

U MICROFINANCE BANK LIMITED
CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD

January 01,2019

to

September 30, 2019

U MICROFINANCE BANK LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)
As at 30 SEPTEMBER, 2019

		(Un-audited) September 30, 2019 Rupees	(Audited) Decemeber 31, 2018 Rupees
ASSETS			
Cash and balances with SBP and NBP	4	1,409,977,165	1,457,386,758
Balances with other Banks/ NBFIs/ MFBs	5	6,167,352,389	11,027,311,074
Lending to Financial Institutions	6	149,433,000	-
Investments - net of provisions	7	2,479,345,526	1,967,824,071
Advances - net of provisions	8	19,790,448,826	17,019,838,156
Operating fixed assets	9	3,125,954,983	754,499,905
Other assets	10	3,817,979,944	2,523,062,846
Deferred tax asset	11	82,183,011	41,654,400
Total Assets		37,022,674,843	34,791,577,210
LIABILITIES			
Deposits and other accounts	12	19,203,113,106	20,534,770,395
Borrowings	13	7,144,664,733	6,010,000,000
Subordinated Debt	14	4,599,520,000	4,599,640,000
Other liabilities	15	2,986,412,312	838,664,403
Total Liabilities		33,933,710,151	31,983,074,798
NET ASSETS		3,088,964,692	2,808,502,412
REPRESENTED BY:			
Share capital		2,285,714,290	2,285,714,290
Discount on issue of share capital		(25,714,290)	(25,714,290)
Statutory and other reserve		178,914,625	178,914,625
Depositors' protection fund		44,728,656	44,728,656
Accumulated Profit		605,530,951	324,888,330
Share capital		3,089,174,232	2,808,531,611
Deficit on revaluation of assets		(209,540)	(29,199)
Deferred grants		-	-
Total Capital		3,088,964,692	2,808,502,412

MEMORANDUM / OFF BALANCE SHEET ITEMS

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The annexed notes from 1 to 29 form an integral part of these financial statements.


PRESIDENT / CHIEF EXECUTIVE


CHAIRMAN


DIRECTOR


DIRECTOR

U MICROFINANCE BANK LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2019

	Note	Period Ended	
		September 30, 2019 Rupees	September 30, 2018 Rupees
Mark-up/ return/ interest earned	17	5,289,021,029	3,084,338,338
Mark-up/ return/ interest expensed	18	(2,770,798,820)	(1,164,794,025)
Net mark-up/ interest income		2,518,222,209	1,919,544,313
Provision against non-performing advances	8.3	(555,044,665)	(166,945,737)
Provision against diminution in value of investments		-	-
Bad Debts written off directly		-	-
Net mark-up/ interest income after provisions		1,963,177,544	1,752,598,576
NON MARK-UP/ NON INTEREST INCOME			
Fee commission & brokerage income	19	547,667,341	404,333,294
Other income	20	20,499,960	9,313,125
Gain on Sale of AFS Investments		(1,280,741)	(715,980)
		566,886,560	412,930,439
		2,530,064,104	2,165,529,015
NON MARK-UP/ NON INTEREST EXPENSES			
Administrative expenses	21	2,152,020,184	1,596,884,249
Other provisions/write-offs		-	-
Other charges	21.1	5,422,000	-
		2,157,442,184	1,596,884,249
PROFIT BEFORE TAXATION & WWF		372,621,920	568,644,766
Workers Welfare Fund		(7,031,815)	(11,372,895)
PROFIT BEFORE TAXATION		365,590,105	557,271,871
TAXATION			
Current		(125,402,435)	(187,116,758)
Deferred		40,454,950	21,535,312
	22	(84,947,485)	(165,581,446)
PROFIT AFTER TAXATION		280,642,620	391,690,425
Unappropriated Profit brought forward		324,888,330	32,149,466
Profit available for appropriation		605,530,951	423,839,891
APPROPRIATIONS:			
Transfer to:			
Statutory reserve		-	-
Depositors' Protection Fund		-	-
Unappropriated Profit carried forward		605,530,951	423,839,891
EARNINGS PER SHARE			
	26	1.23	1.81

The annexed notes from 1 to 29 form an integral part of these financial statements.


PRESIDENT / CHIEF EXECUTIVE


CHAIRMAN


DIRECTOR


DIRECTOR

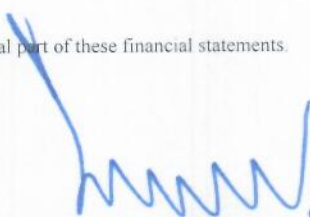
U MICROFINANCE BANK LIMITED
 CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
 FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2019

	September 30, 2019 Rupees	September 30, 2018 Rupees
Profit after Taxation for the period	280,642,620	391,690,425
Other comprehensive income/(loss) for period	-	-
Comprehensive income transferred to equity	<u>280,642,620</u>	<u>391,690,425</u>
Items that may be subsequently reclassified to profit and loss in subsequent periods:		
Loss on revaluation of assets transferred to profit and loss	1,280,741	715,980
Gain on revaluation of assets	(1,545,542)	(1,358,314)
Tax Impact	84,460	192,700
	(180,341)	(449,634)
Total comprehensive income for the period	<u>280,462,279</u>	<u>391,240,791</u>

The annexed notes from 1 to 29 form an integral part of these financial statements.



PRESIDENT / CHIEF EXECUTIVE



CHAIRMAN



DIRECTOR



DIRECTOR

U MICROFINANCE BANK LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2019

	Capital reserve			Revenue reserve		Total
	Share capital	Discount on issue of share capital	Statutory reserve	Depositors' protection fund	Unappropriated profit	
-----Rupees-----						
Balance as at January 1, 2018(Audited)	1,285,714,290	(25,714,290)	69,503,178	17,375,794	32,149,466	1,379,028,438
Profit after taxation for the period	-	-	-	-	391,690,425	391,690,425
Other Comprehensive Income - net of tax	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	391,690,425	391,690,425
Transactions with owners for the period						
Issue of share capital	1,000,000,000	-	-	-	-	1,000,000,000
Transfer to statutory reserve	-	-	-	-	-	-
Contribution to depositors' protection fund	-	-	-	-	-	-
Balance at 30 September 2018 (Un-audited)	2,285,714,290	(25,714,290)	69,503,178	17,375,794	423,839,891	2,770,718,863
Profit after taxation for the period	-	-	-	-	155,366,811	155,366,811
Other Comprehensive Income	-	-	-	-	(3,268,348)	(3,268,348)
	-	-	-	-	152,098,463	152,098,463
Transfer to:						
Statutory reserve	-	-	109,411,447	-	(109,411,447)	-
Depositors' Protection Fund	-	-	-	27,352,862	(27,352,862)	-
Interim cash dividend at 50 paise per share	-	-	-	-	(114,285,715)	-
Issue of ordinary shares	-	-	-	-	-	-
Balance as at December 31, 2018 (Audited)	2,285,714,290	(25,714,290)	178,914,625	44,728,656	324,888,330	2,808,531,611
Statutory reserve	-	-	-	-	-	-
Profit for the period ended September 30, 2019	-	-	-	-	280,642,620	280,642,620
Other Comprehensive Income	-	-	-	-	-	-
Balance as at September 30, 2019 (Un-Audited)	2,285,714,290	(25,714,290)	178,914,625	44,728,656	605,530,951	3,089,174,232

The annexed notes from 1 to 29 form an integral part of these financial statements.



PRESIDENT / CHIEF EXECUTIVE



CHAIRMAN



DIRECTOR

U MICROFINANCE BANK LIMITED
CONDENSED INTERIM STATEMENT OF CASHFLOW (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2019

	Note	September 30, 2019 Rupees	September 30, 2018 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		365,590,105	557,271,871
Less: Dividend income		-	-
Adjustments for non-cash charges			
Depreciation		126,666,491	80,811,693
Amortization		16,644,983	12,972,284
Provisions against non-performing advances		555,044,665	166,945,737
Provision for gratuity		24,672,321	10,945,260
Operating fixed assets written off		-	142,422
Finance charges on leased assets		2,148,424	-
		725,176,884	271,817,396
		1,090,766,990	829,089,267
(Increase)/ decrease in operating assets			
Advances		(3,325,655,336)	(4,107,440,973)
Other assets (excluding advance taxation)		(1,414,767,128)	(935,206,805)
Increase/ (decrease) in operating liabilities			
Deposits and other accounts		(1,292,970,613)	4,849,571,918
Other liabilities (excluding current tax, finance lease and provision for gratuity)		462,349,877	163,095,374
		(5,571,043,199)	(29,980,486)
		(4,480,276,210)	799,108,781
Cash generated from / (used in) operations			
Gratuity paid		(30,638,957)	(9,192,004)
Income taxes paid		(82,917,788)	(228,334,784)
Net cash generated used in operating activities		(4,593,832,955)	561,581,993
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available for sale securities - Government securities		(511,521,455)	298,305,584
Net investments in term deposits receipts		4,900,000,000	(20,000,000)
Investments in operating fixed assets		(781,915,938)	(318,181,878)
Net cash (Outflows)/ inflow from investing Activities		3,606,562,607	(39,876,294)
CASH FLOW FROM FINANCING ACTIVITIES			
Borrowings obtained/(repaid) during the period		1,134,544,733	(129,726,748)
Lending to Financial Institutions		(149,433,000)	-
Payments of lease obligations		(5,209,663)	-
Issuance of shares		-	1,000,000,000
Net cash inflow from financing activates		979,902,070	870,273,252
Net Increase/ (decrease) in cash and cash equivalents		(7,368,278)	1,391,978,951
Cash and cash equivalents at beginning of the period		2,584,697,832	1,359,051,938
Cash and cash equivalents at the end of period	23	2,577,329,554	2,751,030,889

The annexed notes from 1 to 29 form an integral part of these financial statements.


PRESIDENT / CHIEF EXECUTIVE


CHAIRMAN


DIRECTOR


DIRECTOR

U Microfinance Bank Limited

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

FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2019

1 STATUS AND NATURE OF BUSINESS

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 principle business is to assist in stimulating progress, prosperity and social piece 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 Islamabad Pakistan.

2. BASIS OF PRESENTATION

- 2.1** Condensed interim financial information has been prepared in accordance with the directives issued by SBP, the requirements of the Microfinance Institutions Ordinance 2001 (the IMF Ordinance), the Companies Act, 2017 (the Companies Act), the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and the Interpretation issued by the Standards Interpretation Committee of IASB as adopted in Pakistan. In case where provisions of directives issued by the SBP, the MFI Ordinance and the Companies Ordinance differ with the requirements of these standards, such provisions of SBP directives, the MFI ordinance and the companies' ordinance shall take precedence.

SBP vide BSD Circular no. 10 dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, "Financial instruments: Recognition and Measurement" and International Accounting Standard 40, till further instructions. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been measured in accordance with the requirements of SBP BSD Circular no. 11 dated December 30, 2003 and prudential Regulations for Microfinance banks (the Regulations). Further, the SECP vide its S.R.O No. 411(I) / 2008 dated April 28, 2008 has deferred the applicability of International Financial Reporting Standards (IFRS) 7 'Financial Instruments' till further orders, which is applicable for annual years beginning on or after July 1, 2009.

- 2.2** The disclosures in this condensed interim financial information do not include that reported for full audited annual financial statements and should therefore be read in conjunction with the audited annual financial statements for the year ended December 31, 2018. Comparative statement of financial position is extracted from the audited annual financial statements as of December 31, 2018, whereas comparative condensed statement of profit and loss account, condensed interim statement of other comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity are stated from unaudited condensed interim financial information for the Nine months period ended September 30, 2018.

3. SIGNIFICANT ACCOUNTING POLICIES AND FINANCIAL RISK MANAGEMENT

3.1 The accounting policies, significant judgments made in the application of accounting policies, key sources of estimations, the methods of computation adopted in preparation of this condensed interim financial information and financial risk management are the same as those applied in preparation of audited annual financial statements for the year ended December 31, 2018 and June 30, 2019 half year review.

3.2 The financial risk management objectives and policies adopted by the bank are consistent with those disclosed in the annual financial statements.

	Note	(Un-audited) September 30, 2019 Rupees	(Audited) December 31, 2018 Rupees
4. CASH AND BALANCES WITH SBP AND NBP			
Cash in hand			
Local currency		577,310,297	552,351,271
Balances with State Bank of Pakistan (SBP)			
Local currency current accounts		831,890,683	904,260,639
Balances with National Bank of Pakistan (NBP)			
Local currency current accounts		776,186	774,848
		<u>1,409,977,165</u>	<u>1,457,386,758</u>

4.1 This includes balance held with SBP in current account to meet the requirement of maintaining minimum balance equivalent to 5% (2018: 5%) of the Bank's time and demand deposits with the tenure of less than one year, in accordance with R-3A of the regulations and Rs. 44,728,656 (2018: 44,728,656) placed for the Depositors' Protection Fund.

	Note	(Un-audited) September 30, 2019 Rupees	(Audited) December 31, 2018 Rupees
5. BALANCES WITH OTHER BANKS/ NBFIs/ MFBs			
In Pakistan - Local currency			
Current accounts	5.1	10,919,425	14,847,356
Deposit accounts	5.2	1,156,432,964	1,112,463,718
Term deposit receipts	5.3	5,000,000,000	9,900,000,000
		<u>6,167,352,389</u>	<u>11,027,311,074</u>

5.1 This includes Rs. 7,425,000 (2018: Rs. 7,425,000) held as deposit under lien in respect of standby letter of guarantee issued to China Union Pay International.

5.2 Deposit accounts carried interest at rates ranging from 10% to 14.90% (2018: 5.5% to 12.15%) per annum.

5.3 Term Deposit Receipts (TDR) carries markup at rate ranging between 13% to 14.50% (2018: 10.75% to 13%) per annum with maturities upto 1 year.

	(Un-audited) September 30, 2019 Rupees	(Audited) December 31, 2018 Rupees
6. Lending to Financial Institution		
Reverse Repo Lending	149,433,000	-
	<u>149,433,000</u>	<u>-</u>

6.1 This represent reverse Repo lending from Pak Oman at the rate of 13.50% per annum (2018:NIL) maturing on 01-Oct-2019 (2018:NIL)

	September 30, 2019 Rupees	December 31, 2018 Rupees
7. INVESTMENTS		
Available for Sale		
Pakistan Investment Bonds (PIBs)	-	-
Market Treasury Bills (T-Bills)	2,479,639,526	1,967,864,070
Unrealised loss on revaluation of investments	(294,000)	(39,999)
Add: Interest Receivable	-	55,459,486
	<u>2,479,345,526</u>	<u>1,967,824,071</u>

8 ADVANCES - NET OF PROVISIONS

Loan type	(Un-audited) September 30, 2019		(Audited) December 31, 2018	
	Number of loans outstanding	Amount outstanding Rupees	Number of loans outstanding	Amount outstanding Rupees
Micro credit				
Secured	46,088	4,843,393,743	34,407	3,206,985,277
Unsecured	259,027	15,348,735,270	252,913	14,018,258,382
	305,115	20,192,129,014	287,320	17,225,243,659
Provisions held				
Specific provision	13,222	(253,992,204)	7,044	(72,258,960)
General provision	8.1	(147,687,983)		(133,146,543)
		(401,680,187)		(205,405,503)
Advances - net of provisions		19,790,448,826		17,019,838,156

8.1 General provision is maintained at the rate of 1% (2018: 1%) of unsecured micro credit balance net of specific provision in accordance with the Regulations.

8.2 Particulars of non-performing advances

Category of classification	Provision rate	September 30, 2019		December 31, 2018			
		Amount outstanding	Provisions required	Provisions held	Amount outstanding	Provisions required	Provisions held
		Rupees					
OAEM	-	78,703,920	-	-	64,818,836	-	8,841,473
Sub-standard	25%	94,140,041	23,414,635	23,414,635	37,405,717	8,841,473	34,432,574
Doubtful	50%	329,841,264	164,038,993	164,038,993	83,508,303	34,432,574	28,984,913
Loss	100%	69,539,577	66,538,577	66,538,577	32,193,038	28,984,913	72,258,960
		572,224,803	253,992,205	253,992,205	217,925,894	72,258,960	

8.3 Particulars of provisions against non-performing advances

	(Un-audited)			(Audited)		
	September 30, 2019			December 31, 2018		
	Specific	General	Total	Specific	General	Total
	Rupees					
Balance at beginning of the period/ year	72,258,960	133,146,543	205,405,503	13,607,599	80,747,183	94,354,782
Provision charge for the period/ year	540,503,225	14,541,440	555,044,665	207,314,443	52,399,360	259,713,803
Reversals	-	-	-	-	-	-
Advances written off against provision	(358,769,981)	-	(358,769,981)	(148,663,082)	-	(148,663,082)
Balance at end of the period/ year	253,992,204	147,687,983	401,680,187	72,258,960	133,146,543	205,405,503

9.4 Intangible assets

(Un-audited)
September 30, 2019

	September 30, 2019								
	Cost			Amortization		Book value as at	Rate of		
	As at January 1, 2019	Additions	Deletion	As at September 30, 2019	As at January 1, 2019	Charge for the period	On deletions	September 30, 2019	amortization % (per annum)
Rupees									
Branchless banking software	178,351,420	19,846,676	-	198,198,096	69,351,012	16,644,983	-	85,995,995	10.00%
Licenses	-	-	-	-	-	-	-	-	20.00%
Mail server	-	-	-	-	-	-	-	-	33.33%
	178,351,420	19,846,676	-	198,198,096	69,351,012	16,644,983	-	85,995,995	
								112,202,101	

	Cost			Amortization			Book value as at	Rate of amortization % (per annum)	
	As at January 1, 2018	Additions	Deletion	As at December 31, 2018	As at January 1, 2018	Charge for the year	On deletions		As at December 31, 2018
Rupees-----									
Branchless banking software	133,582,738	32,295,565	-	165,878,303	41,492,508	15,785,377	-	57,277,885	10.00%
Licenses	12,394,739	-	-	12,394,739	9,515,801	2,478,948	-	11,994,749	20.00%
Mail server	78,378	-	-	78,378	78,378	-	-	78,378	33.33%
	114,788,355	31,267,500	-	178,351,420	51,086,687	18,264,325	-	69,351,012	
								109,000,408	

9.4.1 This includes operating system and microsoft office licenses.

		(Un-audited) September 30, 2019 Rupees	(Audited) December 31, 2018 Rupees
10. OTHER ASSETS			
Income/ mark-up accrued		3,052,231,229	1,826,626,488
Advances, deposits and other prepayments		265,326,251	330,064,031
Advance taxation (payments less provisions)		-	24,796,741
Inventory of ATM cards & Stationery		11,833,212	7,568,722
Advance to employees		4,627,331	11,732,575
Receivable from SBP	10.1	413,639,717	269,805,856
Receivable From SBP - LISB		13,643,839	-
Others		56,678,364	52,468,433
		<u>3,817,979,944</u>	<u>2,523,062,846</u>

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

		(Un-audited) September 30, 2019 Rupees	(Audited) December 31, 2018 Rupees
11. DEFFERED TAX ASSET			
Deductable temporary differences arising in respect of			
Provision against advances		116,487,254	55,459,486
Deficit on revaluation of available for sale securities		816,060	10,800
Remeasurements of employees' retirement benefits		2,161,351	2,012,293
Lease finance facilities		8,998,386	5,357,705
		<u>128,463,052</u>	<u>62,840,284</u>
Taxable temporary differences arising in respect of			
Accelerated tax depreciation / amortization		(46,280,040)	(21,185,884)
		<u>82,183,011</u>	<u>41,654,400</u>

	(Un-audited) September 30, 2019		(Audited) December 31, 2018	
	Number of accounts	Rupees	Number of accounts	Rupees
12. DEPOSITS				
Fixed deposits	2,513	11,297,602,702	2,316	12,243,825,791
Saving deposits	12,220	6,423,017,794	10,902	6,208,685,764
Current deposits	725,650	1,482,492,610	608,030	2,082,258,840
	<u>740,383</u>	<u>19,203,113,106</u>	<u>621,248</u>	<u>20,534,770,395</u>

	Note	(Un-audited) September 30, 2019	(Audited) December 31, 2018
13. BOROWINGS			
Borrowings from Banks/Financial Institutions in Pakistan			
Borrowings from Pak Oman Investment Co. Ltd	13.1	-	100,000,000
Borrowings from Bank Alfalah Ltd	13.2	-	120,000,000
Borrowings from United Bank Ltd	13.3	20,000,000	40,000,000
Borrowings from Allied Bank Ltd	13.4	1,000,000,000	1,250,000,000
Borrowings from Faysal Bank Ltd	13.5	583,333,333	1,000,000,000
Loan Allied Bank Ltd-2	13.6	2,000,000,000	2,000,000,000
NBP-Running Finance	13.7	-	500,000,000
Loan Faysal Bank Ltd-2	13.8	999,999,000	1,000,000,000
Bank of Punjab	13.9	150,000,000	-
State Bank of Pakistan (LOC)	13.10	1,500,000,000	-
Repo Borrowing	13.11	891,332,400	-
		<u>7,144,664,733</u>	<u>6,010,000,000</u>

- 13.1 This represent outstanding balance of term finance loan of Rs. 500 million carrying markup of 6-months KIBOR plus 2.0% (2018: 6-month KIBOR plus 2.0%) per annum payable semi-annually. This is secured against first pari passu charge on present and future advances of the Bank with 25% margin over facility amount and post dated cheques of principal repayments. This loan is repayable in 5 equal semi-annual instalments of Rs. 100 million each. Repayments have started from April 2017.
- 13.2 This represent outstanding balance of term finance loan of Rs. 300 million carrying markup of 6-months KIBOR plus 1.5% (2018: 6-month KIBOR plus 1.5%) per annum payable semi-annually. This is secured against first pari passu charge on present and future advance of the Bank for Rs. 400 million registered with SECP and State Bank of Pakistan guarantee through SBP Microfinance guarantee facility covering 60% loss sharing on principal amount disbursed. This loan is repayable in 5 equal semi-annual instalments of Rs. 60 million each. Repayments have started from September 2017.
- 13.3 This represents outstanding balance of term finance loan of Rs. 100 million carrying markup of 6-months KIBOR plus 1.5% (2018: 6-month KIBOR plus 1.5%) per annum payable semi-annually. This is secured 100% against first pari passu charge on present and future current assets of the Bank with 25% margin as well as assignment on revenue, charge amount of Rs. 133.33 million. This loan is repayable in 5 equal semi-annual instalments of Rs. 20 million each. Repayments have started from December 2017.
- 13.4 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% (2018: 6-month KIBOR plus 1.10%) per annum payable semi-annually. These are secured against first pari passu charge over all present and future assets of U Microfinance Bank Limited with 25% margin. This loan is repayable in 6 equal semi-annual instalments of Rs. 250 million each. Repayments have started from September 2018.
- 13.5 This represent term finance loan of Rs. 1 billion carrying markup of 6-months KIBOR plus 1% per annum (2018: 6-Months KIBOR plus 1%) per annum payable semi-annually. These are secured against first pari passu charge on book debts, advances and receivable of U Microfinance Bank Limited with 25% margin and Microfinance Credit Guarantee Facility from State Bank of Pakistan at 25%. This loan is repayable in 8 equal semi-annual instalments of Rs. 125 million each commencing from September 2019.
- 13.6 This represents term finance facility under syndicate financing through Allied Bank Limited of Rs. 2 billion carrying markup of 6-months KIBOR plus 0.95% per annum (2018: 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 with in 120 days of first disbursement. This loan is repayable in 06 equal semi-annual instalments with the first principal repayment falling due on eighteenth (18th) month from the first disbursement date. The loan was drawn on 31 December 2018.
- 13.7 This represents running finance facility through National Bank of Pakistan Limited of Rs. 500 million carrying markup of 3-months KIBOR plus 0.75% per annum (2018: 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 from March 2019.
- 13.8 This represent term finance loan of Rs. 1 Billion carrying markup of 6-months KIBOR plus 0.75% per annum (2018: 6-Months KIBOR plus 0.75%) per annum. This is secured against first pari passu charge on book debts, advances and receivables of the Bank for Rs. 1,333 million (25% margin). Initial disbursement on ranking charge will be upgraded to first pari passu within 90 days from the date of this offer letter dated 21 December 2018. This loan is repayable in 6 semi-annual instalments of Rs. 166.66 million each after grace period of 01 year.
- 13.9 This represent term finance loan of Rs. 200 Million carrying markup of 6-months KIBOR plus 0.85% per annum (2018: Nil). 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.
- 13.10 This represent term finance loan of Rs. 1,500 Million carrying markup of 6-months KIBOR minus 100 bps for the tenor of five years (2018: Nil). This loan is demand finance payable by 15th of the subsequent month of half year. The loan is provided against the target stated by SBP includes that the loan should be disbursed to 60% female borrower, entity should disburse 25,000 loans and all loans disbursed should meet the E&S guideline issued by SBP.
- 13.11 This represent Repo Borrowing of Rs. 891 Million carrying yield of 13.40% secured against T-Bill of 3-Months.

	Note	(Un-audited) September 30, 2019	(Audited) December 31, 2018
14. SUBORDINATED DEBT			
Term Finance Certificates	14.1	599,520,000	599,640,000
Subordinated loan PTCL	14.2	4,000,000,000	4,000,000,000
		<u>4,599,520,000</u>	<u>4,599,640,000</u>

- 14.1 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%. 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.
- 14.2 This represents unsecured, subordinated debt from the Parent Company. The facility tenure is 7 years with grace period of 5 years and is priced at 3 Month KIBOR + 2%. 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 will be 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.

	Note	(Un-audited) September 30, 2019 Rupees	(Audited) December 31, 2018 Rupees
15. OTHER LIABILITIES			
Mark-up / return / interest payable		878,127,596	260,151,096
Accrued expenses		161,781,498	260,644,585
Payable to Utility Companies for utility bills collection		45,944,946	30,604,224
Payable to Pak Telecom Mobile Limited (PTML), an associated company		70,518,376	69,614,227
Uncollected remittances		59,823,082	55,428,921
Payable to defined contribution plan - provident fund		5,284,085	12,096,665
Payable to staff retirement benefit - gratuity		3,070,370	9,037,006
Sales tax / federal excise duty		17,687,906	-
Finance lease liabilities	15.1	33,588,907	18,845,646
Lease Liability right of use assets		1,637,974,770	-
Bills payable		38,686,676	80,297,896
Others		33,924,100	41,944,137
		<u>2,986,412,312</u>	<u>838,664,403</u>

- 15.1 The Bank has leased vehicles from commercial banks for a period of five years. These carry finance charge at six month KIBOR plus 0.9% (2018: 0.9%). The rentals are payable in equal monthly instalments in advance upto September 2023. At the end of the lease term, the Bank has the option to acquire the assets on payment of all instalments. The facility is secured by way of ownership of leased assets.

16. MEMORANDUM / OFF BALANCE SHEET ITEMS

16.1 Contingencies

There are no material contingencies as at 30 Sep 2019 (2018: Nil).

16.2 Commitments

Standby letter of guarantee
Property and equipment
Intangible assets

5.1

(Un-audited) September 30, 2019 Rupees	(Audited) December 31, 2018 Rupees
7,425,000	7,425,000
3,231,692	37,782,009
-	25,379,362
<u>10,656,692</u>	<u>70,586,371</u>

17. MARK-UP/ RETURN/ INTEREST EARNED

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

(Un-audited) September 30, 2019 Rupees	(Un-audited) September 30, 2018 Rupees
4,255,002,434	2,798,155,511
175,919,787	61,939,896
858,098,808	224,242,931
<u>5,289,021,029</u>	<u>3,084,338,338</u>

18. MARK-UP/ RETURN/ INTEREST EXPENSED

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

1,709,346,417	896,629,222
1,061,452,403	268,164,803
<u>2,770,798,820</u>	<u>1,164,794,025</u>

19. OTHER CHARGES COLLECTED FROM CUSTOMERS

Loan processing fee
Other fee income collected from customers

491,770,004	354,321,033
55,897,337	50,012,261
<u>547,667,341</u>	<u>404,333,294</u>

20. OTHER INCOME

Recovery against advances written off
Miscellaneous income

(Un-audited) September 30, 2019 Rupees	(Un-audited) September 30, 2018 Rupees
20,013,105	8,713,340
486,855	599,785
<u>20,499,960</u>	<u>9,313,125</u>

21. ADMINISTRATIVE EXPENSES

Staff salaries and benefits
Salaries of contracted/ outsourced employees
Charge for defined benefit plan - gratuity
Contribution to defined contribution plan - provident fund
Insurance
Rent, rate and taxes
Marketing Expenses
Travelling and conveyance
Postage and courier
Utilities
Repair and maintenance
Depreciation and amortization
Software support and maintenance fee
Stationery and printing
Auditors' remuneration
Legal and professional fee
Security services
Interest expense on ROU liability
Financial charges on leased assets
Office supplies
Internet and connectivity charges
NADRA verification charges
Bank and Collection charges
Upaisa Expenses
Other

(Un-audited) September 30, 2019 Rupees	(Un-audited) September 30, 2018 Rupees
1,076,394,637	800,882,502
-	-
24,672,321	10,945,260
20,783,378	12,685,907
61,455,052	52,518,694
163,095,264	183,622,696
15,675,310	17,345,282
63,197,228	46,285,881
14,376,818	6,047,362
69,450,388	52,114,744
108,804,512	69,728,239
191,269,605	93,783,930
45,470,758	32,515,441
28,819,794	32,761,087
2,277,655	1,734,414
18,316,343	16,748,331
135,175,192	89,184,437
24,904,601	-
2,148,424	-
22,617,352	10,155,592
21,361,318	20,908,218
19,742,779	17,030,627
8,546,341	8,032,043
4,204,045	20,198,540
9,261,070	1,655,022
2,152,020,184	1,596,884,249

21.1 OTHER CHARGES

SBP penalty

5,422,000	-
5,422,000	-

22. TAXATION

Current - for the period
- for prior period

(123,889,251)	(187,116,758)
(1,513,184)	-

Deferred - for the period
- for prior period

40,454,950	22,462,726
-	(927,414)
40,454,950	21,535,312
(84,947,485)	(165,581,446)

30-Sep-19
Rupees

30-Sep-18
Rupees

23. CASH AND CASH EQUIVALENTS

Cash and balances with SBP and NBP
Balances with other banks / NBFIs / MFBs
Investments

1,409,977,165	1,130,655,080
1,167,352,389	1,620,375,782
-	-
2,577,329,554	2,751,030,862

24. NUMBER OF EMPLOYEES

Credit sales staff
Permanent
Contractual

135	112
867	664
1,002	776

Banking/ support staff
Permanent
Contractual
Outsourced

700	531
870	673
-	-
1,570	1,204

Total number of employees at the end of the period/ year

2,572	1,980
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Average number of employees during the period/ year

2,303	1,708
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25. NUMBER OF BRANCHES

Branches at beginning of the period/ year	141	100
Opened during the year	60	41
- Branches	-	-
Closed/ merged during the year	201	141
Branches at the end of the period/ year		

26. EARNING PER SHARE

(a) 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 in issue during the year.

	YTD September 30, 2019 Rupees	YTD September 30, 2018 Rupees
Profit attributable to equity holders (Rupees)	280,642,620	391,690,425
Depositors' Protection Fund	-	-
Profit/ (loss) attributable to equity holders (Rupees)	280,642,620	391,690,425
Opening Ordinary shares outstanding (numbers)	-	128,571,429
Weighted average number of shares in issue (numbers)	228,571,429	87,867,647
Total shares (numbers)	228,571,429	216,439,076
Earning per share - basic (Rupees)	1.23	1.81

(b) Diluted

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

27. 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. Detail of transactions during the period and balances outstanding as at the period ended 30 September 2019.

Transactions	Note	September 30, 2019 Rupees	September 30, 2018 Rupees
Parent Company			
Issue of share capital		-	1,000,000,000
Utility Bill collected on behalf of the Parent Company		53,688,696	66,616,404
Payment in regards utility bills collected on behalf of the Parent Company		53,688,696	66,556,831
Utility Bill collection charges		195,741	280,481
Payment for administrative costs and fixed assets		31,421,231	25,127,826
Interest expense on TIER-II subordinated Debt		404,227,927	-
Interest expense on PTCL employee GP fund		80,189,464	4,531,122
Payment for purchase of ICT hardware		69,287,244	-
Associated Company - Pak Telecom Mobile Limited (PTML)			
Payment for administrative costs and fixed assets		33,678,672	8,334,178
Payment against branchless banking and bills collected		171,488,100	61,343,828
Amount received against reimbursement of agent's commission		203,626,988	150,064,844
Interest expense on deposits		45,508,481	2,388,744
Expense incurred on the behalf of PTML		-	22,950,000
Associated Company - Pakistan Telecommunication Employees Trust (PTET)			
Interest expense on deposits		72,980,137	31,133,562
Employees' provident fund			
Contribution to provident fund		20,783,378	12,685,907
Employees' gratuity fund			
Contribution to gratuity fund		24,672,321	10,945,260
Balances		September 30, 2019	December 31, 2018
		Rupees	Rupees
Parent Company			
Advance for purchase of ICT hardware		-	92,056,672
Payable against utility bills collected		-	181,508
Utility bills collection charges receivable		1,854,919	1,511,858
Employee GP fund		1,328,308,487	1,237,896,409
Sub-ordinated Debt (Tier II)		4,000,000,000	4,000,000,000
Interest Payable on TIER-II subordinated Debt		405,630,682	-
Balances			
Interest payable on deposits - PTCL Employees' Gratuity Fund		80,189,464	3,564,138
Associated Company - Pakistan Telecommunication Employees Trust			
Deposits		1,052,242,898	1,024,170,892
Interest payable on deposits		72,980,137	2,794,878
Associated Company - Pak Telecom Mobile Limited			
Employees' Gratuity fund		565,000,000	475,103,715
Payable against branchless banking and bills collected		70,518,376	69,614,227
Payable to Pak Telecom Mobile Limited			
Interest payable on deposits		45,508,481	159,159
Employees' provident fund			
Payable to provident fund		5,284,085	12,096,665
Employees' gratuity fund			
Payable to gratuity fund		3,070,370	9,037,006

28. **GENERAL**

Comparative information has been reclassified, rearranged or additionally incorporated in these financial statements for the purposes of better presentation.

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.

29. **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