

U Microfinance Bank Limited
Condensed interim financial information (Unaudited)
For the six months period ended 30 June 2020

U Microfinance Bank Limited
Condensed Interim Balance Sheet (Un-audited)
As at 30 June 2020

		(Un-audited) 30 June 2020 (Rupees)	(Audited) 31 December 2019 (Rupees)
	Note		
ASSETS			
Cash and balances with SBP and NBP	6	2,186,273,171	1,717,205,410
Balances with other Banks/ NBFIs/ MFBs	7	5,768,191,151	3,019,826,466
Lending to financial institutions	8	2,089,163,860	-
Investments - net of provisions	9	4,898,838,707	6,969,538,668
Advances - net of provisions	10	24,536,544,049	21,374,079,265
Operating fixed assets	11	2,941,137,568	3,104,521,964
Other assets	12	5,310,806,908	3,828,677,455
Deferred tax asset	13	128,055,907	76,354,529
Total Assets		47,859,011,321	40,090,203,757
LIABILITIES			
Deposits and other accounts	14	27,806,205,839	23,290,259,471
Borrowings	15	9,872,451,168	6,733,331,333
Subordinated debt	16	3,799,280,000	4,599,400,000
Other liabilities	17	2,404,626,450	2,416,350,107
Deferred tax liabilities		-	-
Total Liabilities		43,882,563,457	37,039,340,911
Net Assets		3,976,447,864	3,050,862,846
REPRESENTED BY:			
Share capital	18	3,085,714,290	2,285,714,290
Discount on issue of share capital		(25,714,290)	(25,714,290)
Statutory and general reserves		229,644,265	229,644,265
Depositors' protection fund		57,411,066	57,411,066
Unappropriated profit		625,430,258	512,586,043
		3,972,485,589	3,059,641,374
Surplus / (deficit) on revaluation of assets		3,962,275	(8,778,528)
Deferred grants		-	-
Total Capital		3,976,447,864	3,050,862,846

MEMORANDUM / OFF BALANCE SHEET ITEMS

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The annexed notes from 1 to 32 form an integral part of these condensed interim financial statements.

PRESIDENT / CHIEF EXECUTIVE

CHAIRMAN

DIRECTOR

DIRECTOR

U Microfinance Bank Limited

Condensed interim profit and loss account (Un-audited)

For the half year ended 30 June 2020

	Note	Quarter ended		Half year ended	
		30 June 2020 (Rupees)	30 June 2019 (Rupees)	30 June 2020 (Rupees)	30 June 2019 (Rupees)
Mark-up / return / interest earned	20	2,326,008,979	1,786,612,063	4,457,536,775	3,431,076,506
Mark-up / return / interest expensed	21	(1,106,149,170)	(916,270,089)	(2,183,891,150)	(1,781,223,981)
Net mark-up / interest income		1,219,859,809	870,341,974	2,273,645,625	1,649,852,525
Provision against non-performing loans and advances	10	(362,326,392)	(149,780,224)	(802,447,709)	(291,499,411)
Provision for diminution in the value of investments		-	-	-	-
Bad debts written off directly		-	-	-	-
Net mark-up / interest income after provisions		857,533,417	720,561,750	1,471,197,916	1,358,353,114
NON MARK-UP / NON INTEREST INCOME					
Fee, commission and brokerage income	22	223,015,054	163,174,368	513,492,849	358,716,093
Dividend income		-	-	-	-
Other income	23	55,650,137	3,334,308	87,971,108	4,763,157
Total non-markup / non interest income		278,665,191	166,508,676	601,463,957	363,479,250
		1,136,198,608	887,070,426	2,072,661,873	1,721,832,364
NON MARK-UP / NON INTEREST EXPENSES					
Administrative expenses	24	(1,015,242,882)	(735,889,697)	(1,946,545,423)	(1,370,300,925)
Other provisions / write offs		-	-	-	-
Other charges		-	-	-	-
Total non-markup / non interest expenses		(1,015,242,882)	(735,889,697)	(1,946,545,423)	(1,370,300,925)
Extra ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		120,955,726	151,180,729	126,116,450	351,531,439
Workers welfare fund (WWF)		(2,522,329)	(3,024,801)	(2,522,329)	(7,031,815)
		118,433,397	148,155,928	123,594,121	344,499,624
TAXATION					
Current		(22,029,756)	(42,378,103)	(60,968,975)	(103,230,771)
Prior years		(3,730,686)	-	(3,730,686)	(1,513,184)
Deferred		15,641,273	6,722,030	53,949,755	23,595,064
	25	(10,119,169)	(35,656,073)	(10,749,906)	(81,148,891)
PROFIT AFTER TAXATION		108,314,228	112,499,855	112,844,215	263,350,733
Unappropriated profit brought forward		517,116,030	475,739,207	512,586,043	324,888,330
Less: Other comprehensive income		-	-	-	-
Profit available for appropriation		625,430,258	588,239,063	625,430,258	588,239,063
APPROPRIATIONS:					
Transfer to:					
Statutory reserve		-	-	-	-
Capital reserve		-	-	-	-
Contribution to MSDF/ DPF/ RMF		-	-	-	-
Revenue reserve		-	-	-	-
Interim cash dividend Rs. Nil (2019: Rs. Nil)		-	-	-	-
UNAPPROPRIATED PROFIT CARRIED FORWARD		625,430,258	588,239,063	625,430,258	588,239,063
EARNINGS PER SHARE	29	0.42	0.49	0.43	1.15

The annexed notes from 1 to 32 form an integral part of these condensed interim financial statements.

PRESIDENT / CHIEF EXECUTIVE

CHAIRMAN

DIRECTOR

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U Microfinance Bank Limited
Condensed interim cashflow statement (Un-audited)
For the half year ended 30 June 2020

		30 June 2020 (Rupees)	30 June 2019 (Rupees)
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		123,594,121	344,499,624
Less: Dividend income		-	-
		<u>123,594,121</u>	<u>344,499,624</u>
Adjustments for non-cash charges			
Depreciation of property and equipment	11.2	171,298,507	72,232,052
Amortization of intangible assets	11.3	15,004,882	11,134,789
Depreciation of right of use assets		113,319,540	-
Interest expense		89,660,140	-
Provisions against non-performing advances	10.3	802,447,709	291,499,411
Advances written off against provision	10.4	(718,254,727)	(169,689,981)
Provision for gratuity	24	19,388,226	15,598,044
Gain on sale of fixed assets		52,333	(59,290)
Finance charges on leased assets		3,063,629	1,177,052
		<u>495,980,239</u>	<u>221,892,077</u>
		<u>619,574,360</u>	<u>566,391,701</u>
Increase in operating assets			
Advances		(3,246,657,766)	(2,021,478,532)
Other assets (excluding advance taxation)		(1,483,332,019)	(828,404,599)
Increase in operating liabilities			
Bills payables		-	4,080,233
Deposits and other accounts		4,515,946,368	(454,066,847)
Other liabilities (excluding current tax, bills payable, finance lease and provision for gratuity)		102,047,757	529,635,545
		<u>(111,995,660)</u>	<u>(2,770,234,200)</u>
Net cash generated from / (used in) operations		<u>507,578,700</u>	<u>(2,203,842,499)</u>
Payments against provisions held against off-balance sheet obligations			
Gratuity paid		(20,624,028)	(22,121,658)
Income taxes paid		(63,497,096)	(43,357,203)
Net cash generated from / (used in) operating activities		<u>423,457,576</u>	<u>(2,269,321,360)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available for sale securities - Government securities		2,083,440,765	(22,292,947)
Net investments in term deposits receipts		-	-
Investments in operating fixed assets		(139,110,021)	(721,305,031)
Sale proceeds of property and equipment disposed-off		2,721,343	59,290
Net cash (Outflows)/ inflow from investing Activities		<u>1,947,052,087</u>	<u>(743,538,688)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Payments of subordinated loan		-	(120,000)
Borrowings obtained during the period		4,539,119,500	1,800,000,000
Borrowings repaid during the period		(1,400,119,666)	(430,000,000)
Payments of lease obligations		(202,913,191)	(2,952,520)
Issue of share capital		-	-
Dividend paid		-	-
Lending to Financial Institutions		(2,089,163,860)	-
Net cash generated from financing activates		<u>846,922,783</u>	<u>1,366,927,480</u>
Net Increase/ (decrease) in cash and cash equivalents		<u>3,217,432,446</u>	<u>(1,645,932,568)</u>
Cash and cash equivalents at beginning of the period		4,737,031,876	12,484,697,832
Cash and cash equivalents at the end of period	26	<u><u>7,954,464,322</u></u>	<u><u>10,838,765,264</u></u>

The annexed notes from 1 to 32 form an integral part of these condensed interim financial statements.

PRESIDENT / CHIEF EXECUTIVE

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For the half year ended 30 June 2020

The annexed notes from 1 to 32 form an integral part of these condensed interim financial statements.

* The Microfinance Institution Ordinance, 2001 and the Prudential Regulations for Microfinance Banks issued by the SBP (Prudential Regulations) require that the Bank annually transfers an amount equivalent to 20% of profit after tax to the statutory reserve; at the reporting date, this amounts to Rs. 22,568,843 (30 June 2019: Rs. 52,670,147). This appropriated profit is not available for dividend distributions.

** In accordance with the requirements of the Microfinance Institution Ordinance, 2001 and the Prudential Regulations, require that the Bank annually transfers an amount equivalent to 5% of profit after tax to the Depositors' Protection Fund, plus the return earned on such funds; at the reporting date, this amounts to Rs. 5,642,211 (30 June 2019: Rs. 13,167,537). This appropriated profit is not available for dividend distribution.

PRESIDENT / CHIEF EXECUTIVE

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U Microfinance Bank Limited

Condensed interim statement of comprehensive income (Un-audited)

For the half year ended 30 June 2020

	Quarter ended		Half year ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	Rupees	Rupees	Rupees	Rupees
Profit for the period	108,314,228	112,499,855	112,844,215	263,350,733
Other comprehensive income for the period	-	-	-	-
Comprehensive income for the period transferred to equity	108,314,228	112,499,855	112,844,215	263,350,733

Components of comprehensive income for the period not transferred to equity:

Items that may be reclassified to profit and loss:

Gain / (loss) on revaluation of available for sale investments	69,957,013	(1,480,133)	110,640,353	(2,461,541)
(Gain) / loss on revaluation of assets transferred to profit and loss	(45,699,661)	371,133	(65,813,847)	490,741
Related tax impact	(21,144,662)	554,480	(32,085,702)	580,000
	3,112,690	(554,520)	12,740,804	(1,390,800)

Total comprehensive income for the period	111,426,918	111,945,335	125,585,019	261,959,933
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PRESIDENT / CHIEF EXECUTIVE

CHAIRMAN

DIRECTOR

DIRECTOR

U Microfinance Bank Limited

Notes to the Condensed Interim Financial Statements (Un-audited)

For the half year ended 30 June 2020

1 STATUS AND NATURE OF BUSINESS

- 1.1 On 30 August 2012, Pakistan Telecommunication Company Limited (PTCL) 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 30 April 2020.

- 1.2 During the half year ended 30 June 2020, the COVID-19 pandemic ("the pandemic") emerged which impacted the global economy including that of Pakistan. 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 has provided the relief to Microfinance Banks through its AC&MFD Circular Letter No. 1 of 2020 dated 26 March 2020 where Microfinance banks can defer/restructure principal/markup amount by one year. The management believes that this event may affect the operations and finances of the Bank in subsequent periods; however, due to the timely relief provided by SBP; the effect on Microfinance banks has been significantly reduced for the current period.

2 BASIS OF PRESENTATION

These financial statements have 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

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

- International Accounting Standard (IAS) 34, Interim Financial Reporting, 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 directives issued by the SECP and SBP differ with the requirements of IAS 34, 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.

U Microfinance Bank Limited

Notes to the Condensed Interim Financial Statements (Un-audited)

For the half year ended 30 June 2020

State Bank of Pakistan (SBP) through its BPRD circular No. 4 of 2019 dated 23 October 2019 had decided that the effective date of IFRS 9 implementation was 01 January 2021 for banks/DFIs/MFBs. Further, keeping in view the prevalent COVID-19 (Corona Virus Disease 2019) pandemic situation, SBP through its BPRD circular No. 15 of 2020 dated 26 March 2020 has decided to extend the timeline of the tasks related to IFRS 9 implementation as follows:

Preparation of IFRS 9 compatible pro forma Financial Statements for year-ended 2019
Parallel Run of IFRS 9

Revised timeline
31-Aug-20
Periods beginning 01
July 2020

Accordingly, the requirements of this standard has not been considered in the preparation of these condensed interim financial statements.

- 3.2 The disclosures in these condensed interim financial statements do not include those reported for full audited annual financial statements and should therefore be read in conjunction with the audited annual financial statements for the year ended 31 December 2019. Comparative condensed interim balance sheet is extracted from the audited annual financial statements as of 31 December 2019, whereas comparative condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity are stated from unaudited condensed interim financial statements for the six months period ended 30 June 2019.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In preparing these condensed interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements. Taxes on income in the interim period are proportionately accrued using the tax rate that would be applicable to expected total annual profit or loss.

A. MEASUREMENT OF FAIR VALUES

When measuring the fair value of an asset or a liability, the Bank uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Bank recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

All financial assets are categorized in level 2 and there were no transfers between levels during the period / year. There were no changes in valuation techniques during the period / year. The Bank has not disclosed the fair values of all other financial assets and liabilities as their carrying amounts are reasonable approximation of their fair values.

5 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES AND FINANCIAL RISK MANAGEMENT

The accounting policies applied in these condensed interim financial statements are the same as those applied in the last annual financial statements (the policy for recognising and measuring income taxes in the interim period is described in Note 4).

U Microfinance Bank Limited

Notes to the Condensed Interim Financial Statements (Un-audited)

For the half year ended 30 June 2020

		(Un-audited) 30 June 2020 Rupees	(Audited) 31 December 2019 Rupees
6 CASH AND BALANCES WITH SBP AND NBP	Note		
Cash in hand - Local currency		897,686,227	618,822,600
<i>Local currency current accounts</i>			
Balances with State Bank of Pakistan (SBP)	6.1	1,287,810,758	1,097,601,624
Balances with National Bank of Pakistan (NBP)		776,186	781,186
		<u>2,186,273,171</u>	<u>1,717,205,410</u>
6.1	This includes balance maintained with SBP to comply with the requirement of Prudential Regulations for Microfinance Banks to maintain minimum cash reserve not less than 5% (2019: 5%) of the Bank's time and demand deposits liabilities with tenure of less than one year. This also includes Rs. 57,411,066 (2019: 57,411,066) maintained with SBP under Depositors' Protection Fund.		
7 BALANCES WITH OTHER BANKS/ NBFIs/ MFBs	Note		
In Pakistan - Local currency			
Current accounts	7.1	11,097,450	10,341,102
Deposit accounts	7.2	1,757,093,701	909,485,364
Term deposit receipts	7.3	4,000,000,000	2,100,000,000
		<u>5,768,191,151</u>	<u>3,019,826,466</u>
7.1	This includes Rs. 9,600,000 (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 6.5% to 11.50% (2019: 5.25% to 14.9%) per annum.		
7.3	Term Deposit Receipts (TDR) carries markup at rate ranging between 11.30% to 12% (2019: 14.50%) per annum with maturities upto 1 year.		
8 Lending to Financial Institution	Note		
Call Money Lending	8.1	2,089,163,860	-
8.1	These carry markup at rate ranging between 7.20% to 7.45% (2019: Nil) per annum and are maturing on 02 July 2020.		
9 INVESTMENTS - NET OF PROVISIONS			
<i>Federal Government Securities - Available for sale</i>			
Market Treasury Bills (T-Bills)	9.1	4,894,177,207	6,979,866,348
Unrealised loss on revaluation of investments	9.2	4,661,500	(10,327,680)
		<u>4,898,838,707</u>	<u>6,969,538,668</u>
Less: Provision for diminution in value of investments		-	-
		<u>4,898,838,707</u>	<u>6,969,538,668</u>
9.1	This represents market treasury bills having yield of 7.5% to 7.65% (2019: 13.10% to 13.42%) per annum and are maturing in Oct 2020 (2019: maturing in November 2020).		
9.2 Revaluation of available for sale securities - net of deferred tax			
Market Treasury Bills (T-Bills)		4,661,500	(10,327,680)
Related deferred tax effect		(699,225)	1,549,152
		<u>3,962,275</u>	<u>(8,778,528)</u>

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.

U Microfinance Bank Limited

Notes to the Condensed Interim Financial Statements (Un-audited)

For the half year ended 30 June 2020

10 ADVANCES - NET OF PROVISIONS

Loan type	Note	(Un-audited) 30 June 2020		(Audited) 31 December 2019	
		Number	Rupees	Number	Rupees
Micro credit					
Secured		61,270	8,369,447,704	51,414	5,660,089,977
Unsecured		260,679	16,759,516,617	262,650	16,222,216,578
		<u>321,949</u>	<u>25,128,964,321</u>	<u>314,064</u>	<u>21,882,306,555</u>
Provisions held					
Specific		10,008	(432,873,844)	15,141	(353,264,391)
General	10.1		(159,546,428)		(154,962,899)
			(592,420,272)		(508,227,290)
Advances - net of provisions	10.2		<u>24,536,544,049</u>		<u>21,374,079,265</u>

10.1 General provision is maintained at the rate of 1% (2019: 1%) of unsecured micro credit balance net of specific provision amounting Rs. 432.87 million (2019: Rs. 353.26 million), risk coverage by SBP under credit guarantee scheme for small and rural enterprises (CGS) amounting Rs. 50 million (2019: Rs. 50 million) and credit guarantee for small and marginalized farmers (CGSMF) amounting Rs. 322 million (2019: Rs. 322 million), respectively, in accordance with the Regulations.

10.2 Particulars of non-performing advances

Advances include Rs. 513,777,401 (2019: Rs. 897,834,753) as detailed below, which have been placed under non-performing status. Non-performing advances include Rs. 4 million (2019: Rs. 2.9 million) of secured loans on which there is no provision as per regulation.

Category of classification	Provision rate	(Un-audited) 30 June 2020			(Audited) 31 December 2019		
		Amount outstanding	Provisions required	Provisions held	Amount outstanding	Provisions required	Provisions held
		Rupees					
Other Assets Especially Mentioned (OAEM)	-	8,271,671	-	-	291,695,211	-	-
Sub-standard	25%	4,797,827	1,057,372	1,057,372	172,226,413	43,020,028	43,020,028
Doubtful	50%	136,088,887	67,260,570	67,260,570	246,460,972	123,008,806	123,008,806
Loss	100%	364,619,016	364,555,902	364,555,902	187,452,157	187,235,557	187,235,557
Total		513,777,401	432,873,844	432,873,844	897,834,753	353,264,391	353,264,391

U Microfinance Bank Limited

Notes to the Condensed Interim Financial Statements (Un-audited)

For the half year ended 30 June 2020

10.3 Particulars of provisions against non-performing advances

Note	(Un-audited) 30 June 2020			(Audited) 31 December 2019		
	Specific	General Rupees	Total	Specific	General Rupees	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	797,864,180	4,583,529	802,447,709	816,639,880	21,816,356	838,456,236
Advances written off	(718,254,727)	-	(718,254,727)	(535,634,449)	-	(535,634,449)
Reversals	-	-	-	-	-	-
Closing balance	<u>432,873,844</u>	<u>159,546,428</u>	<u>592,420,272</u>	<u>353,264,391</u>	<u>154,962,899</u>	<u>508,227,290</u>

10.4 Particulars of advances written off

	(Un-audited) 30 June 2020 Rupees	(Audited) 31 December 2019 Rupees
Against provisions	(718,254,727)	(506,918,213)
Directly charged to profit and loss account	-	(28,716,236)
	<u>(718,254,727)</u>	<u>(535,634,449)</u>

10.5 State Bank of Pakistan (SBP) vide its circular AC&MFD No. 1 of 2020 dated 26 March 2020 advised all microfinance banks that Microfinance Banks (MFBs), upon a written request of an obligor received before 30 June 2020, will defer repayment of principal loan amount by one year; provided that the obligor will continue to service the mark-up amount as per agreed terms and conditions. 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 past due, such financing facility will continue to be treated as regular and reported in the ECIB. Accordingly pursuant to the regulatory relief given by SBP to dampen the effects of COVID-19, the Bank has deferred / rescheduled advances and markup amounting to Rs. 4.38 billion and Rs. 1.08 billion, respectively, of its 78,437 customers.

11 OPERATING FIXED ASSETS

Note	(Un-audited) 30 June 2020 Rupees	(Audited) 31 December 2019 Rupees
Right of use asset (ROU)	1,313,150,803	1,429,341,831
Capital work-in-progress	44,518,181	67,245,962
Property and equipment	1,414,892,693	1,471,195,603
Intangible assets	168,575,891	136,738,568
	<u>2,941,137,568</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	31,251,681	29,663,568
Leasehold improvements		13,266,500	37,582,394
		<u>44,518,181</u>	<u>67,245,962</u>

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

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Notes to the Condensed Interim Financial Statements (Un-audited)

For the half year ended 30 June 2020

11.2 Property and equipment

	30 June 2020 (Un-audited)									
	Cost				Depreciation				Book value at 30 June 2020	Rate of depreciation % (per annum)
	At 01 January 2020	Additions	Disposals / Transfer	At 30 June 2020	At 01 January 2020	Charge for the period	Disposals	At 30 June 2020		
	Rupees									
Owned										
Furniture and fixture	188,359,184	8,789,440	-	197,148,624	41,799,387	10,138,357	-	51,937,744	145,210,880	10.00%
Computer equipments	200,257,510	54,286,705	-	254,544,215	139,307,999	68,840,328	-	208,148,327	46,395,888	33.33%
Electrical equipment	1,105,358,505	67,530,697	(34,652,577)	1,138,236,625	209,931,259	70,409,794	-	280,341,053	857,895,572	20.00%
Vehicle	31,597,740	-	-	31,597,740	21,525,721	2,252,356	-	23,778,077	7,819,663	20.00%
Office improvement	454,119,198	19,041,332	-	473,160,530	95,932,168	19,657,672	-	115,589,840	357,570,690	10.00%
	<u>1,979,692,137</u>	<u>149,648,174</u>	<u>(34,652,577)</u>	<u>2,094,687,734</u>	<u>508,496,534</u>	<u>171,298,507</u>	<u>-</u>	<u>679,795,041</u>	<u>1,414,892,693</u>	
	31 December 2019 (Audited)									
	Cost				Depreciation				Book value at 31 December 2019	Rate of depreciation % (per annum)
	At 01 January 2019	Additions	Disposals / Transfer	At 31 December 2019	At 01 January 2019	Charge for the year	Disposals	At 31 December 2019		
	Rupees									
Leased										
Vehicle	26,362,716	20,190,312	46,553,028	-	1,026,858	7,923,098	8,949,956	-	-	20%
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%
Computers	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%
Vehicle	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%
	<u>917,926,422</u>	<u>1,109,504,618</u>	<u>47,738,903</u>	<u>1,979,692,137</u>	<u>322,339,800</u>	<u>196,292,565</u>	<u>10,135,831</u>	<u>508,496,534</u>	<u>1,471,195,603</u>	

11.2.1 The cost of fully depreciated property and equipment that are still in use is Rs. 211,009,789 (31 December 2019: Rs. 198,483,015).

U Microfinance Bank Limited

Notes to the Condensed Interim Financial Statements (Un-audited)

For the half year ended 30 June 2020

11.3 Intangible assets

Note	30 June 2020 (Un-Audited)								Rates of amortization % (per annum)	
	Cost				Amortization			Book value at 30 June 2020		
	At 01 January 2020	Additions	Transfers	At 30 June 2020	At 01 January 2020	Charge for the year	At 30 June 2020			
	Rupees									
Computer softwares	11.3.1	217,484,528	12,189,628	34,652,577	264,326,733	80,745,960	15,004,882	95,750,842	168,575,891	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%
		229,957,645	12,189,628	34,652,577	276,799,850	93,219,077	15,004,882	108,223,959	168,575,891	
31 December 2019 (Audited)										
	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	Charge for the year	At 31 December 2019			
	Rupees									
Computer softwares	11.3.1	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%
		178,351,420	51,606,225	-	229,957,645	69,351,012	23,868,065	93,219,077	136,738,568	

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).

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Notes to the Condensed Interim Financial Statements (Un-audited)

For the half year ended 30 June 2020

			(Un-audited) 30 June 2020 Rupees	(Audited) 31 December 2019 Rupees
12	OTHER ASSETS	Note		
	Income / mark-up accrued	12.1	4,425,068,019	3,016,072,476
	Advances, deposits, advance rent and other prepayments		261,228,183	152,669,104
	Advance tax - net		17,980,486	19,183,051
	Inventory of ATM cards & stationery		15,317,355	8,472,151
	Receivable from Utility Companies/I-Link		11,119,959	-
	Advance to employees	12.2	50,400,901	38,280,632
	Receivable from SBP against crop and livestock insurance	12.3	443,758,935	497,710,786
	Insurance claims receivable		77,813,733	78,298,383
	Others		8,119,337	17,990,872
			5,310,806,908	3,828,677,455

12.1 This includes markup suspended amounting to Rs. 995 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 the 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.

		(Un-audited) 30 June 2020 Rupees	(Audited) 31 December 2019 Rupees
13	DEFERRED TAX ASSET		
	Deductable temporary differences arising in respect of		
	Provision against advances	171,801,879	147,385,914
	Deficit on revaluation of available for sale securities	(699,225)	1,549,152
	Remeasurements of employees' retirement benefits	3,259,061	3,259,061
	Lease finance facilities	43,889,531	34,200,832
		218,251,246	186,394,959
	Taxable temporary differences arising in respect of		
	Accelerated tax depreciation / amortization allowance	(80,736,764)	(97,299,842)
	Treasury Bills	(9,458,575)	(12,740,588)
		128,055,907	76,354,529

		(Un-audited)		(Audited)	
		30 June 2020		31 December 2019	
		Number of	Amount	Number of	Amount
		accounts	Rupees	accounts	Rupees
14	DEPOSITS AND OTHER ACCOUNTS				
	Fixed deposits	2,461	16,877,476,049	2,678	14,836,423,300
	Saving deposits	13,478	8,829,769,551	12,652	6,071,321,337
	Current deposits	1,008,530	2,098,960,239	824,179	2,382,514,834
		1,024,469	27,806,205,839	839,509	23,290,259,471

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Notes to the Condensed Interim Financial Statements (Un-audited)

For the half year ended 30 June 2020

		(Un-audited) 30 June 2020	(Audited) 31 December 2019
15	BORROWINGS		
	Borrowings from Banks / Financial Institutions in Pakistan:		
	<i>Secured</i>		
	Allied Bank Limited	500,000,000	750,000,000
	Faysal Bank Limited	666,666,667	833,333,333
	Allied Bank Limited - II	3,333,333,334	2,000,000,000
	NBP-Running Finance	500,000,000	500,000,000
	Faysal Bank Limited - II	833,331,667	999,998,000
	Bank of Punjab	100,000,000	150,000,000
	State Bank of Pakistan	1,500,000,000	1,500,000,000
	Repo Borrowing	2,439,119,500	-
		9,872,451,168	6,733,331,333

- 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 represents 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. This 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 passu within 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. In accordance with the agreement entered into with Allied Bank Limited, the Bank was required to maintain certain ratios which exceeded the required threshold as at year end.
- 15.4** This represents utilized amount of running finance facility from National Bank of Pakistan Limited of Rs. 500 million carrying markup of 3-months KIBOR plus 0.75% (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 represents term finance loan of Rs. 1 billion carrying markup of 6-months KIBOR plus 0.75% (2019: 6-Months KIBOR plus 0.75%) per annum. This loan 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 within 90 days from the date of offer letter dated 21 December 2018. This loan is repayable in 6 semi-annual instalments of Rs. 166.66 million each, after a grace period of 01 year with notional principal payment of Rs. 1,000 within first two semi-annual markup payments.
- 15.6** This represent 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. This loan was disbursed on 12 March 2019.

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- 15.7 This represents unsecured 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. Mark-up amount is payable on every half year end i.e. 30 June and 31 December, while payment of principal 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 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.

- 15.8 This represent Repo Borrowing from
- SAMBA Bank at the rate of 8.25% amounting to Rs. 485 million with the tenor of less than a month;
 - JS Bank at the rate of 8.20% amounting to Rs. 487 million with the tenor of less than a month;
 - National Bank of Pakistan at the rate of 7.10% amounting to Rs. 487 million with the tenor of less than a month;
 - Bank of Punjab at the rate of 7.90% amounting to Rs. 978 million with the tenor of less than a month.

16	SUBORDINATED DEBT	Note	(Un-audited)	(Audited)
			30 June 2020	31 December 2019
	Term Finance Certificates	16.1	599,280,000	599,400,000
	Subordinated loan PTCL	16.2	3,200,000,000	4,000,000,000
			<u>3,799,280,000</u>	<u>4,599,400,000</u>

- 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 period, 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. Also refer note 18.3.

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Notes to the Condensed Interim Financial Statements (Un-audited)

For the half year ended 30 June 2020

		(Un-audited) 30 June 2020	(Audited) 31 December 2019
	Note	Rupees	Rupees
17 OTHER LIABILITIES			
Mark-up / return / interest payable		789,458,036	491,831,224
Accrued expenses		32,736,789	301,681,149
Payable to Pak Telecom Mobile Limited (PTML), an associated company		118,667,576	63,427,705
Payable to utility companies for utility bills collection		-	11,512,274
Uncollected remittances		59,976,825	62,260,334
Lease liability		1,210,380,613	1,320,784,590
Finance lease liabilities - vehicles	17.1	28,040,487	30,172,121
Payable to staff retirement benefit - gratuity		-	1,235,802
Payable to defined contribution plan - provident fund		-	3,517,822
Bills payable		68,765,984	70,834,204
Others		61,627,765	26,642,836
Workers' Welfare Fund		34,972,375	32,450,046
		2,404,626,450	2,416,350,107

- 17.1 The Bank has leased vehicles from commercial banks for a period of five years. These carry finance charge at six month KIBOR plus 1% (2019: six month KIBOR plus 0.9%). The rentals are payable in equal monthly instalments in advance upto September 2024. 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.

18 SHARE CAPITAL

(Un-audited) 30 June 2020	(Audited) 31 December 2019		(Un-audited) 30 June 2020	(Audited) 31 December 2019
Number	Number		Rupees	Rupees
20,000,000	20,000,000	Ordinary shares of Rs. 10 per share fully paid in cash	200,000,000	200,000,000
8,571,429	8,571,429	Fully paid shares of Rs. 10 each issued as right shares at discounted rate of Rs. 7 each.	85,714,290	85,714,290
200,000,000	200,000,000	Fully paid shares of Rs. 10 each in cash issued as right shares at par.	2,000,000,000	2,000,000,000
80,000,000	-	Fully paid shares of Rs. 10 each in cash issued as other than right shares at par.	800,000,000	-
308,571,429	228,571,429		3,085,714,290	2,285,714,290

- 18.1 Pakistan Telecommunication Company Limited (PTCL), the Parent Company, holds 100% shares of the Bank.
- 18.2 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.
- 18.3 During the period, the Bank issued 80 million additional shares amounting to Rs. 800 million 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.

19 MEMORANDUM/ OFF BALANCE SHEET ITEMS

19.1 Contingencies

There are no material contingencies as at 30 June 2020 (31 December 2019: Nil).

19.2 Commitments

Standby letter of guarantee
Property and equipment
Intangible assets

	(Un-audited) 30 June 2020	(Audited) 31 December 2019
Note	Rupees	Rupees
19.1	9,600,000	9,600,000
	24,155,393	78,008,400
	-	1,162,500
	33,755,393	88,770,900

- 19.1 This represents letter of guarantee issued by the Bank to China Union Pay International Company Limited for interbank settlements.

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For the half year ended 30 June 2020

	Quarter ended		Half year ended	
	(Un-audited) 30 June 2020 Rupees	(Un-audited) 30 June 2019 Rupees	(Un-audited) 30 June 2020 Rupees	(Un-audited) 30 June 2019 Rupees
20 MARK-UP/ RETURN/ INTEREST EARNED				
Mark-up / return / interest on advances	2,070,901,900	1,429,737,732	3,937,343,255	2,721,374,690
Interest on investments in government securities	115,823,670	53,398,812	271,914,831	103,059,688
Interest on deposit accounts / TDRs with other banks / financial institutions	139,283,409	303,475,519	248,278,689	606,642,128
	<u>2,326,008,979</u>	<u>1,786,612,063</u>	<u>4,457,536,775</u>	<u>3,431,076,506</u>
21 MARK-UP/ RETURN/ INTEREST EXPENSED				
Mark-up / return / interest expense on deposits	703,340,733	581,110,332	1,363,985,219	1,136,892,554
Mark-up expense on borrowings from banks / financial ins	402,808,437	335,159,757	819,905,931	644,331,427
	<u>1,106,149,170</u>	<u>916,270,089</u>	<u>2,183,891,150</u>	<u>1,781,223,981</u>
22 FEE, COMMISSION AND BROKERAGE INCOME				
Loan processing fee	197,497,641	145,885,988	455,530,794	323,022,007
Branchless banking	14,747,234	13,363,346	30,572,352	30,180,717
Other fee income collected from customers	10,770,179	3,925,034	27,389,703	5,513,369
	<u>223,015,054</u>	<u>163,174,368</u>	<u>513,492,849</u>	<u>358,716,093</u>
23 OTHER INCOME				
Recovery against advances written off	9,595,230	3,654,658	21,008,597	4,771,586
Gain / (loss) on sale of AFS Investment	45,699,661	(371,333)	65,813,847	(490,741)
Other	355,246	50,983	1,148,664	482,312
	<u>55,650,137</u>	<u>3,334,308</u>	<u>87,971,108</u>	<u>4,763,157</u>
24 ADMINISTRATIVE EXPENSES				
Staff salaries and benefits	462,791,572	361,626,785	868,098,792	682,412,907
Charge for defined benefit plan - gratuity	10,381,451	8,534,719	19,388,226	15,598,044
Contribution to defined contribution plan - provident fund	9,556,048	6,962,904	17,843,106	13,416,392
Non-Executive directors' fee	353,406	88,880	463,406	168,880
Financial charges on leased assets	1,890,753	639,368	3,063,629	1,177,052
Insurance	37,196,837	21,916,654	73,962,994	43,087,526
Rent, rate and taxes	20,991,510	75,253,169	35,977,878	145,979,434
Marketing expenses	8,798,590	6,461,624	13,706,926	14,519,757
Travelling and conveyance	4,681,953	19,902,333	24,439,594	41,371,098
Postage and courier	5,556,091	5,018,781	11,747,229	8,845,936
Utilities	27,301,375	22,510,197	53,277,545	37,147,771
Repair and maintenance	52,010,464	39,255,469	100,900,864	73,209,743
Depreciation on property and equipment	98,228,064	38,176,548	171,298,507	72,232,052
Amortization of intangible assets	8,493,459	6,927,756	15,004,881	11,134,789
Depreciation on right of use assets	48,323,030	-	113,319,540	-
Software support and maintenance fee	33,205,117	22,234,413	55,384,653	29,910,164
Stationery and printing	20,646,966	13,238,864	47,448,992	20,772,072
Auditors' remuneration	1,613,400	200,000	2,244,499	571,080
Legal and professional fee	8,263,866	5,177,678	13,128,009	8,105,595
Security services	55,511,696	46,993,397	113,082,447	81,946,631
Interest expense on ROU liability	57,024,525	-	89,660,140	-
Office supplies	4,861,911	8,470,349	11,668,985	15,676,411
Internet and connectivity charges	26,195,500	8,540,686	54,373,309	21,979,598
NADRA verification charges	4,504,751	7,755,733	17,191,501	12,898,258
SBP penalty	-	-	5,472,000	-
Bank charges	5,203,830	3,714,620	11,251,000	5,824,047
Other	1,656,717	6,288,770	3,146,770	12,315,688
	<u>1,015,242,882</u>	<u>735,889,697</u>	<u>1,946,545,423</u>	<u>1,370,300,925</u>

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For the half year ended 30 June 2020

	Quarter ended		Half year ended	
	(Un-audited) 30 June 2020 Rupees	(Un-audited) 30 June 2019 Rupees	(Un-audited) 30 June 2020 Rupees	(Un-audited) 30 June 2019 Rupees
25 TAXATION				
Current				
- for the year	(22,029,756)	(42,378,103)	(60,968,975)	(103,230,771)
- for prior years	(3,730,686)	-	(3,730,686)	(1,513,184)
	(25,760,442)	(42,378,103)	(64,699,661)	(104,743,955)
Deferred	15,641,273	6,722,030	53,949,755	23,595,064
	(10,119,169)	(35,656,073)	(10,749,906)	(81,148,891)

	(Un-audited) 30 June 2020	(Audited) 31 December 2019
26 CASH AND CASH EQUIVALENTS		
Cash and balances with SBP and NBP	2,186,273,171	1,717,205,410
Balances with other banks / NBFIs / MFBs	5,768,191,151	3,019,826,466
	<u>7,954,464,322</u>	<u>4,737,031,876</u>

27 NUMBER OF EMPLOYEES		
Credit / sales staff	110	127
Permanent	862	915
Contractual	972	1,042
Banking / support staff		
Permanent	681	683
Contractual	930	875
	1,611	1,558
Total number of employees at the end of the period/ year	<u>2,583</u>	<u>2,600</u>
Average number of employees during the period/ year	<u>2,575</u>	<u>2,376</u>

28 NUMBER OF BRANCHES		
Branches at beginning of the period/ year	212	141
Opened during the year	-	61
- Branches / Booth	-	10
- Service Centers	-	-
Branches & Service Centers at the end of the period/ year	<u>212</u>	<u>212</u>

29 EARNING PER SHARE

Basic

Basic earning 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 period.

	Quarter ended		Half year ended	
	(Un-audited) 30 June 2020 Rupees	(Un-audited) 30 June 2019 Rupees	(Un-audited) 30 June 2020 Rupees	(Un-audited) 30 June 2019 Rupees
Profit attributable to equity holders (Rupees)	108,314,228	112,499,855	112,844,215	263,350,733
Weighted average number of shares (numbers)	259,780,220	228,571,429	259,780,220	228,571,429
Earning per share - basic (Rupees)	0.42	0.49	0.43	1.15

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

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NOTES TO THE FINANCIAL STATEMENTS

30 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	30-Jun-20 Rupees	30-Jun-19 Rupees
Parent Company		
Issue of share capital	800,000,000	-
Utility Bill collected on behalf of the Parent Company	34,814,177	32,020,970
Payment in regards utility bills collected on behalf of the Parent Company	34,814,177	31,036,747
Utility Bill collection charges	534,989	124,056
Payment for administrative costs and fixed assets	73,806,161	18,068,766
Interest expense on TIER-II subordinated Debt Payment	265,082,106	253,297,517
Interest expense on PTCL employee GP fund	100,794,243	77,950,332
Advance for purchase of ICT hardware	-	69,287,244
Associated Company - Pak Telecom Mobile Limited (PTML)		
Payment for administrative costs and fixed assets	-	19,957,887
Amount received against reimbursement of agent's commission	137,973,822	122,241,578
Expense incurred on behalf of PTML	-	15,389,567
Associated Company - Pakistan Telecommunication Employees Trust (PTET)		
Interest expense on deposits	37,106,137	18,164,384
Employees' provident fund		
Contribution to provident fund	17,843,106	13,416,392
Employees' gratuity fund		
Payment to gratuity fund	19,388,226	15,598,044
Balances	30-Jun-20 Rupees	31-Dec-19 Rupees
Parent Company		
Deposits	419,910	565,522,573
Interest payable on deposits	-	374
Payable against utility bills collected	1,142,181	35,948
Utility bills collection charges receivable	1,968,114	1,792,839
Employee GP fund	1,546,698,503	1,383,127,074

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Balances	30-Jun-20 Rupees	31-Dec-19 Rupees
Interest payable on deposits - PTCL Employees' GP Fund	100,794,243	7,130,217
Associated Company - Pakistan Telecommunication Employees Trust		
Deposits	1,286,411,019	1,050,001,647
Interest payable on deposits	24,109,589	39,378,995
Associated Company - Pak Telecom Mobile Limited		
Employees' Gratuity fund	472,592,862	400,088,157
Payable against branchless banking and bills collected	118,667,576	63,427,705
Interest payable on deposits	4,558,904	352,811
Employees' provident fund		
Deposits	152,230,117	125,859,943
Interest payable on deposits	-	1,272,161
Payable to provident fund	-	3,517,822
Employees' gratuity fund		
Deposits	100,332,035	80,010,244
Interest payable on deposits	-	541,000
Payable to gratuity fund	-	1,235,802

31 GENERAL

- 31.1** 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.

32 DATE OF APPROVAL

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

PRESIDENT / CHIEF EXECUTIVE

CHAIRMAN

DIRECTOR

DIRECTOR