

# **THE ANNUAL REPORT 2020**



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**46.10** Billion  
Deposits

**31.17** Billion  
Loans

**200+** Branch  
Network

# ABOUT U MICROFINANCE BANK

U Microfinance Bank Ltd. (U Bank) is a wholly owned subsidiary of Pakistan Telecommunication Company Limited (PTCL) – Etisalat Company. The bank has a network of more than 200 branches, across 183 cities and rural areas in Pakistan and offers a wide range of microfinance loans, deposit products, and branchless banking solutions. U Bank's branchless banking offers services under the banner of UPaisa in collaboration with Ufone (Pak Telecom Mobile Limited). The service is offered at nearly 45,000 agent locations across Pakistan.

U Microfinance Bank is proud to stand at the front line of fighting poverty in Pakistan and is dedicated to play its critical part in the implementation of National Financial Inclusion Strategy 2023 that aims to bring 50% of Pakistan's adult population into the banking net.

At U Microfinance Bank, we firmly believe that access to microfinance services contribute significantly towards building a more inclusive society by bringing the underserved population into the banking net as well as to help document the informal economy. Our product portfolio is designed to continuously create livelihoods for the underserved population of Pakistan and bring betterment to their lives.

## OUR VISION

Driven by the passion for disruptive innovation and the desire for financial inclusion, we aim to become the problem solver and enabler to the Pakistani microfinance ecosystem.

## OUR CORE VALUES



Merit



Commitment



Innovation



Ethics



Transparency



# PERFORMANCE GROWTH

## GROSS LOAN PORTFOLIO (in Billion)

0.919	5.57	10.65	17.22	21.88	31.31
2015	2016	2017	2018	2019	2020

## CUSTOMER DEPOSIT VOLUME (in Billion)

1.1	8.11	11.97	20.53	23.29	46.10
2015	2016	2017	2018	2019	2020

## NUMBER OF CUSTOMERS

153,039	317,644	435,131	621,248	839,509	1,478,934
2015	2016	2017	2018	2019	2020

## CREDIT RATING

Long Term	A-	A	A	A	A+
Short Term	A-2	A-2	A-1	A-1	A-1
	2016	2017	2018	2019	2020



# OUR CUSTOMERS







## KFC PAKISTAN CUSTOMIZED PAYMENT SOLUTIONS

At U Microfinance Bank, we pride ourselves at providing the best in class services to our valued partners. One such partnership is with KFC, which is one of the largest and rapidly growing global fast food chains. U Bank has been providing KFC Pakistan with customized payment solutions across its 90+ restaurants nationwide over the last 3 years. This solution has enabled greater efficiency in the chains' salary disbursement operations by leveraging the UPaisa Mobile Wallet Account.

KFC's Regional Head North, Mr. Amjad Mian shares his thoughts, stating "U Bank's services have not only improved our payment solutions and salary disbursement methods but have also led to greater

employee satisfaction in our company". A content staff member mirrors these thoughts, stating, "I can easily perform transactions just by a few taps on my phone through my UPaisa account, making my monthly bill payments more convenient".

As U Bank continues to leverage the power of technology for customer convenience, KFC plans to grow its relationship with the bank.





## WALJIS TRAVELS ENABLING ACCESSIBILITY

Established since 1978, Waljis Travels is a premium travel and tour services provider. Since 2014, the company has been using U Bank's mobile account services via the U Bank Corporate Portal to pay their employees. Regardless of place and time, their drivers can conveniently withdraw their salaries and perform other necessary financial transactions thanks to their UPaisa mobile wallet accounts.

Waljis's General Manager Operations & Sales, Imran Haqqani, highlights, "The solution is very beneficial for

our drivers and well suited to the nature of their job - as they are able to travel all around the country without losing access to their funds. Furthermore, as an employer, it allows us to digitally manage salary disbursements which streamlines the process and saves us time".



## | KHALID PARVEZ MIRZA

Khalid Parvez Mirza, a resident of Rawalpindi has been a successful businessman for many years. In addition to a profitable tiles business, Khalid also found success within the real estate sector over his career. When Khalid opted to retire in 2016, he decided to use U Bank's deposit account services to support his retirement, while still maintaining a source of earning for himself.

U Bank's "Samar Term Deposit Account" has ensured that Khalid is able to manage all his household finances

through the monthly profit he earns. Speaking about his experience, Mr. Khalid said, "Not worrying about my monthly income and expenses, and being able to conveniently manage my finances has ensured that I can enjoy my retirement".



## | KALEEM ULLAH

Kaleem Ullah had been farming in Paharpur Thal for over 20 years. While his expertise spoke for itself, Kaleem had been using primitive farming methods and lacked access to modern machinery. This had significant consequences on his farming yields and income.

However, things started looking up for him when he learnt about U Microfinance Bank's 'Millat Tractor' loan. This product offers tractor & agricultural equipment financing to farmers who would otherwise be unable to make such hefty one-time purchases. Through this loan, not only is Kaleem now a proud owner of his own tractor but has also been able to double his crop yield and improve crop quality. His

entrepreneurial foresight has also enabled him to gain an additional revenue stream by renting out his tractor to nearby farms.

"Getting my own tractor was a very good decision as I am now able to work on my farm with efficiency and independence," says Kaleem.

Today Kaleem is well on his way towards graduating from subsistence to commercial farming, with plans to continue improving his farming practices.





# **DIGITIZATION, RESEARCH & INNOVATION**

At, U Microfinance Bank, we launched our cross-functional Digitization, Research and Innovation department in 2019 to maintain and sharpen our strategic and business edge as we continue to expand.

## I INNOVATION & DIGITIZATION

The overlying objective of the Innovation arm is to keep a pulse on upcoming disruptions, technology breakthroughs and design programs, pilots and/or tests to help serve the bank's triple bottom line of people, planet and profits in innovative ways. The team explores, forms and maintains partnerships with startups and fin-techs alike offering products and services that positively impact the value-chain of the industries that our customers work in. This year U Bank has ran a pilot with Ricult, a disruptive startup within the agriculture value chain, that offers satellite imagery based solutions for geo-tagging farm locations, crop health monitoring and weather insights which have the potential to positively impact the yields of our farmers. Phase 2 of the pilot is currently underway and the bank plans to roll-out these services across our network.

The key themes behind U Bank's digital transformation journey have been the banks ambition to extend its reach to new customer segments as well as those at the last mile. The Digitization arm aims to engage in partnerships to enhance digital channels and service mediums and further U Bank's digitization, innovation and strategic goals.

This year U Microfinance Bank successfully produced a comprehensive Digital Strategy which pertains to conceiving, developing and delivering the next generation of digital first offerings for the bank with the ambition of adding new digital channels, products and service offerings on our channels, reaching new customer segments and improving the overall customer reach and experience

## I RESEARCH

The Research arm is responsible for producing regular internal (pertaining to the products, services and business) and external (pertaining to the banking and microfinance ecosystem) research that seeks to improve the way the company and ecosystem serves its target audience and engages in meaningful advocacy around some of the biggest issues facing our customers today.

This year, the research team has produced two new newsletters focused around important yet often overlooked issues. Issue 03 explores the far reaching impact of climate change on developing countries such as Pakistan. To engage in deeper analysis we attempted to highlight the role that U Bank has played with its revised crop calendar as well as to decipher the role that we can play in future endeavors through diversifying our product suite, investing in green microfinance and utilizing our wide geographic footprint for collecting and disseminating information on climate change in local communities. In light of the locust crisis and pandemic that struck this year, Issue 04 explores the resulting adverse impact of these across the agriculture value chain and consequently rising food insecurity in Pakistan. To explore possible ways to combat the dual threat of climate

change and food insecurity we outlined innovative food value chain approaches, and the role that MFBs such as U Bank can play through engaging in asset based lending and cooperating with players across and beyond the industry through insurance products, provision of unadulterated seed varieties and encouragement of sprinkler based irrigation techniques and solar tube wells for small holder farmers across Pakistan.

Additionally, after a competitive application process, U Bank was successfully awarded a grant via Karandaaz's Digital Experiments program. Through this grant, U Bank aims to further its mission of financial inclusion of women in Pakistan. Through an A/B testing model, U Bank's research team is currently testing our interventions specially designed to encourage more women to become active users of digital accounts. The lessons learnt through the experiment will be widely disseminated for the diffusion and uptake of best practices to push the entire ecosystem forward. The experiment is currently live in chosen project districts in Punjab and is expected to conclude in Q3 2021.

1 <https://ubank.com.pk/wp-content/uploads/2020/05/NL-3-Qtr1-2020-Final.pdf>  
2 NL-4-Qtr3-2020 (ubank.com.pk)

## PEOPLE, PLANET & PROFIT U BANK'S TRIPLE BOTTOM LINE

At U Microfinance Bank we are led by the triple bottom line ambition of keeping People, Planet and Profit at the center of all our work. While we continue to invest in our people, including employees and customers alike, we are also cognizant of the impact of our work on our planet and its climate. As a result we have been committed to reducing our carbon and waste footprint.

We have been working closely with Saaf Suthra Sheher, an environmental management startup, for the second year in a row to recycle all of our waste. This year U Bank recycled a total of 2026 kg of waste, a majority of which was paper.

Furthermore, the bank has continued to digitize more of its processes to also reduce paper related waste with the roll out of our Digital Loan Acquisition application, making the loan application process paperless.

Keeping up with the tradition from past years, the bank continued with a company wide tree plantation campaign to contribute to the National 10 Billion Trees Tsunami Campaign. As we move forward, we will also keep embodying the spirit of a truly Green Microfinance institution, by introducing more services and products geared towards environmental sustainability.

### U MICROFINANCE BANK SAVED



**52,179 L**  
Water



**33**  
Trees



**8 MW**  
Electricity



Recycled  
**2026 KG**  
in 2020

Paper  
**1,969 KG**

Plastic  
**42 KG**

Metal  
**12 KG**

Glass  
**3 KG**

Savings are calculated using international research standards



## DIGITAL FINANCIAL SOLUTIONS PARTNERS

# upaisa





U Microfinance Bank wins  
**5<sup>th</sup> GLOBAL GOOD  
GOVERNANCE AWARDS 2020**  
for **Best Emerging  
Microfinance Bank 2020**



A socially responsible  
initiative of



Cambridge IFA is spearheading a global initiative to promote best practices in governance and sustainability. The Global Good Governance Awards or 3G Awards celebrate individuals, governments, public and private institutions and NGOs that demonstrate making governance and sustainability a strategic priority of their organisations. The 3G Awards are premier awards programme that highlights excellence in good governance and commitment to social welfare in three major streams: Government & Politics, Corporate Sector, and Social Sector & Philanthropy.

U Microfinance Bank wins  
**ASIAN BANKING & FINANCE  
CORPORATE & INVESTMENT  
BANKING AWARD 2020**

for Microfinance Syndication  
Deal of the Year - Pakistan



**ASIAN BANKING & FINANCE**

The ABF Corporate & Investment Banking Awards are organized by the Asian Banking & Finance magazine. Asian Banking & Finance is the industry magazine serving Asia's dynamic financial services industry.

## Board of Directors

Mr. Burak Sevilengul

Chairman

Ms. Misbah Naqvi

Independent Director

Mr. Kabeer Naqvi

President & CEO / Director

Mr. Muhammad Jahanzeb Rahim

Director

Mr. Mohammad Nadeem Khan

Director

Mr. Mohamed Essa Al Taheri

Director

Mr. Aqueel Malik

Director

Mr. Sher Afgan Khan

Director

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## Chief Financial Officer (Acting)

Ms. Mariam Pervaiz

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## Company Secretary

Ms. Palwasha Qazi

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## Auditors

M/s KPMG Taseer Hadi & Co. Chartered Accountants Islamabad

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## Legal Advisor

Ali & Ali Barristers and Corporate Consultants

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## Principal Registered Office

2nd Floor, 13-B Jinnah Super Market, F-7, Islamabad

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## Website

[www.ubank.com.pk](http://www.ubank.com.pk)

### **Risk Management Committee**

Mr. Mohammad Nadeem Khan – Chairman  
Mr. Mohamed Essa-Al-Taheri – Member  
Mr. Muhammad Jahanzeb Rahim – Member

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### **Audit Committee**

Ms. Misbah Naqvi – Chairperson  
Mr. Mohammad Nadeem Khan – Member  
Mr. Sher Afgan Khan – Member

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### **IT Committee**

Mr. Sher Afgan Khan – Chairman  
Mr. Muhammad Jahanzeb Rahim – Member  
Ms. Misbah Naqvi – Member  
Mr. Aqueel Malik – Member

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### **Human Resource Committee**

Mr. Aqueel Malik – Chairman  
Ms. Misbah Naqvi – Member  
Mr. Mohamed Essa-Al-Taheri – Member  
Mr. Muhammad Jahanzeb Rahim – Member

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### **Finance Committee**

Mr. Mohammad Nadeem Khan – Chairman  
Mr. Aqueel Malik – Member  
Mr. Mohamed Essa-Al-Taheri – Member  
Mr. Sher Afgan Khan – Member



## BOARD OF DIRECTORS



**Mr. Burak Sevilengul**  
Chairman



**Mr. Kabeer Naqvi**  
President & CEO / Director



**Mr. Mohammad Nadeem Khan**  
Director



**Mr. Mohamed Essa Al Taheri**  
Director





**Mr. Aqueel Malik**  
Director



**Ms. Misbah Naqvi**  
Independent Director



**Mr. Muhammad Jahanzeb Rahim**  
Director



**Mr. Sher Afgan Khan**  
Director

## MANAGEMENT TEAM

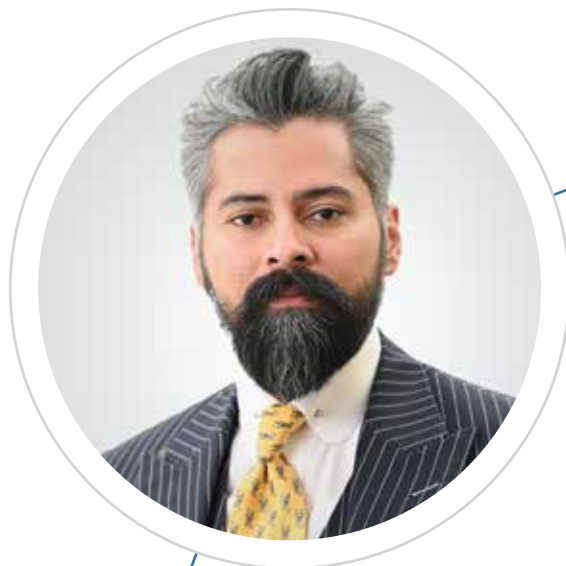


## KABEER NAQVI

*President & CEO*

Mr. Naqvi has more than 20 years of work experience to his name and has been with U Microfinance Bank since Sep 2015.

He has extensive work experience in External Audit, Corporate Finance, Internal Audit and Taxation and has served at Ernst & Young Saudi Arabia, TPL Pakistan, House of Habib and Tameer Microfinance Bank. He served as the Chief of Staff & Chief Financial Officer at Tameer Microfinance Bank where his career spanned over 9 years. Mr. Naqvi is a trained accountant and a distinguished member of ACCA – the Association of Chartered Certified Accountants. He is a part of the board of directors at Pakistan Microfinance Network and also chairs its audit committee.



## AMBREEN MALIK

*Chief of Retail Sales and Digitization*

Ms. Malik is a graduate of London School of Economics and Political Science and holds degrees in Business, Development and Urban policy. She has more than 16 years of work experience spanning Pakistan, UK and The Philippines. She has worked in Retail, Priority banking and Trade Finance with ABN AMRO Pakistan, Dubai Islamic Bank Pakistan and HBL, UK respectively. She has been with U Microfinance Bank since Oct, 2015.

Ms. Malik brings an incredibly diverse experience to U Microfinance Bank. A shift in career took her to the likes of Habitat for Humanity International, The Asia Foundation and Senate of Philippines. She has also taught at National University of Science & Technology – Islamabad.



## HAIDER ALI

### *Chief Credit Officer*

Mr. Ali is an experienced banker with more than 17 years of Banking experience prior to joining U Bank. He started his career as Management Trainee with Bank Alfalah and served at various key positions across different areas of banking, spanning over Branch Banking, Credit/Compliance and Risk Management, both in Pakistan and overseas. His last assignment was as Head Risk Management at FINCA Microfinance Bank Limited, where he played a vital role in establishing the Risk Management function of the bank.

Mr. Haidar Ali has done his Masters in Business Administration from the University of Peshawar.



## MARIAM PERVAIZ

### *Chief of Corporate Banking*

Ms. Pervaiz brings with her 16 years of experience in corporate and commercial banking. She has an MBA degree from Bahria University Islamabad. Her expertise include Corporate Finance, Liability Management, Product Design, Cash Management and Transaction Banking.

She has previously worked with MCB Bank where her last held position was Head of Transaction Banking North and has extensive experience in establishing relationships with very diverse clientele.





## MUBASHAR SHAHANI

### *Chief of Internal Audit*

Mr. Shahani is a Chartered Accountant by profession and a fellow member of Institute of Chartered Accountants of Pakistan. He has over 15 years of work experience and core areas of expertise include Control Design and Risk Assessment, Quality Assessment and development and implementation of Risk Based Audit methodology for conventional and digital banking processes.

Prior to joining U Microfinance Bank, he has worked with Telenor Microfinance Bank where he played an active role in development of Internal Audit function in line with the international standards and played the leading role in development and implementation of Risk Based Audit methodology for Mobile Financial Services (easypaisa). He has also worked with KPMG Pakistan and KPMG Lower Gulf Limited and was involved in audit of clients in financial services, manufacturing and service industry.

## MUHAMMAD JAVED

### *Chief Compliance Officer*

Mr. Javed brings nearly 21 years of diversified experience to the table with more than 18 years with microfinance banks in Pakistan. He has served in various capacities in the areas of Finance, Compliance, Internal controls, Risk Management and Fraud Investigations. Mr. Javed was part of the founding team of U Microfinance bank and played a critical role in setting up the Bank in 2012. Mr. Javed has worked for the likes of Khushhali Microfinance Bank, Mobilink Microfinance Bank and Sapphire Fibers Ltd.

Mr. Javed holds a post grad certification in management accounting as well as a Master in Business Administration.



## PALWASHA QAZI

### *Company Secretary & Head of Corporate Affairs*

Ms. Qazi has over 13 years of experience in Corporate Affairs, Corporate and Strategic Communication, Regulatory Affairs, Governance, Policies and Procedures, Public Relation and Outreach.

Prior to joining U Microfinance Bank Limited, she served at various organizations including Universal Service Fund – USF (Ministry of Information Technology and Telecom), Midas Communication, Online International News Network (Magnates Communication).

Ms. Qazi is a Law Graduate and holds a Masters in International relations from Quaid-e-Azam University, Islamabad.



## SARMAD PRETU

### *Chief Risk Officer*

Mr. Pretu carries experience in banking and finance spanning over 19 years. He started his career with Askari Bank Limited in 2002 and worked with the likes of ABN AMRO Bank Pakistan Limited, Faysal Bank Limited and The Bank of Punjab. He also worked at various levels at Pakistan Credit Rating Agency (PACRA) and JCR VIS Credit Rating Company Limited. He has worked on Infrastructure Project Financing, Corporate Finance, Commercial Credits, Investment Banking, Trade Finance, Risk Management etc. He has also led various trainings at Institute of Bankers Pakistan Limited.

Mr. Sarmad Pretu holds an MBA from Bahria University and a Masters in Applied Finance from University of Western Sydney – Australia.



## SHARMEEN NIAZ

### *Chief Business Support Officer*

Ms. Niaz brings more than 21 years of diverse work experience in running global support operations for Multinationals. In her last role, Ms. Niaz worked as Director International Operations with 360training.com – a US based firm. Her areas of expertise include Operational Excellence in Support functions and she has successfully managed Business Process Outsourcing services in Pakistan and Philippines.

Ms. Niaz holds an MBA degree and is a trained Six Sigma Green Belt and ISO Internal Audit professional.



## SULTAN MUHAMMAD

### *Chief of Operations*

Mr. Muhammad has 16 years of experience within the banking sector. He has worked for banking institutions such as Bank Al Habib Ltd. and Mobilink Microfinance Bank Ltd. He has been part of the core teams responsible for establishing bank operations at both Mobilink Microfinance Bank Ltd and U Microfinance Bank. He brings with him a strong skill-set in branch, branchless and digital banking as well as Operational Risk, Regulatory Compliance and Policy related subjects.

Sultan has an MBA, with a postgraduate degree in Economics. He also holds a JAIBP qualification from the Institute of Bankers of Pakistan.









# MESSAGE FROM THE CHAIRMAN

U Microfinance Bank's steady growth trajectory over the last 5 years has not only led to expansion across various performance metrics, but has also ranked the bank among the top 5 fastest growing MFIS in terms of Compound Annual Growth Rate (CAGR). As the Chairman of the board, it gives me great pleasure to report that due to the strategic vision and hard work of the management and team, U Bank closed the year with PKR 31 million GLP and PKR 46 billion Deposit and continued setting performance benchmarks in the industry. This year, the bank was recognized for its commitment towards causes of social cohesion, socio-economic development and its overall exceptional performance both internationally and locally, and won a total of 5 awards in categories ranging from product and service development, to best emerging microfinance bank and more.

Our ambition over the last year was to continue to make U Bank the best in class among financial institutions and bring our services and products to the most underserved segments and those at the last mile. Today, U Bank is the largest microfinance institution in terms of number of branches, 200+ touch-points, and number of ATMs, 199, across Pakistan.

While 2020 was a challenging year for all due to the on-going global pandemic and a national locust crises, I would like to take this opportunity to congratulate the team on their

strategic foresight in combatting the resulting market pressures effectively. It is a testament to the team's grit and resilience that we have not only been able to come-out of the pandemic, but have simultaneously continued to take significant strides forward in ensuring that we keep catering to our customers changing needs. Our values of merit, ethics, commitment, innovation and transparency have truly fostered an environment of innovation and creativity, which has enabled the bank to unlock productivity and profitability.

In 2021, the industry faces some crucial challenges as businesses begin to recover from the economic impacts of the pandemic. Our focus this year will be to continue to work on the composition of our book in the most robust manner and leveraging technology to ensure our mission of greater operational efficiency and product and service innovation. The current team has full faith and support of the board as they take on these new challenges and I have no doubts in their ability to deliver.

I would like to thank all our stakeholders for continuing to put their trust in the Board and Management team. As the Chairman of the board, I look forward to continue serving you.

Yours truly,  
Burak Sevilengul



# MESSAGE FROM THE PRESIDENT & CEO

Dear Friends of U Bank,

The year 2020 has been a difficult year on many counts for many of us, both business wise and personally. The world has collectively been combatting a global pandemic that has tested us in a variety of ways and has had devastating social and economic impacts. Furthermore, the agricultural sector was also hit hard by the locust crises, resulting in massive loss of crops, exacerbating the food security crises in the country. As we continue our fight against Covid-19, I cannot be prouder of the U Bank family and our people who have shown great resilience in these challenging times and have rallied together to ensure another year of performance excellence. It is truly in times like these that we are able to reflect on the legacy and impact of our work and I am humbled and grateful for our collective accomplishments.

Thanks to our team of dedicated and talented people, U Bank has been able to continue our tradition of superior performance. We continue to be one of the fastest growing institutions in the microfinance sector and have the largest network of branches, spanning 200+ touch-points, and 199 ATMs, across 183 rural and urban locations in Pakistan. U Bank is pleased to be present at the last mile, where our branches and/or ATMs are often the only formal banking option available to our customers, thereby, fulfilling our mission of serving the financially excluded and underserved segments of our community.

U Bank has impacted the lives of countless customers through our diverse range of products and services. In 2020, our deposit grew to PKR 46 billion, while our loan portfolio increased to PKR 31 billion. While the pandemic driven circumstances hit the business community particularly hard, we continued to keep the lights on. Furthermore, thanks to the bank's strategic foresight, 46% of our portfolio in 2020 was gold-backed and our restructured portfolio stood at half the industry average for the year (29% of our portfolio).

It is our firm belief that our people remain our greatest asset and we have continued to invest our energy in career development planning and ensuring that U Bank is home to some of the finest professionals, ready to take on leadership roles within the bank and the wider industry. In 2020, U Bank also developed and disseminated new training content via our in-house online training platform U Bank Academy.

2021 will be a year of business and economic recovery as the global fight against the pandemic continues. Our goal is to work with greater zeal and dedication and continue our growth trajectory while bringing new products and services to our customers including housing and sharia finance, climate resilient product financing options and more. Over the last 2 years the bank has been undergoing a digital transformation journey to ensure greater operational efficiency and leveraging technology for product innovation and organizational development. We aim to continue and build upon these efforts over the next year and engage in a number of strategic digital partnerships that will help not only expand our reach, but also our product offering and substantially improve customer experience.

Despite being a young organization, U Microfinance Bank has not only cemented its place, but is also a leading industry player, having achieved great milestones in a short span of time since our inception in 2013. Testament to this, is our recognition at the Global Diversity and Inclusion Benchmark (GDIB) Awards 2021 in 3 categories i.e. 'Product and Service development', 'Community, Government and Social Responsibility' and 'Vision, Strategy and Business Case'. Furthermore, our team's exceptional performance was recognized internationally as well via 2 awards - the 'Best Emerging Microfinance Bank 2020' during the Global Good Governance – 3G awards and the ABF Corporate & Investment Banking Award for 'Microfinance Syndication Deal of the Year'.

We want to thank our employees for their continued dedication and commitment to our values and our story of change. We would also like to express our appreciation to our supervisory bodies for their valuable advice, as well as to our shareholders, for their continued trust and support. And finally, we thank our customers for their confidence in our bank.

The U Bank team is fully committed to advancing our way of doing business and delivering on our strategic goals, all the while ensuring that we do our part in helping our community emerge victorious out of these difficult times.

Yours sincerely  
Kabeer Naqvi



## Directors' Report to the shareholders

We are pleased to present the Directors' Report and Audited Financial Statements of U Microfinance Bank Limited ('The Bank') for the year ended December 31, 2020. The Bank exhibited commitment and resolve to battle the unparalleled challenges of 2020. Resultantly, what ensued was a year of stellar performance by the Bank and its teams.

### Activities, Performance and Development:

U Bank believes that access to microfinance services contributes significantly towards building a more inclusive society. Our core values of merit, commitment, innovation, ethics and transparency guide the bank's strategy. This is driven by a bottom-up approach advocated at management level which fosters an environment of innovation and creativity which unlocks productivity and profitability. U Bank is the fastest growing bank in a highly dynamic and quickly evolving microfinance sector. The customer segment that U Bank serves is that of the economically active poor (according to international standards of segmentation and classification) whose needs are evolving at a dramatic pace as they face new challenges especially in the time of a global pandemic, an economy going through a tough correction period, a locust crises and other climate change related issues and much more.

While the year 2020 came with challenges not novel to the industry, such as locust attacks, low crop yields, climate change, floods etc., it was the corona virus pandemic that threw all former economic and financial standards in total disarray, as the eco-systems grappled to live in a new world order and while organizations fought to remain alive.

Despite the challenging circumstances, the Bank with its perceptiveness and foresight and sagacity and vigor to fight, strengthened its foundations, as its transformation is evident through the numeric journey from December 2019 to December 2020.

In line with its principal activity to lend to the underserved segment of the population, U Bank, with its network of 201 branches and 199 ATMs across 183 cities and rural areas in Pakistan, disbursed loans in excess of PKR. 28 billion and added over PKR. 9 billion worth of secured loans to the Bank's Balance Sheet, thereby not only augmenting the loan book but also strengthening the risk profile of the institution, while solidifying its capital adequacy. At this juncture, the regulatory support from the Central Bank to facilitate the microfinance customers must also be recognized.

The deposit book of the Bank grew by 98% as the Bank acted aggressively yet judiciously to shield itself from pandemic related liquidity shocks. A healthy ADR was maintained, accompanied by a tight control on the cost of deposits. The Bank also strengthened its strategic funding alliances which helped diversify its funding base and supported its growth trajectory, while the Treasury arm continued to create positive arbitrage opportunities for the Bank to ensure positive bottom line impact.

All this coupled with the Bank's sturdy handle on the cost lines resulted in bulk of the impact of increase in revenue to be translated into profits for the Bank.

The balance sheet footing of the Bank rose to a mighty PKR. 70 billion, thus covering a journey of PKR.30 billion in just 12 months. With this size and scale, U Microfinance Bank is all set to be amongst the Challenger, Retail Banks of Pakistan.



The leadership at the Bank carried this ship through an exceptionally tough year, steering it through the vicious storms of external challenges. Resultantly, the Bank posted a Profit after Tax of PKR. 906 million as against PKR. 253 million last year.

## Financial Results

Financial Results	December 31, 2020 (Rs'000)	December 31, 2019 (Rs'000)
Profit before taxation	1,204,072	310,713
Less WWF	(24,081)	(6,214)
Less: Taxation-Current	(549,449)	(81,448)
- Prior year	(52,310)	(1,318)
- Deferred	327,947	31,915
Profit after taxation	906,159	253,648
Earnings per share (Rupees)	3.19	1.11

## Transfer to Reserve

As per the requirements of Microfinance Institution Ordinance, 2001 and the Prudential Regulations for Microfinance Banks issued by the State Bank of Pakistan, the Bank has transferred an amount equivalent to 20% of profit after tax to the statutory reserve, i.e. PKR. 181.231 million and 5% of profit after tax to the Depositors' Protection Fund, i.e. PKR. 45.307 million during 2020.

## Capital Adequacy Ratio

As of the balance sheet date, the Bank's equity for capital adequacy purpose and Capital Adequacy Ratio stood at PKR. 6,615 million and 21.69% respectively, as against the minimum requirement of PKR.1, 000 million and, 15%, as prescribed by SBP.

## Number of Directors and Remuneration

The Bank has a total of eight directors, excluding President & CEO, out of which six are Non-executive directors and two are independent directors. There is female representation on the UMBL Board.

## Change in Composition of Board of Directors

There was no casual vacancy on the Board during the year 2020. Details of the Directors replaced are as follows:

S.No	Outgoing Directors	Incoming Directors
1.	Mr. Sahibzada Mansoor Ali	Ms. Misbah Naqvi
2.	Mr. Amir Siddiqi	Mr. Jahanzeb Rahim
3.	Mr. Moqeen-ul-Haque	Mr. Sher Afgan Khan
4.	Mr. Javed Iqbal	Mr. Tariq Mohar *(FPT awaited)

## Holding Company

On August 30, 2012, Pakistan Telecommunication Company Limited (PTCL) acquired 100% shareholding of Rozgar Microfinance Bank Limited, incorporated in Karachi on October 29, 2003 under the Companies Ordinance, 1984, and its name was changed to U Microfinance Bank Limited (UMBL) with effect from December 7, 2012. On January 31, 2013, the Bank was granted license by the State Bank of Pakistan (SBP) for commencement of nationwide operations. On July 11, 2013, approval for the nationwide commercial launch of Branchless Banking Services (BBS) was received from the State Bank of Pakistan (SBP).

## Corporate Governance

The Bank's management, being responsible for establishing and maintaining an adequate and effective system of internal controls and procedures, evaluates the effectiveness of the Bank's internal control system and reviews significant policies and procedures. To make these functions more effective & independent Board Sub - Committees have been set-up to provide the necessary oversight.

### Statements of Compliance with the code of Corporate Governance

The Directors are pleased to state that:

- The financial statements, prepared by the management of the Bank fairly presents its state of affairs encompassing; result of operations, cash flows and changes in equity;
- Proper books of account of the Bank have been maintained;
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- International Financial Reporting Standards, as applicable in Pakistan and adopted by the

State Bank of Pakistan (SBP), have been followed in preparation of the Bank's financial statements, and departures, if any, have been adequately disclosed;

- e) The system of internal control has been effectively implemented and monitored;
- f) There are no significant doubts upon the Bank's ability to continue as a going concern;
- g) During the year, seven board meetings were held. These meetings were attended by the following directors:

Board Member	Designation	Total No of meetings	Meetings Attended
Mr. Burak Sevilengul	Chairman	03	03
Mr. Mohammad Nadeem Khan	Acting Chairman	04	04
	Director	03	02
Mr. Muhammad Amir Siddiqi (Resigned on July 24th, 2020)	Director	05	05
Mr. Mohamed Essa Al Taheri	Director	07	06
Mr. Moqeen ul Haque (Resigned on July 24th, 2020)	Director	05	05
Mr. Sahibzada Mansoor Ali (Resigned on April 28th, 2020)	Independent Director	04	04
Mr. Javed Iqbal (Resigned on October 12th, 2020)	Independent Director	07	04
Mr. Aqueel Malik	Director	03	03
Ms. Misbah Naqvi	Independent Director	02	02
Mr. Sher Afgan Khan	Director	01	01
Mr. Jahanzeb Rahim	Director	01	01
Mr. Tariq Mohar	Independent Director	-	-
Mr. Kabeer Naqvi	President & CEO /Director	07	07

Following are the changes that took place in the Board of Directors composition during the year ended December 31, 2020:

- Mr. Burak Sevilengul was appointed as the Chairman Board on May 14<sup>th</sup>, 2020. Prior to this, Mr. Nadeem Khan was serving as the Acting Chairman of the Board of Directors.

- Mr. Sahibzada Mansoor Ali resigned as an Independent Director UMBL Board and was replaced by the incumbent Ms. Misbah Naqvi as an Independent Director on April 28<sup>th</sup>, 2020.
- Mr. Moqeen-ul- Haque resigned as a Director UMBL Board and was replaced by the incumbent Mr. Sher Afgan Khan on July 24<sup>th</sup>, 2020.
- Mr. Amir Siddiqi resigned as a Director UMBL Board and was replaced by the incumbent Mr. Jahanzeb Rahim on July 24<sup>th</sup>, 2020.
- Mr. Javed Iqbal resigned as an Independent Director UMBL Board and was replaced by the incumbent Mr. Tariq Mohar on October 12<sup>th</sup>, 2020. Mr. Tariq Mohar's FPT clearance is awaited.

- h) Each Director on the Board of U Microfinance Bank Limited (UMBL) holds a qualification share and no director has acquired any share in the Bank during the year.

### **Payment of Debts:**

The Bank remains solvent with regards to its debt obligation and there has been no single instance of delay in discharging its legal obligations.

### **Internal Audit**

The Bank has an independent Internal Audit Department with experienced professionals with industry exposure. The Chief Internal Auditor reports directly to the Audit Committee of the Board. However, the Chief Internal Auditor administratively reports to the President & CEO.

### **Audit Committee**

The Audit Committee currently consists of two Non-Executive Directors (Mr. Nadeem Khan & Mr. Sher Afgan Khan) and one Independent Director (Ms. Misbah Naqvi). Ms. Misbah Naqvi is the Chairperson of the committee.

### **Credit Rating**

The Pakistan Credit Rating Agency Limited, based on the Bank's financial position, has assigned the entity rating to 'A' (Single A) for the long-term and 'A-1' (A One) for the short-term, with outlook assigned as 'Stable'.

### **Principal Risk and uncertainties**

The Banking industry is one of the most highly regulated industries in Pakistan. The State Bank of Pakistan (SBP) not only regularly keeps a check on each and every unit of the industry by frequently inspecting affairs of the Banks, but has also put various stress indicators, such as Minimum Capital Requirement

(MCR), Capital Adequacy Ratio (CAR), Cash Reserve Requirement (CRR) and Statutory Liquidity Reserve (SLR)-requirement. During the year, the Bank remained compliant with all the regulatory requirements. In addition, the Bank also maintained high quality of its asset portfolio including investments and maintained industry standard liquidity, stress and delinquency ratios.

## External Auditors

The present auditors, Messers KPMG Taseer Hadi & Co. Chartered Accountants (KPMG), will be retiring in the upcoming Annual General Meeting and being eligible, have offered themselves for re-appointment. The Audit Committee of the board has recommended the reappointment of KPMG for next year. Accordingly, the Board of Directors endorses the recommendation of the Audit Committee for appointment of KPMG, as the statutory auditors of the Bank for the next year at the agreed fee. The external auditor's re-appointment shall be subject to approval in the forthcoming Annual General Meeting.

## Related Party Transactions

Related parties of the Bank comprise of parent company, associated company, directors, key management personnel and employees' retirement benefit funds. Detail of the Bank's shareholders is given in note 17 of the Bank's Annual Audited Financial Statements. PTCL, the parent company, holds 100% shares of the Bank, therefore, all subsidiaries and associated undertakings of PTCL are related parties of the Bank. Also, the Bank has related party relationships with its directors, key management personnel, entities over which the directors are able to exercise significant influence and employees' retirement benefit funds. Transactions with related parties were carried out in the ordinary course of business. Detail of transactions during the period and balances outstanding as at the period ended 31 Dec 2019 are disclosed in note 36 of the Bank's Annual Audited Financial Statements.

## Events after Balance Sheet Date

There have not been any material events that occurred subsequent to the date of the Balance Sheet, that require adjustments to the enclosed financial statements, except those which have already been made or disclosed.

## Pattern of Shareholding

The pattern of Shareholding as at December 31, 2020.

S.No.	No Shares	Distinctive No	Held by
1	07	01 to 07	Directors (Qualifying Shares)
2	308,571,422	08 to 308,571,422	PTCL



## Earning Per share

Earnings per share of the Bank for the year ended 2020 is PKR. 3.19 compared to PKR. 1.11 as at end of year 2019.

## Appreciation & Acknowledgment

We take this opportunity to express gratitude to our customers and business partners for their continued support and trust. We offer sincere appreciation to the State Bank of Pakistan (SBP), for its unwavering support in a particularly difficult year. A heartfelt thanks is also extended to the Securities and Exchange Commission of Pakistan (SECP) and Central Depository Company (CDC), for their guidance and cooperation. Finally, we are also thankful to our associates, the Bank's management and staff for their committed services provided to our valued customers.



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**President and Chief Executive Officer**  
**Islamabad**  
**08 February 2021**



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**Chairman**

## فی شیرارنگ

2020ء کے آخر تک فی شیرارنگ 3.19 روپے تھی جو کہ 2019ء میں 1.11 روپے تھی۔

## قدرواعتراف

ہم اپنے صارفین اور بزنس پارٹنرز کے مسلسل اعتبار اور تعاون پر ان کے شکرگزار ہیں۔ ہم رہنمائی اور تعاون پر اسٹیٹ بینک آف پاکستان، سیورٹی اینڈ ایڈجسٹمنٹ کمیشن آف پاکستان اور سنٹرل ڈپازٹری کے بھی شکرگزار ہیں اور آخر میں ہم اپنے معزز اور پر عزم رفقاء، بینک انتظامیہ اور اسٹاف اور ان کی سروسز کے شکرگزار ہیں۔



دستخط چیف ایگزیکٹو آفیسر



دستخط چیئرمین

## قرضوں کی ادائیگی

قرض ادا کرنے میں بینک کی کارکردگی اچھی رہی اور اس قانونی قرض کو پورا کرنے میں کوئی تاخیر نہیں ہوئی۔

## انٹرنل آڈٹ

بینک کا اپنا انٹرنل آڈٹ ڈیپارٹمنٹ ہے جس کا اسٹاف انڈسٹری کے تجربے کا حامل ہے۔ ہیڈ آف انٹرنل آڈٹ بورڈ کی آڈٹ کمیٹی کو جوابدہ ہے مگر انتظامی طور پر وہ پریذیڈنٹ اور CEO کو بھی جواب دہ ہے۔

## آڈٹ کمیٹی

آڈٹ کمیٹی میں دونوں ایگزیکٹو ڈائریکٹرز ہیں جن کا نام ندیم خان اور شیر افگن خان ہے اور ایک خود مختار ڈائریکٹر ہیں جن کا نام مصباح نقوی ہے۔ مصباح نقوی کمیٹی کی چیئر پرسن بھی ہیں۔

## کریڈٹ ریٹنگ

JCR-VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ نے بینک کی فنانشل پوزیشن کے پیش نظر اس کی ریٹنگ طویل المدت 'A'، (سنگل A) اور قلیل المدت (A-One) 'A-1' کی ہے اور بینک کی بیرونی ساکھ متوازن ہے۔

## پرنسپل رسک اور غیر متوقع صورتحال

پاکستان میں بینکنگ انڈسٹری نہایت فعال ہے۔ اسٹیٹ بینک آف پاکستان ہر بینک کی کڑی نگرانی کرتا ہے اور باقاعدہ وقفوں سے ان کا معائنہ کرتا ہے۔ اسٹیٹ بینک آف پاکستان نے کم از کم سرمایہ ایم سی آر (MCR) سرمایہ کی مناسب رہنمائی اے آر (CAR)، کیشن ریزروئی آر آر (CRR) اور ایس ایل آر (SLR) کی حد مقرر کی ہوئی ہے۔ گزشتہ سال بینک نے تمام ریگولیٹری شرائط پوری کیں۔ اس کے علاوہ بینک نے سرمایہ اور سرمایہ کاری کا اعلیٰ معیار قائم رکھا اور سٹینڈرڈ لیکویڈٹی، سٹرپس اور ڈیلیویبلٹی رہنمائی بحال رکھا۔

## ایکسٹرل آڈیٹرز

موجودہ آڈیٹرز میسرز KPMG تاثیر ہادی اینڈ کمپنی آئینہ سالانہ اجلاس عام تک ریٹائر ہو جائیں گے اور اہلیت کی بنا پر انہوں نے دوبارہ تقرری کے لئے درخواست دی ہے۔ بورڈ کی آڈٹ کمیٹی نے انہیں دوبارہ مقرر کرنے کی سفارش کی ہے۔ بورڈ آف ڈائریکٹرز نے بھی طے شدہ فیس پر ان کی دوبارہ تقرری کو منظور کیا ہے۔ مذکورہ آڈیٹرز کو سالانہ اجلاس عام کی منظوری کے بعد مقرر کر دیا جائے گا۔

## متعلقہ پارٹی ٹرانزیکشنز

سرپرست کمپنی، ملحقہ کمپنیز، ڈائریکٹرز، اہم انتظامی عہدے اور ایمپلائز ریٹائرمنٹ فنڈ بینک کی متعلقہ پارٹیز میں شامل ہیں۔ بینک کے شیئر ہولڈرز کی تفصیل سالانہ آڈٹڈ فنانشل اسٹیٹمنٹ کے نوٹ نمبر 17 میں دی ہوئی ہے۔ پاکستان ٹیلی کمیونیکیشن کمپنی لمیٹڈ (پی ٹی سی ایل) کے پاس بینک کے 100% شیئرز ہیں لہذا اس کے اقرار نامے اور سب سڈی بھی بینک کی متعلقہ پارٹی میں شامل ہیں۔ اس کے علاوہ ملحقہ کمپنیز، ڈائریکٹرز، اہم انتظامی عہدے اور ایمپلائز ریٹائرمنٹ فنڈ بینک کی متعلقہ پارٹیز میں شامل ہیں اور تفصیل سالانہ آڈٹڈ فنانشل اسٹیٹمنٹ کے نوٹ نمبر 36 میں دی ہوئی ہے۔

## بیلنس شیٹ ڈیٹ کے بعد کے واقعات

بیلنس شیٹ ڈیٹ کے بعد کے واقعات میں قابل ذکر تبدیلی نہیں ماسوائے ان کے جن کا ذکر پہلے ہو چکا ہے۔

## شیئر ہولڈنگ کا نمونہ

31 دسمبر 2020 تک شیئر ہولڈنگ کا نمونہ درج ذیل ہے۔

S.No.	No Shares	Distinctive No	Held by
1	07	01 to 07	Directors (Qualifying Shares)
2	308,571,422	08 to 308,571,422	PTCL

ڈ) اندرونی کنٹرول پر موجود نظام مستحکم ہے اور اس کو موثر انداز میں نافذ اور نگرانی کی جارہی ہے۔

ز) بینک کے نظام میں کوئی خامی نہیں ہے۔

ر) پورے سال میں 7 بورڈ میٹنگز ہوئی جن میں درج ذیل ڈائریکٹرز نے شرکت کی۔

Board Member	Designation	Total No of meetings	Meetings Attended
Mr. Burak Sevilengul	Chairman	03	03
Mr. Mohammad Nadeem Khan	Acting Chairman	04	04
	Director	03	02
Mr. Muhammad Amir Siddiqi (Resigned on July 24th, 2020)	Director	05	05
Mr. Mohamed Essa Al Taheri	Director	07	06
Mr. Moqem ul Haque (Resigned on July 24th, 2020)	Director	05	05
Mr. Sahibzada Mansoor Ali (Resigned on April 28th, 2020)	Independent Director	04	04
Mr. Javed Iqbal (Resigned on October 12th, 2020)	Independent Director	07	04
Mr. Aqueel Malik	Director	03	03
Ms. Misbah Naqvi	Independent Director	02	02
Mr. Sher Afgan Khan	Director	01	01
Mr. Jahanzeb Rahim	Director	01	01
Mr. Tariq Mohar	Independent Director	-	-
Mr. Kabeer Naqvi	President & CEO /Director	07	07

31 دسمبر 2020 تک بورڈ آف ڈائریکٹرز کی تشکیل میں رونما ہونے والی تبدیلیاں درج ذیل ہیں

- بوراک سیویلینگول کو مورخہ 14 مئی 2020ء کو چیئرمین بورڈ تعینات کیا گیا۔ ان سے پہلے ندیم خان بطور قائم مقام چیئرمین بورڈ آف ڈائریکٹرز خدمات سرانجام دے رہے تھے۔
- صاحبزادہ منصور علی خود مختار ڈائریکٹر کے عہدہ سے مستعفی ہو گئے تھے جن کی جگہ مصباح نقوی نے 28 اپریل 2020ء کو خود مختار ڈائریکٹر کا عہدہ سنبھالا۔
- مقیم الحق نے ڈائریکٹر بورڈ سے استعفیٰ دیدیا، جبکہ 24 جولائی 2020ء کو شیر افغان خان ان کے متبادل کے طور پر آئے۔
- عامر صدیقی بھی ڈائریکٹر کے عہدہ سے مستعفی ہو گئے تھے جن کی جگہ 24 جولائی 2020ء کو جہانزیب رحیم نے سنبھالی۔
- جاوید اقبال نے خود مختار ڈائریکٹر کے عہدہ سے استعفیٰ دیدیا تھا جن کی جگہ طارق موہار نے 12 اکتوبر 2020ء کو جوائن کیا۔ ان کی ایف پی ٹی کلیرنس ہونا ابھی باقی ہے۔
- بینک کے ڈائریکٹرز شیئرز لینے کے اہل ہیں تاہم اس سال کے دوران کسی ڈائریکٹر نے بھی بینک سے کوئی شیئر حاصل نہیں کیا۔

## ریزروٹرانسفر

2020ء میں مائیکروفنانس انسٹیٹیوشن آرڈی نینس 2001ء اور اسٹیٹ بینک آف پاکستان کے جاری کردہ پروڈینشل ریگولیشنز فار مائیکروفنانس بینک کے مطابق بینک نے اپنے بعد از ٹیکس منافع کا 20% سچری ریزرو میں 181.231 ملین روپے اور بعد از منافع کا 5% ڈپازٹس پر ٹیکس فنڈ میں 45.307 ملین روپے جمع کرائے ہیں۔

## کمپیٹل ایڈیکوئیسی ریشو

سٹیٹ بینک آف پاکستان کی مقررہ کم از کم شرط 1000 ملین ہے اور 15% کے مقابلہ میں بینک کی بیلنس شیٹ کے مطابق بینک ایکویٹی اور کمپیٹل ایڈیکوئیسی ریشو بالترتیب 6,615 ملین روپے اور 21.69% ہے۔

## ڈائریکٹرز کی تعداد اور ان کی تنخواہ

پریذیڈنٹ اور سی ای او سمیت بینک کے کل 9 ڈائریکٹرز ہیں جن میں 6 نان ایگزیکٹو اور 2 خود مختار ڈائریکٹرز ہیں۔ بورڈ آف ڈائریکٹرز میں خواتین کی نمائندگی بھی ہے۔

## بورڈ آف ڈائریکٹرز میں تبدیلی

2020 میں بورڈ کے پاس کوئی نشست خالی نہیں تھی۔ اس دوران ڈائریکٹرز کی متبادل تقرریوں کی تفصیلات درج ذیل ہیں۔

S.No	Outgoing Directors	Incoming Directors
1.	Mr. Sahibzada Mansoor Ali	Ms. Misbah Naqvi
2.	Mr. Amir Siddiqi	Mr. Jahanzeb Rahim
3.	Mr. Moqem-ul-Haque	Mr. Sher Afgan Khan
4.	Mr. Javed Iqbal	Mr. Tariq Mohar

## ہولڈنگ کمپنی

کمپنیز آرڈی نینس 1984ء کے تحت 29 اکتوبر 2003ء کو کراچی میں قائم ہونے والی ”روزگار مائیکروفنانس بینک لمیٹڈ“ کو 30 اگست 2012ء کو پاکستان ٹیلی کمیونیکیشن کمپنی لمیٹڈ (پی ٹی سی ایل) نے اس کے 100% شیئرز خرید لئے۔ 7 دسمبر 2012ء کو اس کا نام تبدیل کر کے یو مائیکروفنانس بینک لمیٹڈ رکھا گیا۔ 31 جنوری 2013ء کو سٹیٹ بینک آف پاکستان نے اسے ملک بھر میں کام کرنے کا لائسنس جاری کیا۔ 11 جولائی 2013ء سٹیٹ بینک آف پاکستان نے ملک بھر میں برانچس بینکنگ کے کمرشل اجرا کی منظوری دی۔

## کارپوریٹ گورننس

بینک کی مینجمنٹ داخلی امور اور دستور عمل کے لیے ایک منظم اور کارآمد نظام وضع کرنے اور اسے برقرار رکھنے کی ذمہ دار ہونے کے ساتھ ساتھ ان امور کی نگرانی اور جائزے کا کام بھی سرانجام دیتی ہے۔ بینک کے نظام کو مزید بہتر اور خود کار بنانے کے لئے بورڈ کی ذیلی کمیٹیاں تشکیل دی گئی ہیں۔

## کارپوریٹ گورننس کا معیار اور قوانین کے مطابق چلنے کا عزم

ڈائریکٹرز کا بیان ہے کہ

(الف) بینک انتظامیہ کی تیار کردہ فنانشل سٹیٹمنٹ، معاملات، آپریشن کے نتائج، کیش فلو اور ایکویٹی میں تبدیلی کی بہترین عکاسی ہیں۔

(ب) اکاؤنٹ کی کتابوں کو نہایت ترتیب سے رکھا گیا ہے۔

(ج) بینک مروجہ اکاؤنٹ پالیسیز پر مستقل کار بند ہے اور فنانشل سٹیٹمنٹ کی تیاری، تمام کوائف اور جائزہ قواعد کے مطابق درست انداز میں پیش کیا گیا ہے۔

(د) بین الاقوامی مالیاتی رپورٹنگ کے معیارات، جیسا کہ پاکستان میں قابل اطلاق ہیں اور اسٹیٹ بینک آف پاکستان کے ذریعے اپنایا گیا ہے اور بینک کے فنانشل سٹیٹمنٹ کی تیاری میں اپنایا گیا ہے اور اگر کوئی انحراف ہے تو ان کا مناسب طور پر انکشاف کیا گیا ہے۔



## شیئر ہولڈرز کے لئے ڈائریکٹرز رپورٹ

ہم 31 دسمبر 2020 سال کے اختتام پر یو مائیکرو فنانس بینک لمیٹڈ (بینک) کی ڈائریکٹرز رپورٹ اور آڈٹ شدہ فنانشل سٹیٹمنٹ پیش کر کے خوشی محسوس کر رہے ہیں۔ اس دوران بینک نے سال 2020ء کے منفرد چیلنجز کا مقابلہ کرنے کے لیے بھرپور عزم و حوصلہ کا مظاہرہ کیا۔ نتیجتاً یہ سال بینک اور اس کی ٹیم کی جانب سے بے مثال کارکردگی کا سال رہا۔

### سرگرمیاں، کارکردگی اور ترقی

یو بینک کا ماننا ہے کہ مائیکرو فنانس سروسز تک رسائی ایک بھرپور معاشرے کے قیام کے لیے از حد ضروری ہے۔ ہمارے بینک کا لائحہ عمل قابلیت، پُر عزم، جدت، اخلاقیات اور شفافیت جیسے کلیدی اقدار سے متاثر ہے۔ ہمارے انتظامی امور 'Bottom-up' والے طریقہ کار پر مبنی ہیں جس سے تخلیقی اور متنوع ماحول کو فروغ ملتا ہے جو کہ پیداوار اور منافع کو بڑھاتا ہے۔ یو بینک ابھرتے ہوئے مائیکرو فنانس سیکٹر میں تیزی سے ترقی کر رہا ہے۔ یہ معاشی طور پر کمزور کسٹمرز کو خدمات فراہم کرتا ہے، جن کی ضروریات عالمی وباء، معاشی دباؤ، ٹڈی دل کے حملوں، اور دیگر ماحولیاتی و موسمیاتی تبدیلیوں کے باعث ڈرامائی انداز سے تبدیل ہو رہی ہیں۔

اگرچہ سال 2020ء اپنے ہمراہ فصلوں کی کم پیداوار، ٹڈی دل کے حملے اور قدرتی آفات جیسے دیگر کئی چیلنجز لایا تھا جو کہ انڈسٹری کے لیے انوکھے نہیں تھے، مگر کووڈ وائرس کی وباء ایک ایسا چیلنج تھا جس نے گزشتہ معاشی اور اقتصادی معیارات کو مکمل طور پر منتشر کر دیا کیونکہ اس دوران ایکوسسٹم ایک نئے عالمی نظام میں سانس لینے کی جدوجہد کر رہا تھا جبکہ ادارے اپنی اپنی بقا کی جنگ لڑ رہے تھے۔ ان مشکل حالات کے باوجود یو بینک نے اپنی فہم و فراست، دوراندیشی اور مقابلہ کی طاقت سے اپنی بنیادوں کو مزید مضبوط کیا۔ دسمبر 2019ء سے دسمبر 2020ء تک کے اعداد و شمار اس بات کا منہ بولتا ثبوت ہیں۔

اپنے مرکزی کردار کو مد نظر رکھتے ہوئے یو بینک نے 183 شہری اور دیہی علاقوں میں موجود اپنے 201 برانچوں اور 199 ایے ٹی اییز پر مشتمل نیٹ ورک کے ذریعے 28 ارب روپے سے زائد قرضے جاری کیے جبکہ بینک کی بیلنس شیٹ میں 9 ارب روپے سے زائد کے سیکیور قرضوں کا اضافہ کیا۔ یوں نہ صرف بینک کی لون بک کی بڑھوتری ہوئی بلکہ ادارے کی رسک پروفائل اور کیپیٹل ایڈیکویٹی بھی مضبوط ہوئی۔ یہاں سنٹرل بینک کی مائیکرو فنانس کسٹمرز کو سہولیات فراہم کرنے کے لیے ریگولیٹری سپورٹ قابل ذکر ہے۔

بینک کی ڈیپوزٹ بک میں 98% اضافہ ہوا اور وباء سے متعلق لیکویڈیٹی شاکنز سے محفوظ رہنے کے لیے جارحانہ مگر محتاط حکمت عملی اختیار کی۔ مثبت ADR برقرار رکھنے کے ساتھ ساتھ ڈیپازٹ کے اخراجات پر بھی کڑا کنٹرول رکھا گیا۔ بینک نے اپنے فنڈنگ کے سٹریٹجک اتحاد کو بھی مضبوط کیا جس کی بدولت فنڈنگ کی بنیاد کو ہمہ جہت بنانے اور ترقی کی رفتار کو تیز تر کرنے میں مدد ملی، جبکہ خزانچی سیکشن بینک کے بنیادی دائرہ اثر کو مضبوط بنانے کے لیے تو اتر سے مثبت ثالثی مواقع پیدا کرتا رہا۔

ان تمام کوششوں کیساتھ بینک کے اخراجات کے معاملے میں سخت رویے کی وجہ سے بینک کے ریونیو میں خاطر خواہ اضافہ ہوا جو کہ بعد ازاں بینک کے منافع میں تبدیل ہو جائیگا۔ بینک کی بیلنس شیٹ محض 12 ماہ میں 30 ارب روپے سے بڑھ کر انچائی کی حدیں پار کرتی ہوئی 70 ارب روپے تک پہنچ گئی۔ اس سائز اور سکیل کیساتھ یو بینک پاکستان کے چیلنجنگ ریٹیل بینکوں کی صف میں شامل ہونے کے لیے تیار کھڑا ہے۔

اس غیر معمولی مشکل سال کے دوران بینک کی لیڈرشپ نے کمال مہارت سے بینک کی کشتی کو بیرونی مشکلات اور چیلنجز کے بھنور سے بخوبی پار کیا۔ نتیجتاً بینک نے گزشتہ سال کے 253 ملین روپے بعد از ٹیکس منافع کے مقابلے میں 906 ملین روپے بعد از ٹیکس پر منافع کمایا۔

### مالی نتائج

Financial Results	December 31, 2020 (Rs'000)	December 31, 2019 (Rs'000)
Profit before taxation	1,204,072	310,713
Less WWF	(24,081)	(6,214)
Less: Taxation-Current	(549,449)	(81,448)
- Prior year	(52,310)	(1,318)
- Deferred	327,947	31,915
Profit after taxation	906,159	253,648
Earnings per share (Rupees)	3.19	1.11

## INDEPENDENT AUDITORS' REPORT

To the members of U Microfinance Bank Limited

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the annexed financial statements of U Microfinance Bank Limited (the Bank), which comprise the balance sheet as at 31 December 2020, and the profit and loss account, the statement of comprehensive income, the statement of changes in equity, 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, profit and 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 Bank's affairs as at 31 December 2020 and of the profit, the 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank 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.

#### Responsibilities of Management and Board of Directors for the Financial Statements

The 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, the management is responsible for assessing the Bank'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 Bank or to cease

operations, or has no realistic alternative but to do so.

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

## **Auditors' 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 auditors' 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 scepticism 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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Bank 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 Bank as required by the Companies Act, 2017 (XIX of 2017);
- b) The balance sheet, 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 Bank's business; and
- d) Zakat deductible at source under the Zakat and Usher Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditors' report is Riaz Pesnani.



**KPMG Taseer Hadi & Co.**

**Chartered Accountants**

**Islamabad**

**25 March 2021**

## BALANCE SHEET


AS AT 31 DECEMBER 2020

	Note	2020 Rupees	2019 Rupees
<b>ASSETS</b>			
Cash and balances with SBP and NBP	6	3,160,116,831	1,717,205,410
Balances with other Banks/ NBFIs/ MFBs	7	1,908,209,748	3,019,826,466
Lending to financial institution	8	450,000,000	-
Investments - net of provisions	9	24,074,499,338	6,969,538,668
Advances - net of provisions	10	30,006,298,899	21,374,079,265
Operating fixed assets	11	2,917,413,581	3,104,521,964
Other assets	12	7,797,247,350	3,828,677,455
Deferred tax asset	13	399,616,598	76,354,529
<b>Total Assets</b>		<b>70,713,402,345</b>	<b>40,090,203,757</b>
<b>LIABILITIES</b>			
Deposits and other accounts	14	46,104,640,853	23,290,259,471
Borrowings	15	13,274,190,642	6,733,331,333
Subordinated debt	16	2,799,160,000	4,599,400,000
Other liabilities	17	2,860,212,627	2,416,350,107
Deferred tax liabilities		-	-
<b>Total Liabilities</b>		<b>65,038,204,122</b>	<b>37,039,340,911</b>
<b>Net Assets</b>		<b>5,675,198,223</b>	<b>3,050,862,846</b>
<b>REPRESENTED BY:</b>			
Share capital	18	3,085,714,290	2,285,714,290
Discount on issue of share capital		(25,714,290)	(25,714,290)
Advance against issue of shares	19	1,000,000,000	-
Statutory and general reserves	5.13.1	410,876,256	229,644,265
Depositors' protection fund	5.13.2	102,719,064	57,411,066
Unappropriated profit		1,099,564,241	512,586,043
		<b>5,673,159,561</b>	<b>3,059,641,374</b>
Surplus / (deficit) on revaluation of assets	20	628,774	(8,778,528)
Deferred grants	21	1,409,888	-
<b>Total Capital</b>		<b>5,675,198,223</b>	<b>3,050,862,846</b>
<b>MEMORANDUM / OFF BALANCE SHEET ITEMS</b>	22		

The annexed notes from 1 to 43 form an integral part of these financial statements.

  
PRESIDENT / CHIEF EXECUTIVE

  
CHAIRMAN

  
DIRECTOR

  
DIRECTOR



## PROFIT AND LOSS ACCOUNT


FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 Rupees	2019 Rupees
Mark-up / return / interest earned	23	10,133,879,505	7,266,317,884
Mark-up / return / interest expensed	24	(4,341,888,111)	(3,842,508,867)
Net mark-up / interest income		5,791,991,394	3,423,809,017
Provision against non-performing loans and advances	10.3	(1,578,024,398)	(809,740,000)
Provision for diminution in the value of investments		-	-
Bad debts written off directly	10.3	(1,841,681)	(28,716,236)
Net mark-up / interest income after provisions		4,212,125,315	2,585,352,781
<b>NON MARK-UP / NON INTEREST INCOME</b>			
Fee, commission and brokerage income	25	1,124,650,050	900,356,644
Dividend income		-	-
Other income	26	138,370,093	39,075,818
Total non-markup / non interest income		1,263,020,143	939,432,462
		5,475,145,458	3,524,785,243
<b>NON MARK-UP / NON INTEREST EXPENSES</b>			
Administrative expenses	27	4,265,595,760	3,206,406,891
Other provisions / write offs		-	-
Other charges	28	5,477,000	7,665,076
Total non-markup / non interest expenses		4,271,072,760	3,214,071,967
Extra ordinary / unusual items		-	-
<b>PROFIT BEFORE TAXATION</b>		1,204,072,698	310,713,276
Worker Welfare Fund (WWF)		(24,081,454)	(6,214,266)
		1,179,991,244	304,499,010
<b>TAXATION</b>			
Current		(549,448,880)	(81,447,841)
Prior years		(52,310,066)	(1,317,977)
Deferred		327,927,656	31,915,009
	29	(273,831,290)	(50,850,809)
<b>PROFIT AFTER TAXATION</b>		906,159,954	253,648,201
Unappropriated profit brought forward		512,586,043	324,888,330
Less: Other comprehensive income		7,358,233	(2,538,438)
Profit available for appropriation		1,426,104,230	575,998,093
<b>APPROPRIATIONS:</b>			
<b>Transfer to:</b>			
Statutory reserves		181,231,991	50,729,640
Capital reserve		-	-
Contribution to MSDF / DFP / RMF		45,307,998	12,682,410
Revenue reserve		-	-
Interim cash dividend Rs. 0.32 paisa per share (2019: Nil)		100,000,000	-
		326,539,989	63,412,050
<b>UNAPPROPRIATED PROFIT CARRIED FORWARD</b>		1,099,564,241	512,586,043
<b>EARNINGS PER SHARE</b>	33	3.19	1.11

The annexed notes from 1 to 43 form an integral part of these financial statements.

  
PRESIDENT / CHIEF EXECUTIVE

  
CHAIRMAN

  
DIRECTOR

  
DIRECTOR

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 Rupees	2019 Rupees
<b>Profit for the year</b>		<b>906,159,954</b>	253,648,201
<b>Other comprehensive income for the year</b>			
<b>Items that will not be reclassified to profit and loss account:</b>			
Remeasurement loss on defined benefit liability - gratuity	17.3.3	10,363,709	(3,785,206)
Related tax	13	(3,005,476)	1,246,768
		<b>7,358,233</b>	<b>(2,538,438)</b>
<b>Comprehensive income for the year transferred to equity</b>		<b>913,518,187</b>	251,109,763
<b>Components of comprehensive income for the year not transferred to equity:</b>			
<b>Items that may be reclassified to profit and loss:</b>			
Surplus / (deficit) on revaluation of available for sale investments	20	11,067,414	(10,287,681)
Related tax effect	20	(1,660,112)	1,538,352
		<b>9,407,302</b>	<b>(8,749,329)</b>
<b>Total comprehensive income for the year</b>		<b>922,925,489</b>	<b>242,360,434</b>

The annexed notes from 1 to 43 form an integral part of these financial statements.



PRESIDENT / CHIEF EXECUTIVE



CHAIRMAN



DIRECTOR



DIRECTOR

# Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 Rupees	2019 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before taxation		1,179,991,244	304,499,010
Less: Dividend income		-	-
		1,179,991,244	304,499,010
Adjustments for non-cash charges			
Depreciation of property and equipment	11.2	359,818,212	196,292,565
Amortization of intangible assets	11.3	35,647,218	23,868,065
Depreciation of right of use assets	11.4	264,975,496	129,093,001
Provisions against non-performing advances	10.3	1,579,866,079	838,456,236
Advances written off against provision	10.3	(775,030,493)	(535,634,449)
Provision for gratuity	27	35,436,791	29,504,965
Gain on sale of fixed assets	27	(127,686)	(59,290)
Finance charges on leased assets		178,910,741	95,923,953
		1,679,496,358	777,445,046
		2,859,487,602	1,081,944,056
Increase in operating assets			
Advances		(9,437,055,220)	(4,657,062,896)
Other assets (excluding advance taxation)		(3,987,752,946)	(1,478,927,212)
Increase in operating liabilities			
Bills payables		5,137,705	(9,463,692)
Deposits and other accounts		22,814,381,382	2,755,489,076
Other liabilities (excluding current tax, bills payable finance lease and provision for gratuity)		80,586,470	264,776,108
		9,475,297,391	(3,125,188,616)
Net cash (used in) / generated from operations		12,334,784,993	(2,043,244,560)
Payments against provisions held against off-balance sheet obligations			
Gratuity paid	17.3.10	(34,158,605)	(41,091,375)
Income taxes paid		(89,281,448)	(77,152,128)
Net cash (used in) / generated from operating activities		12,211,344,940	(2,161,488,063)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Net investments in available for sale securities - Government securities		(10,964,485,954)	(5,012,002,278)
Net investments in term deposits receipts		(6,120,000,000)	-
Lending to financial institution		(450,000,000)	-
Investments in operating fixed assets		(433,854,252)	(1,158,253,618)
Sale proceeds of property and equipment disposed-off		10,524,928	59,290
Net cash used in investing activities		(17,957,815,278)	(6,170,196,606)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Payments of subordinated loan		(240,000)	(240,000)
Borrowings obtained during the year		136,987,490,862	2,300,003,032
Borrowings repaid during the year		(130,446,631,553)	(1,576,671,699)
Payments of lease obligations		(362,854,268)	(139,072,620)
Dividend paid		(100,000,000)	-
Net cash generated from financing activities		6,077,765,041	584,018,713
Net increase / (decrease) in cash and cash equivalents		331,294,703	(7,747,665,956)
Cash and cash equivalents at beginning of the year		4,737,031,876	12,484,697,832
Cash and cash equivalents at end of the year	30	5,068,326,579	4,737,031,876

The annexed notes from 1 to 43 form an integral part of these financial statements.

  
PRESIDENT / CHIEF EXECUTIVE

  
CHAIRMAN

  
DIRECTOR

  
DIRECTOR

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital	Advance against issue of shares	Discount on issue of share capital	Capital reserves Statutory reserve	Depositors' protection fund	Revenue reserve Unappropriated profit	Total
Rupees							
<b>Balance at 31 December 2017</b>	2,285,714,290	-	(25,714,290)	178,914,625	44,728,656	324,888,330	2,808,531,611
Profit for the year	-	-	-	-	-	253,648,201	253,648,201
Other comprehensive income	-	-	-	-	-	(2,538,438)	(2,538,438)
<b>Total comprehensive income</b>	-	-	-	-	-	251,109,763	251,109,763
Transfer to:							
Statutory reserve	-	-	-	50,729,640	-	(50,729,640)	-
Depositors' Protection Fund	-	-	-	-	12,682,410	(12,682,410)	-
<b>Transactions with owners, recorded directly in equity</b>							
<b>Contributions and distributions</b>							
Interim cash dividend	-	-	-	-	-	-	-
Issue of ordinary shares	-	-	-	-	-	-	-
<b>Balance at 31 December 2019</b>	2,285,714,290	-	(25,714,290)	229,644,265	57,411,066	512,586,043	3,059,641,374
Profit for the year	-	-	-	-	-	906,159,954	906,159,954
Other comprehensive income	-	-	-	-	-	7,358,233	7,358,233
<b>Total comprehensive income</b>	-	-	-	-	-	913,518,187	913,518,187
Transfer to:							
Statutory reserve	-	-	-	181,231,991	-	(181,231,991)	-
Depositors' Protection Fund	-	-	-	-	45,307,998	(45,307,998)	-
<b>Transactions with owners, recorded directly in equity</b>							
<b>Contributions and distributions</b>							
Interim cash dividend Rs. 0.32 paise per share	-	-	-	-	-	(100,000,000)	(100,000,000)
Conversion of subordinated debt as advance against issue of preference shares	-	1,000,000,000	-	-	-	-	1,000,000,000
Issue of ordinary shares	800,000,000	-	-	-	-	-	800,000,000
<b>Balance at 31 December 2020</b>	3,085,714,290	1,000,000,000	(25,714,290)	410,876,256	102,719,064	1,099,564,241	5,673,159,561


The annexed notes from 1 to 43 form an integral part of these financial statements.



PRESIDENT / CHIEF EXECUTIVE



CHAIRMAN



DIRECTOR



DIRECTOR

# Notes To The Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 1 STATUS AND NATURE OF BUSINESS

On 30 August 2012, Pakistan Telecommunication Company Limited (PTCL, the Parent Company) acquired 100% shareholding of Rozgar Microfinance Bank Limited, incorporated in Karachi on 29 October 2003 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017), and its name was changed to U Microfinance Bank Limited (the Bank) with effect from 07 December 2012. On 31 January 2013, the Bank was granted license by State Bank of Pakistan (SBP) for commencement of nationwide microfinance banking operations.

On 11 July 2013, approval for the nationwide commercial launch of Branchless Banking Services (BBS) was received from SBP. The Bank commenced commercial operations of BBS on 23 July 2013.

The Bank's principal business is to assist in stimulating progress, prosperity and social peace in society through creation of income generating opportunities for the small entrepreneur under the Microfinance Institutions Ordinance, 2001. The Bank also provides branchless banking services. The Bank's head office and the principal place of business is located at Jinnah Super market, F-7 Markaz, Islamabad, Pakistan.

The credit rating company JCR-VIS assigned the long-term entity rating of the Bank at "A" and short term rating at "A-1" on 06 May 2020.

## 2 BASIS OF PRESENTATION

The financial information has been presented in accordance with the requirements of format prescribed by SBP Banking Supervision Department (BSD) Circular number 11 dated 30 December 2003.

## 3 STATEMENT OF COMPLIANCE

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

- International Financial Reporting Standards (IFRS Standards), issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Microfinance Institutions Ordinance, 2001 (the MFI Ordinance);
- Directives issued by the Securities and Exchange Commission of Pakistan (SECP) and State Bank of Pakistan (SBP); and
- Provisions of and directives issued under the Companies Act, 2017.

Where the requirements of the Companies Act, 2017, the MFI Ordinance and the directives issued by the SECP and SBP differ with the requirements of IFRSs, the requirements of the Companies Act, 2017, the Microfinance Ordinance, 2001, or the requirements of the said directives shall prevail.

The SBP vide BSD Circular No. 10, dated 26 August 2002 has deferred the applicability of the International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and IAS 40, "Investment Property" for banking companies till further instructions. Further, the SECP vide its SRO 633 (I)/ 2014, dated 10 July 2014 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and



Measurement”, IAS 40, “Investment Property” and International Financial Reporting Standard (IFRS) 7, “Financial Instruments: Disclosures” for banking companies till further instructions. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by SBP through various circulars/regulations.

State Bank of Pakistan (SBP) through its BPRD circular No. 4 of 2019 dated 23 October 2019 has decided that the effective date of IFRS 9 implementation is 01 January 2021 for banks/DFIs/MFBs. Accordingly, the requirements of this standard have not been considered in the preparation of these financial statements.

## **4 BASIS OF MEASUREMENT**

### **4.1 Accounting convention**

These financial statements have been prepared under the historical cost convention except for available for sale investments which are measured at fair value and employee's gratuity which is measured based on actuarial valuation.

### **4.2 Functional and presentation currency**

These financial statements are presented in Pakistan Rupees (Rupee or PKR), which is the Bank's functional currency. All amounts have been rounded to the nearest Rupee, unless otherwise indicated.

### **4.3 Use of judgments and estimates**

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about assumptions and estimation uncertainties or where judgment was exercised in application of accounting policies that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the year ended 31 December 2020 is included in the following notes:

Note 5.12.3 and 17.3.4 – measurement of defined benefit obligations: key actuarial assumptions;

Note 5.7 and 29 – recognition of deferred tax assets and estimation of income tax provision;

Notes 5.14 and 22 – recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources;

Note 5.5 and 11 – useful lives, reassessed values, residual values and depreciation method of property and equipment;

Note 5.5.3 and 11.3 – useful lives, residual values and amortization method of intangible assets;

Note 5.4 and 10.2 – criteria / rates for provision against non-performing advances as per the requirements of the prudential regulations;

Note 5.3 and 9 – Provision for diminution in the value of investment as per the regulations issued by SBP; and

Note 5.6 and 17.2 – for recognition of leased liabilities and corresponding right of use assets under IFRS-16.

#### 4.4 Standards, interpretations and amendments to the accounting and reporting standards

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2021:

- COVID-19-Related Rent Concessions (Amendment to IFRS 16) – the International Accounting Standards Board (the Board) has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:
  - The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
  - There is no substantive change to the other terms and conditions of the lease
- Interest Rate Benchmark Reform – Phase 2 which amended IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 is applicable for annual financial periods beginning on or after 1 January 2021, with earlier application permitted. The amendments introduce a practical expedient to account for modifications of financial assets or financial liabilities if a change results directly from IBOR reform and occurs on an 'economically equivalent' basis. In these cases, changes will be accounted for by updating the effective interest rate. A similar practical expedient will apply under IFRS 16 for lessees when accounting for lease modifications required by IBOR reform. The amendments also allow a series of exemptions from the regular, strict rules around hedge accounting for hedging relationships directly affected by the interest rate benchmark reforms. The amendments apply retrospectively with earlier application permitted. Hedging relationships previously discontinued solely because of changes resulting from the reform will be reinstated if certain conditions are met.
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The above amendments are not likely to have an impact on the Bank's financial statements.

#### - Annual Improvements to IFRS standards 2018-2020:

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022.

IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.

IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.
- Amendments to IAS 1 - Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.
- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future.. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.
- Reference to the Conceptual Framework (Amendments to IFRS 3) - Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs 21A, 21B, 21C and 23A to IFRS 3 . An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018.
- Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) - In response to concerns regarding temporary accounting mismatches and volatility, and increased costs and complexity, the Board issued amendments to IFRS 4 Insurance Contracts in 2017. The two optional solutions raised some considerations which required detailed analysis and management judgement. On the issue of IFRS 17 (Revised) Insurance Contracts in June 2020, the end date for applying the two options under the IFRS 4 amendments was extended to 1 January 2023, aligned with the effective date of IFRS 17.
- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period

beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.

## **5. SIGNIFICANT ACCOUNTING POLICIES**

Cash and cash equivalents comprise cash in hand, balances held with State Bank of Pakistan (SBP) and National Bank of Pakistan (NBP) and balances held with other banks / Non-Banking Financial Institutions (NBFIs) / Microfinance Banks (MFBs) and are carried at cost.

### **5.1 Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, balances held with State Bank of Pakistan (SBP) and National Bank of Pakistan (NBP) and balances held with other banks / Non-Banking Financial Institutions (NBFIs) / Microfinance Banks (MFBs) and are carried at cost.

### **5.2 Sale and repurchase agreements**

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognized in the balance sheet and are measured in accordance with the accounting policies for investment securities. The counter party liability for consideration received is included in borrowings from financial institutions. The difference between sale and repurchase price is treated as markup/return/interest expense over the period of the transaction. Assets purchased with a corresponding commitment to resell at a specified future date (reverse repo) are not recognized as investment in the balance sheet. Amounts paid under these agreements are included in lending to financial institutions. The difference between the purchase and resale price is treated as markup/return/interest income over the period of the transaction.

### **5.3 Investments**

The investments of the Bank, upon initial recognition, are classified as held-for-trading, held-to-maturity or available-for-sale, as appropriate.

Investments (other than held-for-trading) are initially measured at fair value plus transaction costs associated with the investments. Held-for-trading investments are initially measured at fair value and transaction costs are expensed out in the profit and loss account.

Purchase and sale of investments that require delivery within the time frame established by regulation or market convention is recognised at the trade date, which is the date the Bank commits to purchase or sell the investment.

#### ***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 required to be disposed off within 90 days from the date of their acquisition. After initial measurement, 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.

### ***Held to maturity***

Investments with fixed maturity, where management has both the intent and the ability to hold till maturity, are classified as held to maturity. Subsequent to initial recognition at cost, these investments are measured at amortized cost, less provision for impairment in value, if any, and 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.

### ***Available for sale***

These are investments which do not fall under the held-for-trading and held-to-maturity categories. After initial measurement, such investments are measured at fair value. The surplus / (deficit) arising on revaluation is shown in the balance sheet below equity which is taken to the profit and loss account when actually realised upon disposal.

Premium or discount on securities classified as available-for-sale and held-to-maturity is amortised using effective interest method and taken to the profit and loss account.

Provision for impairment in the value of equity securities is made after considering objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of these investments. A significant or prolonged decline in the value of security is also considered as an objective evidence of impairment. Provision for diminution in the value of debt securities is made as per the Prudential Regulations. In the event of impairment of available for sale securities, the cumulative loss that had been recognized directly in surplus on revaluation of securities on the balance sheet below equity is thereof removed and recognized in the profit and loss account.

## **5.4 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 / mark-up / service charges on NPLs is suspended and credited to interest suspense account. Further the NPLs are classified into following categories as prescribed in the Regulations:

### ***Other assets especially mentioned***

These are advances, payments against which are overdue for 30 days or more but less than 60 days.

### ***Substandard***

These are advances, payments against which are overdue for 60 days or more but less than 90 days.

### ***Doubtful***

These are advances, payments against which are overdue for 90 days or more but less than 180 days.

### ***Loss***

These are advances, payments against which are 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.

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:



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

In addition to above, a general provision is made equivalent to 1% (2019: 1%) of the net outstanding balance (advance net of specific provisions) in accordance with the requirement of the Regulations. The Bank also recognises general provisions in addition to the above general provisions when the circumstances indicate delinquency in the portfolio.

General and specific provision is 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.

Under exceptional circumstances management reschedules repayment terms for clients who have suffered catastrophic events and who appear willing and able to fully repay their loans. Such rescheduling does not have any effects on the classification of the loan as per the Prudential Regulations.

## 5.5 Operating fixed assets

### 5.5.1 Property and equipment

#### *Owned*

These are stated at cost less accumulated depreciation and impairment (if any). Cost includes expenditure that are directly attributable to the acquisition of items. Depreciation is charged using the straight-line basis over the estimated useful lives of assets. Full month's depreciation is charged in the month of addition and no depreciation is charged for the month in which the disposal is made. The residual value, depreciation methods and useful lives are reviewed and adjusted (if appropriate) at each balance sheet date. Gains and losses on disposal of assets are determined by comparing the sale proceeds with the carrying amount are included in the profit and loss account. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance is charged to the profit and loss account. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

#### *Right of use assets*

The Bank recognizes right-of-use assets at the lease commencement date. Right-of-use assets are initially measured at cost, which comprises the initial amount of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. Right of use asset is calculated as the initial amount of the lease liability in terms of rentals for business locations at the lease contract commencement date.

The right to use assets is subsequently depreciated using the straight line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Bank by the end of lease term or the cost of the right of use asset reflect that the Bank will exercise a purchase option. In that case the right of use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurement of lease liability.

The right of use asset is subsequently depreciated using the straight line method for a period of lesser of ten years or actual lease term. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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

All expenditure connected with specific assets incurred during installation and development period are carried under capital work in progress. These are transferred to specific assets as and when these are available for use. Capital work in progress is stated at cost less accumulated impairment losses, if any.

#### **5.5.3 Intangible assets**

Intangible assets with a definite useful life are stated at cost less accumulated amortisation and impairment (if any). These are amortised from the month, when these assets are available for use, using the straight-line method, whereby the cost of the intangible asset is amortised on the basis of the estimated useful life over which economic benefits are expected to flow to the Bank. The residual value, useful life and amortisation method is reviewed and adjusted, if appropriate, at each balance sheet date.

#### **5.6 Lease liability**

At the commencement date of the lease, the Bank recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating a lease, if the lease term reflects the Bank exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

##### ***Short-term leases***

The Bank applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

#### **5.7 Taxation**

Income tax expense comprises current and deferred tax. It is recognised in profit and loss account except to the extent that it relates to items recognised directly in equity or in OCI.

##### **5.7.1 Current tax**

Current tax comprises the expected tax payable or refundable on the taxable income or loss for the year and any adjustment to the tax payable or refundable in respect of previous years. The amount of current tax payable or refundable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. The charge for current taxation is based on taxable income at current rates of taxation enacted or substantially enacted at the reporting date, after taking into consideration available tax credits, rebates and tax losses, if any. Current tax assets and liabilities are offset if certain criteria are met.

##### **5.7.2 Deferred tax**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- Temporary differences on initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Bank is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for the Bank and the reversal of temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves. Unrecognized deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantially enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Bank expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset if certain criteria are met.

### 5.7.3 Group taxation

The Bank is taxed as a one fiscal unit along with the Parent Company and its other wholly owned subsidiaries under section 59AA to the Income Tax Ordinance, 2001. Current and deferred income taxes are recognised by each entity within the Group in their respective profit and loss account, regardless of who has the legal rights or obligation for the recovery or payment of tax from or to the tax authorities. However, tax liability / receivable is shown by the Parent Company, on submission of annual tax return, who has the legal obligation to pay or right of recovery of tax from the taxation authorities. Balances between the group entities on account of group tax is shown as other receivable / liability by the respective group entities.

## 5.8 Impairment

### 5.8.1 Non-derivative financial assets

Financial assets not classified at fair value through profit and loss account are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Bank on the terms that the Bank would not consider otherwise and indication that a debtor will enter bankruptcy.

For financial assets measured at amortized cost, the Bank considers evidence of impairment for these assets at both an individual asset and a collective level. All significant assets are assessed for impairment individually. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics. In assessing collective impairment, the Bank uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit and

loss account and reflected in an allowance account. When the Bank considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit and loss account.

### **5.8.2 Non-financial asset**

At each reporting date, the Bank reviews the carrying amount of its non-financial assets (deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (CGUs).

The recoverable amount of an asset or CGU is greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit and loss account. These are allocated to reduce the carrying amounts of the assets in the CGU on a pro rata basis. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

## **5.9 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.

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

### ***Financial Assets***

Financial assets are cash and balances with SBP and NBP, balances with other banks, investments, advances and other receivables. Advances are stated at their nominal value as reduced by appropriate provisions against non-performing advances, while other financial assets excluding investments are stated at cost. Investments are recognized as per note 5.3.

### ***Financial Liabilities***

Financial liabilities are classified according to the substance of the contractual arrangement entered into. Financial liabilities include deposits, borrowings and other liabilities which are stated at their nominal value. Financial charges are accounted for on accrual basis.

Any gain or loss on the recognition and de-recognition of the financial assets and liabilities is included in the net profit and loss for the year in which it arises.

### ***Derivative financial instruments***

Derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value using valuation techniques. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account.

#### **5.10 Deposits**

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

#### **5.11 Subordinated debt**

Subordinated loans are initially recorded at the amount of proceeds received. Mark-up accrued on subordinated loans is recognised as part of other liabilities and is charged to the profit and loss account over the period on an accrual basis.

#### **5.12 Employee benefits**

##### **5.12.1 Short-term employee benefits**

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

##### **5.12.2 Defined contribution plan – provident fund**

The Bank operates a defined contribution provident fund scheme for permanent employees. Contributions to the fund are made monthly by the Bank and employees at an agreed rate of salary (8% of the basic salary of the employee), the fund is managed by its Board of Trustees. The contribution of Bank is charged to profit and loss account.

##### **5.12.3 Staff retirement benefit - gratuity**

The Bank operates defined benefit plan comprising an unfunded gratuity scheme covering all eligible employees completing the minimum qualifying period of service (three years) as specified by the scheme.

The Bank's net liability in respect of this defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount.

The calculation of defined benefit liability is performed annually by a qualified actuary using the projected unit credit method (PUC).

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses are recognised immediately in other comprehensive income. The Bank determines the net interest expense on the net defined benefit liability for the year by applying the discount rate used to measure the defined benefit liability at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the year as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plan are recognised in profit and loss account.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit and loss account. The Bank recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.



## **5.13 Reserves**

### **5.13.1 Statutory reserve**

In compliance with the requirements of the Regulation R-4, the Bank maintains statutory reserve to which an appropriation equivalent to 20% of the profit after tax is made till such time the reserve fund equals the paid up capital of the Bank. However, thereafter, the contribution is reduced to 5% of the profit after tax.

### **5.13.2 Depositors' protection fund**

In compliance with the requirements of section 19 of the Microfinance Institutions Ordinance 2001, the Bank contributes 5% of annual profit after tax to the Depositor's Protection Fund for the purpose of providing security or guarantee to the persons depositing money in the Bank.

### **5.13.3 Cash reserve**

In compliance with the requirements of the Regulation R-3A, the Bank maintains a cash reserve equivalent to not less than 5% of its deposits (including demand deposits and time deposits with tenure of less than 1 year) in a current account opened with the State Bank of Pakistan (SBP) or its agent.

### **5.13.4 Statutory liquidity requirement**

In compliance with the requirements of the Regulation R-3B, the Bank maintains liquidity equivalent to at least 10% of its total demand liabilities and time liabilities with tenure of less than one year in the 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's protection fund are excluded for the purposes of determining liquidity.

## **5.14 Provisions**

A provision is recognised in the balance sheet when the Bank has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessment of time value of money and risk specific to the liability. The unwinding of discount is recognised as interest expense.

## **5.15 Revenue recognition**

### **5.15.1 Revenue from contracts with customers**

Revenue is measured based on the consideration specified in a contract with customer and excludes amounts collected on behalf of third parties.

Revenue is recognized when the Bank satisfies the performance obligations by transferring a promised good or service to a customer. Goods or services are transferred when the customer obtains control of those assets. Revenue from all revenue streams is recognized when the services are provided to the customer.

The stand-alone selling prices are determined based on the observable price at which the Bank sells the services on a standalone basis.

The nature and timing of satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies are as follows:

### ***Mark-up / income on advances***

Mark-up / income / return / service charge on advances is recognized on accrual / time proportion basis using effective interest rate method at the Bank's prevailing interest rates for the respective loan products. Mark-up/ 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 mark-up on non-performing advances are reversed and credited to suspense account. Subsequently, mark-up recoverable on non-performing advances is recognized on a receipt basis in accordance with the requirements of the Regulations. Application processing fee is recognized as income when service is performed.

### ***Income from investment***

Mark-up / return on investments is recognized on time proportion basis using effective interest method. Where debt securities are purchased at premium or discount, the related premiums or discounts are amortized through the profit and loss account over the remaining period of maturity of said investment. Gain or loss on sale of securities is accounted for in the period in which the sale occurs.

### ***Fee, commission and brokerage income***

Fee, commission and brokerage income are recognised as services are performed.

### ***Income on inter bank deposits***

Income from interbank deposits in saving accounts are recognized in the profit and loss account using the effective interest method.

## **5.16 Mark-up bearing borrowings**

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

## **5.17 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.

## **5.18 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.

## **5.19 Foreign currency transactions and translation**

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.

## 5.20 Earnings per share

The Bank presents basic and diluted earnings per share (EPS). 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 is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

## 5.21 Share capital and dividend

Ordinary shares are classified as equity and recognised at their face value. Dividend distribution to the shareholders is recognised as liability in the period in which it is declared.

## 5.22 Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Bank's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When one is available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

6	CASH AND BALANCES WITH SBP AND NBP	Note	2020 Rupees	2019 Rupees
	Cash in hand - Local currency		920,790,506	618,822,600
	<b>Local currency current accounts</b>			
	Balances with State Bank of Pakistan (SBP)	6.1	2,238,550,139	1,097,601,624
	Balances with National Bank of Pakistan (NBP)		776,186	781,186
			<b>3,160,116,831</b>	<b>1,717,205,410</b>

7	BALANCES WITH OTHER BANKS/ NBFIs/ MFBs	Note	2020 Rupees	2019 Rupees
	In Pakistan - Local currency			
	Current accounts	7.1	11,702,453	10,341,102
	Deposit accounts	7.2	1,896,507,295	909,485,364
	Term deposit receipts		-	2,100,000,000
			<b>1,908,209,748</b>	<b>3,019,826,466</b>

**7.1** This includes Rs. 10,200,000 (2019: Rs. 9,600,000) held as deposit under lien in respect of standby letter of guarantee issued to China Union Pay International.

**7.2** Deposit accounts carried interest at rates ranging from 5.50% to 14.5% (2019: 5.25% to 14.19%) per annum.

8	LENDING TO FINANCIAL INSTITUTIONS	Note	2020 Rupees	2019 Rupees
	Repurchase agreement Lending (Reverse repo)		450,000,000	-

**8.1** This represent reverse repo carrying interest rate of 6.10% per annum with the maturity date of 04 Jan 2021 (2019: Nil).

**8.1.1** Securities held as collateral against lending to financial institutions reverse repo are market treasury bills amounting to Rs. 450 million.

9	INVESTMENTS - NET OF PROVISIONS	Note	2020 Rupees	2019 Rupees
	<b>Federal Government Securities</b>			
	<b>Available for sale</b>			
	Market Treasury Bills (T-Bills)	9.1	10,352,699,370	6,979,866,348
	Pakistan Investment Bonds (PIBs)	9.2	7,601,060,234	-
	Unrealised loss on revaluation of investments	9.4	739,734	(10,327,680)
			<b>17,954,499,338</b>	<b>6,969,538,668</b>
	<b>Held to maturity</b>			
	Term deposit receipts	9.3	6,120,000,000	-
			<b>24,074,499,338</b>	<b>6,969,538,668</b>
	Less: Provision for diminution in value of investments		-	-
			<b>24,074,499,338</b>	<b>6,969,538,668</b>

**9.1** This represents market treasury bills with maturities ranging from 42 to 84 days (2019: 16 to 310 days) carrying interest at the rate ranging from 7.10% to 7.14% (2019: 13.10% to 13.42%) per annum.

**9.2** This represents Pakistan Investment Bonds carrying interest at the rate ranging from 8.12% to 9.06% (2019: Nil) per annum payable on semi annually basis maturing within two to four years.

**9.3** Term Deposit Receipts (TDR) carries markup at rate ranging between 8.50% to 12% (2019: 14.50%) per annum with maturities upto 1 year.

**9.4 Revaluation of available for sale securities - net of deferred tax**

	2020 Rupees	2019 Rupees
Market Treasury Bills (T-Bills)	648,500	(10,327,680)
Pakistan Investment Bonds (PIBs)	91,234	-
	739,734	-
Related deferred tax effect	(110,960)	1,549,152
	628,774	(8,778,528)

In accordance with Regulation R-11, available for sale securities have been valued at market value and the resulting surplus is kept in a separate account titled 'surplus / (deficit) on revaluation of assets' through statement of comprehensive income.

**10 ADVANCES - NET OF PROVISIONS**

Loan type	Note	2020		2019	
		Number	Rupees	Number	Rupees
Micro credit					
Secured		86,949	14,648,994,902	51,414	5,660,089,977
Unsecured		259,309	16,670,366,873	262,650	16,222,216,578
		346,258	31,319,361,775	314,064	21,882,306,555
Less: Provision held					
Specific		516	(7,247,107)	15,141	(353,264,391)
General	10.1		(1,305,815,769)		(154,962,899)
	10.3		(1,313,062,876)		(508,227,290)
Advances - net of provisions			30,006,298,899		21,374,079,265

**10.1** General provision is maintained at the rate of 1% (2019: 1%) of unsecured micro credit balance net of specific provision amounting to Rs. 7.247 million (2019: Rs. 353.264 million), risk coverage by SBP under credit guarantee scheme for small and rural enterprises (CGS) is Rs. Nil (2019: Rs. 50 million) and credit guarantee for small and marginalized farmers (CGSMF) amounting Rs. 520 million (2019: Rs. 322 million), respectively, in accordance with the Regulations.

In view of the COVID 19, management expect that certain degree of customers would be impacted, however, it is difficult to estimate potential effect on advances portfolio with any degree of certainty. However, an additional general provision of Rs. 1,144 million, as of 31 December 2020 is recognized in the financial statements based on management's assessment of asset quality and credit risk.

**10.2 Particulars of non-performing advances**

Category of classification	2020				2019		
	Provision rate	Amount outstanding	Provision required	Provision held	Amount outstanding	Provision required	Provision held
		Rupees			Rupees		
Other Assets Especially Mentioned (OAEM)	-	15,371,672	-	-	291,695,211	-	-
Sub-standard	25%	9,018,144	2,022,961	2,022,961	172,226,413	43,020,028	43,020,028
Doubtful	50%	8,464,804	3,174,302	3,174,302	246,460,972	123,008,806	123,008,806
Loss	100%	3,016,744	2,049,844	2,049,844	187,452,157	187,235,557	187,235,557
Total		35,871,364	7,247,107	7,247,107	897,834,753	353,264,391	353,264,391



### 10.3 Particulars of provisions against non-performing advances

	Note	2020			2019		
		Specific	General	Total	Specific	General	Total
Opening balance		353,264,391	154,962,899	508,227,290	72,258,960	133,146,543	205,405,503
Charge for the year	10.3.1	429,013,209	1,150,852,870	1,579,866,079	816,639,880	21,816,356	838,456,236
Advances written off	10.4	(775,030,493)	-	(775,030,493)	(535,634,449)	-	(535,634,449)
Reversals		-	-	-	-	-	-
Closing balance		7,247,107	1,305,815,769	1,313,062,876	353,264,391	154,962,899	508,227,290

**10.3.1** This includes Rs. 1.84 million (2019: Rs. 28.7 million) directly charged to profit and loss account.

### 10.4 Particulars of advances written off

	Note	2020 Rupees	2019 Rupees
Against provision		(773,188,812)	(506,918,213)
Directly charged to profit and loss account		(1,841,681)	(28,716,236)
		<u>(775,030,493)</u>	<u>(535,634,449)</u>

**10.5** The coronavirus (COVID-19) has been evolving as a strain to the global economy including that of Pakistan. Therefore, to dampen the adverse effects of COVID-19 and to enable the Microfinance Banks continue to fulfill their role in funding the real economy. In order to facilitate Microfinance Banks ("MFBs") due to COVID-19, SBP issued AC&MFD Circular Letter No. 1 of 2020 dated 26 March 2020 regarding "Regulatory relief to dampen the effects of COVID-19". This circular allowed certain relaxations to MFBs. In accordance with this circular, MFBs, upon written request from borrower received before 30 June 2020, could defer repayment of principal for one year provided borrower continues to service the markup amount in accordance with agreed terms. The said circular also clarified that the above-mentioned deferment does not affect the credit history of the borrower and is not to be reported as restructuring in ECIB. Further, the financing facilities of such borrowers, who are unable to service the mark-up amount or need deferment exceeding one year, may be rescheduled / restructured upon their request. If the rescheduling / restructuring is done within 90 days of the loans being overdue, such facilities could continue to be treated as regular and reported in the ECIB accordingly. MFBs could not classify as NPL the financing facilities of such borrowers who had requested for deferment unless the payment obligations were past due by 90 days. The aforesaid treatment was available for loans which were regular on / or after 15 February 2020 and became non-performing subsequently.

In continuation to the aforementioned letter, the SBP vide its letter AC&MFD Circular Letter No. 4 of 2020 dated 07 July 2020 further extended the date of submission of rescheduling request to 30 September 2020 provided borrower continue to service the mark-up amount as per agreed terms and conditions. In order to enable MFBs in extending further relief measures to the affected borrowers, on 10 August 2020, SBP vide its letter AC&MFD Circular Letter No. 7 of 2020 wherein the treatment prescribed vide aforesaid circular letters was now available for loans which were regular on 31 December 2019 (previously this was 15 February 2020). Each NPL category was extended by 2 months for borrowers who could not avail relief under the scheme. Accordingly, pursuant to the regulatory relief given by SBP to dampen the effects of COVID-19, the Bank has restructured / deferred 142,181 loans amounting to Rs. 8,499 million (2019: Nil).

## 11 OPERATING FIXED ASSETS

		2020 Rupees	2019 Rupees
Capital work-in-progress	11.1	75,560,939	67,245,962
Property and equipment	11.2	1,435,956,474	1,471,195,603
Intangible assets	11.3	201,790,196	136,738,568
Right of use asset (ROU)	11.4	1,204,105,972	1,429,341,831
		<u>2,917,413,581</u>	<u>3,104,521,964</u>

### 11.1 Capital work-in-progress

Breakup of capital work in progress at the reporting date is as follows:

Advances to suppliers / contractors	11.1.1	27,926,998	29,663,568
Office improvements		47,633,941	37,582,394
		<u>75,560,939</u>	<u>67,245,962</u>

**11.1.1** This represents advance given for software and property and equipment.

## 11.2 Property and equipment

	2020										
	Cost				Depreciation						
	At 01 January 2020	Additions	Disposals	Transfers	At 31 December 2020	At 01 January 2020	Charge for the year	Disposals / Transfers	At 31 December 2020	Book value at 31 December 2020	Rates of depreciation % (per annum)
	Rupees										
Owned											
Furniture and fixture	188,359,184	17,413,324	(4,463)	-	205,768,045	41,799,387	20,830,176	(2,566)	62,626,997	143,141,048	10.00%
Computer equipments	200,257,510	104,982,182	(387,456)	78,926,692	383,778,928	139,307,999	75,840,552	(387,456)	214,761,095	169,017,833	33.33%
Electrical equipment	1,105,358,505	202,536,886	-	(113,579,269)	1,194,316,122	209,931,259	213,705,460	-	423,636,719	770,679,403	20.00%
Vehicles	31,597,740	-	-	-	31,597,740	21,525,721	4,504,712	-	26,030,433	5,567,307	20.00%
Office improvement	454,119,198	34,560,614	(444,770)	-	488,235,042	95,932,168	44,937,312	(185,321)	140,684,159	347,550,883	10.00%
	1,979,692,137	359,493,006	(836,689)	(34,652,577)	2,303,695,877	508,496,534	359,818,212	(575,343)	867,739,403	1,435,956,474	
	Rupees										
	2019										
	Cost				Depreciation						
	At 01 January 2019	Additions	Disposals	Transfers	At 31 December 2019	At 01 January 2019	Charge for the year	Disposals / Transfers	At 31 December 2019	Book value at 31 December 2019	Rates of depreciation % (per annum)
	Rupees										
Leased											
Vehicle	26,362,716	20,190,312	-	46,553,028	-	1,026,858	7,923,098	8,949,956	-	-	20.00%
Owned											
Furniture and fixture	137,162,430	51,196,754	-	-	188,359,184	25,072,232	16,727,155	-	41,799,387	146,559,797	10.00%
Computer equipments	140,503,548	60,939,837	1,185,875	-	200,257,510	107,282,294	33,211,580	1,185,875	139,307,999	60,949,511	33.33%
Electrical equipment	306,699,356	798,659,149	-	-	1,105,358,505	106,812,632	103,118,627	-	209,931,259	895,427,246	20.00%
Vehicles	27,153,042	4,444,698	-	-	31,597,740	17,519,373	4,006,348	-	21,525,721	10,072,019	20.00%
Office improvement	280,045,330	174,073,868	-	-	454,119,198	64,626,411	31,305,757	-	95,932,168	358,187,030	10.00%
	917,926,422	1,109,504,618	1,185,875	46,553,028	1,979,692,137	322,339,800	196,292,565	10,135,831	508,496,534	1,471,195,603	

**11.2.1** Cost of fully depreciated property and equipment that are still in use is Rs. 224,808,337 (2019: Rs. 198,483,015).

## 11.3 Intangible assets

Note	2020									
	Cost				Amortization				Book value at 31 December 2020	Rates of amortization % (per annum)
	At 01 January 2020	Additions	Transfers	At 31 December 2020	At 01 January 2020	Additions	Transfers	At 31 December 2020		
	Rupees									
Computer softwares	217,484,528	66,046,269	34,652,577	318,183,374	80,745,960	35,647,218	-	116,393,178	201,790,196	10.00%
Licenses	12,394,739	-	-	12,394,739	12,394,739	-	-	12,394,739	-	20.00%
Mail server	78,378	-	-	78,378	78,378	-	-	78,378	-	33.33%
	<u>229,957,645</u>	<u>66,046,269</u>	<u>34,652,577</u>	<u>330,656,491</u>	<u>93,219,077</u>	<u>35,647,218</u>	<u>-</u>	<u>128,866,295</u>	<u>201,790,196</u>	
	Rupees									
	Rupees									
Note	2019									
	Cost				Amortization				Book value at 31 December 2019	Rates of amortization % (per annum)
	At 01 January 2019	Additions	Transfers	At 31 December 2019	At 01 January 2019	Additions	Transfers	At 31 December 2019		
	Rupees									
Computer softwares	165,878,303	51,606,225	-	217,484,528	57,277,885	23,468,075	-	80,745,960	136,738,568	10.00%
Licenses	12,394,739	-	-	12,394,739	11,994,749	399,990	-	12,394,739	-	20.00%
Mail server	78,378	-	-	78,378	78,378	-	-	78,378	-	33.33%
	<u>178,351,420</u>	<u>51,606,225</u>	<u>-</u>	<u>229,957,645</u>	<u>69,351,012</u>	<u>23,868,065</u>	<u>-</u>	<u>93,219,077</u>	<u>136,738,568</u>	

**11.3.1** This includes operating system and microsoft office licenses. The average remaining life of the computer softwares is 04 years (2019: 05 years).

## 11.4 Right of use asset

	Note	2020	2019
		Rupees	Rupees
Present value of the future lease payments		<b>1,429,341,831</b>	1,422,786,367
Pre-payments reclassified as right of use assets		-	167,698,913
		<b>1,429,341,831</b>	1,590,485,280
Balance at start of the year		<b>1,429,341,831</b>	1,590,485,280
Transfer from property and equipment		-	37,603,072
Additions		<b>50,023,228</b>	-
Disposals	10.4.1	<b>(10,283,591)</b>	-
Modification of lease		-	(69,653,520)
Depreciation	27	<b>(264,975,496)</b>	(129,093,001)
Balance at end of the year		<b>1,204,105,972</b>	1,429,341,831

**11.4.1** During the year, the Bank sold leased vehicles to various employees with book value in excess of Rs. 500,000 with original cost amounting to Rs. 14,670,364 and accumulated depreciation amounting to Rs. 4,368,773 for Rs. 10,376,878 resulting in gain of Rs. 93,287 as per policy.

12 OTHER ASSETS	Note	2020	2019
		Rupees	Rupees
Income / mark-up accrued		6,724,115,659	3,016,072,476
Advances, deposits and other prepayments	12.1	208,483,161	152,669,104
Advance tax - net		-	19,183,051
Receivable from 1-Link		181,726,809	-
Inventory of ATM cards and stationery		18,285,049	8,472,151
Advance to employees		92,403,524	38,280,632
Receivable from SBP against crop and livestock insurance	12.2	476,990,966	497,710,786
Insurance claims receivable	12.3	75,370,102	78,298,383
Receivable from staff retirement benefit - gratuity	17.3	7,849,721	-
Receivable from defined contribution plan - provident fund		1,391,950	-
Others		10,630,409	17,990,872
		<b>7,797,247,350</b>	<b>3,828,677,455</b>

**12.1** This is net of markup suspended amounting to Rs. 769 million (2019: Rs. 634 million) on non-performing loans of the Bank.

**12.2** These represent loans to staff and executives of the Bank for a maximum period of 60 months. These are secured against the retirement benefits of employees.

**12.3** This represents amount receivable from SBP in respect of insurance premium paid by the Bank for livestock and crop loans under AC&MFD circular no. 01 of 2013 dated 01 November 2013.

13 DEFERRED TAX ASSET	2020	2019
	Rupees	Rupees
Deductable temporary differences arising in respect of		
Provision against advances	380,788,234	147,385,914
Deficit on revaluation of available for sale securities	-	1,549,152
Remeasurement of employees' retirement benefits	253,586	3,259,061
Lease finance facilities	50,994,492	34,200,832
	<b>432,036,312</b>	<b>186,394,959</b>
Taxable temporary differences arising in respect of		
Accelerated tax depreciation / amortization allowance	(24,254,668)	(97,299,842)
Gain on revaluation of available for sale securities	(110,960)	-
Treasury bills	(8,054,086)	(12,740,588)
	<b>399,616,598</b>	<b>76,354,529</b>

	Net balance at 01 January 2020	Recognised in		Net balance at 31 December 2020
		Profit and loss	Other comprehensive income	
	Rupees			
<b>2020</b>				
<b>Taxable temporary differences</b>				
Operating fixed assets	(97,299,842)	73,045,174	-	(24,254,668)
Treasury Bills	(12,740,588)	4,686,502	-	(8,054,086)
<b>Deductible temporary differences</b>				
Provision for advances	147,385,914	233,402,320	-	380,788,234
Employee retirement benefit - gratuity	3,259,061	-	(3,005,475)	253,586
Surplus / (deficit) on revaluation of assets	1,549,152	-	(1,660,112)	(110,960)
Leases	34,200,832	16,793,660	-	50,994,492
	186,394,959	250,195,980	(4,665,587)	431,925,352
	<b>76,354,529</b>	<b>327,927,656</b>	<b>(4,665,587)</b>	<b>399,616,598</b>

	Net balance at 01 January 2019	Recognised in		Net balance at 31 December 2019
		Profit and loss	Other comprehensive income	
	Rupees			
<b>2019</b>				
<b>Taxable temporary differences</b>				
Operating fixed assets	(21,185,884)	(76,113,958)	-	(97,299,842)
Treasury Bills	-	(12,740,588)	-	(12,740,588)
<b>Deductible temporary differences</b>				
Provision for advances	55,459,486	91,926,428	-	147,385,914
Employee retirement benefit - gratuity	2,012,293	-	1,246,768	3,259,061
Surplus / (deficit) on revaluation of assets	10,800	-	1,538,352	1,549,152
Leases	5,357,705	28,843,127	-	34,200,832
	62,840,284	120,769,555	2,785,120	186,394,959
	<b>41,654,400</b>	<b>31,915,009</b>	<b>2,785,120</b>	<b>76,354,529</b>

#### 14 DEPOSITS AND OTHER ACCOUNTS

	2020		2019	
	No. of Accounts	Amount Rupees	No. of Accounts	Amount Rupees
Fixed deposits	2,282	26,357,673,331	2,678	14,836,423,300
Saving deposits	14,785	16,802,040,082	12,652	6,071,321,337
Current deposits	1,461,867	2,944,927,440	824,179	2,382,514,834
	<b>1,478,934</b>	<b>46,104,640,853</b>	<b>839,509</b>	<b>23,290,259,471</b>

##### 14.1 Particulars of deposits by ownership

Individual depositors	1,478,758	19,448,644,288	839,202	10,002,151,272
Institutional depositors				
Corporation/ firms etc.	105	11,988,551,046	219	7,125,705,811
Banks / financial institutions	71	14,667,445,519	88	6,162,402,388
<b>Total</b>	<b>1,478,934</b>	<b>46,104,640,853</b>	<b>839,509</b>	<b>23,290,259,471</b>

**14.2** This includes deposits amounting to Rs. 5,572 million (2019: Rs. 3,605 million) from related parties.

## 15 BORROWINGS

	Note	2020 Rupees	2019 Rupees
Borrowings from Banks / Financial Institutions in Pakistan:			
<b>Secured</b>			
Allied Bank Limited	15.1	249,999,998	750,000,000
Faysal Bank Limited	15.2	500,000,000	833,333,333
Allied Bank Limited - II	15.3	2,666,666,667	2,000,000,000
National bank of Pakistan - Running Finance	15.4	500,000,000	500,000,000
Faysal Bank Limited - II	15.5	666,665,334	999,998,000
Bank of Punjab	15.6	50,000,000	150,000,000
State Bank of Pakistan	15.7	1,500,000,000	1,500,000,000
Repo Borrowing	15.8	6,154,540,000	-
Loan ABL-RF	15.9	500,000,000	-
Bank Al Falah (Cash Management)	15.10	486,318,643	-
		<b>13,274,190,642</b>	<b>6,733,331,333</b>

**15.1** This represents outstanding balance of term finance facility under syndicate financing through Allied Bank Limited of Rs. 1,500 million carrying markup of 6-months KIBOR plus 1.10% (2019: 6-month KIBOR plus 1.10%) per annum payable semi-annually. This facility is secured against first pari passu charge over all present and future assets of the Bank with 25% margin. This loan is repayable in 6 equal semi-annual instalments of Rs. 250 million each. Repayments have started from September 2018.

**15.2** This represent term finance loan of Rs. 1 billion carrying markup of 6-months KIBOR plus 1% (2019: 6-Months KIBOR plus 1%) per annum payable semi-annually. The loan is secured against first pari passu charge on book debts, advances and receivable of the Bank with 25% margin and Microfinance Credit Guarantee Facility from State Bank of Pakistan at 25%. This loan is repayable in 6 equal semi-annual instalments of Rs. 166.67 million each. Repayments have started from August 2019.

**15.3** This represents term finance facility under syndicate financing through Allied Bank Limited of Rs. 4 billion carrying markup of 6-months KIBOR plus 0.95% (2019: 6-Months KIBOR plus 0.95%) per annum payable semi-annually in arrears. This is secured against first pari passu charge over all present and future assets excluding land and building of the Bank but not limited to advances and investments beyond CRR and SLR requirements of the Bank with 25% margin. Disbursement was initially made against a ranking charge which was upgraded to 1st pari pasu with in 120 days of first disbursement. This loan is repayable in 06 equal semi-annual instalments with the first principal repayment falling due on eighteenth (18th) month from the first disbursement date. The loan was drawn on 31 December 2018.

**15.4** This represents utilized amount of running finance facility through National Bank of Pakistan Limited of Rs. 500 million carrying markup of 3-months KIBOR plus 0.75% per annum (2019: 3-Months KIBOR plus 0.75% per annum). This is secured against first pari passu charge on all current and future book debts, advances and receivable of the Bank. The initial disbursement was made against ranking charge which was upgraded to first pari passu charge within 120 days from date of disbursement. Markup is repayable on quarterly basis.

**15.5** This represent term finance loan of Rs. 1 Billion carrying markup of 6-months KIBOR plus 0.75% per annum (2019: 6-Months KIBOR plus 0.75% per annum). This is secured against first pari passu charge on book debts, advances and receivables of the Bank for Rs. 1,333 million (25% margin). Initial disbursement on ranking charge was upgraded to first pari passu from 21 December 2018. This loan is repayable in 6 semi-annual instalments of Rs. 166.66 million each after grace period of 01 year with the notional principle of Rs. 1,000 within first two semi-annual mark-up payments.

**15.6** This represents utilised amount of term finance loan of Rs. 200 million carrying markup of 6-months KIBOR plus 0.85% per annum (2019: 6-months KIBOR plus 0.85%). This is secured against first pari passu charge on book debts, advances and receivables of the Bank for Rs. 266.67 million (25% margin). This loan is repayable in 4 semi-annual instalments of Rs. 50 million each after grace period of 06 months. The loan was disbursed on 12 March 2019.

**15.7** This represent term finance loan of Rs. 1,500 million carrying markup of 6-months KIBOR minus 100 bps (2019: 6 Months KIBOR minus 100 bps) for the tenor of five years. Markup amount is payable on every half year end i.e 30 June and 31 Decemeber, while payment of principle will be made in the last four quarters of the loan period or in bullet form. The loan is provided against the following target set by the SBP:

- the loan should be disbursed to 60% female borrowers
- the Bank should disburse 25,000 loans; and
- all loans disbursed should meet the E&S guideline issued by SBP.

During the year, the Bank disbursed 28,983 loans amounting to Rs. 2.77 billion out of which 20,123 loans amounting to Rs. 1.64 billion were disbursed to female borrower as per the E&S guideline issued by SBP.

**15.8** This represent Repo Borrowing from:  
 Muslim Commercial Bank at the rate of 7.10% amounting to Rs. 986.6 million with maturity date of 04 January 2021.  
 Silk Bank Limited at the rate of 7.65% amounting to Rs. 1.97 billion with maturity date of 04 January 2021.  
 National Bank of Pakistan at the rate of 7.10% amounting to Rs. 500 million with maturity date of 04 January 2021.  
 Allied Bank Limited at the rate of 7.10% amounting to Rs. 1 billion with maturity date of 04 January 2021.  
 JS Bank Limited at the rate of 7.15% amounting to Rs. 500 million with maturity date of 04 January 2021.  
 Bank of Punjab at the rate of 7.25% amounting to Rs. 1.2 billion with maturity date of 04 January 2021.

**15.9** This represent running finance of Rs. 500 million at the rate of 3 months KIBOR + 0.85% per annum to be paid on quarterly basis with the tenor of 12 months. This running finance facility is obtained to meet the short term funding requirement and to finance growth in advances.

**15.10** This represent running finance facility amounting to Rs. 486 million at the rate of 3 months KIBOR + 0.50% per annum to be paid on quarterly basis. Markup will be calculated on the basis of actual number of days elapsed in the year.

16	SUBORDINATED DEBT	Note	2020	2019
			Rupees	Rupees
	Term Finance Certificates	16.1	599,160,000	599,400,000
	Subordinated loan from PTCL	16.2	2,200,000,000	4,000,000,000
			<b>2,799,160,000</b>	<b>4,599,400,000</b>

**16.1** This represents term finance certificates (TFCs) of Rs. 600 million distributed in 120,000 TFCs of Rs. 5,000 each issued as subordinated loan in June 2017. The loan is availed as TIER-II subordinated debt for inclusion in the Bank's Supplementary Capital. The facility tenure is 7 years and is priced at 6 Month KIBOR + 3.50% (2019: 6 Month KIBOR + 3.50%). The instrument is structured to redeem 0.02% of principal, semi-annually, over the first 60 months and remaining principal of 24.95% each of the issue amount respectively, in four equal instalments starting from 66th month. The TFCs are subordinated as to the payment of principal and profit to all other indebtedness of the Bank. The rating of these certificates issued by JCR-VIS is A- with an stable outlook.

**16.2** This represents unsecured, subordinated debt from PTCL, the Parent Company. The facility tenure is 7 years with grace period of 5 years and is priced at 3 Month KIBOR + 2% (2019: 3 Month KIBOR + 2%) per annum. The loan is availed as TIER-II subordinated debt for inclusion in the Bank's Supplementary Capital. Loan is structured to redeem in four equal semi-annual instalments starting from June 2024. The debt is unsecured, subordinated as to the payment of principle and profit to all other indebtedness of the Bank, including deposit and it is not redeemable before maturity without prior approval of the SBP. During the year, the Bank issued 80 million shares by way of other than right shares under section 83(1)b of the Companies Act, 2017 at par value of Rs. 10 per share to Pakistan Telecommunication Company Limited (PTCL) by conversion of Tier-II Unsecured & subordinated debt into common shares amounting to Rs. 800 million. Further, the Bank and Parent Company PTCL entered into an agreement for the conversion of its Tier II subordinated debt amounting to Rs. 1 billion into preference shares subject to regulatory approvals. On 30 December 2020 State Bank of Pakistan via letter no. BPRD/BA&CP/671/014787/2020 granted approval for the said conversion subject to certain conditions. The Bank shall furnish compliance with the conditions for final approval by 31 May 2021.



## 17 OTHER LIABILITIES

	Note	2020 Rupees	2019 Rupees
Mark-up / return / interest payable	17.1	604,640,989	491,831,224
Accrued expenses		292,234,939	301,681,149
Payable to utility companies for utility bills collection		-	11,512,274
Taxes payable		461,547,577	-
Payable to Pakistan Telecommunication Company Limited, the Parent Company		31,746,869	-
Payable to Pak Telecom Mobile Limited (PTML), an associated company		47,034,661	63,427,705
Uncollected remittances		58,794,815	62,260,334
Lease liability	17.2	1,212,010,930	1,350,956,711
Payable to staff retirement benefit - gratuity	17.3	-	1,235,802
Payable to defined contribution plan - provident fund	17.4	-	3,517,822
Bills payable		75,971,909	70,834,204
Others		19,698,438	26,642,836
Workers' Welfare Fund		56,531,500	32,450,046
		<b>2,860,212,627</b>	<b>2,416,350,107</b>

**17.1** This includes amount of Rs. 225 million (2019: Rs. 191 million) payable to related parties on account of markup for the month of December 2020. For details of balances please refer to note 38 to these financial statements.

	Note	2020 Rupees	2019 Rupees
<b>17.2 Lease liability</b>			
Lease liability - right of use assets	17.2.1	1,155,434,087	1,320,784,590
Lease liabilities - right of use assets - vehicles	17.2.2	56,576,843	30,172,121
		<b>1,212,010,930</b>	<b>1,350,956,711</b>

### 17.2.1 Lease liability - right of use assets

#### Contractual maturity of remaining lease commitments

Within one year	325,095,559	307,300,514
Between 2 and 5 years	1,465,495,481	1,536,453,350
After 5 years	496,665,163	783,308,800
Total un-discounted lease commitments	<b>2,287,256,203</b>	<b>2,627,062,664</b>
Discounted lease liability using the incremental borrowing rate as at 31 December 2019	<b>1,155,434,087</b>	<b>1,320,784,590</b>

### 17.2.2 Lease liabilities - right of use assets - vehicles

	Present value of minimum lease payments	Interest cost for future periods	Future minimum lease payments
<b>2020</b>			
Not later than one year	13,136,100	4,489,140	17,625,240
Later than one year and not later than five years	43,440,743	12,854,567	56,295,310
	<b>56,576,843</b>	<b>17,343,707</b>	<b>73,920,550</b>
<b>2019</b>			
Not later than one year	6,923,279	3,683,953	10,607,232
Later than one year and not later than five years	23,248,842	5,907,407	29,156,249
	<b>30,172,121</b>	<b>9,591,360</b>	<b>39,763,481</b>

**17.2.2.1** The Bank has leased vehicles from commercial banks with lease term of five years. These carry finance charge at six month KIBOR plus 1% (2019: six month KIBOR plus 0.9%) per annum. The rentals are payable in equal monthly instalments in advance upto September 2023. At the end of the lease term, the Bank has the option to acquire the assets on payment of all instalments. The facility is secured by way of ownership of leased assets.

	2020 Rupees	2019 Rupees
<b>17.3 Movement in the liability recognised in the balance sheet</b>		
Present value of defined benefit obligation	107,091,392	81,787,046
Fair value of plan assets	(114,941,113)	(80,551,244)
Net defined benefit (asset)/ liability	(7,849,721)	1,235,802

#### 17.3.1 Net defined benefit liability - gratuity

The Bank operates an unfunded gratuity scheme for its eligible employees.

##### **Movement in net defined benefit liability - gratuity**

Balance at 01 January	81,787,046	47,612,926
Charge for the year	47,012,418	37,492,916
Experience adjustments on defined benefit liability	(11,657,016)	4,333
Benefits paid	(10,051,056)	(3,323,129)
Balance at 31 December	107,091,392	81,787,046

##### **Reconciliation of liability recognised in the balance sheet**

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability / (asset)
<b>2020</b>			
Balance at 01 January	81,787,046	(80,551,244)	1,235,802
Charge for the year	47,012,418	-	47,012,418
Experience adjustments on defined benefit liability	(11,657,016)	1,293,307	(10,363,709)
Benefits paid	(10,051,056)	10,051,056	-
Expected return on plan assets	-	(11,575,627)	(11,575,627)
Contributions to gratuity fund	-	(34,158,605)	(34,158,605)
Balance at 31 December	107,091,392	(114,941,113)	(7,849,721)
<b>2019</b>			
Balance at 01 January	47,612,926	(38,575,920)	9,037,006
Charge for the year	37,492,916	-	37,492,916
Experience adjustments on defined benefit liability	4,333	3,780,873	3,785,206
Benefits paid	(3,323,129)	3,323,129	-
Benefits paid on behalf of the fund	-	(1,380,036)	(1,380,036)
Expected return on plan assets	-	(7,987,951)	(7,987,951)
Contributions to gratuity fund	-	(39,711,339)	(39,711,339)
Balance at 31 December	81,787,046	(80,551,244)	1,235,802

	2020 Rupees	2019 Rupees
<b>17.3.2 Charge to profit and loss account net of return on plan assets</b>		
Charge for the year	47,012,418	37,492,916
Expected return on assets	(11,575,627)	(7,987,951)
<b>Cost for the year</b>	<b>35,436,791</b>	<b>29,504,965</b>

#### 17.3.2.1 Expense is recognized in the following line items in profit and loss account

Administrative expenses	35,436,791	29,504,965
-------------------------	------------	------------

### 17.3.3 Charge / (credit) to other comprehensive income

Actuarial loss on obligations  
Actuarial loss on assets

2020	2019
Rupees	Rupees
(11,657,016)	3,780,873
1,293,307	4,333
<b>(10,363,709)</b>	<b>3,785,206</b>

### 17.3.4 Key actuarial assumptions

The latest actuarial valuation was carried out on 31 December 2020 using projected unit credit method with the following assumptions:

	2020	2019
Valuation discount rate	10.50%	12.50%
Discount rate used for interest cost in profit and loss account	12.50%	14.00%
Salary growth rate	9.50%	11.50%
Date of next expected salary increase	01 January 2021	01 January 2020
Mortality rate	SLIC 2001-2005	Adjusted SLIC 2001-2005
Expected return on plan assets	10.50%	12.50%
Duration (years)	17.18	17.10
Withdrawal rates	Low	Low
Retirement assumption	Age 60	Age 60

Assumption regarding future mortality has been based on State Life Corporation (SLIC 2001-2005), ultimate mortality rate with 1 year setback as per recommendation of Pakistan Society of Actuaries (PSOA).

### 17.3.5 Sensitivity analysis

For a change of 100 basis points, present value of defined benefit liability at reporting date would have been as follows:

	2020 Increase Rupees	2020 Decrease Rupees	2019 Increase Rupees	2019 Decrease Rupees
Discount rate	88,792,140	124,861,283	67,243,020	94,415,373
Salary increase rate	125,430,130	88,118,230	94,837,816	66,743,079

**17.3.5.1** Although the analysis does not take into account full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

**17.3.6** The Bank's expected charge for defined benefit liability - gratuity for the next year is Rs. 34.03 million.

### 17.3.7 Risks associated with defined benefit liability - gratuity

#### Final Salary Risk (linked to inflation risk)

The risk that the final salary at the time of cessation of service is greater than what was assumed. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.

## Salary Increase Risk

### - Mortality risk

The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

### - Withdrawal Risk

The risk of actual withdrawals experience is different from the assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

## 17.3.8 Expected maturity profile

Following are the expected distribution and timing of benefit payments at the reporting date:

	2020 Rupees	2019 Rupees
Year 1	1,936,608	1,392,558
Year 2	2,017,575	1,663,456
Year 3	2,002,151	1,682,545
Year 4	2,001,119	1,707,234
Year 5	2,295,101	1,745,122
Year 6 to Year 10	12,693,090	14,720,486
Year 11 and beyond	837,270,203	1,025,984,160
	<b>Present value of defined benefit liability</b> Rupees	<b>Net liability at the reporting date</b> Rupees

## 17.3.9 Historical information

2020	107,091,392	(7,849,721)
2019	81,787,046	1,235,802
2018	47,612,926	9,037,006
2017	29,488,343	3,464,570
2016	19,085,965	750,00

## 17.3.10 Fair value of plan assets

Total assets of fund - opening	80,551,244	38,575,920
Expected return on plan assets	11,575,627	7,987,951
Contributions to gratuity fund	34,158,605	39,711,339
Benefits paid on behalf of fund	-	1,380,036
Benefits paid	(10,051,056)	(3,323,129)
Actuarial loss on plan assets	(1,293,307)	(3,780,873)
Total assets of fund - closing	114,941,113	80,551,244

## 17.4 Employees provident fund

	2020 Rupees (Un-audited)	2019 Rupees (Un-audited)
Size of the fund	172,049,535	125,859,944
Cost of investments held	172,049,535	125,859,944
Percentage of investments held	100%	100%
Fair value of investments	172,049,535	125,859,944

Investments represent balances held with bank carrying interest at rates ranging from of 4.5% to 12% (2019: 6.5% to 12%) per annum.

All the investments out of provident fund trust have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

## 18 SHARE CAPITAL

### 18.1 Authorized capital

2020	2019		2020	2019
Number	Number		Rupees	Rupees
<b>800,000,000</b>	800,000,000	Ordinary shares of Rs. 10 each	<b>8,000,000,000</b>	8,000,000,000

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

2020	2019			
Number	Number			
<b>20,000,000</b>	20,000,000	Ordinary shares of Rs. 10 each fully paid in cash	<b>200,000,000</b>	200,000,000
<b>8,571,429</b>	8,571,429	Fully paid shares of Rs. 10 each issued as right shares at discounted rate of Rs. 7 each	<b>85,714,290</b>	85,714,290
<b>200,000,000</b>	200,000,000	Fully paid ordinary shares of Rs. 10 each in cash issued as right shares at par	<b>2,000,000,000</b>	2,000,000,000
<b>80,000,000</b>	-	Fully paid ordinary shares of Rs. 10 each in cash issued as other than right shares at par	<b>80,000,000</b>	-
<b>308,571,429</b>	228,571,429		<b>3,085,714,290</b>	2,285,714,290

**18.3** Pakistan Telecommunication Company Limited (PTCL), the Parent Company, holds 100% shares of the Bank.

**18.4** All ordinary shares rank equally with regard to the Bank's residual assets. Holders of these shares are entitled to dividends from time to time and are entitled to one vote per share at general meetings of the Bank.

**18.5** This represents Tier II subordinated debt reclassified as advance against issue of preference shares, pursuant to the approval of shareholders of the Bank in their Extra Ordinary General Meeting held on 28 October 2020. These preference shares will be convertible into fixed number of ordinary shares of the Bank after five years from issuance date at discretion of the Bank subject to the prior approval of SBP. These do not carry voting rights and are entitled to dividend as per discretion of the Bank.

On 30 December 2020 State Bank of Pakistan via letter no. BPRD/BA&CP/671/014787/2020 allowed the Bank in principal to convert Tier II subordinated debt amounting to Rs. 1 billion into preference shares subject to certain conditions. The Bank is required to furnish compliance with the conditions for final approval by 31 May 2021. Approval of Securities and Exchange Commission of Pakistan (SECP) is pending in this regard.

## 19 ADVANCE AGAINST ISSUE OF SHARES

This represents conversion of Tier II subordinated debt amounting to Rs. 1 billion into preference shares subject to regulatory approvals. On 30 December 2020 State Bank of Pakistan via letter no. BPRD/BA&CP/671/014787/2020 granted approval for the said conversion subject to certain conditions. The Bank shall furnish compliance with the conditions for final approval by 31 May 2021. Approval of Securities and Exchange Commission of Pakistan (SECP) is pending in this regard.

## 20 SURPLUS/(DEFICIT) ON REVALUATION OF ASSETS

Surplus on revaluation of fixed assets

### Surplus/(Deficit) on revaluation of securities

Federal and Provincial Government securities - Market Treasury Bills (T-Bills)  
Pakistan Investment Bonds (PIBs)  
Related deferred tax effect

2020	2019
Rupees	Rupees
-	-
648,500	(10,327,680)
91,234	-
(110,960)	1,549,152
<b>628,774</b>	<b>(8,778,528)</b>

## 21 DEFERED GRANT

Received during the year 21.1  
Accumulated amortization  
At the beginning of the year  
Amortization for the year  
At the end of the year

1,652,017	-
-	-
(242,129)	-
1,409,888	-
<b>1,409,888</b>	<b>-</b>

**21.1** This represent grant received under the agreement for Digital Financial Inclusion experiment with Karandaz to test the ideas, products, services, incentives and structures that will accelerate the uptake of digital financial services to excluded and undeserved segments, especially rural women.

## 22 MEMORANDUM / OFF BALANCE SHEET ITEMS

### 22.1 Contingencies

There are no material contingencies as at 31 December 2020 (2019: Nil).

### 12.2 Commitments

Standby letter of guarantee  
Property and equipment  
Intangible assets

Note

22.3

2020	2019
Rupees	Rupees
10,200,000	9,600,000
13,851,935	78,008,400
1,495,500	1,162,500
<b>25,547,435</b>	<b>88,770,900</b>

**22.3** This represents letter of guarantee issued on behalf of the Bank to China Union Pay International Company Limited for interbank settlements.

## 23 MARK-UP / RETURN / INTEREST EARNED

Mark-up / return / interest on advances  
Interest on investments in government securities  
Interest on deposit accounts / TDRs with other banks / financial institutions

2020	2019
Rupees	Rupees
9,066,483,022	5,872,629,749
489,692,250	301,360,254
577,704,233	1,092,327,881
<b>10,133,879,505</b>	<b>7,266,317,884</b>

## 24 MARK-UP / RETURN / INTEREST EXPENSED

Mark-up / return / interest expense on deposits  
Mark-up expense on borrowings from banks / financial institutions

2,996,767,901	2,346,948,854
1,345,120,210	1,495,560,013
<b>4,341,888,111</b>	<b>3,842,508,867</b>



25	FEE, COMMISSION AND BROKERAGE INCOME			2020	2019
				Rupees	Rupees
	Loan processing fee			913,067,957	816,128,838
	Branchless banking			74,723,644	60,632,256
	Other fee income collected from customers			136,858,449	23,595,550
				<b>1,124,650,050</b>	<b>900,356,644</b>
26	OTHER INCOME				
	Recovery against advances written off			69,499,700	37,699,557
	Gain on sale of investments			66,395,282	-
	Other			2,475,111	1,376,261
				<b>138,370,093</b>	<b>39,075,818</b>
27	ADMINISTRATIVE EXPENSES	Note		2020	2019
				Rupees	Rupees
	Staff salaries and benefits			1,983,142,486	1,573,113,268
	Charge for defined benefit plan - gratuity			35,436,791	29,504,965
	Contribution to defined contribution plan - provident fund			37,990,158	28,969,891
	Non-Executive directors' fee			1,163,406	458,240
	Financial charges on leased assets			178,910,741	95,923,953
	Trainings			1,472,778	11,983,165
	Insurance			144,975,545	82,049,211
	Rent, rate and taxes			64,789,376	184,897,509
	Travelling and conveyance			38,829,601	90,502,300
	Postage and courier			16,583,160	18,759,468
	Utilities			130,593,609	100,904,186
	Repair and maintenance			208,733,474	157,111,033
	Depreciation on property and equipment	11.2		359,818,212	196,292,565
	Amortization of intangible assets	11.3		35,647,218	23,868,065
	Depreciation on right of use assets	11.4		264,975,496	129,093,001
	Software support and maintenance fee			147,657,297	65,885,519
	Stationery and printing			98,092,450	51,010,352
	Auditors' remuneration	27.1		4,319,899	4,595,512
	Legal and professional fee			36,516,066	24,070,724
	Security services			209,561,424	186,637,662
	Office supplies			24,141,922	30,009,105
	Internet and connectivity charges			116,343,293	31,939,631
	NADRA verification charges			34,688,846	28,537,005
	Bank charges			26,190,508	20,094,069
	Marketing expenses			59,147,972	24,802,772
	Upaisa expense - branchless banking			-	4,274,816
	Other			5,874,032	11,118,904
				<b>4,265,595,760</b>	<b>3,206,406,891</b>
27.1	Auditors' remuneration				
	<b>KPMG Taseer Hadi &amp; Co.</b>				
	Half year review			350,000	350,000
	Annual audit			1,150,000	647,500
	Fee for certifications			600,000	600,000
	Taxation services			319,899	2,798,012
	Advisory services			1,900,000	-
	Out of pocket expenses			-	200,000
				<b>4,319,899</b>	<b>4,595,512</b>

			2020	2019
			Rupees	Rupees
<b>28</b>	<b>OTHER CHARGES</b>			
	SBP penalty	28.1	5,477,000	5,422,000
	Loss on sale of investments		-	2,243,076
			<u>5,477,000</u>	<u>7,665,076</u>
<b>28.1</b>	This represents penalty paid during the year related to various non-compliances identified by the State Bank of Pakistan during its inspection of the Bank.			
<b>29</b>	<b>TAXATION</b>	<b>Note</b>	<b>2020</b>	<b>2019</b>
			Rupees	Rupees
	Current		(549,448,880)	(81,447,841)
	- for the year		(52,310,066)	(1,317,977)
	- for prior years		(601,758,946)	(82,765,818)
	Deferred	13	327,927,656	31,915,009
			(273,831,290)	(50,850,809)
	Effective tax rate		<u>23.21%</u>	<u>16.70%</u>
<b>29.1</b>	<b>Tax rate reconciliation</b>		<b>2020</b>	<b>2019</b>
	Profit before tax and after WWF (Rupees)		1,179,991,244	304,499,010
	Tax rate		29%	29%
	Tax on accounting profit		29.00%	29.00%
	Tax effect of income taxable at lower rates		(8.27%)	(9.95%)
	Prior year charge		4.43%	(0.43%)
	Permanent difference		(1.96%)	(1.92%)
	Tax expense for the year		<u>23.21%</u>	<u>16.70%</u>
<b>30</b>	<b>CASH AND CASH EQUIVALENTS</b>	<b>Note</b>	<b>2020</b>	<b>2019</b>
			Rupees	Rupees
	Cash and balances with SBP and NBP	6	3,160,116,831	1,717,205,410
	Balances with other banks / NBFIs / MFBs	7	1,908,209,748	3,019,826,466
			<u>5,068,326,579</u>	<u>4,737,031,876</u>

### 30.1 Reconciliation of movements of liabilities to cash flow arising from financing activities:

	Subordinated loan	Borrowings	Lease liability	Share capital	Advance against issue of shares	Unappropriated profit
	(Rupees)					
Balance at 01 January 2020	4,599,400,000	6,733,331,333	1,350,956,711	2,285,714,290		512,586,043
Additions	-	-	44,997,746	-	-	-
Disposals	-	-	-	-	-	-
<b>Change from financing activities</b>						
Receipts	-	136,987,490,862	-	-	-	-
Payments	(240,000)	(130,446,631,552)	(362,854,268)	-	-	-
Dividend payment Rs.0.32 per share	-	-	-	-	-	(100,000,000)
	(240,000)	6,540,859,310	(362,854,268)	-	-	(100,000,000)
<b>Other Changes</b>						
Interest cost on lease facilities	-	-	178,910,741	-	-	-
Transfer to share capital	(800,000,000)	-	-	800,000,000	-	-
Transfer to advance for issuance fo shares	(1,000,000,000)	-	-	-	1,000,000,000	-
Total comprehensive income	-	-	-	-	-	913,518,187
Transfers to	-	-	-	-	-	-
Statutory reserve	-	-	-	-	-	(181,231,991)
Depositors' protection fund	-	-	-	-	-	(45,307,998)
Dividend payment Rs 0.32 per share	-	-	-	-	-	-
Lease facility availed	-	-	-	-	-	-
	(1,800,000,000)	-	178,910,741	800,000,000	1,000,000,000	686,978,198
<b>Balance at 31 December 2020</b>	<b>2,799,160,000</b>	<b>13,274,190,643</b>	<b>1,212,010,930</b>	<b>3,085,714,290</b>	<b>1,000,000,000</b>	<b>1,099,564,241</b>

### Reconciliation of movements of liabilities to cash flow arising from financing activities:

	Subordinated loan	Borrowings	Lease liability	Share capital	Unappropriated profit
	(Rupees)				
Balance at 01 January 2019	4,599,640,000	6,010,000,000	18,845,646	2,285,714,290	324,888,330
Lease liability on right of use	-	-	1,422,786,367	-	-
Modification of lease	-	-	(67,716,947)	-	-
<b>Change from financing activities</b>					
Receipts	-	2,300,003,032	-	-	-
Payments	(240,000)	(1,576,671,699)	(139,072,620)	-	-
	(240,000)	723,331,333	(139,072,620)	-	-
<b>Other changes</b>					
Interest cost on lease facilities	-	-	95,923,953	-	-
Total comprehensive income	-	-	-	-	251,109,763
<b>Transfers to</b>					
Statutory reserve	-	-	-	-	(50,729,640)
Depositors' protection fund	-	-	-	-	(12,682,410)
Lease facility availed	-	-	20,190,312	-	-
	-	-	116,114,265	-	187,697,713
<b>Balance at 31 December 2019</b>	<b>4,599,400,000</b>	<b>6,733,331,333</b>	<b>1,350,956,711</b>	<b>2,285,714,290</b>	<b>512,586,043</b>

### 31 NUMBER OF EMPLOYEES

	2020 Numbers	2019 Numbers
Credit / sales staff		
Permanent	113	127
Contractual	961	915
	1,074	1,042
Banking / support staff		
Permanent	695	683
Contractual	926	875
	1,621	1,558
Total number of employees at 31 December	2,695	2,600
Average number of employees during the year	2,607	2,376

### 32 NUMBER OF BRANCHES

Branches / Service centres at beginning of the year	212	141
Opened during the year		
- Branches/Booth	-	61
- Service centres	-	10
Branches / Service centres at end of the year	212	212

### 33 EARNING PER SHARE

#### Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Bank by the weighted average number of ordinary shares outstanding during the year.

	2020	2019
Profit attributable to equity holders (Rupees)	906,159,954	253,648,201
Weighted average number of shares (numbers)	284,309,134	228,571,429
Earning per share - basic (Rupees)	3.19	1.11

**Diluted** - There is no dilutive effect on the basic earning per share of the Bank.

### 34 DETAILS OF BUSINESS LOCATIONS

The addresses of the branches of the Bank are as follows:

<b>Branch Name</b>	<b>Address</b>
Nazimabad	Plot # 1/28, Nazimabad # 1, Al-Ghafoor, Eden Ground Floor, Karachi.
Rawalpindi	PTCL Exchange, Oss Hall, Kashmir Road, Saddar, Rawalpindi.
Bhakkar	Plot # 156-A2, Club Road, Mandi Town, Bhakkar.
Lodhran	Khata # 291, Ward # 26, Near Jalalpur Mor, Opposite Ahl-E-Hadis Masjid, Multan Bahawalpur Road, Lodhran.
Layyah	Khata # 26, Plot # 805, Kachehri Road, Near Govt. Girl Degree College, District Layyah.
Lahore	117-A, Chowk Yateem Khana, Multan Road, Lahore.
Rahim Yar Khan	House # 20a, Al-Hamra House, Model Town, Rahim Yar Khan.
Sahiwal	Plot # 183/C, Block # B-VII, Kachehri Road, Sahiwal.
Bahawalpur	House # 17, Taxation # B-III, 2784/2, Ihata Sinda Ram, Stadium Road Farid Gate, Bahawalpur.
Ahmedpur East	Khata # 136/134, Khatooni # 193, Near Rohi Autos, Kachehri Road, Ahmedpur East, District Bahawalpur.
Dunyapur	Khewat # 233, Near Khawaja Asim & Qasim Company, Railway Road Dunyapur, District Lodhran.
Karachi Gulshan	Block 10-A, KDA Scheme No. 24, District Gulshan-e-Iqbal, Karachi
Abbottabad	Shop # 1-3, First Floor, Yousaf Plaza, Mansehra Road, Abbottabad.
Mirpurkhas	PTCL Exchange Office Near Main Gpo Chowk, Mirpurkhas.
Multan	Khewat # 431, Khatooni # 786, Moza Neel Kot, Chungi # 6, Bosan Road, Punjab Nursery, Gulgasht Colony, Multan.
Chistian	Khewat # 659/661, 660/662, Khatooni # 659,660, Baldia Road, Near Dps School, Tehsil Chishtian, District Bahawalnagar.
Pakpattan	Plot # B-I/92/A-II, Khasra # 208/14, Khewat # 2603, Khatooni # 2928, College Road, Pakpattan.
Faisalabad	Plot # 343-B, London Plaza, Ground Floor, Adjacent Ideal Bakers, Satiyana Road, Faisalabad.
Muzafarabad	Shop # 1-6, 1st Floor, Bilal Shopping Complex, Upper Adda, Muzaffarabad.
Gujranwala	Khatooni # 65, Khewat # 65, Agab Steel Market, Near Old Regent Cinema, Gt Road, Gujranwala.
Peshawar	Compound # 80, T.T.C, Opposite Gulbahar Road, District Peshawar.
Nawabshah	Samar Palace, House # 25-26, Hospital Road, Nawabshah.
Ghotki	City Survey # 890, Ward B, Near Faisal Bank, Dewari Road, Ghotki.
Khairpur	House # B-2443, Kachehri Road, Opposite Ztbl, Khairpur Mirus.
Hyderabad	Survey # 2321, Ward A, Civil Hospital Road Hirabad, District Hyderabad.
Mankera	Bhakkar Jhang Road, Gohar Wala Chowk, Near Ztbl, City Mankera, Tehsil Mankera, District Bhakkar.
Kot Addu	Khata # 451, Khatooni # 640, Near Al Quraish CNG, Gt Road Kot Addu.
Okara	Khewat # 1320, Khatooni # 1408, Khasra # C/2771, Sahi Manzil, College Road, Opposite Municipal Corporation, Okara.
Kasur	Kasur Beroon (Jadeed Urban), Tehsil & District Kasur, Khewat # 169, Khatooni # 503, Khasra # 2193, Kasur.
Hafizabad	Khewat # 755, Khatooni # 1793, Gujranwala Road, Near Mcb, Hafizabad.
Gujrat	Khewat # 788, Khatooni # 1374-1375, Khasra # 31, Mohala Nanwan Rangpura, Sargodha Road Gujrat.
Sukkur	City Survey # 240, Ward C, PTCL Old Cto Compound Building, Neem Ki Chari, Minara Road Sukkur.
Ghulam Muhammad Abad	House # 1451b (4m 119sf), Main Gma Road, Sabri Chowk, 70ft Bazar, Civil Quarters Ghulam Muhammad Abad Faisalabad.
Qila Dildar Singh	Khasra # 4203/150, Near Jamiyah Muhammadia, Hafizabad Road.
Ali Pur Chatta	Khewat # 424, Khatooni # 110, Gujranwala Road, Alipur Chatta.
Uch Sharif	13/13, Khatooni # 20, Sohail Trade Centre, Near Ztbl, Ahmedpur East Road, Uch Sharif Tehsil Ape, District Bahawalpur.
Khanewal	Khewat # 1077, Khatooni # 1117, Block 6, Lal Masjid Chowk, District Khanewal.
Basirpur	Khewat # 272/266, Khatooni # 673, Khasra # 169, Mauza Basirpur, Tehsil Depalpur, District Okara.
Depalpur	Khewat # 1916, Khatooni # 3060, Khasra # 45/1449, Hujra Road, Deepalpur, Opposite Lari Adda.
Renala Khurad	Khewat # 596, Khatooni # 576, Chak # 21/2-L, Hussain Arcade, Androon Hadud Committee, Renala District Okara.
Hujra Shah Muqeem	Khewat # 1440/1404, Khatooni # 2193, Salam Khata # 333-4, Qatta # 216, Circular Road, Hujra Shah Muqeem, Attari Road, Near Molvi Muhammad Siddique Daras.

**Branch Name****Address**

Chichawatni	Khewat # 17, Fazal Plaza, Begum Shahnaz Road, Chichawatni.
Darya Khan	Khasra # 1795/344/2, Khewat # 51/11, Khatooni # 72, Bhakkar Road, Tehsil Darya Khan, District Bhakkar.
Khanpur	Ahmad Plaza, Bypass Road Khanpur, Tehsil Khanpur, District Rahim Yar Khan.
Sadiqabad	Khata # 6/6, Khatooni # 7, Nishtar Road, Mehra Abad Colony, Nehar Kinara, Tehsil Sadiqabad, District Rahim Yar Khan.
Digri	City Survey # 1185, Mirwah Road Digri, Taluka Digri, District Mirpurkhas.
Raiwind	Khewat # 2432, Khatooni # 3482, Sunder Road, Near Sohail Surgical Hospital, Raiwind.
Khudian	Khewat # 285, Khatooni # 938, Khasra # 10133/7452/3-14, Moza Khudian, Androon Hadood Committee Near Lari Adda, Tehsil & District Kasur.
Kot Radha Kishan	Khewat # 301, Khatooni # 449, Khasra # 1823, Near Noor Hospital, Pulli Stop, Main Raiwind Road, Tehsil Kot Radha Kishan, District Kasur.
Pano Aqil	City Survey # 1159, Near Eid Gah Chowk, Taluka, Panu Aqil, District Sukkur.
Shahdra	Pakistan Telecommunication Co. Ltd. (PTCL) Exchange, Near Jia Musa Bazaar, Sheikhpura Road, Shahdrah, Lahore
Hasilpur	Khewat & Khatooni # 103, Altaj Plaza, Railway Road, Hasilpur, District Bahawalpur.
Chowk Azam	Near Tabbaq Hotel, Inside Hadood Municipal Committee, Fateh Pur Road, Chowk Azam.
Karor Lal Essan	Khata # 74, Khatooni # 264, Near PTCL Exchange, Fateh Pur Road, Tehsil Karor Lal Essan, District Layyah.
Kahrur Pacca	Khewat # 92, Duniyapur Road Near Railway Phatak, Zafar Abad, Tehsil Kahrur Pacca, District Lodhran.
Jalalpur Pirwala	Khewat # 246, Mouza Jalalpur Pirwala, District Multan.
Arifwala	Khewat # 1401/1392, Khatooni # 1416, Khasra # 2249, Lakar Mandi, Tehsil Arifwala, District Pakpattan.
Dinga	Khasra # 211, Khewat # 700, Khatooni # 1700, Anaar Plaza, Thana Road Near Gulzar Shaheed Chowk, Dinga, Tehsil Kharian District Gujrat.
Muridke	Plot # 1-5, Khewat # 8302, Khatooni # 2566, Khasra # 3133, Timber Market, Qaiser Park, Gt Road Muridke.
Wazirabad	Plot # 1 Bv-11-S-3/Rh, Malik Building, Rex Cinema Road, Near Boys High School Wazirabad, District Gujranwala.
Dharampura	Se6r-240/8/Rh, Allama Iqbal Road, Lahore.
Jalalpur Bhattian	Khewat # 78 & 739, Khasra # 446 & 1166, Khatooni # 134 & 472/2, Vinkay Chowk Pull, Same Nala Jalalpur Bhattian, District Hafizabad.
Pindi Bhattian	Khewat # 183, Khasra # 397, Khatooni # 476/494, Main Bazar Hafizabad Road Near Nalka Stop Pindi Bhattian, District Hafizabad.
Ellahabad	Khewat # 1100, Khatooni # 1992, Khasra # 3904/1167, Chunian Road, Ellahabad, Tehsil & District Kasur.
Jalalpur Jattan	Khewat # 2000, Khatooni # 2599, Marba # 37, Qila # 26, Shahbaz Pur Road, Near Patianwala Chowk Jalalpur Jattan, District Gujrat.
Tando Muhammad Khan	City Survey # 831/1, Ward-B, Khawaja Mohallah, Tando Muhammad Khan, District Tando Muhammad Khan.
Phalia	Khatooni # 80, Khasra # 364, Heelan Road, Near Heelan Choungi Opposite Gourmet Baker, Phalia.
Shujaabad	Khewat # 92, Chungi # 10, Near Ztbl, Jalalpur Road, Shujaabad, District Multan.
Ranipur	Plot # 659, National Highways, Ward # 04, Town Ranipur.
Islamabad	Shop # 7 & 8, Plot # 64w, Masco Plaza, Ground Floor, Jinnah Avenue, Blue Area, Islamabad.
Jaranwala	P-1480, Faisalabad Road, Near Nadra Office, Jaranwala, Tehsil & District Faisalabad.
Korangi	Plot # N – 23, Ground Floor, Area – N Korangi # 3 ½, Karachi.
Rajanpur	Khata # 644, Intaqal # 12720, Moza Rajanpur 1, Kamran Market, Indus Highway Near Khushhali Bank, Rajanpur.
Tando Allahyar	Plot # 7, Near Grid Station, Mohalla Main Hyderabad Road Tando Allahyar, Tehsil & District Tando Allahyar.
North Karachi	Plot # R-12, Sector # 5 C/4, North Karachi Township, Karachi.
Shahra E Faisal	Showroom # 11 & 13, Ground Floor Pak Avenue, Plot # 24/A Survey Sheet # 35-P/1, Block # 6, Pechs, Shahra-E-Faisal, Karachi.
Jhang	Khata # 55, Moaza Civil Station, Kachehri Road, Library Chowk, Jhang.
Moro	Ward # 13, Main Road, Moro, District Naushehro Feroze.
Tando Adam	Ward # A, House # 516, Near Indus Hotel, Hyderabad Road, Tando Adam, District Sanghar.



**Branch Name****Address**

Umarkot	Plot # 19, 20, 40 & 41, Mirpurkhas Road Umar Kot, District Umarkot.
Bahawalnagar	Khewat # 2222, Khatooni 2321, Minchen Abad Road, Near Askari Bank, Tehsil & District Bahawalnagar.
Kandhkot	Registration # 464, Entry # 1000, Juman Shah, Mohalla Kandhkot District Kashmore.
Mehar	Ward # A, City Survey # 752, 1041 & 1042, School Road Mehar, District Dadu.
Mehrabpur	Plot # III, A-13 A Thari Mirwah Road Mehrabpur, District Naushehro Feroze.
Nasirabad	House # 2334, Ward-B, Madina Shopping Centre, Mohallah Kathia Bazar, Badah Road, Nasirabad, District Qambar, Shahdadt.
Shikarpur	Ward # 51, Near Jahaz Chowk Station Road Shikarpur, District Shikarpur.
Chundko	Plot # 149, Main Chowk Near Bus Stand, Chundko, District Khairpur Mir's.
Sargodha	Bilal Plaza, Plot # 40 C, W – Block, New Satellite Town, Sargodha.
Sheikhupura	Khasra # 1284/1285, Khewat # 5-13, 5 College Road, 129 Civil Line, Sheikhupura.
Dera Ghazi Khan	Shop # 21-22, Block E Opp Civil Line Police Station, Railway Road, Dera Ghazi Khan.
Qambar	Ward B, City Survey # 63/132-64/88, 65 & 66, Muhabbat Ali Road, Old Shahdad Kot, Near NBP/Sindh Bank, Qambar.
Larkana	Ward A, City Survey # 571/1 & 570/2, Bank Square, Near Mobilink Bank, District Larkana.
Muzaffargarh	Khewat # 646, Jhang Road, Near Bank Of Punjab, Muzaffargarh.
Chowk Sarwar	Khatooni # 54, Khewat # 35/32, Mm Road, Opposite General Bus Stand, Chowk Sarwar Shaheed, Tehsil Kot Addu District Muzaffargarh.
Narowal	Khata # 1171, Khatooni # 1958, Khasra # 5206/2570, Jasir Bypass, Circular Road, Tehsil & District Narowal.
Noorpur Thal	Khewat # 1134/1072, Khatooni # 1717, Joharabad Road, Near Rescue 1122 Office Noorpur Thal.
Dadu	City Survey # 1003, Revenue Survey # 133, Kachehri Road Dadu.
Kashmore	Deh Pakka Kashmore, Indus Highway, Opposite Shell Petrol Pump, District Kashmore.
Ratodero	City Survey # 794/34, 794/35 & 794/36, Shikarpur Road, Ratodero.
Nowshera	Plot # 2-A, Cantonment Board, Al-Jameel City, Gt Road, Near Pso Filling Station, Nowshera.
Daharki	Survey # 446, Gt Road, Daharki, District Ghotki.
Qazi Ahmed	Ward # 2, Sardar Colony, Near Police Station, National High Way Road, Qazi Ahmed, District Nawabshah.
Sanghar	Plot # A - 8, City Survey # 124, Ward A, Housing Society, Main Nawabshah Road, Taluka & District Sanghar.
Mithi	Plot # 10 & 11, Near Press Club Mithi, District Tharparkar.
Golarchi	Plot # A-1, Main Karachi Road, Golarchi, District Badin.
Mirpur Sakro	Plot # 285, Main Ghara Road, Mirpur Sakro, District Thatta.
Vehari	Khewat # 48, Khatooni # 48 49-A, Block Karkhana Bazar Vehari, District Vehari.
Ali Pur	Khata # 209, Rayan Plaza Near College Chowk, Multan Road, Alipur, District Muzaffargarh.
Fazilpur	Khata # 437, Ward # 09, Main Indus Highway Fazilpur, Tehsil & District Rajanpur.
Liaqat Pur	Plot # 133, City Center Rest House Road, Tehsil Liaqat Pur, District Rahim Yar Khan.
Mian Channu	Khewat # 635, Khatooni # 647, Khasra # 1672, Din Plaza 1672 Bodla Road, Mian Channu, District Khanewal.
Tibba Sultan Pur	Khewat # 126, Khatooni # 326, Khasra # 104/121, Plot # 133, Ward # 4, Qutab Pur Road Tibba Sultan Pur, Tehsil Mailsi District Vehari.
Qasba Gujrat	Khata # 118, Khatooni # 326, Mansa Raam Khas, Civil Hospital Chowk, Gt Road Qasba Gujrat, Tehsil Kot Addu, District Muzaffargarh.
Fort Abbas	Khewat # 267, Khasra # 126/B, Moulana Hafeez Street Near Boys High School, Fort Abbas, District Bahawalnagar.
Shorkot	Plot # B-P207/Sh, Tehsil Chowk, Cantt Road, Shorkot City, Shorkot, District Jhang.
Haroon Abad	Khewat # 685, Khatooni # 685, Shop # 195/C Block C, Bangia Road, Near Grain Market, Haroonabad, District Bahawalnagar.
Burewala	Khewat # 286/292, Khatooni # 532, L24-P, Lahore Road, Burewala, District Vehari.
Minchinabad	Khewat # 471, Khatooni # 472, Circular Road, Minchinabad, District Bahawalnagar.
Kot Mithan	Khewat # 1357, Khata # 17/486, Khawaja Ayaz Tower Baldia Chowk, Kot Mithan Tehsil & District Rajanpur.

**Branch Name****Address**

Islamabad F-7 Markaz	Plot # 13-H, Jinnah Super, F-7 Markaz, Islamabad.
Bhiriya Road	Shop # Ilc-14/M, Station Road, Deh Chaheen Manno Mal, Bhiriya Road, Taluka Bhiriya City, District Noshero Feroze, Pakistan.
Maripur Truck Stand, Karachi	Plot # 653 - A, Gate # 4, New Truck Stand, Hawksbay Road, Maripur (Kemari Town), District Karachi West.
Super Highway, Karachi	Rahim View Shop # 13, 14, 15 & 16, Flat # B1-001 & B1-002, Sector 17-B, Gulzar-E-Bijri, Scheme 33, Main Super Highway Road, Karachi.
Jampur	Ward # 13, Khata # 737, Dajal Road, Tehsil Jampur, District Rajanpur.
Yazman	Khata # 423/373, Khatooni # 572, Rec # 228/12, Muraba # 9, Kila # 25/1, Chak # 56 Db-(A), Bahawalpur Road Yazman, Near Tool Tax Tehsil Yazman, District Bahawalpur.
Haripur	Naeem Khan market, Opposite malik CNG station, Main Gt road, Adjacent Emaan Silk Bank, Haripur, District Haripur, Hazara.
D.I.Khan	Customer Service Center, PTCL Opposite Circuit House, Dera Ismail Khan.
Mansehra	Khata & Khatooni # 0739/0394, Khasra # 08994/9827, Baidra Chowk, District Mansehra.
Jhelum	Oss Hall, Kazim Kamal Road, PTCL Compound, Jhelum Cantt.
Chakwal	Khewat # 1385, Khatooni # 2486, Dhoke Momen, Pindi Road, Chakwal, District, Chakwal.
Mirpur	PTCL Exchange, Oss Hall, Aftab Building, Allama Iqbal Road, Mirpur Ajk.
Wah Cantt	Oss Hall PTCL Exchange, Alm Market, Mall Road, Wah Cantt.
Mardan	Main Telephone Exchange Building Oss Hall, Near College Chowk, Opposite Kachehri, Mardan.
Charsadda	Main PTCL Telephone Exchange Building, Oss Hall, Nowshera Road, Charsadda.
Gojra	Oss Hall, Adjacent PTCL Exchange, Club Road, Gojra District Toba Tek Singh.
Hala	City Survey # 1365, Dargah Road Near The First Microfinance Bank, District Matiari.
Faisal Town, Lahore	Oss Hall, PTCL Exchange, 6-A Civic Center, Faisal Town, Lahore.
Quetta	Oss Hall PTCL Smart Shop Cto, Besides Main GPO, Zarghoon Road, Quetta.
Gulzar-E-Hijri	PTCL Smart Shop, Gulzar-E- Hijri Telephone Exchange Scheme 33, Metrovil III Gulzar-E-Hijri Karachi.
Latifabad	Oss Hall, PTCL Exchange Near Telecommunication Building, Unit # 7 Latifabad, District Hyderabad.
Landhi	PTCL Smart Shop, Landi Telephone Exchange Near Landi - 89, Karachi.
Kot Chutta	Khewat # 109, Intaqal # 9252, Kot Chutta # 3, Tehsil Kot Chutta, District Dera Ghazi Khan.
Jauharabad	Khatooni # 1225, Khewat # 736, College Chowk, Main Bazar Jauharabad.
Mingora	Abaseen, Chaina Plaza, Green Chowk, Mingora, Swat.
Chobara	Near HBL Branch, Jhang Road, Chobara.
Kot Sultan	Khata # 103, Khatooni # 398-407, Layyah, Kot Addu Road, Near Askari 1 Petrol Pump, Kot Sultan, District Layyah.
Kamalia	Khasra # 4193, House # 875/1202-D, Mohallah Mahtain Wala, Kamalia.
Daska	Circular Road, Near Sohawa, Stop Daska, District Sialkot.
Badin	Main Hyderabad Road, Opposite National Bank Of Pakistan, Survey # 176, Badin.
Choota Sahiwal	Khewat # 1239, Khatooni # 1998, Sahiwal Sargodha Road Sahiwal, Choota Sahiwal, District Sargodha.
Malakwal	Khewat # 268, Khatooni # 371, Khasra # 3220/456/1, Bismillah Plaza badshah Pur Road Chungi # 2 Malakwal, District Mandi Bahauddin.
Kunri	Ward 06, Block-262, Plot # 17 & 18, Kunri, District Umarnkot.
Khipro	Ward # 76, Mirpurkhas Road, Khipro Taluka Khipro, District Sanghar.
Bagh	Khasra # 212, Near Pulli Stop, Bagh, District Azad Kashmir.
Sujawal	Main Sujawal To Karachi Road, Near Irrigation Colony, Sujawal, District Sujawal.
Abdul Hakeem	Khatooni # 191 & 199, Khata # 63/27973, Kacha Kho Road, Nazd Sabzi Mandi Abdul Hakeem, District Khanewal.
Shahdadkot	Ward C, City Survey # 644/1, District Qambar, Shahdadkot.
Mandi Bahauddin	Main Bazar Bank Square, Khasra # 368, Khewat # 258, Khatooni # 363, District Mandi Bahauddin.
Lala Moosa	Khewat # 215, Khata # 27, Khatooni # 493-516, Behari Colony, Near Graveyard, GT Road, Lala Moosa, Tehsil Kharian & District Gujrat.
Kohat	Khata # 2179, Khasra # 1136, Khatooni # 2999, Near Al-Moiz CNG, Malik Noor Plaza, Hungu Road, Kohat, District Kohat.

**Branch Name****Address**

Islamabad F-10 Markaz	Plot # 1-N, SL # 1, F-10 Markaz, Islamabad.
Sialkot	Khata # 114, Khewat # 269, Khatooni # 9723, Khasra # 92/448, Kashmir Road, Pacca Gharra, District Sialkot.
Ahmedpur Sial	Khewat # 581/558, Khatooni # 1969, Opposite Usmania Masjid, Main Ahmedpur Sial Road, Tehsil Ahmedpur, District Jhang.
Mianwali	Khewat # 236, Khatooni # 703, Mianwali District, Mianwali.
Paharpur	Khewat # 145, Khatooni # 293, Rang Pur Adda, Tehsil Paharpur, District Dera Ismael Khan.
Chachro	Plot # 294/02, Main Umer Kot Road, Chachro, District Tharparkar.
Nosheroferoze	Plot # 327, Old National Highway, Nosheroferoze.
Nankana Sahib	Khewat # 261, Khatooni # 365, Shora Kothi Road, Near Nadra Office, Nankana Sahib.
Gujar Khan	Chaudhary Ghulam Muhammad Plaza, Main GT Road, Ward # 15, Khewat # 14, Khatooni # 19, Gujar Khan, District Rawalpindi.
Talagang	Khewat # 435, Khatooni # 834, Khata # 10/55, B-11, 203-E-2, Near Madni Chowk, Pindi Road, Talagang, District Chakwal.
Qadirpur Ran	Khewat # 449/443, Khatooni # 1616 To 1617, Opposite Higher Secondary School, Qadirpur Ran, Tehsil Multan Sadar, District Multan.
Khairpur Tamewali	Basti Malook, District Multan.
Chiniot	Khewat # 3188/3178, Faisalabad Road, Near ZTBL, Tehsil Chowk Chiniot, District Chiniot.
Thatta	S # 117, Sujawal Road, Near Shah Jahan Masjid, Thatta Sindh, District Thatta.
Daur	Ward 04, House # IB/137, Mohallah Jamali Road Daur, District Shaheed Benazirabad (Nawabshah).
Shahdadpur	Plot # 10/11/12/13/14/15, Station Road, Shahdadpur, District Sanghar.
Rohilanwali	Khewat # 22, Khatooni # 76-82, Opposite ZTBL Branch, Main Alipur Road, Rohilanwali, Tehsil & District Muzaffargarh.
DHA Karachi	Plot # 5-C, Nishat Lane 2, Phase VI, Pakistan Defense Housing Authority, Karachi South, Karachi.
Islamkot	Plot # 49A, Nangar Parkar Road, Mukhi Mohalla, Islamkot, District Tharparkar.
Naukot	Plot # 150, Sabzi Market Road Naukot, District Mirpurkhas.
Dera Allah Yar	Near District Council Hall, D.C. Office, Tehsil Road, PTCL Exchange, Dera Allah Yar, District Jafarabad.
Muhammad Pur Dewan	Mouza Muhamamd Pur 2, Khata # 267, Khewat # 258, Tehsil Jampur, District Rajanpur.
18 Hazari	Khata # 328/321, Khatooni # 891, 18 Hazari, District Jhang.
Lahore Dha	32Z Block, Commercial Area, DHA Lahore, Phase 3, Lahore.
Quaidabad	Plot # 12, 3 Marla Scheme, Khewat # 32 & 33, Lakkar Mandi, Tehsil Quaidabad, District Khushab.
Thul	Survey # 401, Riaz Chowk, Kandhkot Road, Tehsil Thul, District Jacobabad.
Dera Murad Jamali	New Circuit House, Opposite Officer Club & D.C. Office, Allah Chowk, PTCL Exchange Road, Dera Murad Jamali.
Jacobabad	City Survey # 201/1/3/1, Ward # 06, Adam Khan, Panhwaer Road, Tehsil & District Jacobabad.
Bhalwal	Khata # 35, Ahata # 131, Liaquat Shaheed Road, Tehsil Bhalwal, District Sargodha.
Kot Ghulam Muhammad	Deh # 290-A, City Survey Plot # 978, Tehsil Kot Ghulam Muhammad, District Mirpurkhas.
Attock	Circle III, Block-F, Ward B-VI, Opposite Meezan Bank, Attock, District Attock.
Swabi	Khata # 1889/3308, 1897/3308, & 4478/3617, Grade Station, Khangira Road, District Swabi.
Toba Tek Singh	Khewat # 133/127, Khatooni # 159, Near Allied Bank, Toba Tek Singh, District Toba Tek Singh.
Fateh Jang	Khewat # 495, Khatooni # 605, Pindi Road, Near UBL, Tehsil Fateh Jang, District Attock.
Basti Malook	Khewat # 5, Khatooni # 15-17, Multan Road, Opposite Patrolling Post, Near Sabzi Mandi, Basti Malook, District Multan.
Gilgit	Khasra # 1935, Jutial Road, District Gilgit.
Kot Momin	Khata # 104, Khewat # 483 1/2, Bhagtanwala Road, Tehsil Kot Momin, District Sargodha.
Gwadar	Ashraf market, Airport Road, Gwadar, District Balochistan.
Taunsa Sharif	Khata # 1313, Mouza Taunsa Sharif, District D.G. Khan.
Usta Muhammad	Near Main Police Station, Jinnah Road, Usta Muhammad.
Samundri	Khewat # 604/592, Khatooni # 604, Samundri, Faisalabad.
G-8 Booth	PTCL Head Quarter, Block E, Sector G-8/4, Islamabad.

**Service Centers****Address**

Fatehpur	PTCL Exchange, Fatehpur, District Bhakkar
Dullewala	Mutation 13205, Khata # 2126, Khatooni # 3649, Mianwali Multan Road Dullewala.
Zahir pir	Old KLP Road, Chachar Road, Zahir Pir, Tehsil Khanpur.
Chani Goth	Khewat # 77, Khatooni # 168 to 170, Uch Road, Chani Goth Station.
Daharanwala	Haroonabad Road, Dahranwala, Tehsil Chishtian, District Bahawalnagar.
Taranda Muhammad Panah	Akbar Chowk, Near PTCL Office, Tranda Muhammad Panah, Tehsil Liaquat Pur, District Rahim Yar Khan.
Khan Bela	Khewat # 50/50, Khatooni # 207-212, KLP Road, Khan Bela, Tehsil Liaquatpur.
Array Wahain	Moza Basti Sultan, Tehsil Mailsi, District Vehari
Tandlianwala	Mohalla Mumtazabad, Samundri Road, Tandlianwala, District Faisalabad.
Sultan Colony	Main bus stop, Zulfiqar Abad Sultan colony, Tehsil Kot Addu, District Muzaffargarh

## 35 FINANCIAL INSTRUMENTS

### A FAIR VALUES

#### 35.1 Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

On-balance sheet financial instruments		Carrying amount					Fair value				
		Fair value through profit and loss	Held to maturity	Loans and receivables	Available for sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<u>31 December 2020</u>	Note	Rupees						Rupees			
Financial assets measured at fair value											
Investments - net of provisions	9	-	-	-	17,954,499,338	-	17,954,499,338	17,954,499,338	-	-	17,954,499,338
Financial assets not measured at fair value											
Cash and cash equivalents	30	-	-	5,068,326,579	-	-	5,068,326,579	-	-	-	-
Investments - net of provisions	9	-	6,120,000,000	-	-	-	6,120,000,000	-	-	-	-
Advances - net of provisions	10	-	-	30,006,298,899	-	-	30,006,298,899	-	-	-	-
Other assets	12 & 35.2	-	-	7,778,962,301	-	-	7,778,962,301	-	-	-	-
		-	6,120,000,000	42,853,587,779	-	-	48,973,587,779	-	-	-	-
Financial liabilities not measured at fair value											
Deposits and other accounts	14	-	-	-	-	46,104,640,853	46,104,640,853	-	-	-	-
Borrowings	15	-	-	-	-	13,274,190,642	13,274,190,642	-	-	-	-
Subordinated debt	16	-	-	-	-	2,799,160,000	2,799,160,000	-	-	-	-
Other liabilities	17 & 35.3	-	-	-	-	2,548,385,962	2,548,385,962	-	-	-	-
		-	-	-	-	64,726,377,457	64,726,377,457	-	-	-	-
On-balance sheet financial instruments											
		Carrying amount					Fair value				
		Fair value through profit and loss	Held to maturity	Loans and receivables	Available for sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<u>31 December 2019</u>	Note	Rupees						Rupees			
Financial assets measured at fair value											
Investments - net of provisions	9	-	-	-	6,969,538,668	-	6,969,538,668	6,969,538,668	-	-	6,969,538,668
Financial assets not measured at fair value											
Cash and cash equivalents	30	-	-	4,737,031,876	-	-	4,737,031,876	-	-	-	-
Advances - net of provisions	10	-	-	21,374,079,265	-	-	21,374,079,265	-	-	-	-
Other assets	12 & 35.2	-	-	3,801,022,253	-	-	3,801,022,253	-	-	-	-
		-	-	29,912,133,394	-	-	29,912,133,394	-	-	-	-
Financial liabilities not measured at fair value											
Deposits and other accounts	14	-	-	-	-	23,290,259,471	23,290,259,471	-	-	-	-
Borrowings	15	-	-	-	-	6,733,331,333	6,733,331,333	-	-	-	-
Subordinated debt	16	-	-	-	-	4,599,400,000	4,599,400,000	-	-	-	-
Other liabilities	17 & 35.3	-	-	-	-	2,088,026,122	2,088,026,122	-	-	-	-
		-	-	-	-	36,711,016,926	36,711,016,926	-	-	-	-

**35.2** It excludes advances taxation and inventory of ATM cards & stationery.

**35.3** It excludes accrued expenses and others.

**35.4** The Bank has not disclosed the fair values for these financial assets and financial liabilities because their carrying amounts are a reasonable approximation of fair value.

### B FINANCIAL RISK MANAGEMENT

#### 35.5 Interest / mark-up rate risk

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. The Bank's interest rate exposure is low due to the short-term nature of the majority of business transactions. Interest rate risk is also controlled through flexible credit pricing mechanism and variable deposit rates. Optimization of yield is achieved through the Bank's investment strategy which aims on attaining a balance between yield and liquidity under the strategic guidance of Assets and Liability Committee of Management (ALCO).

## 35.6 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Bank's credit risk is primarily attributable to its advances and balances at banks. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The Bank has an effective loan disbursement and recovery monitoring system which allows it to evaluate borrowers' credit worthiness and identify potential problem loans. A provision for loan losses is maintained as required by the Prudential Regulations. Investments are mainly in government securities or other securities having good credit rating. Maximum amount of financial assets which are subject to credit risk amount to Rs. 66,478 million (2019: Rs. 32,145 million).

## 32.7 Liquidity risk

Liquidity risk is the risk that the Bank will not be able to raise funds to meet its commitments. At present, the bank is not exposed to this risk as there is sufficient cash placed with various commercial banks at the year end.

The Assets and Liability Management Committee (ALCO) of the Bank is responsible for the oversight of liquidity management and meets on a monthly basis or more frequently, if required. The Bank's approach to liquidity management is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking sustained damage to business franchises. A centralized approach is adopted, based on an integrated framework incorporating an assessment of all material known and expected cash flows and the availability of collateral which could be used to secure additional funding if required. The framework entails careful monitoring and control of the daily liquidity position, and regular liquidity stress testing under a variety of scenarios. These encompass both normal and stressed market conditions, including general market crises and the possibility that access to markets could be impacted by a stress event affecting some part of the Bank's business.

## 36 CAPITAL RISK MANAGEMENT

**36.1** The objective of managing capital is to safeguard the Bank's ability to continue as a going concern, so that it could continue to provide adequate returns and benefits to stakeholders by pricing products and services commensurately with the level of risk. It is the policy of the Bank to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

**36.2** The Bank's objectives when managing its capital are:

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

## 36.3 Statutory minimum capital requirement and management of capital

As per amendments on Prudential Regulations (R-1) issued vide BPRD Circular No. 10 of 2015 dated 3 June 2015, the minimum paid up capital requirement (MCR), free of losses for Microfinance Banks operating at national level is Rs. 1,000 million as at 31 December 2020. As of 31 December 2020, the net equity of the Bank stood at Rs. 5,676 million (2019: Rs. 3,051 million).

The capital of the Bank is managed keeping in view the minimum CAR (15%) required by the Prudential Regulations for Microfinance Banks / Institutions. The adequacy of the capital is tested with reference to the risk-weighted assets of the Bank. The calculation of capital adequacy enables the Bank to assess the long-term soundness. As the Bank conducts



business on a wide area network basis, it is critical that Bank continuously monitor the exposure across the entire organization.

The Bank manages its capital structure and makes adjustments to it in light of the changes in regulatory and economic conditions. In order to maintain or adjust the capital structure, the Bank may adjust the return on capital to shareholders or issue new shares.

As at 31 December 2020, the Bank's Capital adequacy ratio (CAR) was appropriately 21.69% (2019: 16.67%) of its weighted exposure, as against the minimum requirement of 15% prescribed by SBP.

### 37 REMUNERATION OF PRESIDENT/CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	31 December 2020			31 December 2019		
	President / Chief Executive	Directors	Executives	President / Chief Executive	Directors	Executives
	Rupees			Rupees		
Fee	-	1,100,000	-	-	440,000	-
Managerial remuneration	15,525,147	-	121,536,386	13,297,996	-	112,432,132
Bonus	20,150,159	-	21,966,401	6,156,480	-	33,354,233
Gratuity fund	1,293,763	-	10,129,198	1,092,775	-	9,266,863
Provident fund	1,242,014	-	9,514,662	1,063,837	-	8,457,361
Rent and house maintenance	9,056,338	-	70,896,224	7,757,164	-	65,585,410
Utilities	1,293,763	-	10,128,032	1,108,166	-	9,369,345
Medical	9,000	-	5,729,168	140,962	-	5,356,566
Conveyance	1,200,000	63,406	25,613,248	900,000	18,240	21,526,839
Others	3,726,260	-	10,685,573	2,584,485	-	9,761,889
Total	<b>53,496,444</b>	<b>1,163,406</b>	<b>286,198,892</b>	<b>34,101,865</b>	<b>458,240</b>	<b>275,110,638</b>
Number of person(s)	<b>1</b>	<b>9</b>	<b>51</b>	<b>1</b>	<b>9</b>	<b>51</b>

- 37.1** Executive means an employee whose annual basic salary exceeds Rs. 1.20 million (2019: Rs. 1.20 million) during the year.
- 37.2** Bank maintained vehicles are also provided to the chief executive officer and some of the executives as per their entitlement; the net book values of which are Rs. 66.385 million (2019: Rs. 39.593 million).
- 37.3** No remuneration and other benefits were paid to directors of the Bank. An amount of Rs. 1,163,406 (2019: Rs. 458,240) was paid to the independent directors for attending the Board or sub committee meetings.

### 38 SCHEDULE OF MATURITY DISTRIBUTION OF MARKET RATE ASSETS AND LIABILITIES AT 31 DECEMBER 2020

	Total	Up to one month	Over one month up to six months	Over six months up to one year	Over one year
	Rupees				
<b>Market rate assets</b>					
Advances	30,006,298,899	1,249,286,833	11,399,127,605	13,118,217,206	4,239,667,255
Investments	24,074,499,338	120,000,000	15,353,439,449	1,000,000,000	7,601,059,889
Other earning assets					
Balances with other banks - deposit accounts	2,346,507,295	2,346,507,295	-	-	-
<b>Total market rate assets</b>	<b>56,427,305,532</b>	<b>3,715,794,128</b>	<b>26,752,567,054</b>	<b>14,118,217,206</b>	<b>11,840,727,144</b>
<b>Other non-earning assets</b>					
Cash in hand	920,790,506	920,790,506	-	-	-
Balances with SBP and NBP - current accounts	2,239,326,325	2,239,326,325	-	-	-
Balances with other banks - current accounts	11,702,453	11,702,453	-	-	-
Operating fixed assets	2,917,413,581	55,036,744	275,183,719	330,220,463	2,256,972,655
Other assets	7,797,247,350	1,002,184,804	3,677,250,982	2,217,391,528	900,420,036
Deferred tax asset	399,616,598	-	-	-	399,616,598
<b>Total non-earning assets</b>	<b>14,286,096,813</b>	<b>4,229,040,832</b>	<b>3,952,434,701</b>	<b>2,547,611,991</b>	<b>3,557,009,289</b>
<b>Total assets</b>	<b>70,713,402,345</b>	<b>7,944,834,960</b>	<b>30,705,001,755</b>	<b>16,665,829,197</b>	<b>15,397,736,433</b>
<b>Market rate liabilities</b>					
Large time deposits above Rs. 100,000	26,082,756,214	1,606,171,000	16,395,396,224	4,864,085,706	3,217,103,284
All other time deposits (including fixed rate deposits)	274,917,117	5,468,000	42,099,174	86,442,500	140,907,443
Other cost bearing deposits	16,802,040,082	16,802,040,082	-	-	-
Borrowings	16,073,350,642	6,654,540,000	1,793,278,987	1,493,278,989	6,132,252,666
<b>Total market rate liabilities</b>	<b>59,233,064,055</b>	<b>25,068,219,082</b>	<b>18,230,774,385</b>	<b>6,443,807,195</b>	<b>9,490,263,393</b>
<b>Other non-cost bearing liabilities</b>					
Deposits	2,944,927,440	2,944,927,440	-	-	-
Other liabilities	2,860,212,627	2,827,761,403	32,451,224	-	-
<b>Total non-cost bearing liabilities</b>	<b>5,805,140,067</b>	<b>5,772,688,843</b>	<b>32,451,224</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>65,038,204,122</b>	<b>30,840,907,925</b>	<b>18,263,225,609</b>	<b>6,443,807,195</b>	<b>9,490,263,393</b>
<b>Net assets</b>	<b>5,675,198,223</b>	<b>(22,896,072,965)</b>	<b>12,441,776,146</b>	<b>10,222,022,002</b>	<b>5,907,473,040</b>

### SCHEDULE OF MATURITY DISTRIBUTION OF MARKET RATE ASSETS AND LIABILITIES AT 31 DECEMBER 2019

	Total	Up to one month	Over one month up to six months	Over six months up to one year	Over one year
	Rupees				
<b>Market rate assets</b>					
Advances	21,374,079,265	1,260,350,530	8,906,956,430	8,246,121,994	2,960,650,311
Investments	6,969,538,668	4,229,036,668	-	2,740,502,000	-
Other earning assets					
Balances with other banks - deposit accounts	3,009,485,364	3,009,485,364	-	-	-
<b>Total market rate assets</b>	<b>31,353,103,297</b>	<b>8,498,872,562</b>	<b>8,906,956,430</b>	<b>10,986,623,994</b>	<b>2,960,650,311</b>
<b>Other non-earning assets</b>					
Cash in hand	618,822,600	618,822,600	-	-	-
Balances with SBP and NBP - current accounts	1,098,382,810	1,098,382,810	-	-	-
Balances with other banks - current accounts	10,341,102	10,341,102	-	-	-
Operating fixed assets	3,104,521,964	96,350,432	145,522,346	174,626,816	2,688,022,370
Other assets	3,828,677,455	1,340,525,466	1,785,322,698	652,488,040	50,341,251
Deferred tax asset	76,354,529	-	-	-	76,354,529
<b>Total non-earning assets</b>	<b>8,737,100,460</b>	<b>3,164,422,410</b>	<b>1,930,845,044</b>	<b>827,114,856</b>	<b>2,814,718,150</b>
<b>Total assets</b>	<b>40,090,203,757</b>	<b>11,663,294,972</b>	<b>10,837,801,474</b>	<b>11,813,738,850</b>	<b>5,775,368,461</b>
<b>Market rate liabilities</b>					
Large time deposits above Rs. 100,000	14,499,422,805	654,837,996	5,844,176,237	4,482,786,909	3,517,621,663
All other time deposits (including fixed rate deposits)	337,000,495	8,136,300	43,781,145	65,252,290	219,830,760
Other cost bearing deposits	6,071,321,337	6,071,321,337	-	-	-
Borrowings	11,332,731,333	3,250,000,000	383,453,000	383,453,000	7,315,825,333
<b>Total market rate liabilities</b>	<b>32,240,475,970</b>	<b>9,984,295,633</b>	<b>6,271,410,382</b>	<b>4,931,492,199</b>	<b>11,053,277,756</b>
<b>Other non-cost bearing liabilities</b>					
Deposits	2,382,514,834	2,382,514,834	-	-	-
Other liabilities	2,416,350,107	2,416,350,107	-	-	-
<b>Total non-cost bearing liabilities</b>	<b>4,798,864,941</b>	<b>4,798,864,941</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>37,039,340,911</b>	<b>14,783,160,574</b>	<b>6,271,410,382</b>	<b>4,931,492,199</b>	<b>11,053,277,756</b>
<b>Net assets</b>	<b>3,050,862,846</b>	<b>(3,119,865,602)</b>	<b>4,566,391,092</b>	<b>6,882,246,651</b>	<b>(5,277,909,295)</b>

### 39 RELATED PARTIES TRANSACTIONS

The Bank is a subsidiary of Pakistan Telecommunication Company Limited ("the Parent Company"). Therefore all subsidiaries and associated undertakings of the Parent Company are related parties of the Bank. Other related parties comprise of directors, key management personnel, entities over which the Bank has significant influence, entities having common directors and entities over which the directors are able to exercise significant influence and employees retirement benefit funds. Detail of transactions during the year and balances outstanding as at the reporting date are as follows:

Transactions	Note	2020 Rupees	2019 Rupees
<b>Parent Company</b>			
Internet, connectivity, utility and rental charges		46,526,479	29,537,871
Utility Bill collected on behalf of the Parent Company		77,564,465	73,481,447
Payment in regards utility bills collected on behalf of the Parent Company		77,564,465	73,445,499
Utility Bill collection charges		680,581	370,077
Payment for administrative costs and fixed assets		116,070,946	223,335,980
Interest expense on TIER-II subordinated Debt Payment		413,344,914	565,433,425
Interest expense on deposits		-	4,317
Interest expense on PTCL employee GP fund		198,384,839	172,443,292
<b>Associated Company - Pak Telecom Mobile Limited (PTML)</b>			
Payment for administrative costs and fixed assets		57,777,575	64,109,304
Payment against branchless banking and bills collected		234,305,055	237,687,068
Amount received against reimbursement of agent's commission		220,636,867	248,163,152
<b>Associated Company - Pakistan Telecommunication Employees Trust (PTET)</b>			
Interest expense on deposits		200,019,672	135,468,435
<b>Employees' provident fund</b>			
Contribution to provident fund	27	37,990,158	28,969,891
<b>Employees' gratuity fund</b>			
Payment to gratuity fund	17.3.10	35,436,791	41,091,375
<b>Balances</b>			
<b>Parent Company</b>			
Deposits	14.2	384,478,758	565,522,573
Interest payable on deposits	17.1	-	374
Payable against utility bills collected	17	122,902	35,948
Utility bills collection charges receivable	12	1,792,839	1,792,839
Employee GP fund	14.2	2,171,917,933	1,383,127,074
<b>Balances</b>			
Interest payable on deposits - PTCL Employees' GP Fund	17.1	198,384,839	7,130,217
<b>Associated Company - Pakistan Telecommunication Employees Trust</b>			
Deposits	14.2	1,916,265,365	1,050,001,647
Interest payable on deposits	17.1	25,232,911	39,378,995

	Note	2020 Rupees	2019 Rupees
Associated Company - Pak Telecom Mobile Limited			
Employees' Gratuity fund	14.2	720,259,489	400,088,157
Deposits	14.2	93,179,809	-
Payable against branchless banking and bills collected	17	61,034,661	63,427,705
Payable to Pak Telecom Mobile Limited			
Interest payable on deposits	17.1	177,534	352,811
Employees' provident fund			
Deposits	14.2	172,049,535	125,859,943
Interest payable on deposits	17.1	262,465	1,272,161
Payable to provident fund	17	1,391,950	3,517,822
Employees' gratuity fund			
Deposits	14.2	114,941,113	80,010,244
Interest payable on deposits	17.1	772,263	541,000
Payable to gratuity fund	17.3	7,849,721	1,235,802

**39.1** Following are particulars of related parties of the Bank with their respective shareholding:

	Name	Basis of relationship	Share-holding	Percentage of shareholding
1)	Mr. Burak Sevilengul	Director/Chairman	01	0.00%
2)	Mr. Nadeem Khan	Director	01	0.00%
3)	Mr. Mohamed Essa Al Taheri	Director	01	0.00%
4)	Mr. Muhammad Aqueel Abbas Malik	Director	01	0.00%
5)	Mr. Sher Afgan Khan	Director	02	0.00%
6)	Mr. Muhammad Jahanzeb Rahim	Director	01	0.00%
7)	Ms. Misbah Naqvi	Director	01	0.00%
8)	Mr. Kabeer Naqvi	Director/CEO	01	0.00%
9)	PTCL	Parent Company	-	0.00%
			308,571, 422	99.99%

**40 COMPLAINTS MANAGEMENT MECHANISM**

The Bank is a customer oriented organization and gives due consideration to the valuable feedback of its customers. Complaints are treated as opportunity to align our products/services and processes to serve the customers in a best possible way. A Complaints Resolution Unit (CRU) has been established in the Bank in line with applicable regulatory requirement and Bank's own policy drive. The Unit is equipped with Complaints Management System (CMS) to record, escalate and resolve complaints received through available channels. All calls/complaints are recorded in Complaints Management System against a unique ticket number and acknowledged to the customer for tracking its resolution. Scenario based work codes are embedded in the system with the escalation matrix. Periodic reviews are also conducted and results are shared with the management for their information. Duly approved Complaints Resolution and Financial Consumer Protection Policies are in place to protect the rights and interests of the customers. During the year 29,419 (2019: 24,932) complaints were received by the Bank and were resolved with average resolution time of 33.37 hours (2019: 45.84 hours).

#### 41 IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

Tn 30 January 2020, the World Health Organization (WHO) declared the outbreak a “Public Health Emergency of International Concern” and on 11 March 2020, the WHO declared the COVID-19 outbreak to be a pandemic in recognition of its rapid spread across the globe. Many countries, including Pakistan, have taken stringent steps to help contain further spread of the virus. While these events and conditions have resulted in general economic uncertainty, however, to dampen the adverse effects of COVID-19 and to enable the Microfinance Banks continue to fulfill their role in funding the real economy, SBP issued Circular dated 26 March 2020 regarding “Regulatory relief to dampen the effects of COVID-19”. This circular allowed certain relaxations to MFBs where MFBs could defer / restructure principal / markup amounts. Management has evaluated the impact of COVID-19 and concluded that there are no material implications of COVID-19 on the operations of the Bank that require specific disclosure in the financial statements except for those already disclosed in notes 10.1 and 10.5 of these financial statements.

#### 42 GENERAL

- 42.1 Captions, as prescribed by BSD Circular No. 11, dated 30 December 2003 issued by SBP, in respect of which there are no amounts, have not been reproduced in these financial statements, except for the captions of the balance sheet and profit and loss account.

#### 43 DATE OF APPROVAL

These financial statements were approved by the Board of Directors of the Bank in their meeting held on 8 February 2021



PRESIDENT / CHIEF EXECUTIVE



CHAIRMAN



DIRECTOR



DIRECTOR







2<sup>nd</sup> Floor, 13-B, Jinnah Super Market F-7, Islamabad.  
**UAN:** +92 51 111-182-265 **Fax:** +92 51 2652964  
[www.ubank.com.pk](http://www.ubank.com.pk)