



INDEPENDENT AUDITOR'S REPORT

To the members of The Mobilink Microfinance Bank Limited

Report on the Audit of Financial Statements

Opinion

We have audited the annexed financial statements of The Mobilink Microfinance Bank Limited, (the Company), which comprise of the balance sheet as at December 31, 2018, and the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

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

Basis for Opinion

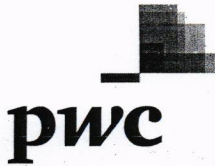
We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the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

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

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

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

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



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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

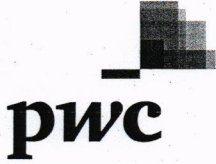
Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

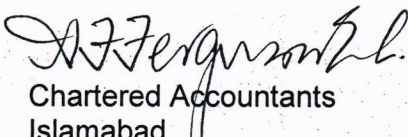
We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

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

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

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


Chartered Accountants
Islamabad
Date: March 21, 2019

MOBILINK MICROFINANCE BANK LIMITED
BALANCE SHEET
AS AT DECEMBER 31, 2018

ASSETS	Note	2018 (Rupees)	2017 (Rupees)
Cash and Balances with SBP and NBP	6	2,134,916,179	1,071,464,341
Balances with other Banks/NBFIs/MFBs	7	5,162,381,361	3,047,342,613
Lending to financial institutions		-	-
Investments – net of provisions	8	5,408,581,609	4,527,807,491
Advances – net of provisions	9	12,428,377,027	9,819,345,964
Operating fixed assets	10	729,541,801	462,744,207
Other assets	11	2,194,622,020	1,603,732,370
Deferred tax asset - net	12	56,273,879	48,438,818
Total Assets		28,114,693,876	20,580,875,804
 LIABILITIES			
Deposits and other accounts	13	22,091,485,932	14,943,057,336
Borrowings		-	-
Subordinated debt		-	-
Other liabilities	14	2,059,393,830	2,533,184,153
Deferred tax liabilities		-	-
Total Liabilities		24,150,879,762	17,476,241,489
Net assets		3,963,814,114	3,104,634,315
 REPRESENTED BY:			
Share Capital	15	2,713,596,830	2,713,596,830
Statutory reserve	5.8	332,173,703	168,569,453
Depositor's protection fund	5.8	86,860,323	42,283,977
Unappropriated Profit		789,816,115	179,975,461
		3,922,446,971	3,104,425,721
Surplus on revaluation of assets	16	41,367,143	208,594
Total Capital		3,963,814,114	3,104,634,315
 MEMORANDUM / OFF-BALANCE SHEET ITEMS	 17		

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


President/CEO


Chairman


Director


Director

**MOBILINK MICROFINANCE BANK LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Note	2018 (Rupees)	2017 (Rupees)
Markup/Return/Interest earned	18	3,356,863,523	2,616,677,423
Markup/Return/Interest expensed	19	(389,543,416)	(510,086,089)
Net Mark-up/ Interest Income		<u>2,967,320,107</u>	<u>2,106,591,334</u>
Provision against non-performing loans and advances - net	9.3	(197,192,207)	(115,700,937)
Provision for diminution in the value of investments		-	-
Bad debts written off directly	9.4	(197,192,207)	(115,700,937)
		-	-
Net Markup/ Interest Income after provisions		<u>2,770,127,900</u>	<u>1,990,890,397</u>
NON MARKUP/ NON INTEREST INCOME			
Fee, Commission and Brokerage Income - net	20	430,200,263	540,476,085
Dividend income		82,832,546	-
Other Income	21	556,437	773,353
Total non-markup/non interest Income		<u>513,589,246</u>	<u>541,249,438</u>
		<u>3,283,717,146</u>	<u>2,532,139,835</u>
NON MARKUP/ NON INTEREST EXPENSES			
Administrative expenses	22	(2,058,286,242)	(1,648,857,326)
Other provisions / write offs		-	-
Other charges	23	(4,629,562)	(2,683,036)
Total non-markup/non interest expenses		<u>(2,062,915,804)</u>	<u>(1,651,540,362)</u>
		<u>1,220,801,342</u>	<u>880,599,473</u>
Extra ordinary/ unusual items		-	-
PROFIT BEFORE TAXATION		<u>1,220,801,342</u>	<u>880,599,473</u>
Taxation - Current	24	(391,914,275)	(169,635,980)
- Prior year		(32,489,925)	-
- Deferred		21,624,108	(98,874,058)
		<u>(402,780,092)</u>	<u>(268,510,038)</u>
PROFIT AFTER TAXATION		<u>818,021,250</u>	<u>612,089,435</u>
Unappropriated profit / (loss) brought forward		180,117,074	(278,950,002)
Profit available for appropriation		<u>998,138,324</u>	<u>333,139,433</u>
APPROPRIATIONS:			
Transfer to:			
Statutory reserve		(163,604,250)	(122,417,887)
Capital reserve		-	-
Contribution to depositors protection fund		(40,901,063)	(30,604,472)
Revenue reserve		-	-
Proposed cash dividend		-	-
		<u>(204,505,313)</u>	<u>(153,022,359)</u>
Unappropriated profit carried forward		<u>793,633,011</u>	<u>180,117,074</u>
Earnings per share (Rupees)	29	<u>3.01</u>	<u>4.18</u>

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

President/ CEO

Chairman

Director

Director

**MOBILINK MICROFINANCE BANK LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Note	2018 (Rupees)	2017 (Rupees)
Profit after taxation		818,021,250	612,089,435
Other comprehensive income		-	-
Comprehensive income transferred to equity		818,021,250	612,089,435
Components of comprehensive income not reflected in equity			
Surplus on revaluation of investments	8.2	55,156,190	245,405
Related tax impact		(13,789,047)	(36,811)
		41,367,143	208,594
Total comprehensive income for the year		859,388,393	612,298,029

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

S.W.F.S.L.


President/CEO


Chairman


Director


Director

MOBILINK MICROFINANCE BANK LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018 (Rupees)	2017 (Rupees)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,220,801,342	880,599,473
Less: Dividend income	(82,832,546)	-
	<u>1,137,968,796</u>	<u>880,599,473</u>
Adjustments for non-cash charges		
Depreciation	135,448,467	118,847,323
Amortization	35,534,077	41,560,981
Provision against non-performing advances	197,192,207	115,700,937
Provision for diminution in the value of investments / other assets	-	-
(Gain) on sale of fixed assets- net	(556,437)	(773,353)
Finance charges on leased assets	-	-
Operating fixed assets written off	3,747,153	-
Provision for gratuity	3,595,820	8,367,151
	<u>374,961,287</u>	<u>283,703,039</u>
	<u>1,512,930,083</u>	<u>1,164,302,512</u>
(Increase)/ decrease in operating assets		
Lendings to financial statements	-	-
Advances	(2,806,223,270)	(4,076,222,692)
Other assets (excluding advance taxation)	(590,889,650)	(780,713,779)
	<u>(3,397,112,920)</u>	<u>(4,856,936,471)</u>
Increase/ (decrease) in operating liabilities		
Bills payable	(5,406,409)	60,974,895
Borrowings from financial institutions	-	-
Deposits	7,148,428,596	4,636,694,869
Other liabilities (excluding current taxation)	(432,341,538)	(269,989,416)
	<u>6,710,680,649</u>	<u>4,427,680,348</u>
	<u>4,826,497,812</u>	<u>735,046,389</u>
Payments against provisions held against off-balance sheet obligations	-	-
Income tax paid	(445,906,499)	(100,156,368)
Gratuity paid	(17,329,979)	(2,307,164)
Net cash inflow from operating activities	<u>4,363,261,334</u>	<u>632,582,857</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investment in available-for-sale securities	(825,617,928)	(3,032,508,856)
Net investment in held-to-maturity securities	-	-
Dividend income	82,832,546	-
Investments in operating fixed assets	(442,792,875)	(236,491,132)
Sale proceeds of property and equipment disposed-off	807,509	2,559,495
Net cash (outflow) / inflow from investing activities	<u>(1,184,770,748)</u>	<u>(3,266,440,493)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts / payments of sub-ordinated loan	-	-
Receipts / payments of lease obligations	-	-
Issue of share capital	-	1,261,843,230
Dividend paid	-	-
Net cash flow from financing activities	<u>-</u>	<u>1,261,843,230</u>
(Decrease)/ increase in cash and cash equivalents	<u>3,178,490,586</u>	<u>(1,372,014,406)</u>
Cash and cash equivalents at beginning of the year	4,118,806,954	5,490,821,360
Cash and cash equivalents at end of the year	<u>7,297,297,540</u>	<u>4,118,806,954</u>

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


President, CEO


Chairman


Director


Director

MOBILINK MICROFINANCE BANK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018

	Revenue				Total (Rupees)
	Share Capital (Rupees)	Statutory Reserve (Rupees)	Depositors Protection Fund (Rupees)	Unappropriated Profit (Rupees)	
Balance at January 01, 2017	1,451,753,600	46,151,566	11,537,892	(278,950,002)	1,230,493,056
Profit for the year	-	-	-	612,089,435	612,089,435
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	612,089,435	612,089,435
Transfers to Statutory reserves	-	122,417,887	-	(122,417,887)	-
Transfer to Depositors protection fund	-	-	-	-	-
- 5% of the profit after tax for the year	-	-	30,604,472	(30,604,472)	-
- return on investments - net of tax	-	-	141,613	(141,613)	-
	-	-	30,746,085	(30,746,085)	-
Issue of share capital	1,261,843,230	-	-	-	1,261,843,230
Balance at December 31, 2017	2,713,596,830	168,569,453	42,283,977	179,975,461	3,104,425,721
Profit for the year	-	-	-	818,021,250	818,021,250
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	818,021,250	818,021,250
Transfers to Statutory reserves	-	163,604,250	-	(163,604,250)	-
Transfer to Depositors protection fund	-	-	-	-	-
- 5% of the profit after tax for the year	-	-	40,901,063	(40,901,063)	-
- return on investments - net of tax	-	-	3,675,283	(3,675,283)	-
	-	-	44,576,346	(44,576,346)	-
Balance at December 31, 2018	2,713,596,830	332,173,703	86,860,323	789,816,115	3,922,446,971

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

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President/ CEO

Chairman

Director

Director

MOBILINK MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

1 STATUS AND NATURE OF BUSINESS

Mobilink Microfinance Bank Limited (the Bank) was incorporated in Pakistan on November 29, 2010 as a public limited company under the Companies Ordinance, 1984. The Bank obtained license for Microfinance operations from the State Bank of Pakistan (SBP) on September 12, 2011 to operate on a nationwide basis and received the certificate of commencement of business from Securities and Exchange Commission of Pakistan (SECP) on February 13, 2012 whereas certificate of commencement of business from SBP was received on April 20, 2012.

The Bank has 61 business locations/ touch points comprising of 61 branches and no booth/ service centre (2017: 61 business locations/ touch points comprising of 61 branches and no booths/ service centres) in operation. The Bank's registered and principal office is situated at Plot No. 3-A/2, F-8 Markaz, Islamabad, Pakistan. The Bank is a subsidiary of Global Telecom Holding S.A.E. (the holding company) which owns 99.99% share capital in the Bank.

The Bank's principal business is to provide microfinance banking and related services to the poor and under served segment of the society under the Microfinance Institution Ordinance, 2001. The Bank is also offering Branchless Banking Services through agency agreement with Pakistan Mobile Communications Limited (PMCL), a related party, under the Branchless Banking license from the SBP.

2 BASIS OF PRESENTATION

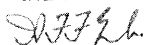
These financial statements are presented in accordance with the Banking Supervision Department (BSD) Circular No. 11 dated December 30, 2003 issued by the SBP.

3 STATEMENT OF COMPLIANCE

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

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

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



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

4 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost basis except "available for sale" investments which are measured at fair value.

4.1 Functional and presentation currency

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

4.2 Significant accounting estimates

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have significant effect on the amounts recognized in the financial statements relates to valuation and impairment of investments, advances, determination of useful lives of depreciable assets and intangible assets, provision for income taxes and other provisions which are discussed in following paragraphs:

a) Impairment of investments

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

b) Advances

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

c) Taxation

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

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d) Operating fixed assets/ intangible assets

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

e) Provisions and contingencies

The Bank reviews the status of all the legal cases on a regular basis. Based on the expected outcome and consideration of opinion of its legal advisor, appropriate provision/ disclosure is made.

f) Impairment of financial assets

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

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

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

g) Other provisions

Estimates of the amount of provisions recognized are based on current legal and constructive requirements. As actual outflows can differ from estimates due to changes in laws, regulations, public expectations, prices and conditions, and can take many years in the future, the carrying amounts of provisions are regularly reviewed and adjusted to take account of such changes.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, balance with SBP/ National Bank of Pakistan (NBP) and other banks/ Non-Banking Financial Institutions (NBFIs)/ Microfinance Banks (MFBs).

5.2 Investment

All purchases and sale 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 or the Bank has transferred substantially all the risks and rewards of ownership.

Investments of the Bank are classified into the following categories:

a) Held for trading

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

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b) Held to maturity

Investments with fixed maturity, where management has both the intention and the ability to hold to 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. Amortized cost is calculated taking into account effective interest rate method. Profit on held to maturity investments is recognized on a time proportion basis taking into account the effective yield on the investments.

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

c) Available-for-sale

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

The surplus /(deficit) arising on revaluation of available for sale investments is kept in "surplus/ (deficit) on revaluation of assets" through statement of comprehensive income. The surplus/ (deficit) arising on these investments is taken to profit and loss account, when actually realized upon disposal of the investment.

5.3 Advances

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

a) Other assets especially mentioned

These are advances in arrears (payments/ instalments overdue) for 30 days or more but less than 60 days.

b) Substandard

These are advances in arrears (payments/ instalments overdue) for 60 days or more but less than 90 days.

c) Doubtful

These are advances in arrears (payments/ instalments overdue) for 90 days or more but less than 180 days.

d) Loss

These are advances in arrears (payments/ instalments overdue) for 180 days or more.

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

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

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

In addition to above, a general provision is made equivalent to 2% (2017: 2%) of the net outstanding balance (advances net of specific provisions) in accordance with the requirement of the Regulations.

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

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

5.4 Operating fixed assets

a) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset and the costs of dismantling and removing the items and restoring on which they are located, if any.

Depreciation is charged on the straight line method at rates specified note 10.2 to the financial statements, so as to write off the cost of assets over their estimated useful lives.

Full month's depreciation is charged in the month of addition while no depreciation is charged in the month of deletion.

Subsequent costs are included in the assets carrying amount 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. Carrying amount of the replaced part is derecognized. All other repair and maintenance are charged to income during the year.

Gains or losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amounts. Gains are recognized within "other income" while losses are recognized in administrative expenses in the profit and loss account.

b) Capital work-in-progress

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



c) Intangible assets

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

Intangible assets comprise of computer software and related applications. Intangible assets are amortized over their estimated useful lives at rate specified in note 10.3 to the financial statements. Subsequent expenditure is capitalized only when it increases the future economic benefit embodied in the specific asset to which it relates. All other expenditure is recognized in profit and loss account as incurred.

5.5 Deposits

Deposits are initially recorded at the amount of proceeds received. Markup accrued on deposits, if any, is recognized separately as part of other liabilities and is charged to the profit and loss account over the period.

5.6 Taxation

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

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

a) 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.

b) Deferred

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

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

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5.7 Staff retirement benefits

a) Provident fund

The Bank participates in a defined contribution provident fund for its eligible employees. Monthly contributions are made by the Bank and its employees at the rate of 10% of basic salary.

b) Gratuity

The Bank maintains provision of gratuity for all contractual employees, according to the agreement signed with HRSG Outsourcing (Pvt) Limited, an outsourcing company. Gratuity equivalent to one month's last drawn basic salary for each completed year of service is paid to outgoing employees with at least 1 year of past service rendered.

5.8 Reserves

a) Statutory reserve

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

b) Depositor's protection fund

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

c) Cash reserve

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

d) Statutory liquidity requirement

In compliance with the related regulatory requirements, the Bank is required to maintain liquidity equivalent to at least 10% of its total demand liabilities and time liabilities with tenor of less than one year in form of liquid assets i.e. cash, gold, unencumbered treasury bills, Pakistan Investment Bonds and Government of Pakistan sukuk bonds. Treasury bills and Pakistan Investment Bonds held under depositor protection fund are excluded for the purpose of determining liquidity.

5.9 Provisions

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

5.10 Foreign currency transactions

The financial statements are presented in Pakistani Rupee, which is the Bank's functional currency. Transactions in foreign currencies are translated into Pak Rupee at exchange rate on the date of transaction. All monetary assets and liabilities in foreign currencies are translated into Pak Rupee at the rate of exchange approximating those ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit and loss account.

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5.11 Revenue recognition

a) Markup / income on advances

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

b) Income from investments

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

c) Fee, commission and brokerage income

Fee, commission and brokerage income is recognized when the related services are rendered.

d) Income from inter bank deposits

Income from inter bank deposits in saving accounts is recognized in the profit and loss account as it accrues using the effective interest method .

e) Gain/ loss on sale of operating fixed assets

Gain on sale of operating fixed assets are recognized under other income in the profit and loss account.

Loss on sale of operating fixed assets are recognized under administrative expenses in the profit and loss account.

f) Gain/ loss on sale of investments

Gains and losses on sale of investments are recognised in the profit and loss account.

5.12 Financial instruments

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

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

a) Financial assets

Financial assets are cash and balances with SBP and NBP, balances with other banks/NBFIs/MFBs, 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 classified as held for trading and available for sale are valued at year end prices and investments classified as held to maturity are stated at amortized cost.

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b) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangement entered into. Financial liabilities include deposit and other accounts 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 derecognition of the financial assets and liabilities is included in the net profit and loss for the year in which it arises.

5.13 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.

5.14 Borrowing costs

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

5.15 Markup bearing borrowings

Markup bearing borrowings are recognized initially at cost being the fair value of consideration received, less attributable transaction costs. Subsequent to initial recognition markup bearing borrowings are stated at original cost less subsequent repayments.

5.16 Grants

The grant related to an asset is recognized in the balance sheet initially as deferred income when grant is received or there is reasonable assurance that it will be received and that the Bank will comply with the conditions attached to it. Grants that compensate the Bank for expenses incurred are recognized as revenue in the profit and loss account 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.

5.17 Earnings per share

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

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5.18 NEW AND REVISED STANDARDS AND INTERPETATIONS

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

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

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

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

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

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

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

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	2018 (Rupees)	2017 (Rupees)
6. CASH AND BALANCES WITH SBP AND NBP		
Cash in hand	391,041,079	314,574,643
Balance with State Bank of Pakistan (SBP) - note 6.1	1,642,440,128	730,196,250
Balance with National Bank of Pakistan (NBP)		
- Current accounts	101,434,972	26,693,448
- Deposit accounts	-	-
	<u>2,134,916,179</u>	<u>1,071,464,341</u>

6.1 This includes balance held with SBP in a current account to comply with the requirement of maintaining minimum balance equivalent to 5% (2017: 5%) of the Bank's demand deposits and time deposits with tenor of less than one year.

	2018 (Rupees)	2017 (Rupees)
7. BALANCES WITH OTHER BANKS/NBFIs/MFBs		
In Pakistan		
- on current accounts - Local currency	-	-
- on saving accounts - Local currency - note 7.1	554,332,817	1,147,342,613
- on term deposits accounts - Local currency - note 7.2	4,608,048,544	1,900,000,000
	<u>5,162,381,361</u>	<u>3,047,342,613</u>
- on current accounts - Foreign currency - note 7.3	-	-
	<u>5,162,381,361</u>	<u>3,047,342,613</u>

7.1 These carry markup ranging from 3.75% to 9.00% (2017: 3.75% to 5.7%) per annum.

7.2 These carry markup ranging from 5.95% to 10.75% (2017: 5.95% to 6.45%) per annum.

7.3 This account is being maintained with United Bank Limited for the purpose of Home Remittance under Pakistan remittance initiative as approved by the SBP.

	2018 (Rupees)	2017 (Rupees)
8. INVESTMENTS - net of provisions		
Available for Sale		
Federal Government securities		
Market Treasury Bills - note 8.1	2,599,246,556	3,527,562,086
Mutual Funds		
MCB - Arif Habib Savings and Investments Limited - Nil (2017: 4,856,939 units)	-	500,000,000
Lackson Investments - 7,448,041 units (2017: 4,863,681 units)	747,141,457	500,000,000
Atlas Money Market - 992,188 units (2017: Nil units)	498,246,942	-
ABL Investments - 97,866,510 units (2017: Nil units)	1,000,000,000	-
Faysal Asset Management - 2,456,340 units (2017: Nil units)	249,382,730	-
Alfalah GHP - 2,634,183 units (2017: Nil units)	259,407,734	-
	<u>2,754,178,863</u>	1,000,000,000
Surplus on revaluation of available for sale investments - note 8.2	55,156,190	245,405
	<u>5,408,581,609</u>	<u>4,527,807,491</u>

8.1 These represent securities with original maturity period of upto three months and carry markup at the rates ranging between 5.96% to 9.15% (2017: 5.96% to 5.98%) per annum. These also include securities with original maturity period of upto three months and carry markup at the rate of held for the purposes of Depositors' Protection Fund with a cumulative face value of amount of Rs. 87 million (2017: Rs. 50 million) and carry markup at the rates of 8.715% (2017: 5.98%) per annum.

	2018 (Rupees)	2017 (Rupees)
8.2 Particulars of surplus / (deficit) on revaluation of available for sale investments:		
Balance at the beginning	245,405	-
Transferred to/ (from) revaluation of assets	54,910,785	245,405
Balance at the end	<u>55,156,190</u>	<u>245,405</u>

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9. **ADVANCES - net of provisions**

	2018		2017	
	Loans outstanding (Number)	Amount outstanding (Rupees)	Loans outstanding (Number)	Amount outstanding (Rupees)
Micro credit				
-Secured against gold	18,745	1,582,305,636	15,008	1,281,529,653
-Unsecured	157,909	11,131,499,166	109,265	8,720,788,189
	<u>176,654</u>	<u>12,713,804,802</u>	<u>124,273</u>	<u>10,002,317,842</u>
Less: Provision held				
Specific provision	3,035	64,079,380	626	8,730,729
General provision - note 9.1	157,909	221,348,395	109,265	174,241,149
	<u>160,944</u>	<u>285,427,775</u>	<u>109,891</u>	<u>182,971,878</u>
Advances - net of provisions		<u>12,428,377,027</u>		<u>9,819,345,964</u>

9.1 This represents general provision maintained against unsecured microcredit advances net of specific provision at the rate of 2 % (2017: 2%) against the requirement of 1% specified under the Prudential Regulations issued by the State Bank of Pakistan.

9.2 **Particulars of non-performing advances**

Advances include Rs 161.8 million (2017: 31.2 million) which as detailed below, have been placed under non performing status.

Category of classification	2018			2017		
	Amount outstanding	Provision required	Provision held	Amount outstanding	Provision required	Provision held
	-----Rupees-----			-----Rupees-----		
OAEM	42,766,790	-	-	12,974,251	-	-
Sub-standard	26,976,779	6,679,441	6,679,441	6,253,366	1,555,592	1,555,592
Doubtful	67,359,796	33,392,369	33,392,369	9,658,574	4,829,287	4,829,287
Loss	24,755,970	24,007,570	24,007,570	2,345,850	2,345,850	2,345,850
	<u>161,859,335</u>	<u>64,079,380</u>	<u>64,079,380</u>	<u>31,232,041</u>	<u>8,730,729</u>	<u>8,730,729</u>

9.3 **Particulars of provision against non-performing advances**

	2018			2017		
	Specific	General	Total	Specific	General	Total
	-----Rupees-----			-----Rupees-----		
Opening balance	8,730,729	174,241,149	182,971,878	463,325	74,674,623	75,137,948
Charge for the year	153,205,957	47,107,246	200,313,203	16,279,402	99,566,526	115,845,928
Amounts written off - note 9.4	(94,736,310)	-	(94,736,310)	(7,867,007)	-	(7,867,007)
Reversals	(3,120,996)	-	(3,120,996)	(144,991)	-	(144,991)
Closing balance	<u>64,079,380</u>	<u>221,348,395</u>	<u>285,427,775</u>	<u>8,730,729</u>	<u>174,241,149</u>	<u>182,971,878</u>

9.4 **Particulars of write offs**

	2018 (Rupees)	2017 (Rupees)
Against provisions	94,736,310	7,867,007
Directly charged to profit & loss account	-	-
	<u>94,736,310</u>	<u>7,867,007</u>

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10. OPERATING FIXED ASSETS

Capital Work in progress - note 10.1
Property and equipment - note 10.2
Intangible assets - note 10.3

2018 (Rupees)	2017 (Rupees)
172,505,780	26,581,298
369,379,463	340,929,879
187,656,558	95,293,030
<u>729,541,801</u>	<u>462,744,207</u>

10.1 Capital Work in progress

Civil works
Equipments
Advances to suppliers and contractors
Others

172,505,780	10,747,298
-	15,834,000
<u>172,505,780</u>	<u>26,581,298</u>

10.2 Property and equipment

	Cost			Accumulated Depreciation			Net book value		Rate per annum %age		
	At January 01	Additions	Adjustments /transfers	Disposals/ write offs	At December 31	At January 01	Charge for the year	Disposals/ write offs			
	Rupees			Rupees			Rupees				
2018											
Freehold land	100,255,086	6,069,603	(43,919)	(7,107,914)	99,172,866	47,111,253	17,747,197	(5,412,805)	59,445,645	39,727,211	20%
Furniture and fixture	449,629,453	127,325,011	(4,800)	(5,534,680)	571,414,984	223,078,267	90,517,164	(4,989,074)	308,606,357	262,808,627	10.33%
Electrical, office and computer equipment	28,544,482	28,364,411	-	-	56,908,893	10,757,168	9,872,245	-	20,629,413	36,279,480	25%
Vehicles	102,952,049	6,284,507	(98,537)	(23,968,042)	85,169,977	59,504,503	17,311,861	(22,210,532)	54,605,832	30,564,145	25%
Leasehold improvements	681,381,070	168,043,532	(147,256)	(36,610,636)	812,666,710	340,451,191	135,448,467	(32,612,411)	443,287,247	369,379,463	
2017											
Freehold land	68,745,486	31,649,974	-	(140,374)	100,255,086	30,311,809	16,871,311	(71,867)	47,111,253	53,143,833	20%
Furniture and fixture	336,493,695	115,898,708	-	(2,762,960)	449,629,453	147,893,161	77,930,244	(2,545,138)	223,078,267	226,551,186	10.33%
Electrical, office and computer equipment	24,135,483	9,999,655	-	(5,590,656)	28,544,482	10,005,633	6,158,025	(5,406,490)	10,757,168	17,787,314	25%
Vehicles	81,898,857	32,994,719	-	(11,941,527)	102,952,049	52,242,631	17,887,743	(10,625,871)	59,504,503	43,447,546	25%
Leasehold improvements	511,273,521	190,543,056	-	(20,435,507)	681,381,070	240,253,234	118,847,323	(18,649,369)	340,451,191	340,929,879	

10.2.1 The cost of fully depreciated assets still in use is Rs. 195,454,818 (2017: Rs. 133,325,671).

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

10.2.3 Operating fixed assets written off during the year having cost of Rs. 31,843,912 and written down value of Rs. 3,747,153.

10.3 Intangible assets

	Cost				Amortization				Net book value		Rate per annum %age
	At January 01	Additions	Disposals/ write offs	At December 31	At January 01	Charge for the year	Disposals/ write offs	At December 31	At December 31		
	Rupees				Rupees						
2018											
Software License	207,123,455	127,957,605	-	335,081,060	111,890,425	35,534,077	-	147,424,502	187,656,558	10.33%	
	<u>207,123,455</u>	<u>127,957,605</u>	<u>-</u>	<u>335,081,060</u>	<u>111,890,425</u>	<u>35,534,077</u>	<u>-</u>	<u>147,424,502</u>	<u>187,656,558</u>		
2017											
Software License	182,840,817	24,282,638	-	207,123,455	70,329,444	41,560,981	-	111,890,425	95,233,030	10.33%	
	<u>182,840,817</u>	<u>24,282,638</u>	<u>-</u>	<u>207,123,455</u>	<u>70,329,444</u>	<u>41,560,981</u>	<u>-</u>	<u>111,890,425</u>	<u>95,233,030</u>		

10.3.1 This includes Temenos - 24 (R-10) software with carrying value of Rs. 43,368,339 (2017: 29,798,537) and remaining amortization period of 2.9 (2017: 3.9) years.

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	2018 (Rupees)	2017 (Rupees)			
11. OTHER ASSETS					
Income/ Markup accrued	1,472,204,257	1,148,291,676			
Advances, deposits and prepayments	115,588,692	104,200,761			
Advance taxation	-	-			
Branch adjustment account	-	-			
Suspense account	-	-			
Deferred cost	-	-			
Receivable from related parties - note 11.1	83,936,323	153,530			
Inventory / printed stationary - note 11.2	34,158,508	17,089,080			
Crop and livestock insurance claims - note 11.3	315,729,129	167,600,608			
Others	173,005,111	166,396,715			
	<u>2,194,622,020</u>	<u>1,603,732,370</u>			
Less : Provisions held against classified other assets	-	-			
Other assets - net of provisions	<u>2,194,622,020</u>	<u>1,603,732,370</u>			
11.1 Receivable from related parties					
PMCL	83,760,008	-			
Business Communication System (Private) Limited	176,315	153,530			
	<u>83,936,323</u>	<u>153,530</u>			
11.2 This represent inventory of cards held by third party.					
11.3 This represents claims for the amount of insurance premiums lodged with SBP under crop loan insurance scheme and livestock insurance scheme for borrowers of the Bank.					
12. DEFERRED TAX ASSET					
Deferred tax asset arising on account of deductible temporary differences on:					
Provision against non-performing advances	79,919,777	54,891,563			
Provision for gratuity	624,583	4,682,300			
	<u>80,444,360</u>	<u>59,573,863</u>			
Deferred tax liability arising on account of taxable temporary differences on:					
Operating fixed assets	(10,381,434)	(11,098,234)			
	<u>70,062,926</u>	<u>48,475,629</u>			
Surplus on revaluation of available for sale investments	(13,789,047)	(36,811)			
	<u>56,273,879</u>	<u>48,438,818</u>			
13. DEPOSITS AND OTHER ACCOUNTS					
	Note	2018 (Number)	2018 (Rupees)	2017 (Number)	2017 (Rupees)
Time Liabilities:					
Term deposits		2,533	4,649,732,587	2,413	2,696,045,178
Demand Liabilities:					
Savings deposits		41,527	3,249,863,366	41,467	2,280,335,379
Current deposits		261,327	1,229,266,255	174,722	1,537,025,783
Branchless deposits		16,293,843	12,962,623,724	14,800,201	8,429,650,996
		<u>16,596,697</u>	<u>17,441,753,345</u>	<u>15,016,390</u>	<u>12,247,012,158</u>
		<u>16,599,230</u>	<u>22,091,485,932</u>	<u>15,018,803</u>	<u>14,943,057,336</u>
13.1 Particulars of deposits by ownership					
Individual depositors		16,516,578	13,867,310,791	14,943,281	10,043,404,813
Institutional depositors					
a) Corporations/firms etc.		3,715	5,096,865,886	1,531	2,579,534,581
b) Banks & financial Institutions		416	1,556,375,005	171	1,178,704,512
Retailers		77,858	1,364,112,101	73,185	1,048,871,654
Franchisees		642	201,714,161	614	91,873,363
Customer care centers		21	5,107,988	21	668,413
		<u>16,599,230</u>	<u>22,091,485,932</u>	<u>15,018,803</u>	<u>14,943,057,336</u>
13.2 Deposits include related parties balance amounting to Rs 496 million (2017: Rs 558 million) as disclosed in note 30.					

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	2018 (Rupees)	2017 (Rupees)
14. OTHER LIABILITIES		
Markup/ Interest payable	32,346,688	87,624,964
Unearned commission and income on bills discounted	-	-
Bills payable	117,876,040	123,282,449
Accrued expenses	169,913,631	118,023,411
Advance payments	-	-
Provision of taxation - net - note 14.1	17,634,481	39,136,780
Unclaimed dividends	-	-
Unpaid dividends	-	-
Proposed dividends	-	-
Payable to related parties - note 14.2	2,482,123	151,524,773
Branch adjustment account	-	-
Provision for gratuity - note 14.3	1,873,509	15,607,668
Payable to defined contribution plan	-	-
Provision against off-balance sheet obligations	-	-
Security deposits against lease	-	-
Taxes and levies withheld	171,270,755	129,260,743
Payable to suppliers	422,479,204	261,222,704
Bills collected for settlement through NADRA	243,104,714	202,523,590
Uncollected remittances	446,028,681	390,931,156
Others	434,384,004	1,014,045,915
	<u>2,059,393,830</u>	<u>2,533,184,153</u>
14.1 Provision of taxation - net		
Opening balance	39,136,780	(30,342,832)
Tax paid	(445,906,499)	(100,156,366)
Provision for taxation	424,404,200	169,635,978
Closing balance	<u>17,634,481</u>	<u>39,136,780</u>
14.2 Payable to related parties		
PMCL	-	148,042,650
Global Telecom Holding S.A.E	-	1,000,000
Oracap - GTH	2,482,123	2,482,123
	<u>2,482,123</u>	<u>151,524,773</u>
14.3 Provision for gratuity		
Opening balance	15,607,668	9,547,681
Charge for the year	3,595,820	8,367,151
Payment during the year	(17,329,979)	(2,307,164)
Closing balance	<u>1,873,509</u>	<u>15,607,668</u>
15. SHARE CAPITAL		
Authorized Capital		
2018	2017	
Numbers	Numbers	
<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>
Issued, subscribed and paid-up capital		
2018	2017	
<u>271,359,683</u>	<u>271,359,683</u>	Ordinary shares Fully paid in cash of Rs. 10 each.
		<u>2,713,596,830</u> <u>2,713,596,830</u>
15.1	Global Telecom Holding S.A.E. (GTH) is the holding company controlling 271,359,678 i.e. 99.99% shares (2017: 99.99%) of the Bank.	
16. SURPLUS ON REVALUATION OF ASSETS		
Available for sale investments - net of tax	<u>41,367,143</u>	<u>208,594</u>
17. MEMORANDUM / OFF-BALANCE SHEET ITEMS		
17.1 Contingencies		
There are no known material contingencies at the year end (2017: Nil).		
17.2 Commitments:		
Operating fixed assets	16,905,056	59,833,693
Bank Guarantee - note 17.3	100,000,000	101,143,750
Standby Letter of Guarantee - note 17.4	13,886,190	11,650,000
	<u>130,791,246</u>	<u>172,627,443</u>

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17.3 This represents Bank guarantees issued by the Bank to Pakistan Railway against the online payment processing services.

17.4 This represents letter of guarantee issued by the Bank to Visa International Service Association for interbank settlement.

	2018 (Rupees)	2017 (Rupees)
18. MARK-UP/RETURN/INTEREST EARNED		
Interest / Mark-up on;		
- Advances	2,923,301,688	2,157,450,171
- Government securities	269,959,582	236,408,959
- On Deposit accounts/placements with other banks/financial institution	163,602,253	222,818,293
	<u>3,356,863,523</u>	<u>2,616,677,423</u>
19. MARK-UP/RETURN/INTEREST EXPENSED		
On deposits	<u>389,543,416</u>	<u>510,086,089</u>
19.1 Mark-up expense on deposits includes amount of Rs 12 million (2017: Rs 26 million) in respect of deposit balances of related parties as disclosed in note 30.		
20. FEE, COMMISSION AND BROKERAGE INCOME - NET		
Income from branchless banking - note 20.1	151,932,689	300,564,562
Loan processing fee	265,144,504	187,616,028
Others	13,123,070	52,295,495
	<u>430,200,263</u>	<u>540,476,085</u>
20.1 Income from branchless		
Branchless banking income - note 20.2	5,165,562,270	4,415,065,410
Commission to retailer / franchisee	(3,638,991,322)	(2,893,386,625)
Commission to related party	(1,102,169,306)	(983,344,616)
NADRA charges related to branchless banking	(272,468,953)	(237,769,607)
	<u>151,932,689</u>	<u>300,564,562</u>
20.2 This represents the income from branchless banking operations (Jazz cash formerly Mobicash) carried out by the Bank together with PMCL through agency agreement under SBP Branchless Banking Regulations. As per the agreement, Income from Mobicash (Net of Agents commission) is shared between the Bank and PMCL in the ratio of 30:70 respectively.		
21. OTHER INCOME	2018 (Rupees)	2017 (Rupees)
Gain on disposal of fixed assets	<u>556,437</u>	<u>773,353</u>
22. ADMINISTRATIVE EXPENSES	Note	
Salaries, allowances etc.	1,022,775,336	844,314,516
Contribution to defined contribution plan	37,132,401	26,856,140
Provision for gratuity	3,595,820	8,367,151
Non-executive directors' fees, allowances and other expenses	600,000	275,000
Training / Capacity building	7,108,784	3,899,837
Rent, taxes, insurance, electricity, etc.	248,401,158	154,647,421
Legal and professional charges	16,749,193	12,440,482
Communications	13,352,092	15,537,490
Repair and maintenance - Vehicle	12,358,317	4,636,075
Rentals of operating leases	-	-
Finance charges on leased assets	-	-
Stationary and printing	68,717,678	41,530,901
Advertisement and publicity	7,936,398	1,321,304
Donations	-	-
Auditors' remuneration	22.2 2,850,000	2,250,000
Depreciation	10.1 135,448,467	118,847,323
Amortization	10.2 35,534,077	41,560,981
Operating fixed assets written off	3,747,153	-
Travel and transportation	22,377,576	19,396,500
Repair and maintenance - General	15,645,716	8,396,490
NADRA verification charges	22.1 5,337,299	17,229,630
Bank charges	110,809,876	75,729,028
IT equipment and software maintenance	137,599,046	114,139,160
Security	56,027,440	56,878,276
Janitorial services	35,094,570	27,072,254
Office supplies	8,984,177	8,854,361
Entertainment	15,507,720	12,061,009
G2P Project Cost	11,978,864	15,954,185
Others	22,617,084	16,661,812
	<u>2,058,286,242</u>	<u>1,648,857,326</u>

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	2018 (Rupees)	2017 (Rupees)
22.1 Auditors' remuneration		
Audit fee	2,000,000	1,500,000
Fee for audit of provident, pension, gratuity and other funds	-	-
Special certifications	700,000	600,000
Tax services	-	-
Out of pocket expenses	<u>150,000</u>	<u>150,000</u>
	<u>2,850,000</u>	<u>2,250,000</u>
22.2 This includes verification charges of National Database and Registration Authority (NADRA) for verisys and eCIB charges of SBP.		
23. OTHER CHARGES		
Penalties imposed by the State Bank of Pakistan - note 23.1	1,062,000	2,111,000
Loss on foreign currency transactions	1,489,449	-
Workers Welfare Fund - Sindh	<u>2,078,113</u>	<u>572,036</u>
	<u>4,629,562</u>	<u>2,683,036</u>
23.1 The charge for the year represents the penalties paid to the State Bank of Pakistan (SBP) for violations of the PSD circular in issuance of non personalized cards and non compliance of certain other requirements including matters relating to appointment at a key management position and for a matter involving late submission of documents.		
	2018 (Rupees)	2017 (Rupees)
24. TAXATION		
For the year		
Current	391,914,275	169,635,980
Deferred	<u>(21,624,108)</u>	<u>98,874,058</u>
For the prior years		
Current	32,489,925	-
Deferred	<u>-</u>	<u>-</u>
	<u>402,780,092</u>	<u>268,510,038</u>
24.1 Relationship between tax expense and accounting loss		
Profit before taxation	<u>1,220,801,342</u>	<u>880,599,473</u>
Tax at applicable tax rate of 29% percent (2017: 30% percent)	29%	30%
	<u>354,032,389</u>	<u>264,179,842</u>
Effect of:		
- Deferred tax asset recognized in prior years	-	7,399,847
- Prior years	32,489,925	-
- Permanent differences	307,980	(2,092,200)
- Income charged at different tax rate	12,816,547	-
- Super tax	1,698,322	-
- Others	<u>1,434,929</u>	<u>(977,451)</u>
	<u>402,780,092</u>	<u>268,510,038</u>

24.2 Change in applicable income tax rate from 30% to 29% is due to change in relevant Income tax laws.

	2018			2017		
	Credit / Sales Staff	Banking / Support	Total	Credit / Sales Staff	Banking / Support	Total
Permanent	479	633	1,112	328	276	604
Contractual / temporary	-	53	53	208	234	442
	<u>479</u>	<u>686</u>	<u>1,165</u>	<u>536</u>	<u>510</u>	<u>1,046</u>

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26. PROVIDENT FUND TRUST

The provident fund has been established collectively for the employees of Mobilink Microfinance Bank Limited, Pakistan Mobile Communication limited, LINKdotNET Telecom Limited, Business Communication Systems (Private) Limited, Veon Global Services (Private) Limited (formerly known as Vimpelcom Global services Pakistan (Private) Limited) and Warid Telecom (Pvt.) Limited. Details of employees Provident Fund based on un-audited financial statements for the respective years ended on December 31 are as follows:

	2018 (Rupees)	2017 (Rupees)
Size of the Fund -Total Assets	1,637,874,000	1,671,974,000
Cost of investments made	1,538,541,000	1,671,974,000
Percentage of investments made	100%	100%
Fair value of investments	1,454,417,000	1,521,736,000

Breakup of Investments is as follows:

	(Rupees)	%	(Rupees)	%
Saving Accounts	126,375,000	9%	198,096,000	13%
Term Deposit Certificates	236,813,000	16%	89,754,000	6%
	363,188,000	25%	287,850,000	19%
Wapda Bonds	176,058,000	12%	233,802,000	15%
Term Finance Certificates (TFC)	72,988,000	5%	99,640,000	7%
Government Securities	84,304,000	6%	84,830,000	6%
Listed Unit Trust Schemes	574,240,000	39%	598,005,000	39%
Listes Securities	183,639,000	13%	217,609,000	14%
	<u>1,454,417,000</u>		<u>1,521,736,000</u>	

26.1 The figures for 2018 are based on the un-audited financial statements (2017: un-audited financial statements) of the Provident Fund. All the investments out of provident fund trust have been made in accordance with the provisions of Section 227 of the Companies Act, 2017 and the rules formulated for that purpose.

27. NUMBER OF BRANCHES/SERVICE CENTRES

	2018 (Number)	2017 (Number)
Beginning of the year	61	51
Opened during the year		
-Branches	0	12
-Closed / Merged during the year	0	(2)
At the end of the year	<u>61</u>	<u>61</u>

This includes 61 branches and no booth/ service center (2017: 61).

28. REMUNERATION OF DIRECTORS AND EXECUTIVES

	President/ Chief Executive		Directors		Executives	
	2018 (Rupees)	2017 (Rupees)	2018 (Rupees)	2017 (Rupees)	2018 (Rupees)	2017 (Rupees)
Fees	-	-	600,000	275,000	-	-
Managerial remuneration	16,347,918	15,340,579	-	-	163,802,182	97,147,152
Rent and house maintenance	292,500	270,000	-	-	27,262,343	22,340,007
Utilities	1,609,906	1,488,972	-	-	16,359,240	9,611,281
Relocation allowance	-	-	-	-	852,693	662,853
Conveyance allowance	-	-	-	-	1,427,886	1,727,809
Car allowance	-	-	-	-	17,136,999	11,627,667
Car maintenance	-	280,646	-	-	1,911,867	1,597,866
Contribution to defined contribution plan	1,609,906	1,488,972	-	-	15,528,679	9,200,907
Fuel allowance / reimbursements	-	518,400	-	-	3,558,855	2,675,562
Sales staff incentive	-	-	-	-	12,882,624	11,830,974
Meal Allowance	-	-	-	-	1,044,917	747,500
Transport Allowance	-	-	-	-	-	5,500
Training compensation	-	-	-	-	-	120,000
Bonus, Prizes and rewards	6,620,731	12,403,952	-	-	24,261,444	23,770,888
	<u>26,480,961</u>	<u>31,791,521</u>	<u>600,000</u>	<u>275,000</u>	<u>286,029,729</u>	<u>193,065,966</u>
Number of persons	<u>1</u>	<u>1</u>	<u>2</u>	<u>1</u>	<u>90</u>	<u>92</u>

a) Executive means any employee whose basic salary exceeds Rs. 500,000 (2017: Rs. 500,000) per year.

b) The President / Chief Executive Officer and certain other executives are provided with free use of the Bank's owned and maintained cars in accordance with their entitlement as per rules of the Bank.

29. EARNING PER SHARE (RUPEE)

		2018	2017
Profit after taxation - Rupees	A	818,021,250	612,089,435
Weighted average ordinary shares - Numbers	B	271,359,683	146,558,202
Earning per share - Rupees	A/B	3.01	4.18

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30. **BALANCES AND TRANSACTIONS WITH RELATED PARTIES**

The Bank is a subsidiary of Global Telecom Holding S.A.E. (GTH) which holds 99.99% share capital of the Bank. Therefore, all subsidiaries and associated undertakings of GTH are related parties of the Bank. Other related parties include directors, key management personnel which include CEO and Head of Departments (HOD's), entities under common directorship. Remuneration to directors and executives is disclosed in note 28 to these financial statements. Amounts due from and due to the related party companies are shown in note 11 and 14 to these financial statements. All transactions involving related parties are subject to the approval of the Board of Directors. Significant transactions with the related parties other than those referred to in the foregoing entered into during the year are as follows:

		2018 (Rupees)	2017 (Rupees)
Transactions during the year:	Relationship with related party		
Global Telecom Holding (GTH)	Parent Company		
Payment set off against CDC subscription		1,000,000	-
Pakistan Mobile Communications Limited (PMCL)	Associated Company		
Payments made for expenses incurred on behalf of PMCL by the Bank		102,534,431	130,736,250
Payments made for expenses incurred on behalf of the Bank by PMCL		20,059,742	2,878,283
Payments made against defined contribution plan being employee and employer contributions		58,451,556	42,771,974
Deposits made during the year		18,087,024,620	12,016,400,150
Withdrawals during the year		18,160,416,208	12,033,364,220
Mark-up/ return/ interest expensed to PMCL		12,291,261	26,279,792
Deposit Mobilization Commission Paid		323,547,212	157,296,609
Branchless commission (Net of agents commission)		778,622,094	826,048,007
Employees' Provident Fund Trust			
Bank's contribution paid to the fund		37,132,401	26,856,140
Balances outstanding as at December 31, 2018			
Payable to GTH	Parent Company	2,482,123	3,482,123
Receivable from PMCL	Associated Company	83,760,008	(148,042,650)
Payable to Business Communication System (Private) Limited	Associated Company	176,315	153,530
Deposits accounts contain amounts relating to following related parties:			
Pakistan Mobile Communications Limited (PMCL)	Associated Company	495,645,889	557,975,342

31. **CASH AND CASH EQUIVALENTS**

Cash and balances with SBP and NBP - note 6	2,134,916,179	1,071,464,341
Balances with other banks/NBFIs/MFBs - note 7	5,162,381,361	3,047,342,613
	<u>7,297,297,540</u>	<u>4,118,806,954</u>

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32. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Fair value of fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in note 4.2 to these financial statements.

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

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

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

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

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

a) Financial instruments in level 1

Currently, no financial instruments are classified in level 3.

b) Financial instruments in level 2

Financial instruments included in level 2 comprise of investment in market treasury bills and units of mutual funds.

c) Financial instruments in level 3

Currently, no financial instruments are classified in level 3.

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

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

	Level 1	Level 2	Level 3
	-----Rupees-----		
December 31, 2018			
Financial assets measured at fair value			
Available for sale investments - Market treasury bills	-	2,599,246,556	-
Available for sale investments - Units of mutual funds	-	2,754,178,863	-
	-	<u>5,353,425,419</u>	-
December 31, 2017			
Financial assets measured at fair value			
Available for sale investments - Market treasury bills	-	3,527,562,086	-
Available for sale investments - Units of mutual funds	-	1,000,000,000	-
	-	<u>4,527,562,086</u>	-

Valuation techniques and inputs used in determination of fair values

Item	Valuation techniques and inputs used
Market treasury bills	Fair value of investment in market treasury bills is determined based on the rates / prices sourced from Reuters.
Units of mutual funds	Fair value of investment in units of mutual funds is determined based on Net Asset Value per unit as at close of business day available at MUFAP.

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33. MATURITIES OF ASSETS AND LIABILITIES

	December 31, 2018	December 31, 2018				
		Total	Up to one month	Over one month up to six months	Over six months up to one year	Over one year
	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)	
Market rate assets						
Cash and Balances with SBP and NBP	2,134,916,179	2,134,916,179	-	-	-	
Balances with other Banks/NBFIs/MFBs	5,162,381,361	4,162,381,361	1,000,000,000	-	-	
Investments	5,408,581,609	5,408,581,609	-	-	-	
Advances	12,428,377,027	742,317,715	3,912,389,602	6,475,689,437	1,297,980,273	
Total market rate assets	25,134,256,176	12,448,196,864	4,912,389,602	6,475,689,437	1,297,980,273	
Other non-earning assets						
Operating fixed assets	729,541,801	8,834,119	44,170,595	53,004,715	623,532,372	
Other assets	2,194,622,020	196,109,157	1,352,590,690	538,776,537	107,145,636	
Deferred tax asset	56,273,879	-	-	-	56,273,879	
Total non-earning assets	2,980,437,700	204,943,276	1,396,761,285	591,781,252	786,951,887	
Total assets	28,114,693,876	12,653,140,140	6,309,150,887	7,067,470,689	2,084,932,160	
Cost/ non cost bearing liabilities						
Deposits and other accounts	22,091,485,932	17,497,602,345	3,348,317,500	663,885,287	581,680,800	
Other non-cost bearing liabilities						
Other liabilities	2,059,393,830	1,592,663,138	466,730,692	-	-	
Total Liabilities	24,150,879,762	19,090,265,483	3,815,048,192	663,885,287	581,680,800	
Net assets	3,963,814,114	(6,437,125,343)	2,494,102,695	6,403,585,402	1,503,251,360	
Represented by :						
Share Capital	2,713,596,830					
Statutory reserves	332,173,703					
Depositor's protection fund	86,860,323					
Accumulated Losses	789,816,115					
Surplus / (deficit) on revaluation of assets	41,367,143					
	<u>3,963,814,114</u>					

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34. MATURITIES OF ASSETS AND LIABILITIES

December 31, 2017

	Total	Up to one month	Over one month up to six months	Over six months up to one year	Over one year
(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)
Market rate assets					
Cash and Balance with SBP and NBP	1,071,464,341	1,071,464,341	-	-	-
Balances with other Banks/NBFIs/MFBs	3,047,342,613	2,047,342,613	1,000,000,000	-	-
Investments	3,527,562,086	-	3,527,562,086	-	-
Advances	9,819,345,964	431,451,715	3,345,829,108	5,383,761,198	658,303,943
Total market rate assets	17,465,715,004	3,550,258,669	7,873,391,194	5,383,761,198	658,303,943
Other non-earning assets					
Operating fixed assets	462,744,207	2,086,477	2,367,093	20,240,604	438,050,033
Other assets	1,603,732,371	351,339,037	652,964,367	554,384,313	45,044,654
Deferred tax asset	48,438,818	-	-	-	48,438,818
Total non-earning assets	2,114,915,396	353,425,514	655,331,460	574,624,917	531,533,505
Total assets	19,580,630,400	3,903,684,183	8,528,722,654	5,958,386,115	1,189,837,448
Cost/ non cost bearing liabilities					
Deposits and other accounts	10,306,362,467	8,071,473,702	614,815,397	875,128,905	744,944,463
Other non-cost bearing liabilities					
Other liabilities	2,533,184,153	2,448,653,382	49,985,968	21,947,772	12,597,031
Total Liabilities	12,839,546,620	10,520,127,084	664,801,365	897,076,677	757,541,494
Net assets	6,741,083,780	(6,616,442,901)	7,863,921,289	5,061,309,438	432,295,954

Represented by :

Share Capital 2,713,596,830
 Statutory reserves 168,569,453
 Depositor's protection fund 42,283,977
 Accumulated Losses 179,975,461
 Surplus / (deficit) on revaluation of assets 208,594

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2,713,596,830
168,569,453
42,283,977
179,975,461
208,594
<u>3,104,634,315</u>

35. CAPITAL MANAGEMENT

The Bank's objectives when managing its capital are:

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

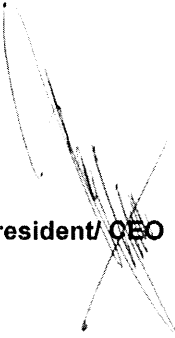
Capital requirements applicable to the Bank are set out under Microfinance Institutions Ordinance, 2001. These requirements are put in place to ensure sufficient solvency margins. The Bank manages its capital requirement by assessing its capital structure against required capital level on regular basis. The minimum paid up capital requirement applicable to the Bank is Rs 1 billion whereas the paid up capital of the Bank as at December 31, 2018 is Rs 2.71 billion (2017: Rs 2.71 billion)

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

36. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Bank in their meeting held on March 21, 2019

SRJL



President/CEO



Chairman



Director



Director

MOBILINK MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Details of property and equipment disposed off during the year as referred to in Note 10.2.2 of financial statements:

Particulars of Asset	Cost	Accumulated		Book Value	Sales Proceed	Gain/Loss	Mode of Disposal	Particulars of buyers
		Depreciation	Rupees					
HP 8100 Core I5	23,000	11,500	11,500	11,500	4,032	7,468	Asset Auction	BCI Multimedia
HP 8100 Core I5	23,000	11,500	11,500	11,500	4,032	7,468	Asset Auction	BCI Multimedia
HP 8100 Core I5	23,000	11,500	11,500	11,500	4,032	7,468	Asset Auction	BCI Multimedia
HP 8100 Core I5	23,000	11,500	11,500	11,500	4,032	7,468	Asset Auction	BCI Multimedia
Laptop	79,150	79,150	-	-	-	-	As per Policy	Given to Employees
Laptop	79,150	79,150	-	-	1,542	(1,542)	As per Policy	Given to Employees
Laptop	74,000	74,000	-	-	33,542	(12,153)	As per Policy	Given to Employees
Laptop	74,000	48,611	21,389	-	-	-	As per Policy	Given to Employees
Laptop	74,000	74,000	-	-	-	-	As per Policy	Given to Employees
Laptop	75,400	75,400	-	-	-	-	As per Policy	Given to Employees
HP Compaq 6200	20,300	6,203	14,097	14,097	9,425	(9,425)	As per Policy	Given to Employees
HP Compaq 8100 - Tower	20,000	6,111	13,889	13,889	4,032	10,066	Asset Auction	BCI Multimedia
HP Compaq 8100 - Tower	20,000	6,111	13,889	13,889	4,032	9,857	Asset Auction	BCI Multimedia
HP Compaq 8100 - Tower	20,000	6,111	13,889	13,889	4,032	9,857	Asset Auction	BCI Multimedia
HP 8100 I5, 3.1 GHZ	22,000	1,833	20,167	20,167	4,032	16,135	Asset Auction	BCI Multimedia
HP 8100 I5, 3.1 GHZ	22,000	1,833	20,167	20,167	4,032	16,135	Asset Auction	BCI Multimedia
HP Compaq 8200 Elite PC	63,126	63,125	1	1	4,032	(4,031)	Asset Auction	BCI Multimedia
HP Compaq 8200 Elite PC	63,126	63,125	1	1	4,032	(4,031)	Asset Auction	BCI Multimedia
HP Compaq 8200 Elite PC	63,126	63,125	1	1	4,032	(4,031)	Asset Auction	BCI Multimedia
HP Compaq 8200 Elite PC	63,126	63,125	1	1	4,032	(4,031)	Asset Auction	BCI Multimedia
HP Compaq 8200 Elite PC	63,126	63,125	1	1	4,032	(4,031)	Asset Auction	BCI Multimedia
HP Compaq 8200 Elite PC	63,126	63,125	1	1	4,032	(4,031)	Asset Auction	BCI Multimedia
HP Compaq 8200 Elite PC	63,126	63,125	1	1	4,032	(4,031)	Asset Auction	BCI Multimedia
HP Compaq 8200 Elite PC	63,126	63,125	1	1	4,032	(4,031)	Asset Auction	BCI Multimedia
HP Compaq 8200 Elite PC	63,126	63,125	1	1	4,032	(4,031)	Asset Auction	BCI Multimedia
HP Compaq 8200 Elite PC	63,126	63,125	1	1	4,032	(4,031)	Asset Auction	BCI Multimedia
HP Compaq 8200 Elite PC	63,126	63,125	1	1	4,032	(4,031)	Asset Auction	BCI Multimedia
HP Compaq 8200 Elite PC	63,126	63,125	1	1	4,032	(4,031)	Asset Auction	BCI Multimedia
HP Compaq 8200 Elite PC	63,126	63,125	1	1	4,032	(4,031)	Asset Auction	BCI Multimedia
HP Compaq 8200 Elite PC	63,126	63,125	1	1	4,032	(4,031)	Asset Auction	BCI Multimedia
HP Compaq 8200 Elite PC	63,126	63,125	1	1	4,032	(4,031)	Asset Auction	BCI Multimedia
HP Compaq 8200 Elite PC	63,126	63,125	1	1	4,032	(4,031)	Asset Auction	BCI Multimedia
HP Compaq 8200 Elite PC	63,126	63,125	1	1	4,032	(4,031)	Asset Auction	BCI Multimedia
HP Compaq 8200 Elite PC	63,126	63,125	1	1	4,032	(4,031)	Asset Auction	BCI Multimedia
HP Compaq 8200 Elite PC	63,126	63,125	1	1	4,032	(4,031)	Asset Auction	BCI Multimedia
Desktop System	50,500	50,499	1	1	4,032	(4,031)	Asset Auction	BCI Multimedia
Desktop System	50,500	50,499	1	1	4,032	(4,031)	Asset Auction	BCI Multimedia
Desktop System	50,500	50,499	1	1	4,032	(4,031)	Asset Auction	BCI Multimedia
Desktop System	50,500	50,499	1	1	4,032	(4,031)	Asset Auction	BCI Multimedia
Desktop System	50,500	50,499	1	1	4,032	(4,031)	Asset Auction	BCI Multimedia
Desktop System	50,500	50,499	1	1	4,032	(4,031)	Asset Auction	BCI Multimedia

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Particulars of Asset	Cost	Accumulated Depreciation		Book Value	Sales Proceed	Gain/Loss	Mode of Disposal	Particulars of buyers
		Rupees	Rupees					
Dell system 760	16,000	16,000	16,000	-	4,032	(4,032)	Asset Auction	BCI Multimedia
Dell system 760	16,000	16,000	16,000	-	4,032	(4,032)	Asset Auction	BCI Multimedia
Dell system 760	16,000	16,000	16,000	-	4,032	(4,032)	Asset Auction	BCI Multimedia
Dell system 760	16,000	16,000	16,000	-	4,032	(4,032)	Asset Auction	BCI Multimedia
Dell system 760	16,000	16,000	16,000	-	4,032	(4,032)	Asset Auction	BCI Multimedia
Dell system 760	16,000	16,000	16,000	-	4,032	(4,032)	Asset Auction	BCI Multimedia
Dell system Optiplex 755	13,448	9,712	3,736	3,736	4,032	(296)	Asset Auction	BCI Multimedia
Dell system Optiplex 755	13,448	9,712	3,736	3,736	4,032	(296)	Asset Auction	BCI Multimedia
Dell system Optiplex 755	13,448	9,712	3,736	3,736	4,032	(296)	Asset Auction	BCI Multimedia
Dell system Optiplex 755	13,448	9,712	3,736	3,736	4,032	(296)	Asset Auction	BCI Multimedia
Dell system Optiplex 755	13,448	9,712	3,736	3,736	4,032	(296)	Asset Auction	BCI Multimedia
Dell system Optiplex 755	13,448	9,712	3,736	3,736	4,032	(296)	Asset Auction	BCI Multimedia
HP LV1911 18.5 Inch LED/LCD monitor	10,684	10,683	11,200	-	4,000	(3,999)	Asset Auction	BCI Multimedia
HP 18.5" LED	11,200	11,200	11,200	-	4,000	(4,000)	Asset Auction	BCI Multimedia
HP 18.5" LED	11,175	9,623	1,552	1,552	4,000	(2,448)	Asset Auction	BCI Multimedia
HP 18.5" LED	11,175	9,313	1,862	1,862	4,000	(2,138)	Asset Auction	BCI Multimedia
HP 18.5" LED	11,200	11,200	11,200	-	4,000	(4,000)	Asset Auction	BCI Multimedia
HP LV1911 18.5 Inch LED/LCD monitor	23,952	23,951	23,951	1	4,000	(3,999)	Asset Auction	BCI Multimedia
HP LED 18.5	11,175	8,071	3,104	3,104	4,000	(896)	Asset Auction	BCI Multimedia
HP LED 18.5	11,175	8,071	3,104	3,104	4,000	(896)	Asset Auction	BCI Multimedia
HP LE1851w 18.5-inch	11,000	10,999	10,999	1	4,000	(3,999)	Asset Auction	BCI Multimedia
HP LV1911 18.5 Inch LED/LCD monitor	10,684	10,683	10,683	1	4,000	(3,999)	Asset Auction	BCI Multimedia
HP LE1902X 18.5-inch	11,000	10,999	10,999	1	4,000	(3,999)	Asset Auction	BCI Multimedia
HP 18.5" LED	11,200	11,200	11,200	-	4,000	(4,000)	Asset Auction	BCI Multimedia
HP 18.5" LED	11,200	11,200	11,200	-	4,000	(4,000)	Asset Auction	BCI Multimedia
HP LV1911 18.5 Inch LED/LCD monitor	24,365	24,364	24,364	1	4,000	(3,999)	Asset Auction	BCI Multimedia
HP LED 18.5	11,175	8,071	3,104	3,104	4,000	(896)	Asset Auction	BCI Multimedia
HP LV1911 LED Monitors 18.5	7,600	7,599	7,599	1	4,000	(3,999)	Asset Auction	BCI Multimedia
HP LE1902X 18.5-inch	11,000	10,999	10,999	1	4,000	(3,999)	Asset Auction	BCI Multimedia
HP LE1851w 18.5-inch	11,000	10,999	10,999	1	4,000	(3,999)	Asset Auction	BCI Multimedia
HP LV1911 18.5 Inch LED/LCD monitor	10,050	10,049	10,049	1	4,000	(3,999)	Asset Auction	BCI Multimedia
HP LV 193	12,000	3,667	8,333	8,333	4,000	4,333	Asset Auction	BCI Multimedia
HP LE1851w 18.5-inch	11,000	10,999	10,999	1	4,000	(3,999)	Asset Auction	BCI Multimedia
HP LE1851w 18.5-inch	11,000	10,999	10,999	1	4,000	(3,999)	Asset Auction	BCI Multimedia
HP LE1902X 18.5-inch	11,000	10,999	10,999	1	4,000	(3,999)	Asset Auction	BCI Multimedia
HP LV 193	12,000	3,667	8,333	8,333	4,000	4,333	Asset Auction	BCI Multimedia
HP LV1911 18.5 Inch LED/LCD monitor	23,952	23,951	23,951	1	4,000	(3,999)	Asset Auction	BCI Multimedia
HP LED 18.5	11,175	8,071	3,104	3,104	4,000	(896)	Asset Auction	BCI Multimedia
HP 18.5 LED	11,400	11,400	11,400	-	4,000	(4,000)	Asset Auction	BCI Multimedia
HP LV1911 18.5 Inch LED/LCD monitor	11,400	11,399	11,399	1	4,000	(3,999)	Asset Auction	BCI Multimedia
HP LV1911 18.5 Inch LED/LCD monitor	23,952	23,951	23,951	1	4,000	(3,999)	Asset Auction	BCI Multimedia
HP LV1911 18.5 Inch LED/LCD monitor	10,684	10,683	10,683	1	4,000	(3,999)	Asset Auction	BCI Multimedia
HP LV1911 18.5 Inch LED/LCD monitor	23,952	23,951	23,951	1	4,000	(3,999)	Asset Auction	BCI Multimedia
HP LE1902X 18.5-inch	11,000	10,999	10,999	1	4,000	(3,999)	Asset Auction	BCI Multimedia
HP LE1851w 18.5-inch	11,000	10,999	10,999	1	4,000	(3,999)	Asset Auction	BCI Multimedia

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Particulars of Asset	Cost	Accumulated Depreciation	Book Value	Sales Proceed	Gain/Loss	Mode of Disposal	Particulars of buyers
HP LE1851w 18.5-inch	11,000	10,999	1	4,000	(3,999)	Asset Auction	BCI Multimedia
HP LV1911 18.5 Inch LED/LCD monitor	10,050	10,049	1	4,000	(3,999)	Asset Auction	BCI Multimedia
HP LV1911 LED Monitors 18.5	7,600	7,599	1	4,000	(3,999)	Asset Auction	BCI Multimedia
HP LED 18.5	11,175	8,071	3,104	4,000	(896)	Asset Auction	BCI Multimedia
HP LE1851w 18.5-inch	11,000	10,999	1	4,000	(3,999)	Asset Auction	BCI Multimedia
HP LE1851w 18.5-inch	11,000	10,999	1	4,000	(3,999)	Asset Auction	BCI Multimedia
HP 18.5 LED	11,400	11,400	-	4,000	(4,000)	Asset Auction	BCI Multimedia
HP LV1911 18.5 Inch LED/LCD monitor	10,684	10,683	1	4,000	(896)	Asset Auction	BCI Multimedia
HP LED 18.5	11,175	8,071	3,104	4,000	(896)	Asset Auction	BCI Multimedia
HP LV1911 18.5 Inch LED/LCD monitor	11,400	11,399	1	4,000	(3,999)	Asset Auction	BCI Multimedia
HP LV1911 18.5 Inch LED/LCD monitor	10,684	10,683	1	4,000	(3,999)	Asset Auction	BCI Multimedia
HP LV1911 18.5 Inch LED/LCD monitor	23,952	23,951	1	4,000	(3,999)	Asset Auction	BCI Multimedia
HP LE1851w 18.5-inch	11,000	10,999	1	4,000	(3,999)	Asset Auction	BCI Multimedia
HP LV1911 LED Monitors 18.5	7,600	7,599	1	4,000	(3,999)	Asset Auction	BCI Multimedia
HP 18.5" LED	11,175	9,313	1,862	4,000	(2,138)	Asset Auction	BCI Multimedia
HP LV1911 LED Monitors 18.5	7,280	7,279	1	4,000	(3,999)	Asset Auction	BCI Multimedia
HP LE1902X 18.5-inch	11,200	11,200	-	4,000	(4,000)	Asset Auction	BCI Multimedia
HP 18.5" LED	11,200	10,999	1	4,000	(3,999)	Asset Auction	BCI Multimedia
HP LE1851w 18.5-inch	11,000	10,999	1	4,000	(3,999)	Asset Auction	BCI Multimedia
HP 18.5" LED	11,175	9,623	1,552	4,000	(2,448)	Asset Auction	BCI Multimedia
HP 18.5" LED	11,200	11,200	-	4,000	(4,000)	Asset Auction	BCI Multimedia
HP LV1911 18.5 Inch LED/LCD monitor	23,952	23,951	1	4,000	(3,999)	Asset Auction	BCI Multimedia
HP LV1911 18.5 Inch LED/LCD monitor	10,684	10,683	1	4,000	(3,999)	Asset Auction	BCI Multimedia
HP LV1911 18.5 Inch LED/LCD monitor	11,400	11,399	1	4,000	(3,999)	Asset Auction	BCI Multimedia
HP 18.5 LED	11,400	11,400	-	4,000	(4,000)	Asset Auction	BCI Multimedia
HP LE1851w 18.5-inch	11,000	10,999	1	4,000	(3,999)	Asset Auction	BCI Multimedia
HP LV1911 LED Monitors 18.5	7,600	7,599	1	4,000	(3,999)	Asset Auction	BCI Multimedia
HP 18.5" LED	11,200	11,200	-	4,000	(4,000)	Asset Auction	BCI Multimedia
HP LE1851w 18.5-inch	11,000	10,999	1	4,000	(3,999)	Asset Auction	BCI Multimedia
HP LV1911 18.5 Inch LED/LCD monitor	11,400	11,399	1	4,000	(3,999)	Asset Auction	BCI Multimedia
HP LV1911 18.5 Inch LED/LCD monitor	23,952	23,951	1	4,000	(3,999)	Asset Auction	BCI Multimedia
HP LV1911 18.5 Inch LED/LCD monitor	11,400	11,399	1	4,000	(3,999)	Asset Auction	BCI Multimedia
HP LV 193	12,000	3,667	8,333	4,000	4,333	Asset Auction	BCI Multimedia
HP LV1911 LED Monitors 18.5	7,600	7,599	1	4,000	(3,999)	Asset Auction	BCI Multimedia
HP LV1911 LED Monitors 18.5	7,600	7,599	1	4,000	(3,999)	Asset Auction	BCI Multimedia
HP LV1911 18.5 Inch LED/LCD monitor	11,400	11,399	1	4,000	(3,999)	Asset Auction	BCI Multimedia
HP LV1911 18.5 Inch LED/LCD monitor	11,400	11,399	1	4,000	(3,999)	Asset Auction	BCI Multimedia
HP LV1911 18.5 Inch LED/LCD monitor	23,952	23,951	1	4,000	(3,999)	Asset Auction	BCI Multimedia
HP LE1902X 18.5-inch	11,000	10,999	1	4,000	(3,999)	Asset Auction	BCI Multimedia
HP LV1911 18.5 Inch LED/LCD monitor	23,952	23,951	1	4,000	(3,999)	Asset Auction	BCI Multimedia
HP LE1851w 18.5-inch	11,000	10,999	1	4,000	(3,999)	Asset Auction	BCI Multimedia
HP LV1911 18.5 Inch LED/LCD monitor	10,684	10,683	1	4,000	(3,999)	Asset Auction	BCI Multimedia
HP 18.5" LED	11,175	9,623	1,552	4,000	(2,448)	Asset Auction	BCI Multimedia
HP 18.5 LED	11,400	11,400	-	4,000	(4,000)	Asset Auction	BCI Multimedia

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Particulars of Asset	Cost	Accumulated Depreciation	Book Value	Sales Proceed	Gain/Loss	Mode of Disposal	Particulars of buyers
HP LE1851w 18.5-inch	11,000	10,999	1	4,000	(3,999)	Asset Auction	BCI Multimedia
HP LE1902X 18.5-inch	11,000	10,999	1	4,000	(3,999)	Asset Auction	BCI Multimedia
HP LE1902X 18.5-inch	11,000	10,999	1	4,000	(3,999)	Asset Auction	BCI Multimedia
HP 18.5 LED	11,400	11,400	-	4,000	(4,000)	Asset Auction	BCI Multimedia
HP LED 18.5	11,175	8,071	3,104	4,000	(896)	Asset Auction	BCI Multimedia
HP LE1851w 18.5-inch	11,000	10,999	1	4,000	(3,999)	Asset Auction	BCI Multimedia
HP LV1911 18.5 Inch LED/LCD monitor	10,684	10,683	1	4,000	(3,999)	Asset Auction	BCI Multimedia
HP LV1911 18.5 Inch LED/LCD monitor	23,962	23,951	1	4,000	(3,999)	Asset Auction	BCI Multimedia
HP LV1911 18.5 Inch LED/LCD monitor	9,932	9,931	1	4,000	(3,999)	Asset Auction	BCI Multimedia
HP LV1911 18.5 Inch LED/LCD monitor	9,932	9,931	1	4,000	(3,999)	Asset Auction	BCI Multimedia
HP LV1911 18.5 Inch LED/LCD monitor	10,050	10,049	1	4,000	(3,999)	Asset Auction	BCI Multimedia
HP 18.5" LED	11,175	9,623	1,552	4,000	(2,448)	Asset Auction	BCI Multimedia
HP LV1911 18.5 Inch LED/LCD monitor	23,952	23,951	1	4,000	(3,999)	Asset Auction	BCI Multimedia
HP LED 18.5	11,175	8,071	3,104	4,000	(896)	Asset Auction	BCI Multimedia
HP LE1902X 18.5-inch	11,000	10,999	1	4,000	(3,999)	Asset Auction	BCI Multimedia
	4,756,724	4,515,652	251,072	807,509	(556,437)		

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