
ATM Operations			
Depreciation		78,659,891	57,964,396
Miscellaneous expenses		5,811,784	7,184,333
		1,085,978,579	972,178,449
Reimbursement of USAID program costs		(22,067,728)	(15,768,288)
		1,063,910,851	956,410,160
Net Provision against advances/other assets	14	80,417,724	62,817,817
Total operating expenses		1,143,428,576	1,039,028,097
<b>OPERATING PROFIT/(LOSS)</b>		<b>244,669,153</b>	<b>(31,372,056)</b>
<b>OTHER INCOME</b>			
Amortization of deferred grant		7,215,842	8,702,373
Reimbursement of Social Mobilization Cost		87,030,700	82,893,000
Gain/(Loss) on Disposal of Fixed Assets		24,327,891	6,239,829
Misc Income		657,898	397,886
Gain/(Loss) on Foreign Currency Transactions		397,029	428,802
		129,829,598	98,469,872
<b>PROFIT BEFORE TAXATION</b>		<b>374,298,751</b>	<b>67,087,816</b>
Taxation - Current	15	106,572,496	14,615,810
- Deferred			
		106,572,496	14,615,810
<b>PROFIT AFTER TAXATION</b>		<b>268,726,255</b>	<b>52,472,006</b>
Un-appropriated profit b/f		528,770,167	404,478,730
Profit available for appropriation		794,496,422	458,948,936
<b>APPROPRIATIONS:</b>			
Transfer to:			
Statutory Reserves		53,745,251	10,494,441
Microfinance Sector Development Fund		26,872,826	5,247,221
Risk Mitigation Fund		13,436,313	2,823,810
Depositors' Protection Fund		13,438,313	2,823,810
		107,492,503	20,989,282
<b>UNAPPROPRIATED PROFIT</b>		<b>687,003,919</b>	<b>438,959,654</b>

Notes to the Accounts for the period ended September 30, 2013

	Note	30-Sep-2013	31-Dec-2012
<b>1 BALANCES WITH SBP</b>			
Balances with SBP	1.1	182,749,054	148,504,818
		<u>182,749,054</u>	<u>148,504,818</u>
1.1 This represents balance maintained with SBP to meet the requirement of maintaining minimum balance equivalent to 0% (2012: 0%) of the Bank's B+ and demand liabilities in accordance with regulation 8A of the Prudential Regulations issued by SBP			
<b>2 CASH IN HAND AND BALANCES WITH BANKS</b>			
Cash in hand		260,227,704	380,400,974
Current Account		120,651,097	281,227,482
Saving Account	2.1	<u>82,696,891</u>	<u>304,347,089</u>
		<u>463,575,692</u>	<u>965,975,545</u>
2.1 This represents balance held in corporate accounts of which PKR 6.1M (2012: 196M) is held for the purpose of cash management such as meeting Bank's operations and lending to borrowers. Also included is a balance of approximately PKR 1M (2012: 106M) held with NB Banks as institutional savings. Corporate accounts carry interest rates ranging from 6.0% to 8.0% (2012: 0% to 8.0%) per annum			
<b>3 LENDING TO FINANCIAL INSTITUTIONS</b>			
Reverse Repo Lending	3.1	-	680,014,893
Term Deposit Receipt Placement	3.2	-	200,000,000
			<u>880,014,893</u>
Clear Lands		<u>100,000,000</u>	<u>100,000,000</u>
Land: Provided for Impairment		<u>(100,000,000)</u>	<u>(100,000,000)</u>
			<u>880,014,893</u>
3.1 This represents reverse repo lending at the rate ranging 8.5% to 9.0% per annum (2012: 8.0% to 8.20% per annum) matured on July 5, 2013 (2012: January 12, 2013).			
3.2 This represents 1 Month (2012: 3 Months) Term Deposit Receipt at the rate of 8.90% (2012: 8.65%) per annum matured on July 18, 2013 (2012: January 18, 2013)			
<b>4 INVESTMENTS - NET OF PROVISIONS</b>			
Market Treasury Bills			
Market Treasury Bills	4.1	<u>829,781,505</u>	<u>1,041,726,700</u>
Surplus/Deficit on revaluation	4.2	<u>(188,264,111)</u>	<u>(1,787,382)</u>
		<u>641,517,394</u>	<u>1,039,939,318</u>
Money Market Mutual Funds			
Money Market Mutual Funds	4.3	<u>200,000,000</u>	-
Surplus/Deficit on revaluation	4.2	<u>(735,436)</u>	-
		<u>199,264,564</u>	-
		<u>840,781,958</u>	<u>1,039,939,318</u>
4.1 This represents T-Bills purchased for the year ranging from 182 days to 394 days (2012: 64 days to 306 days) having yield/interest ranging from 8.30% to 9.40% (2012: 8.13% to 11.65%) per annum. Treasury Bills amounting to Rs.250 Million given as collateral against repo borrowing of Rs. 248 Million			
4.2 In compliance with the requirements of the Regulations, available for sale investments have been valued on mark-to-market basis and the resulting (surplus)/deficit is kept in a separate account and is shown below the appropriate items in the balance sheet.			
4.3 This represents 968,145 and 8,921,521 Money Market Mutual Fund basic units of UBL Liquidity Plus Fund and NAFIA Money Market Fund purchased at Rs.100.0072 and Rs.10.781 respectively. To date bonus units 28,570 and 194,945 respectively has been added to the Bank. The current price of units as at September 30, 2013 is Rs.100.00 and Rs.10.01 for UBL Liquidity Plus Fund and NAFIA Fund respectively.			
<b>5 ADVANCES - NET OF PROVISIONS</b>	Note	30-Sep-2013	31-Dec-2012
		Number of loans outstanding	Amount outstanding
			Number of loans outstanding
			Amount outstanding
Gross advances:			
Unsecured	5.1	380,201	6,981,843,784
Secured		29,878	2,481,713,357
		<u>410,178</u>	<u>9,463,557,141</u>
Less: provisions held			
Specific provision		<u>8,120</u>	<u>31,978,341</u>
General provision		<u>379,471</u>	<u>68,100,721</u>
		<u>387,591</u>	<u>100,079,062</u>
		<u>21,079,009</u>	<u>86,849,811</u>
		<u>8,457,619</u>	<u>5,717,031,631</u>
		<u>8,449,146,502</u>	<u>6,717,031,631</u>
5.1 This includes reclassified micro credit loans having aggregate amount of Rs.12.90 million (2012: Rs.15.45 million) related to branches affected from flood/drain			
5.2 This represents short to medium term Employee General Purpose Loans at subsidized markup of 10% per annum.			
5.3 Particulars of non-performing advances			
		30-Sep-2013	31-Dec-2012
Category of classification		Amount due/standing	Provision required
			Provision held
			Amount outstanding
			Provision required
			Provision held
O/AEM		5,125,036	-
Sub-standard		7,898,083	1,002,118
Doubtful		41,470,585	20,862,404
Loss		9,326,921	9,326,921
		<u>57,810,625</u>	<u>30,191,443</u>
		<u>92,980,100</u>	<u>2,712,381</u>
		<u>10,848,625</u>	<u>2,712,381</u>
		<u>41,875,389</u>	<u>5,837,666</u>
		<u>8,873,887</u>	<u>8,873,887</u>
		<u>63,788,901</u>	<u>17,283,987</u>
5.4 Particulars of the provisions against non-performing advances			
		Specific	General
			Total
Balance at the beginning of the year		17,223,347	71,320,624
Charge for the period		122,818,078	(6,168,803)
Amount written off		(108,120,118)	-
Balance at end of the period		<u>31,918,341</u>	<u>65,151,821</u>
		<u>21,718,857</u>	<u>44,070,038</u>
		<u>298,380,628</u>	<u>(10,948,511)</u>
		<u>(302,878,328)</u>	<u>(190,876,586)</u>
		<u>17,223,347</u>	<u>71,320,624</u>
		<u>105,120,119</u>	<u>302,876,326</u>
6.5 Particulars of write offs			
Against provision			
Directly charge to profit and loss account			
			<u>105,120,119</u>
			<u>302,876,326</u>

Notes to the Accounts for the period ended September 30, 2013

6. OPERATING FIXED ASSETS	Note	30-Sep-13	31-Dec-12
Capital work-in-progress	6.1	8,907,279	13,150,924
Property and equipment	6.2	231,498,521	233,472,549
Intangible assets	6.2	48,688,877	88,688,749
		<u>289,101,377</u>	<u>312,582,222</u>

6.1 Capital Work-in-progress  
This includes payments made to the vendor for the development of various software Modules and purchase of fixed assets.

6.2 Property and Equipment & Intangible Assets

	Land & Buildings	Furniture & Fixture	Electrical and Other Equipment	Computer Equipment	Total	Computer Software
<b>Cost</b>						
Balance as on January 1, 2013	172,030,000	165,309,694	185,086,601	177,565,174	699,991,477	104,720,158
Additions	18,464,949	6,384,143	22,509,824	9,536,305	56,895,021	3,285,139
Disposals	32,507,084	2,288,967	14,041,999	4,161,587	52,997,637	-
Balance as on September 30, 2013	<u>158,087,865</u>	<u>169,405,750</u>	<u>193,554,426</u>	<u>183,940,892</u>	<u>604,988,933</u>	<u>108,005,297</u>
<b>Depreciation</b>						
Balance as on January 1, 2013	105,819,890	89,389,593	103,862,228	125,137,716	424,209,427	38,781,407
Depreciation/Amortization Charge	3,028,707	11,132,865	21,864,251	19,875,828	55,901,651	23,356,311
Disposals	31,390,257	1,582,787	15,829,459	4,149,836	52,952,339	-
Balance as on September 30, 2013	<u>76,458,340</u>	<u>98,939,671</u>	<u>109,907,020</u>	<u>140,863,708</u>	<u>326,168,739</u>	<u>62,137,718</u>
<b>Carrying Value</b>						
As on September 30, 2013	<u>81,629,525</u>	<u>70,466,079</u>	<u>83,647,406</u>	<u>43,077,184</u>	<u>278,820,194</u>	<u>45,867,579</u>
As on December 31, 2012	4,070,718	95,929,001	81,194,372	82,427,488	263,621,579	65,688,748
Rate of Depreciation p.a	26%	10%	20%	33.33%		33.33%

7. OTHER ASSETS	Note	30-Sep-13	31-Dec-12
Markup/Interest on advances receivable		1,106,158,858	487,282,187
Interest receivable on investments		21,223,365	26,104,891
Loans & advances to staff		77,284,066	73,979,206
Advances to Suppliers and Service Providers		2,885,730	1,959,980
Security deposit		1,984,780	1,851,240
Prepayments		80,684,145	70,840,645
Advance tax deducted - Net of Provisions		-	8,730,818
Receivable from MSDF	7.1	158,031,540	183,581,855
Receivable from USAID	7.2	7,388,092	10,443,555
Insurance Claim Receivable		7,073,318	6,535,048
Sales Tax/Federal Excise Duty		23,482,810	6,592,178
Other receivables		60,888,842	12,167,264
		<u>1,537,998,975</u>	<u>898,078,604</u>
Less: Provision held against classified assets			
Opening Provision		9,788,282	8,093,893
Provision for the year		3,898,787	2,890,709
Receivable written off against provision		-	(985,320)
		<u>13,687,079</u>	<u>11,979,922</u>
		<u>1,524,311,896</u>	<u>886,108,682</u>

7.1 This represents claims lodged by the Bank with Microfinance Social Development Fund (MSDF) for reimbursement of client acquisition cost incurred by the Bank under the Loan Agreement (Special Operations) - Microfinance Sector Development Project, Loan #1808 between ADB and Islamic Republic of Pakistan.

7.2 This represents cost reimbursement to the Bank under Cooperative Agreement TWEIP Phase II 391-A-00-11-01230-00 effective February 26, 2011 for disbursement of USAID funds to the TWEIP (Tubewell Efficiency Improvement Replacement Program) equipment vendors. Cumulative disbursements made to vendors up to September 30, 2013 amounted to USD 11.8 million; while the total project cost is USD 18.5 million. The Bank recovers 1.765% of the amount disbursed and personnel cost as indirect cost charge. The extended expiry date is March 31, 2014.

8. DEPOSITS	Note	30-Sep-13		31-Dec-12	
		Number of accounts	Rupees	Number of accounts	Rupees
<b>Time Liabilities:</b>					
Term Deposits	8.3	2,983	2,704,428,127	2,089	1,589,897,100
<b>Demand Liabilities:</b>					
Saving Deposits	8.4	14,811	2,026,517,137	7,831	758,918,277
Current Deposits		600,886	600,488,887	349,892	1,592,331,075
		<u>615,707</u>	<u>2,950,998,104</u>	<u>468,823</u>	<u>2,460,949,892</u>
		<u>618,228</u>	<u>8,661,415,231</u>	<u>468,812</u>	<u>4,049,848,992</u>
8.2 Particulars of Deposits by ownership					
Individual Depositors		617,043	3,088,958,977	437,817	3,041,945,611
Institutional Depositors					
a) Corporations/Firms		1,177	1,727,483,784	869	860,408,696
a) Banks/Financial Institutions		8	644,972,969	8	302,282,343
		<u>618,228</u>	<u>8,661,415,231</u>	<u>446,812</u>	<u>4,049,848,992</u>

8.3 This represents term deposits carrying interest rates ranging from 8% to 14% per annum having tenure of 1 to 36 months (2012: 8% to 14% per annum having tenure of 1 to 36 months).

8.4 This represents savings deposits carrying interest rates ranging from 8% to 10% per annum (2012: 8% to 8%)

9. BORROWINGS

<b>Unsecured:</b>			
Borrowings from financial institutions outside Pakistan	9.1	2,727,871,082	2,909,826,832
<b>Secured</b>			
Borrowings from financial institutions in Pakistan	8.2	249,354,250	100,000,000
		<u>2,977,225,332</u>	<u>3,009,826,832</u>

**Notes to the Accounts for the period ended September 30, 2013**

	Note	30-Sep-13	31-Dec-12
9.1	This represents loan received under the Subsidiary Loan and Grant Agreement entered between the Bank and the Government of Pakistan (GoP). The loan #1806 has been extended as part of Microfinance Sector Development Project between Asian Development Bank & Islamic Republic of Pakistan. The Bank is liable to repay the principal amount of the loan to GoP, over a period of 20 years including a grace period of 8 years. Repayment of loan commenced from May 1, 2009, through bi-annual equal instalments. The principal repayable is the aggregate equivalent of the amounts drawn by the Bank from the loan account for sub-loan expressed in PKR, determined as of the respective dates of the withdrawal, while the GoP shall bear the foreign exchange risk. The interest is being paid on bi-annual basis charged at the rate equal to weighted average cost of deposits during the preceding six months in the banking industry as calculated by SBP. The interest rate used for the first bi-annual payment during the period was determined to be 8.45% (2012: 8.28% and 8.47%) per annum.		
9.2	Borrowings from Finance Institutions in Pakistan Sonal Bank Limited - Term Finance (TF-I) Repo Borrowings	9.2.1 9.2.2	100,000,000 -
		<b>246,364,260</b>	<b>100,000,000</b>
9.2.1	This represents interbank money market borrowings for three years carrying interest rate ranging from 10.81 to 11.11% (2012: 11.65% to 13.75) per annum and is repayable in four equal instalments in the years 2013 and 2014. These borrowings are secured against 40% partial Micro Credit Guarantee Facility (MCGF) by SBP and a charge of PKR 100Mn over current assets of the bank. An undertaking has been signed to utilize funds for microfinance activities. The bank has repaid in lumpsum on August 25, 2013 as full and final settlement.		
9.2.2	This represents interbank money market repo borrowings for 1 day carrying interest rate 8.60% (2012: NIL) per annum. These borrowings are secured against Treasury Bills given as collateral amounting to Rs 250 MILION.		
10.	<b>OTHER LIABILITIES</b>		
	Markup/interest payable on borrowing	73,358,981	135,242,933
	Markup/premium payable on deposits	131,125,608	52,951,699
	Bills Payable	28,313,445	27,768,462
	Accrued expenses	58,665,898	48,351,777
	Payable to SPs	-	7,788,700
	Payable to defined benefit plan - Gratuity/EQBI	(4,898,400)	(1,273,201)
	Contribution payable to funds	53,745,252	53,669,202
	Payable to suppliers	37,265,807	61,915,525
	Provision for WWF	12,067,719	8,063,862
	Sundry deposits	18,084,739	18,544,133
	Corporate Tax Payable	88,268,820	-
	Other Payables	14,041,621	3,181,890
		<b>608,371,872</b>	<b>414,106,182</b>
11.	<b>CAPITAL AND GENERAL RESERVES</b>		
	Statutory Reserve	262,249,869	208,504,638
	Contingency Reserve	8,385,353	8,888,388
	Capital Reserve	24,255,224	24,255,224
		<b>294,890,446</b>	<b>241,648,249</b>
12.	<b>SURPLUS/(DEFICIT) ON REVALUATION OF ASSETS</b>		
	Surplus/(Deficit) on revaluation of available for sale securities	(918,000)	1,787,382
	Deferred tax on surplus	(625,577)	(625,577)
		<b>(1,543,577)</b>	<b>1,161,785</b>
13.	<b>DEFERRED GRANTS</b>		
	Grant from GoP	251,589,232	251,589,232
	Less: Grant amortized		
	Up to December 31, 2012	(250,823,195)	(250,823,195)
	Up to September 30, 2013	(262,324)	-
		413,711	666,037
	Grant from USAID	98,374,901	98,374,901
	Less: Grant amortized		
	Up to December 31, 2012	(98,540,054)	(98,640,054)
	Up to September 30, 2013	(582,525)	-
		1,242,322	1,834,847
	Grant from SBI SA Micro Savings	28,484,337	28,484,337
	Less: Grant amortized		
	Up to December 31, 2012	(12,034,283)	(12,034,283)
	Up to September 30, 2013	(6,371,091)	-
		7,879,963	13,450,054
		<b>6,734,896</b>	<b>16,368,898</b>
13.1	This represents grant from GoP for assets acquired for institutional Strengthening of the Bank, under subsidiary loan and grant agreement entered with GoP and ADB		
13.2	This represents grant from USAID for assets acquired for Bank's operations to develop non bankable territories for financial services in Sindh, Balochistan and FATA areas from Sep-2003 to Sep-2008		
13.3	This represents grant for Interim retail banking application BankEssential awarded by Shore Bank International Limited to improve the capacity of the Bank for delivering saving products more effectively, profitably and at the enhanced scale.		
14.	<b>NET PROVISION AGAINST ADVANCES/OTHER ASSETS</b>		
	Provision against advances		
	Specific Provision	122,815,073	241,897,728
	General Provision	(6,159,603)	(27,143,803)
		116,655,470	214,754,425
	Bad Debts Recovered	(37,847,482)	(183,855,179)
	Net Provision against advances	78,807,988	80,899,246
	Provision against Other Assets		
	Provision against other assets	3,906,798	2,621,490
	Recovery against other assets	(2,288,852)	(802,812)
		1,617,946	1,718,678
		<b>80,425,934</b>	<b>82,617,924</b>

Notes to the Accounts for the period ended September 30, 2013

16. TAXATION

The five year tax holiday was available to Micro Finance Banks (MFB) in Pakistan. As per the conditions levied by Government of Pakistan (GOP) the bank was prohibited from distributing its profits. This tax holiday expired on June 30, 2012 and as a result the restriction placed on profit distribution has been lifted. Further, the profits of the bank will be taxed at the rate of 34% (2012: 35% from July 2012 onwards) with minimum tax being limited to 0.5% of non-exempt turnover.

16. SHARE CAPITAL		Note	30-Sep-13	31-Dec-12
16.1	Authorized Capital	16.1.1	6,000,000,000	6,000,000,000
16.1.1	The Bank's authorized share capital is 600 million ordinary shares of Rs.10/- each.			
16.2	Issued, Subscribed and Paid up Capital	16.2.1	1,705,000,000	1,705,000,000
16.2.1	The Bank's issued, subscribed and fully paid up capital is 170.5 million shares of Rs.10/- each as follows:			
	United Bank Limited		506,265,280	506,265,280
	Habib Bank Limited		300,000,000	300,000,000
	Rural Impulse Fund II S.A. SICAV-FIS		298,496,310	298,496,310
	ShareCap II Limited		243,568,080	243,568,080
	ASN-NDVIB Mikrokreditfondis		166,795,020	166,795,020
	Credit Suisse Microfinance Fund Management Company		132,856,310	132,856,310
	Bank Al Habib Limited		30,000,000	30,000,000
	Soneri Bank Limited		25,000,000	25,000,000
			<u>1,705,000,000</u>	<u>1,705,000,000</u>
17. GENERAL INFORMATION			30-Sep-13	31-Dec-12
17.1	Number of Employees			
	Credit Sales Staff			
	Permanent		696	705
	Banking/Support Staff			
	Permanent		713	789
	Contractual		830	874
	Total number of employees at the end of the period		<u>1,543</u>	<u>1,683</u>
			<u>2,242</u>	<u>2,388</u>
17.2	Number of Branches			
	Total branches at the beginning of the period		108	108
	Opened during the period		6	-
	Closed/merged during the period		(2)	(3)
	Total branches at the end of the period		<u>116</u>	<u>106</u>