

U Microfinance Bank Limited
Condensed Interim Balance Sheet (Un-audited)
As at 30 June 2021

		(Un-audited) 30 June 2021 (Rupees)	(Audited) 31 December 2020 (Rupees)
	Note		
ASSETS			
Cash and balances with SBP and NBP	6	3,548,907,176	3,160,116,831
Balances with other Banks/ NBFIs/ MFBs	7	1,001,376,290	1,908,209,748
Lending to financial institutions		-	450,000,000
Investments - net of provisions	8	28,007,380,062	24,074,499,338
Advances - net of provisions	9	33,020,173,403	30,006,298,899
Operating fixed assets	10	2,680,230,813	2,917,413,581
Other assets	11	9,145,124,833	7,797,247,350
Deferred tax asset	12	541,073,614	399,616,598
Total Assets		77,944,266,191	70,713,402,345
LIABILITIES			
Deposits and other accounts	13	46,795,417,654	46,104,640,853
Borrowings	14	18,063,422,163	13,274,190,642
Subordinated debt	15	2,799,040,000	2,799,160,000
Other liabilities	16	3,956,718,980	2,860,212,627
Deferred tax liabilities		-	-
Total Liabilities		71,614,598,797	65,038,204,122
Net Assets		6,329,667,394	5,675,198,223
REPRESENTED BY:			
Share capital	17	3,085,714,290	3,085,714,290
Advance against issue of shares	18	1,000,000,000	1,000,000,000
Discount on issue of share capital		(25,714,290)	(25,714,290)
Statutory and general reserves		410,876,256	410,876,256
Depositors' protection fund		102,719,064	102,719,064
Unappropriated profit		1,769,584,003	1,099,564,241
		6,343,179,323	5,673,159,561
Surplus / (deficit) on revaluation of assets		(14,578,233)	628,774
Deferred grants		1,066,304	1,409,888
Total Capital		6,329,667,394	5,675,198,223

MEMORANDUM / OFF BALANCE SHEET ITEMS

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The annexed notes from 1 to 33 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 2021

	Note	Quarter ended		Half year ended	
		30 June 2021 (Rupees)	30 June 2020 (Rupees)	30 June 2021 (Rupees)	30 June 2020 (Rupees)
Mark-up / return / interest earned	20	2,778,461,635	2,326,008,979	5,714,978,708	4,457,536,775
Mark-up / return / interest expensed	21	(1,316,035,065)	(1,106,149,170)	(2,593,309,625)	(2,183,891,150)
Net mark-up / interest income		1,462,426,570	1,219,859,809	3,121,669,083	2,273,645,625
Provision against non-performing loans and advances	9	(267,661,317)	(362,326,392)	(421,363,380)	(802,447,709)
Provision for diminution in the value of investments		-	-	-	-
Bad debts written off directly		(2,357,143)	-	(5,187,219)	-
Net mark-up / interest income after provisions		1,192,408,110	857,533,417	2,695,118,484	1,471,197,916
NON MARK-UP / NON INTEREST INCOME					
Fee, commission and brokerage income	22	244,297,724	223,015,054	500,074,402	513,492,849
Dividend income		-	-	-	-
Other income	23	86,693,653	55,650,137	93,300,675	87,971,108
Total non-markup / non interest income		330,991,376	278,665,191	593,375,077	601,463,957
		1,523,399,486	1,136,198,608	3,288,493,561	2,072,661,873
NON MARK-UP / NON INTEREST EXPENSES					
Administrative expenses	24	(1,238,494,879)	(1,015,242,882)	(2,446,580,921)	(1,946,545,423)
Other provisions / write offs		-	-	-	-
Other charges		-	-	-	-
Total non-markup / non interest expenses		(1,238,494,879)	(1,015,242,882)	(2,446,580,921)	(1,946,545,423)
Extra ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		284,904,607	120,955,726	841,912,640	126,116,450
Workers welfare fund (WWF)		(5,696,913)	(2,522,329)	(16,837,073)	(2,522,329)
		279,207,694	118,433,397	825,075,567	123,594,121
TAXATION					
Current		(86,608,977)	(22,029,756)	(293,888,048)	(60,968,975)
Prior years		-	(3,730,686)	-	(3,730,686)
Deferred		68,245,326	15,641,273	138,832,243	53,949,755
	25	(18,363,651)	(10,119,169)	(155,055,805)	(10,749,906)
PROFIT AFTER TAXATION		260,844,043	108,314,228	670,019,762	112,844,215
Unappropriated profit brought forward		1,508,739,960	517,116,030	1,099,564,241	512,586,043
Less: Other comprehensive income		-	-	-	-
Profit available for appropriation		1,769,584,003	625,430,258	1,769,584,003	625,430,258
APPROPRIATIONS:					
Transfer to:					
Statutory reserve		-	-	-	-
Capital reserve		-	-	-	-
Contribution to MSDF/ DPF/ RMF		-	-	-	-
Revenue reserve		-	-	-	-
Interim cash dividend Rs. Nil (2021: Rs. Nil)		-	-	-	-
		-	-	-	-
UNAPPROPRIATED PROFIT CARRIED FORWARD		1,769,584,003	625,430,258	1,769,584,003	625,430,258
EARNINGS PER SHARE	29	0.85	0.42	2.17	0.43

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

PRESIDENT / CHIEF EXECUTIVE

CHAIRMAN

DIRECTOR

DIRECTOR

U Microfinance Bank Limited
Condensed interim cashflow statement (Un-audited)
For the half year ended 30 June 2021

		30 June 2021 (Rupees)	30 June 2020 (Rupees)
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		825,075,567	123,594,121
Less: Dividend income		-	-
		<u>825,075,567</u>	<u>123,594,121</u>
Adjustments for non-cash charges			
Depreciation of property and equipment	10.2	196,917,548	171,298,507
Amortization of intangible assets	10.3	25,896,805	15,004,882
Depreciation of right of use assets		136,948,131	113,319,540
Interest expense		-	89,660,140
Provisions against non-performing advances	9.3	421,363,380	802,447,709
Advances written off against provision	9.4	(3,350,472)	(718,254,727)
Provision for gratuity	24	23,896,807	19,388,226
Loss on sale of fixed assets		3,338,534	52,333
Finance charges on leased assets		77,919,613	3,063,629
		<u>882,930,346</u>	<u>495,980,239</u>
		1,708,005,913	619,574,360
Increase in operating assets			
Advances		(3,431,887,412)	(3,246,657,766)
Other assets (excluding advance taxation)		(1,355,727,204)	(1,483,332,019)
Increase in operating liabilities		-	-
Bills payables		-	-
Deposits and other accounts		690,776,801	4,515,946,368
Other liabilities (excluding current tax, bills payable, finance lease and provision for gratuity)		1,035,291,669	102,047,757
		<u>(3,061,546,146)</u>	<u>(111,995,660)</u>
Net cash (used in) / generated from operations		(1,353,540,233)	507,578,700
Payments against provisions held against off-balance sheet obligations			
Gratuity paid		(12,447,826)	(20,624,028)
Income taxes paid		(70,368,894)	(63,497,096)
Net cash (used in) / generated from operating activities		<u>(1,436,356,953)</u>	<u>423,457,576</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available for sale securities - Government securities		(268,087,731)	2,083,440,765
Net investments in term deposits receipts		(3,680,000,000)	-
Investments in operating fixed assets		(121,352,079)	(139,110,021)
Sale proceeds of property and equipment disposed-off		537,481	2,721,343
Net cash (Outflows)/ inflow from investing Activities		<u>(4,068,902,329)</u>	<u>1,947,052,087</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Payments of subordinated loan		(120,000)	-
Borrowings obtained during the period		136,772,052,357	4,539,119,500
Borrowings repaid during the period		(131,982,820,836)	(1,400,119,666)
Payments of lease obligations		(251,895,352)	(202,913,191)
Issue of share capital		-	-
Dividend paid		-	-
Lending to Financial Institutions		450,000,000	(2,089,163,860)
Net cash generated from financing activates		<u>4,987,216,169</u>	<u>846,922,783</u>
Net (decrease) / increase in cash and cash equivalents		<u>(518,043,113)</u>	<u>3,217,432,446</u>
Cash and cash equivalents at beginning of the period		5,068,326,579	4,737,031,876
Cash and cash equivalents at the end of period	26	<u><u>4,550,283,466</u></u>	<u><u>7,954,464,322</u></u>

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

PRESIDENT / CHIEF EXECUTIVE

CHAIRMAN

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U Microfinance Bank Limited
Condensed Interim Statement of Changes in Equity (Un-audited)
For the half year ended 30 June 2021

	Share capital	Advance against issue of shares	Discount on issue of share capital	Capital reserve Statutory reserve	Depositors' protection fund	Revenue reserve Unappropriated profit	Total
	Rupees						
Balance at 31 December 2019 (Audited)	2,285,714,290	-	(25,714,290)	229,644,265	57,411,066	512,586,043	3,059,641,374
Profit for the period	-	-	-	-	-	906,159,954	906,159,954
Other comprehensive income	-	-	-	-	-	7,358,233	7,358,233
Total comprehensive income	-	-	-	-	-	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)	-
Transactions with owners, recorded directly in equity							
Contributions and distributions							
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
Balance at 31 December 2020 (Audited)	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
Balance at 31 December 2020, as previously reported (Audited)	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
Profit for the period	-	-	-	-	-	670,019,762	670,019,762
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	670,019,762	670,019,762
Transfer to:							
Statutory reserve*	-	-	-	-	-	-	-
Depositors' Protection Fund**	-	-	-	-	-	-	-
Balance at 30 June 2021 (Un-audited)	3,085,714,290	1,000,000,000	(25,714,290)	410,876,256	102,719,064	1,769,584,003	6,343,179,323

The annexed notes from 1 to 33 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. 134,003,952 (30 June 2020: Rs. 22,568,843). 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. 33,500,988 (30 June 2020: Rs. 5,642,211). This appropriated profit is not available for dividend distribution.

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U Microfinance Bank Limited

Condensed interim statement of comprehensive income (Un-audited)

For the half year ended 30 June 2021

	Quarter ended		Half year ended	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	Rupees	Rupees	Rupees	Rupees
Profit for the period	260,844,043	108,314,228	670,019,762	112,844,215
Other comprehensive income for the period	-	-	-	-
Comprehensive income for the period transferred to equity	260,844,043	108,314,228	670,019,762	112,844,215

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

Items that may be reclassified to profit and loss:

Gain on revaluation of available for sale investments - net
Gain on revaluation of assets transferred to profit and loss
Related tax impact

58,130,028	69,957,013	58,071,882	110,640,353
(23,809,979)	(45,699,661)	(79,490,197)	(65,813,847)
(3,341,019)	(21,144,662)	6,211,311	(32,085,702)
30,979,030	3,112,690	(15,207,004)	12,740,804

Total comprehensive income for the period

291,823,073	111,426,918	654,812,758	125,585,019
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The annexed notes from 1 to 33 form an integral part of these condensed interim financial statements.

PRESIDENT / CHIEF EXECUTIVE

CHAIRMAN

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DIRECTOR

U Microfinance Bank Limited

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

For the half year ended 30 June 2021

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 29 April 2021.

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 2021

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 had decided to extend the timeline of the tasks related to IFRS 9 implementation till periods beginning on or after 01 July 2020. However, keeping in view of COVID-19 impact and banking industry representations, SBP vide circular no. 24 of 2021 dated 05 July 2021 has decided to implement IFRS 9 from 01 January 2022.

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 2020. Comparative condensed interim balance sheet is extracted from the audited annual financial statements as of 31 December 2020, 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 2020.

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.

4.1 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 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 2021

			(Un-audited) 30 June 2021 Rupees	(Audited) 31 December 2020 Rupees
6	CASH AND BALANCES WITH SBP AND NBP	Note		
	Cash in hand - Local currency		923,349,227	920,790,506
	<i>Local currency current accounts</i>			
	Balances with State Bank of Pakistan (SBP)	6.1	2,624,781,763	2,238,550,139
	Balances with National Bank of Pakistan (NBP)		776,186	776,186
			<u>3,548,907,176</u>	<u>3,160,116,831</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% (2020: 5%) of the Bank's time and demand deposits liabilities with tenure of less than one year. This also includes Rs. 136,220,052 (2020: 102,719,064) maintained with SBP under Depositors' Protection Fund.

			(Un-audited) 30 June 2021 Rupees	(Audited) 31 December 2020 Rupees
7	BALANCES WITH OTHER BANKS/ NBFIs/ MFBs	Note		
	In Pakistan - Local currency			
	Current accounts	7.1	13,207,470	11,702,453
	Deposit accounts	7.2	988,168,820	1,896,507,295
			<u>1,001,376,290</u>	<u>1,908,209,748</u>

7.1 This includes Rs. 10,600,000 (2020: 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 5.5% to 8.25% (2020: 6.5% to 11.50%) per annum.

U Microfinance Bank Limited

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

For the half year ended 30 June 2021

		(Un-audited) 30 June 2021 Rupees	(Audited) 31 December 2020 Rupees
8	INVESTMENTS - NET OF PROVISIONS		
	<i>Federal Government Securities - Available for sale</i>		
	Market Treasury Bills (T-Bills)	8.1 2,985,548,537	10,352,699,370
	Pakistan Investment Bonds (PIBs)	8.2 11,355,017,409	7,601,060,234
	Mutual Funds	8.3 3,883,906,162	-
	Unrealised loss on revaluation of investments	8.5 (17,092,046)	739,734
		<u>18,207,380,062</u>	<u>17,954,499,338</u>
	<i>Held to maturity</i>		
	Term deposit receipts	8.4 9,800,000,000	6,120,000,000
	Less: Provision for diminution in value of investments	-	-
		<u>28,007,380,062</u>	<u>24,074,499,338</u>

8.1 This represents market treasury bills having yield of 7.11% to 7.8% (2020: 7.5% to 7.65%) per annum and are maturing in Sep 2021 (2020: maturing in Oct 2020).

8.2 This represents PIBs having yield of 8.03% to 9.23% (2020: Nil) per annum and are maturing in October 2025.

8.3 This represents 386,947,302 units (2020: Nil) held in ABL Asset Management at the purchase price of Rs. 10.0373 per unit.

8.4 Term Deposit Receipts (TDR) carries markup at rate ranging between 8.00% to 9.5% (2020: 11.30% to 12%) per annum with maturities upto 1 year.

	(Un-audited) 30 June 2021 Rupees	(Audited) 31 December 2020 Rupees
8.5 Revaluation of available for sale securities - net of deferred tax		
Market Treasury Bills (T-Bills)	1,259,000	648,500
Pakistan Investment Bonds (PIBs)	(18,351,046)	91,234
	(17,092,046)	739,734
Related deferred tax effect	2,513,813	(110,960)
	<u>(14,578,233)</u>	<u>628,774</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 2021

9 ADVANCES - NET OF PROVISIONS

Loan type	Note	(Un-audited) 30 June 2021		(Audited) 31 December 2020	
		Number	Rupees	Number	Rupees
Micro credit					
Secured		98,393	17,073,933,853	86,949	14,648,994,902
Unsecured		261,766	17,677,315,334	259,309	16,670,366,873
		<u>360,159</u>	<u>34,751,249,187</u>	<u>346,258</u>	<u>31,319,361,775</u>
Provisions held					
Specific		16,302	(351,049,429)	516	(7,247,107)
General	9.1		(1,380,026,355)		(1,305,815,769)
			<u>(1,731,075,784)</u>		<u>(1,313,062,876)</u>
Advances - net of provisions	9.2		<u>33,020,173,403</u>		<u>30,006,298,899</u>

- 9.1 General provision is maintained at the rate of 1% (2020: 1%) of unsecured micro credit balance net of specific provision amounting Rs. 351.05 million (2020: Rs. 7.24 million) and risk coverage by SBP under credit guarantee for small and marginalized farmers (CGSMF) amounting to Rs. 600 million (2020: Rs. 520 million), 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. 1,212 million (2020: 1,144 million) is recognized in the financial statements based on management's assessment of asset quality and credit risk.

9.2 Particulars of non-performing advances

Advances include Rs. 1,289,619,936 (2020: Rs. 35,871,364) as detailed below, which have been placed under non-performing status. Non-performing advances include Rs. 54.76 million (2020: Rs. 4 million) of secured loans on which there is no provision as per regulation.

Category of classification	Provision rate	(Un-audited) 30 June 2021			(Audited) 31 December 2020		
		Amount outstanding	Provisions required	Provisions held	Amount outstanding	Provisions required	Provisions held
		Rupees					
Other Assets Especially Mentioned (OAEM)	-	532,240,217	-	-	15,371,672	-	-
Sub-standard	25%	130,101,830	29,466,241	29,466,241	9,018,144	2,022,961	2,022,961
Doubtful	50%	603,197,890	298,780,238	298,780,238	8,464,804	3,174,302	3,174,302
Loss	100%	24,079,999	22,802,950	22,802,950	3,016,744	2,049,844	2,049,844
Total		1,289,619,936	351,049,429	351,049,429	35,871,364	7,247,107	7,247,107

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9.3 Particulars of provisions against non-performing advances

Note	(Un-audited) 30 June 2021			(Audited) 31 December 2020		
	Specific	General Rupees	Total	Specific	General Rupees	Total
Opening balance	7,247,107	1,305,815,769	1,313,062,876	353,264,391	154,962,899	508,227,290
Charge for the year	347,152,794	74,210,586	421,363,380	429,013,209	1,150,852,870	1,579,866,079
Advances written off	(3,350,472)	-	(3,350,472)	(775,030,493)	-	(775,030,493)
Reversals	-	-	-	-	-	-
Closing balance	<u>351,049,429</u>	<u>1,380,026,355</u>	<u>1,731,075,784</u>	<u>7,247,107</u>	<u>1,305,815,769</u>	<u>1,313,062,876</u>

9.4 Particulars of advances written off

	(Un-audited) 30 June 2021 Rupees	(Audited) 31 December 2020 Rupees
Against provisions	(3,350,472)	(773,188,812)
Directly charged to profit and loss account	(5,187,219)	(1,841,681)
	<u>(8,537,691)</u>	<u>(775,030,493)</u>

9.5 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). Accordingly, pursuant to the regulatory relief given by SBP to dampen the effects of COVID-19, the Bank has restructured / deferred 167,970 loans amounting to Rs. 10,480 million (2020: Rs. 8,499 million).

10 OPERATING FIXED ASSETS

Note	(Un-audited) 30 June 2021 Rupees	(Audited) 31 December 2020 Rupees
Right of use asset (ROU)	1,072,261,492	1,204,105,972
Capital work-in-progress	77,550,492	75,560,939
Property and equipment	1,297,199,033	1,435,956,474
Intangible assets	233,219,796	201,790,196
	<u>2,680,230,813</u>	<u>2,917,413,581</u>

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	Note	(Un-audited) 30 June 2021 Rupees	(Audited) 31 December 2020 Rupees
10.1 Capital work-in-progress			
Breakup of capital work in progress at the reporting date is as follows:			
Advances to suppliers / contractors	10.1.1	26,627,498	27,926,998
Leasehold improvements		50,922,994	47,633,941
		<u>77,550,492</u>	<u>75,560,939</u>

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

10.2 Property and equipment

	30 June 2021 (Un-audited)								Book value at 30 June 2021	Rate of depreciation % (per annum)
	Cost				Depreciation					
	At 01 January 2021	Additions	Disposals / Transfer	At 30 June 2021	At 01 January 2021	Charge for the period	Disposals	At 30 June 2021		
	Rupees									
Owned										
Furniture and fixture	205,768,045	4,080,036	(4,822,911)	205,025,170	62,626,997	10,105,066	(1,614,985)	71,117,078	133,908,092	10.00%
Computer equipments	383,778,928	18,152,200	(633,379)	401,297,749	214,761,095	139,145,641	(633,379)	353,273,357	48,024,392	33.33%
Electrical equipment	1,194,316,122	23,986,522	(5,726,724)	1,212,575,920	423,636,719	23,244,901	(5,369,102)	441,512,518	771,063,402	20.00%
Vehicle	31,597,740	-	-	31,597,740	26,030,433	1,939,109	-	27,969,542	3,628,198	20.00%
Office improvement	488,235,042	15,817,363	(605,569)	503,446,836	140,684,159	22,482,831	(295,103)	162,871,887	340,574,949	10.00%
	<u>2,303,695,877</u>	<u>62,036,121</u>	<u>(11,788,583)</u>	<u>2,353,943,415</u>	<u>867,739,403</u>	<u>196,917,548</u>	<u>(7,912,569)</u>	<u>1,056,744,382</u>	<u>1,297,199,033</u>	
	31 December 2020 (Audited)									
	Cost				Depreciation				Book value at 31 December 2020	Rate of depreciation % (per annum)
	At 01 January 2020	Additions	Disposals / Transfer	At 31 December 2020	At 01 January 2020	Charge for the year	Disposals	At 31 December 2020		
	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%
Computers	200,257,510	104,982,182	78,539,236	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%
Vehicle	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%
	<u>1,979,692,137</u>	<u>359,493,006</u>	<u>(35,489,266)</u>	<u>2,303,695,877</u>	<u>508,496,534</u>	<u>359,818,212</u>	<u>(575,343)</u>	<u>867,739,403</u>	<u>1,435,956,474</u>	

10.2.1 The cost of fully depreciated property and equipment that are still in use is Rs. 272,917,965 (31 December 2020: Rs. 211,009,789).

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10.3 Intangible assets

		30 June 2021 (Un-Audited)							Book value at 30 June 2021	Rates of amortization % (per annum)
Note		Cost			Amortization					
		At 01 January 2021	Additions	Transfers	At 30 June 2021	At 01 January 2021	Charge for the year	At 30 June 2021		
		Rupees								
Computer softwares	10.3.1	330,656,491	57,326,405	-	387,982,896	128,866,295	25,896,805	154,763,100	233,219,796	10.00%
Licenses		-	-	-	-	-	-	-	-	20.00%
Mail server		-	-	-	-	-	-	-	-	33.33%
		<u>330,656,491</u>	<u>57,326,405</u>	<u>-</u>	<u>387,982,896</u>	<u>128,866,295</u>	<u>25,896,805</u>	<u>154,763,100</u>	<u>233,219,796</u>	
31 December 2020 (Audited)										
		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	Charge for the year			At 31 December 2020
		Rupees								
Computer softwares	10.3.1	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>128,866,295</u>	<u>201,790,196</u>	

10.3.1 This includes operating system and microsoft office licenses. The average remaining life of the computer softwares is 3.5 years (2020: 04 years).

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11.1	This includes markup suspended amounting to Rs. 1,395 million (2020: Rs. 769 million) on non-performing loans of the Bank.
11.2	These represent loans to staff and executives of the Bank for a maximum period of 36 months. These are secured against the retirement benefits of employees.
11.3	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 2021 Rupees	(Audited) 31 December 2020 Rupees
12 DEFERRED TAX ASSET		
Deductable temporary differences arising in respect of		
Provision against advances	502,011,977	380,788,234
Deficit on revaluation of available for sale securities	2,513,813	-
Remeasurements of employees' retirement benefits	253,586	253,586
Lease finance facilities	58,402,590	50,994,492
	<u>563,181,966</u>	<u>432,036,312</u>
Taxable temporary differences arising in respect of		
Accelerated tax depreciation / amortization allowance	(333,117)	(24,254,668)
Gain on revaluation of available for sale securities	-	(110,960)
Treasury Bills and Pakistan Investment Bonds	(21,775,235)	(8,054,086)
	<u>541,073,614</u>	<u>399,616,598</u>

		(Un-audited) 30 June 2021		(Audited) 31 December 2020	
		Number of accounts	Amount Rupees	Number of accounts	Amount Rupees
13	DEPOSITS AND OTHER ACCOUNTS				
	Fixed deposits	1,925	18,218,985,092	2,282	26,357,673,331
	Saving deposits	15,323	25,778,990,082	14,785	16,802,040,082
	Current deposits	2,137,532	2,797,442,480	1,461,867	2,944,927,440
		<u>2,154,780</u>	<u>46,795,417,654</u>	<u>1,478,934</u>	<u>46,104,640,853</u>

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	Note	(Un-audited) 30 June 2021 Rupees	(Audited) 31 December 2020 Rupees
14 BORROWINGS			
Borrowings from Banks / Financial Institutions in Pakistan:			
<i>Secured</i>			
Allied Bank Limited	14.1	-	249,999,998
Faysal Bank Limited	14.2	333,333,333	500,000,000
Allied Bank Limited - II	14.3	2,000,000,000	2,666,666,667
NBP-Running Finance	14.4	500,000,000	500,000,000
Faysal Bank Limited - II	14.5	499,999,000	666,665,334
Bank of Punjab	14.6	-	50,000,000
State Bank of Pakistan	14.7	1,500,000,000	1,500,000,000
Repo Borrowing	14.8	1,293,436,900	6,154,540,000
Allied Bank Limited - RF	14.9	500,000,000	500,000,000
Repo Borrowing - PIB	14.10	6,844,216,000	-
Bank Al Falah (Cash Management)	14.11	492,436,930	486,318,643
PPTFC - Bank Al Falah	14.12	3,500,000,000	-
Bank of Punjab - TF (Housing)	14.13	600,000,000	-
		18,063,422,163	13,274,190,642

- 14.1** 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% (2020: 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.
- 14.2** This represents term finance loan of Rs. 1 billion, carrying markup of 6-months KIBOR plus 1% (2020: 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.
- 14.3** 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% (2020: 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.
- 14.4** 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% (2020: 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.
- 14.5** This represents term finance loan of Rs. 1 billion carrying markup of 6-months KIBOR plus 0.75% (2020: 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.
- 14.6** This represents utilised amount of term finance loan of Rs. 200 million carrying markup of 6-months KIBOR plus 0.85% per annum (2020: 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.
- 14.7** This represent term finance loan of Rs. 1,500 million carrying markup of 6-months KIBOR minus 100 bps (2020: 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 December, 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 period, the Bank disbursed 907 (2020: 28,983) loans amounting to Rs. 664.5 million (2020: Rs. 2.77 billion) out of which 630 (2020: 20,123) loans amounting to Rs. 388.9 million (2020: Rs. 1.64 billion) were disbursed to female borrower as per the E&S guideline issued by SBP.

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- 14.8** This represent Repo Borrowing from:
Muslim Commercial Bank at the rate of 7.90% amounting to Rs. 299 million (2020: Rs. Nil) with the maturity date of 02 July 2021.
Allied Bank limited at the rate of 7.80% amounting to Rs. 994 million (2020: Rs. Nil) with with the maturity date of 02 July 2021.
Muslim Commercial Bank at the rate of 7.10% amounting to Rs. Nil (2020: Rs. 986.6 million) matured on 04 January 2021.
Silk Bank Limited at the rate of 7.65% amounting to Rs. Nil (2020: Rs. 1.97 billion) matured on 04 January 2021.
National Bank of Pakistan at the rate of 7.10% amounting to Rs. Nil (2020: Rs. 500 million) matured on 04 January 2021.
Allied Bank Limited at the rate of 7.10% amounting to Rs. Nil (2020: Rs. 1 billion) matured on 04 January 2021.
JS Bank Limited at the rate of 7.15% amounting to Rs. Nil (2020: Rs. 500 million) matured on 04 January 2021.
Bank of Punjab at the rate of 7.25% amounting to Rs. Nil (2020: Rs. 1.2 billion) matured on 04 January 2021.
- 14.9** 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.
- 14.10** This represent Repo Borrowing from:
Samba Bank at the rate of 7.85% amounting to Rs. 1.4 billion with the maturity date of 02 July 2021.
National Bank of Pakistan at the rate of 7.10% amounting to Rs. 480 million with the maturity date of 02 July 2021.
Bank of Punjab at the rate of 7.25% amounting to Rs. 3 billion with the maturity date of 02 July 2021.
Bank of Punjab at the rate of 7.20% amounting to Rs. 480 Million with the maturity date of 02 July 2021.
Silk Bank at the rate of 7.90% amounting to Rs. 1.4 Billion with the maturity date of 02 July 2021.
- 14.11** This represent current finance facility amounting to Rs. 500 million at the rate of 3 months KIBOR + 0.50% (2020: 3 months KIBOR + 0.50%) per annum to be paid on quarterly basis with the tenor of 12 months. Mark-up will be calculated on the basis of actual number of days elapsed in the year.
- 14.12** This represents privately placed term finance certificates (TFCs) of Rs. 3.5 Billion distributed in 35,000 TFCs of Rs. 100,000 each. The Issue amount will be utilized to enhance the advances portfolio of the Bank. The facility tenure is 04 years (inclusive of 01 year grace) and is priced at 6 Month KIBOR + 1.35%. Half of the issue amount is secured against 1st pari passu charge on the book debts, advances and receivables with 25% margin remaining half is secured against charge/lien on government securities. Semi - annual principal redemption shall commence from 2nd year from issue date in 06 equal principal installments and shall continue till the maturity of the instrument. The rating of these certificates issued by PACRA is AA- with stable outlook. These TFCs shall be inducted in CDS and the laws and regulation relating to the CDS with respect to the term finance certificates will be applicable to the TFCs.
- 14.13** This represents term finance facility through The Bank of Punjab of Rs. 600 Million carrying markup of 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), book debts, advances microcredit receivables and investments of the bank with 25% margin. This loan is repayable in 07 equal semi-annual instalments with the first principal repayment falling due on twelfth (12th) month from the first disbursement date. The loan was drawn on 30 June 2021.

15	SUBORDINATED DEBT	Note	(Un-audited) 30 June 2021	(Audited) 31 December 2020
	Term Finance Certificates	15.1	599,040,000	599,160,000
	Subordinated loan PTCL	15.2	2,200,000,000	2,200,000,000
			<u>2,799,040,000</u>	<u>2,799,160,000</u>

- 15.1** 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% (2020: 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.
- 15.2** 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% (2020: 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. 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. 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. SECP vide letter no. CLD/CCD/CA-83/19/2020-10353 dated 03 February 2021 sanctioned the proposed issuance of 100,000,000 voting, non-cumulative, non-participatory, convertible and redeemable preference shares of Rs. 10 per share at par value having such rights, benefits, privileges and conditions as provided under Article 6 of the Bank's Articles of Association by way of other than right to PTCL. Subsequent to the period end on 08 July 2021, SBP vide letter no. BPRD/BA&CP/671/115760/2021 has accorded its final approval for conversion of Tier II subordinated debt to preference shares.

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		(Un-audited) 30 June 2021	(Audited) 31 December 2020
	Note	Rupees	Rupees
16 OTHER LIABILITIES			
Mark-up / return / interest payable	16.1	728,657,438	604,640,989
Accrued expenses		447,648,512	292,234,939
Taxes payable		685,066,731	461,547,577
Payable to Pak Telecom Mobile Limited (PTML), an associated company		197,629,278	47,034,661
Payable to Pakistan Telecommunication Company Limited, the Parent Company		31,746,869	31,746,869
Payable to Nadra / Utility companies		278,308,986	-
Uncollected remittances		199,494,662	58,794,815
Lease liability		1,049,706,457	1,212,010,930
Payable to staff retirement benefit - gratuity		3,599,260	-
Payable to defined contribution plan - provident fund		851,967	-
Bills payable		197,817,120	75,971,909
Others		63,973,023	19,698,438
Workers' Welfare Fund		72,218,677	56,531,500
		3,956,718,980	2,860,212,627

16.1 This includes amount of Rs. 127 million (2020: Rs. 225 million) payable to related parties on account of markup for the month of June (2020: December). For details of balances please refer to note 30 to these financial statements.

17 SHARE CAPITAL

(Un-audited) 30 June 2021	(Audited) 31 December 2020		(Un-audited) 30 June 2021	(Audited) 31 December 2020
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	80,000,000	Fully paid ordinary shares of Rs. 10 each in cash issued as other than right shares at par	800,000,000	800,000,000
308,571,429	308,571,429		3,085,714,290	3,085,714,290

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

17.2 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 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. SECP vide letter no. CLD/CCD/CA-83/19/2020-10353 dated 03 February 2021 sanctioned the proposed issuance of 100,000,000 voting, non-cumulative, non-participatory, convertible and redeemable preference shares of Rs. 10 per share at par value having such rights, benefits, privileges and conditions as provided under Article 6 of the Bank's Articles of Association by way of other than right to PTCL. Subsequent to the period end on 08 July 2021, SBP vide letter no. BPRD/BA&CP/671/115760/2021 has accorded its final approval for conversion of Tier II subordinated debt to preference shares.

19 MEMORANDUM/ OFF BALANCE SHEET ITEMS

19.1 Contingencies

There are no material contingencies as at 30 June 2021 (31 December 2020: Nil).

		(Un-audited) 30 June 2021	(Audited) 31 December 2020
	Note	Rupees	Rupees
19.2 Commitments			
Standby letter of guarantee	19.2.1	10,600,000	10,200,000
Property and equipment		523,821	13,851,935
Intangible assets		6,244,973	1,495,500
		17,368,794	25,547,435

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Notes to the Condensed Interim Financial Statements (Un-audited)
For the half year ended 30 June 2021

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

	Quarter ended		Half year ended	
	(Un-audited) 30 June 2021 Rupees	(Un-audited) 30 June 2020 Rupees	(Un-audited) 30 June 2021 Rupees	(Un-audited) 30 June 2020 Rupees
20 MARK-UP/ RETURN/ INTEREST EARNED				
Mark-up / return / interest on advances	2,259,371,453	2,070,901,900	4,712,178,868	3,937,343,255
Interest on investments in government securities	265,566,759	115,823,670	533,714,591	271,914,831
Interest on deposit accounts / TDRs with other banks / financial institutions	253,523,423	139,283,409	469,085,249	248,278,689
	<u>2,778,461,635</u>	<u>2,326,008,979</u>	<u>5,714,978,708</u>	<u>4,457,536,775</u>
21 MARK-UP/ RETURN/ INTEREST EXPENSED				
Mark-up / return / interest expense on deposits	1,048,347,794	703,340,733	2,073,366,274	1,363,985,219
Mark-up expense on borrowings from banks / financial institutions	267,687,271	402,808,437	519,943,351	819,905,931
	<u>1,316,035,065</u>	<u>1,106,149,170</u>	<u>2,593,309,625</u>	<u>2,183,891,150</u>
22 FEE, COMMISSION AND BROKERAGE INCOME				
Loan processing fee	215,660,454	197,497,641	427,253,589	455,530,794
Branchless banking	15,882,297	14,747,234	47,406,705	30,572,352
Other fee income collected from customers	12,754,973	10,770,179	25,414,108	27,389,703
	<u>244,297,724</u>	<u>223,015,054</u>	<u>500,074,402</u>	<u>513,492,849</u>
23 OTHER INCOME				
Recovery against advances written off	27,524,738	9,595,230	33,584,485	21,008,597
Gain on sale of AFS Investment	58,130,028	45,699,661	58,071,882	65,813,847
Other	1,038,887	355,246	1,644,308	1,148,664
	<u>86,693,653</u>	<u>55,650,137</u>	<u>93,300,675</u>	<u>87,971,108</u>
24 ADMINISTRATIVE EXPENSES				
Staff salaries and benefits	585,358,719	462,791,572	1,163,196,328	868,098,792
Charge for defined benefit plan - gratuity	12,838,450	10,381,451	23,896,807	19,388,226
Contribution to defined contribution plan - provident fund	10,435,646	9,556,048	20,108,807	17,843,106
Non-Executive directors' fee	1,350,000	353,406	1,350,000	463,406
Financial charges on leased assets	1,291,782	1,890,753	2,467,093	3,063,629
Insurance	45,611,735	37,196,837	97,352,947	73,962,994
Rent, rate and taxes	16,639,045	20,991,510	33,978,682	35,977,878
Marketing expenses	43,514,934	8,798,590	93,436,184	13,706,926
Travelling and conveyance	8,505,950	4,681,953	13,830,268	24,439,594
Postage and courier	3,014,576	5,556,091	7,653,705	11,747,229
Utilities	39,803,058	27,301,375	66,417,546	53,277,545
Repair and maintenance	54,056,655	52,010,464	106,764,736	100,900,864
Depreciation on property and equipment	95,400,432	98,228,064	196,990,343	171,298,507
Amortization of intangible assets	11,641,808	8,493,459	25,896,805	15,004,881
Depreciation on right of use assets	74,360,313	48,323,030	136,948,131	113,319,540
Software support and maintenance fee	54,015,261	33,205,117	96,947,509	55,384,653
Stationery and printing	28,000,028	20,646,966	57,067,783	47,448,992
Auditors' remuneration	1,200,000	1,613,400	2,163,997	2,244,499
Legal and professional fee	8,857,659	8,263,866	12,739,354	13,128,009
Security services	43,960,394	55,511,696	83,104,581	113,082,447
Interest expense on ROU liability	33,676,260	57,024,525	75,452,520	89,660,140
Office supplies	6,294,487	4,861,911	13,008,564	11,668,985
Internet and connectivity charges	25,586,337	26,195,500	48,341,765	54,373,309
NADRA verification charges	15,254,412	4,504,751	33,647,711	17,191,501
SBP penalty	4,000	-	9,000	5,472,000
Bank charges	12,993,141	5,203,830	26,041,029	11,251,000
Other	4,829,797	1,656,717	7,768,726	3,146,771
	<u>1,238,494,879</u>	<u>1,015,242,882</u>	<u>2,446,580,921</u>	<u>1,946,545,423</u>

U Microfinance Bank Limited

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

For the half year ended 30 June 2021

		Quarter ended		Half year ended	
		(Un-audited) 30 June 2021 Rupees	(Un-audited) 30 June 2020 Rupees	(Un-audited) 30 June 2021 Rupees	(Un-audited) 30 June 2020 Rupees
25	TAXATION				
	Current				
	- for the year	(86,608,977)	(22,029,756)	(293,888,048)	(60,968,975)
	- for prior years	-	(3,730,686)	-	(3,730,686)
		(86,608,977)	(25,760,442)	(293,888,048)	(64,699,661)
	Deferred	68,245,326	15,641,273	138,832,243	53,949,755
		<u>(18,363,651)</u>	<u>(10,119,169)</u>	<u>(155,055,805)</u>	<u>(10,749,906)</u>

		(Un-audited) 30 June 2021	(Audited) 31 December 2020
26	CASH AND CASH EQUIVALENTS		
	Cash and balances with SBP and NBP	3,548,907,176	3,160,116,831
	Balances with other banks / NBFIs / MFBs	1,001,376,290	1,908,209,748
		<u>4,550,283,466</u>	<u>5,068,326,579</u>

27	NUMBER OF EMPLOYEES		
	Credit / sales staff		
	Permanent	246	113
	Contractual	992	961
		<u>1,238</u>	<u>1,074</u>
	Banking / support staff		
	Permanent	722	695
	Contractual	1,178	926
		<u>1,900</u>	<u>1,621</u>
	Total number of employees at the end of the period/ year	<u>3,138</u>	<u>2,695</u>
	Average number of employees during the period/ year	<u>2,930</u>	<u>2,607</u>

28	NUMBER OF BRANCHES		
	Branches at beginning of the period/ year	212	212
	Opened during the year		
	- Branches / Booth	-	0
	- Service Centers	1	0
		<u>213</u>	<u>212</u>
	Branches & Service Centers at the end of the period/ year		

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 2021 Rupees	(Un-audited) 30 June 2020 Rupees	(Un-audited) 30 June 2021 Rupees	(Un-audited) 30 June 2020 Rupees
Profit attributable to equity holders (Rupees)	260,844,043	108,314,228	670,019,762	112,844,215
Weighted average number of shares (numbers)	308,571,429	259,780,220	308,571,429	259,780,220
Earning per share - basic (Rupees)	<u>0.85</u>	<u>0.42</u>	<u>2.17</u>	<u>0.43</u>

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

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U Microfinance Bank Limited

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

For the half year ended 30 June 2021

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 June 2021 Rupees	30 June 2020 Rupees
Parent Company		
Issue of share capital	-	800,000,000
Utility Bill collected on behalf of the Parent Company	62,089,128	34,814,177
Payment in regards utility bills collected on behalf of the Parent Company	62,089,128	34,814,177
Utility Bill collection charges	194,072	534,989
Payment for administrative costs and fixed assets	55,743,871	73,806,161
Interest expense on TIER-II subordinated Debt Payment	102,742,828	265,082,106
Interest expense on PTCL employee GP fund	98,088,660	100,794,243
Associated Company - Pak Telecom Mobile Limited (PTML)		
Payment for administrative costs and fixed assets	13,084,977	-
Amount received against reimbursement of agent's commission	122,035,481	137,973,822
Associated Company - Pakistan Telecommunication Employees Trust (PTET)		
Interest expense on deposits	36,081,459	37,106,137
Employees' provident fund		
Contribution to provident fund	20,108,807	17,843,106
Employees' gratuity fund		
Payment to gratuity fund	23,896,807	19,388,226
Balances		
Parent Company		
Deposits	-	384,478,758
Utility bills collection charges receivable	437,431	1,792,839
Employee GP fund	2,442,875,604	2,171,917,933

U Microfinance Bank Limited

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

For the half year ended 30 June 2021

	30 June 2021	30 June 2020
Balances	Rupees	Rupees
Interest payable on deposits - PTCL Employees' GP Fund	98,088,660	198,384,839
Associated Company - Pakistan Telecommunication Employees Trust		
Deposits	1,801,247,065	1,916,265,365
Interest payable on deposits	26,265,386	25,232,911
Associated Company - Pak Telecom Mobile Limited		
Employees' Gratuity fund	752,652,051	720,259,489
Deposits	26,495,217	93,179,809
Payable against branchless banking and bills collected	197,629,278	61,034,661
Interest payable on deposits	4,094	177,534
Employees' provident fund		
Deposits	198,604,305	172,049,535
Interest payable on deposits	1,941,060	262,465
Payable to provident fund	851,967	1,391,950
Employees' gratuity fund		
Deposits	129,129,362	114,941,113
Interest payable on deposits	827,523	772,263
Payable to gratuity fund	3,599,260	7,849,721

31 IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

On 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 9.1 and 9.5 of these financial statements.

32 GENERAL

- 32.1 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.

33 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