

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

**January 01,2020**

**to**

**September 30,2020**

**U MICROFINANCE BANK LIMITED**  
**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)**  
**As at 30 September, 2020**

	Note	(Un-audited) September 30, 2020 Rupees	(Audited) December 31, 2019 Rupees
<b>ASSETS</b>			
Cash and balances with SBP and NBP	4	2,380,289,184	1,717,205,410
Balances with other Banks/ NBFIs/ MFBs	5	4,978,665,353	3,019,826,466
Investments - net of provisions	6	3,979,658,778	6,969,538,668
Advances - net of provisions	7	27,895,857,824	21,374,079,265
Operating fixed assets	8	2,926,698,516	3,104,521,964
Other assets	9	6,590,212,296	3,828,677,455
Deferred tax asset	10	40,669,537	76,354,529
<b>Total Assets</b>		<b>48,792,051,488</b>	<b>40,090,203,757</b>
<b>LIABILITIES</b>			
Deposits and other accounts	11	30,367,873,625	23,290,259,471
Borrowings	12	7,464,059,999	6,733,331,333
Subordinated Debt	13	3,799,280,000	4,599,400,000
Other liabilities	14	2,734,576,345	2,416,350,107
<b>Total Liabilities</b>		<b>44,365,789,969</b>	<b>37,039,340,911</b>
<b>NET ASSETS</b>		<b>4,426,261,519</b>	<b>3,050,862,846</b>
<b>REPRESENTED BY:</b>			
Share capital		3,085,714,290	2,285,714,290
Discount on issue of share capital		(25,714,290)	(25,714,290)
Statutory and other reserve		229,644,265	229,644,265
Depositors' protection fund		57,411,066	57,411,066
Accumulated Profit		1,078,928,239	512,586,043
<b>Share capital</b>		<b>4,425,983,570</b>	<b>3,059,641,374</b>
Deficit on revaluation of assets		277,950	(8,778,528)
Deferred grants		-	-
<b>Total Capital</b>		<b>4,426,261,519</b>	<b>3,050,862,846</b>

**MEMORANDUM / OFF BALANCE SHEET ITEMS** 16

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 2020**

	Note	Period Ended	
		September 30, 2020 Rupees	September 30, 2019 Rupees
Mark-up/ return/ interest earned	17	7,053,184,368	5,289,021,029
Mark-up/ return/ interest expensed	18	(3,226,122,344)	(2,770,798,820)
Net mark-up/ interest income		3,827,062,024	2,518,222,209
Provision against non-performing advances	8.3	(965,458,889)	(555,044,665)
Net mark-up/ interest income after provisions		2,861,603,135	1,963,177,544
<b>NON MARK-UP/ NON INTEREST INCOME</b>			
Fee commission & brokerage income	19	789,850,610	547,667,341
Other income	20	43,492,628	20,499,960
Gain on Sale of AFS Investments		66,217,272	(1,280,741)
		899,560,510	566,886,560
		3,761,163,645	2,530,064,104
<b>NON MARK-UP/ NON INTEREST EXPENSES</b>			
Administrative expenses	21	3,016,501,539	2,152,020,184
Other charges	21.1	5,477,000	5,422,000
		3,021,978,539	2,157,442,184
<b>PROFIT BEFORE TAXATION &amp; WWF</b>			
Workers Welfare Fund		(14,783,513)	(7,031,815)
<b>PROFIT BEFORE TAXATION</b>		724,401,593	365,590,105
<b>TAXATION</b>			
Current		(123,972,608)	(125,402,435)
Deferred		(34,086,790)	40,454,950
	22	(158,059,398)	(84,947,485)
<b>PROFIT AFTER TAXATION</b>		566,342,195	280,642,620
Unappropriated Profit brought forward		512,586,043	324,888,330
Profit available for appropriation		1,078,928,239	605,530,951
<b>APPROPRIATIONS:</b>			
<b>Transfer to:</b>			
Statutory reserve		-	-
Depositors' Protection Fund		-	-
<b>Unappropriated Profit carried forward</b>		1,078,928,239	605,530,951
<b>EARNINGS PER SHARE</b>	26	2.05	1.23

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**U MICROFINANCE BANK LIMITED**  
**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)**  
**FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**

	<b>September 30, 2020</b>	<b>September 30, 2019</b>
	<b>Rupees</b>	<b>Rupees</b>
Profit after Taxation for the period	<b>566,342,195</b>	280,642,620
Other comprehensive income/(loss) for period	-	-
	<hr/>	<hr/>
<b>Comprehensive income transferred to equity</b>	<b><u>566,342,195</u></b>	<b><u>280,642,620</u></b>
<b>Items that may be subsequently reclassified to profit and loss in subsequent periods:</b>		
Profit /Loss on revaluation of assets transferred to profit and loss	<b>(66,217,272)</b>	1,280,741
Gain on revaluation of assets	<b>106,019,379</b>	(1,545,542)
Tax Impact	<b>(30,745,629)</b>	84,460
	<b>9,056,478</b>	(180,341)
	<hr/>	<hr/>
<b>Total comprehensive income for the period</b>	<b><u>575,398,673</u></b>	<b><u>280,462,279</u></b>

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**CHAIRMAN**

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**U MICROFINANCE BANK LIMITED**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)**  
**FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**

	Capital reserve			Revenue reserve		
	Share capital	Discount on issue of share capital	Statutory reserve	Depositors' protection fund	Unappropriated profit	Total
-----Rupees-----						
<b>Balance as at January 1, 2019(Audited)</b>	<b>2,285,714,290</b>	<b>(25,714,290)</b>	<b>178,914,625</b>	<b>44,728,656</b>	<b>324,888,330</b>	<b>2,808,531,611</b>
Profit after taxation for the period	-	-	-	-	-	-
Other Comprehensive Income - net of tax	-	-	-	-	-	-
<b>Transactions with owners for the period</b>						
Issue of share capital	-	-	-	-	-	-
Transfer to statutory reserve	-	-	-	-	-	-
Contribution to depositors' protection fund	-	-	-	-	-	-
<b>Balance at 30 September 2019 (Un-audited)</b>	<b>2,285,714,290</b>	<b>(25,714,290)</b>	<b>178,914,625</b>	<b>44,728,656</b>	<b>324,888,330</b>	<b>2,808,531,611</b>
Profit after taxation for the period	-	-	-	-	253,648,201	<b>253,648,201</b>
Other Comprehensive Income	-	-	-	-	(2,538,438)	<b>(2,538,438)</b>
Issue of share capital	-	-	-	-	251,109,763	<b>251,109,763</b>
Transfer to:						-
Statutory reserve	-	-	50,729,640	-	(50,729,640)	-
Depositors' Protection Fund	-	-	-	12,682,410	(12,682,410)	-
Interim cash dividend at 50 paisa per share	-	-	-	-	-	-
Issue of ordinary shares	-	-	-	-	-	-
<b>Balance as at December 31, 2019 (Audited)</b>	<b>2,285,714,290</b>	<b>(25,714,290)</b>	<b>229,644,265</b>	<b>57,411,066</b>	<b>512,586,043</b>	<b>3,059,641,374</b>
Statutory reserve	-	-	-	-	-	-
Depositors' Protection Fund	-	-	-	-	-	-
Share Issuance	800,000,000	-	-	-	-	-
Profit for the period ended September 30, 2020	-	-	-	-	566,342,195	566,342,195
Other Comprehensive Income	-	-	-	-	-	-
<b>Balance as at September 30,2020 (Un-audited)</b>	<b>3,085,714,290</b>	<b>(25,714,290)</b>	<b>229,644,265</b>	<b>57,411,066</b>	<b>1,078,928,239</b>	<b>4,425,983,570</b>

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

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**CHAIRMAN**

**DIRECTOR**

**DIRECTOR**

**U MICROFINANCE BANK LIMITED**  
**CONDENSED INTERIM STATEMENT OF CASHFLOW (UN-AUDITED)**  
**FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**

	September 30, 2020	September 30, 2019
Note	Rupees	Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	724,401,593	365,590,105
Less: Dividend income	-	-
Adjustments for non-cash charges		
Depreciation	276,353,515	126,666,491
Amortization	28,484,633	16,644,983
Provisions against non-performing advances	965,458,889	555,044,665
Advances written off against provision	(1,193,595,621)	-
Provision for gratuity	28,935,250	24,672,321
Operating fixed assets written off	-	-
Gain on sale of fixed assets	134,359	-
Finance charges on leased assets	4,152,425	2,148,424
	<b>109,923,450</b>	<b>725,176,884</b>
	<b>834,325,043</b>	<b>1,090,766,990</b>
(Increase)/ decrease in operating assets		
Advances	(6,293,641,827)	(3,325,655,336)
Other assets (excluding advance taxation)	(2,697,698,792)	(1,414,767,128)
Increase/ (decrease) in operating liabilities	-	-
Bills payables	-	-
Deposits and other accounts	7,077,614,154	(1,292,970,613)
Other liabilities (excluding current tax, finance lease and provision for gratuity)	393,051,870	462,349,877
Cash generated from / (used in) operations	(686,349,552)	(4,480,276,210)
Gratuity paid	(27,643,031)	(30,638,957)
Income taxes paid	(124,312,276)	(82,917,788)
Net cash generated used in operating activities	(838,304,859)	(4,593,832,955)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investments in available for sale securities - Government securities	2,989,879,890	(511,521,455)
Net investments in term deposits receipts	-	4,900,000,000
Investments in operating fixed assets	(291,638,273)	(781,915,938)
Net cash (Outflows)/ inflow from investing Activities	2,698,241,618	3,606,562,607
	-	-
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Borrowings obtained/(repaid) during the period	730,608,666	1,134,544,733
Lending to Financial Institutions	-	(149,433,000)
Payments of lease obligations	31,377,238	(5,209,663)
Net cash inflow from financing activates	761,985,904	979,902,070
Net Increase/ (decrease) in cash and cash equivalents	2,621,922,663	(7,368,278)
Cash and cash equivalents at beginning of the period	4,737,031,876	2,584,697,832
<b>Cash and cash equivalents at the end of period</b>	<b>7,358,954,539</b>	<b>2,577,329,554</b>

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PRESIDENT / CHIEF EXECUTIVE

CHAIRMAN

DIRECTOR

DIRECTOR

**U Microfinance Bank Limited**  
**Notes to the Condensed Interim Financial Statements (Un-audited)**  
**FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**

**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, 2019. Comparative statement of financial position is extracted from the audited annual financial statements as of December 31, 2019, 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, 2019.

### 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, 2019 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, 2020 Rupees	(Audited) December 31, 2019 Rupees
<b>4. CASH AND BALANCES WITH SBP AND NBP</b>			
Cash in hand			
Local currency		936,995,894	618,822,600
Balances with State Bank of Pakistan (SBP)			
Local currency current accounts		1,442,517,104	1,097,601,624
Balances with National Bank of Pakistan (NBP)			
Local currency current accounts		776,186	781,186
		2,380,289,184	1,717,205,410

4.1 This includes balance held with SBP in current account to meet the requirement of maintaining minimum balance equivalent to 5% (2019: 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. 57,411,066 (2019: 57,411,066) placed for the Depositors' Protection Fund.

	Note	(Un-audited) September 30, 2020 Rupees	(Audited) December 31, 2019 Rupees
<b>5. BALANCES WITH OTHER BANKS/ NBFIs/ MFBs</b>			
In Pakistan - Local currency			
Current accounts	5.1	11,284,238	10,341,102
Deposit accounts	5.2	967,381,115	909,485,364
Term deposit receipts		4,000,000,000	2,100,000,000
		4,978,665,353	3,019,826,466

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

5.2 Deposit accounts carried interest at rates ranging from 5.50% to 9% (2019: 5.25% to 14.19%) per annum.

5.3 Term Deposit Receipts (TDR) carries markup at rate ranging between 11.50% to 12% (2019: 14.50%) per annum with maturities upto 1 year.

		(Un-audited) September 30, 2020 Rupees	(Audited) December 31, 2019 Rupees
<b>6. INVESTMENTS</b>			
Available for Sale			
Market Treasury Bills (T-Bills)		3,979,331,778	6,979,866,348
Unrealised loss on revaluation of investments		327,000	(10,327,680)
Add: Interest Receivable		-	-
		3,979,658,778	6,969,538,668



7 **ADVANCES - NET OF PROVISIONS**

Loan type	(Un-audited) September 30, 2020		(Audited) December 31, 2019	
	Number of loans outstanding	Amount outstanding Rupees	Number of loans outstanding	Amount outstanding Rupees
Micro credit				
Secured	74,053	11,741,086,689	51,414	5,660,089,977
Unsecured	255,122	16,434,861,693	262,650	16,222,216,578
	<u>329,175</u>	<u>28,175,948,382</u>	<u>314,064</u>	<u>21,882,306,555</u>
Provisions held				
Specific provision	757	(14,608,020)	15,141	(353,264,391)
General provision	7.1	(265,482,537)		(154,962,899)
		<u>(280,090,557)</u>		<u>(508,227,290)</u>
Advances - net of provisions		<u>27,895,857,824</u>		<u>21,374,079,265</u>

7.1 General provision is maintained at the rate of 1% (2019: 1%) of unsecured micro credit balance net of specific provision in accordance with the Regulations.

7.2 **Particulars of non-performing advances**

Category of classification	Provision rate	September 30, 2020			December 31, 2019		
		-	Provisions required	Provisions held	Amount outstanding	Provisions required	Provisions held
-----Rupees-----							
OAEM	-	12,332,336	-	-	291,695,211	-	-
Sub-standard	25%	5,406,916	1,027,829	1,027,829	172,226,413	43,020,028	43,020,028
Loss	100%	10,477,192	9,814,872	9,814,872	187,452,157	187,235,557	187,235,557
		<u>37,908,990</u>	<u>14,608,021</u>	<u>14,608,021</u>	<u>897,834,753</u>	<u>353,264,391</u>	<u>353,264,391</u>

**7.3 Particulars of provisions against non-performing advances**

	(Un-audited) September 30, 2020			(Audited) December 31, 2019		
	Specific	General	Total	Specific	General	Total
	-----Rupees-----					
Balance at beginning of the period/ year	353,264,391	154,962,899	508,227,290	72,258,960	133,146,543	205,405,503
Provision charge for the period/ year	854,939,250	110,519,638	965,458,888	816,639,880	21,816,356	838,456,236
Reversals	-	-	-	(535,634,449)	-	(535,634,449)
Advances written off against provision	(1,193,595,621)	-	(1,193,595,621)	-	-	-
Balance at end of the period/ year	<u>14,608,020</u>	<u>265,482,537</u>	<u>280,090,557</u>	<u>353,264,391</u>	<u>154,962,899</u>	<u>508,227,290</u>

	Note	(Un-audited)	(Audited)
		September 30, 2020 Rupees	December 31, 2019 Rupees
<b>8 OPERATING FIXED ASSETS</b>			
Capital work-in-progress	8.1	75,266,953	67,245,962
Property and equipment	8.3	1,455,433,762	1,508,798,675
Intangible assets	8.4	168,748,256	136,738,568
Right of use Asset (ROU)	8.2	1,227,249,545	1,429,341,831
		<u>2,926,698,516</u>	<u>3,142,125,036</u>
<b>8.1 Capital work-in-progress</b>			
Advances to suppliers/ contractors		27,926,998	29,663,568
Leasehold improvements		47,339,955	37,582,394
		<u>75,266,953</u>	<u>67,245,962</u>
<b>8.2 Right of use Asset (ROU)</b>			
Right of use Asset (ROU)		1,511,369,627	1,558,434,832
Accumulated Amortization-ROU assets		(284,120,082)	(129,093,001)
		<u>1,227,249,545</u>	<u>1,429,341,831</u>

### 8.3 Property and equipment

	September 30, 2020								Book value as at September 30, 2020	Rate of depreciation % (per annum)
	Cost				Depreciation					
	As at January 1, 2020	Addition	Disposal/ Transfers	As At Sep 30, 2020	As at January 1, 2020	Charge for the period	Disposal/ Transfers	As At Sep 30, 2020		
-----Rupees-----										
<b>Assets Subject to Finance Lease</b>										
Vehicle	46,553,028	5,199,972	(6,239,236)	45,513,764	8,949,956	11,023,028	(1,397,342)	18,575,642	26,938,122	20.00%
Furniture and fixture	188,359,184	11,043,726	-	199,402,910	41,799,387	15,225,462	-	57,024,849	142,378,061	10.00%
Computers	200,257,510	54,888,400	-	255,145,910	139,307,999	103,777,495	-	243,085,494	12,060,416	33.33%
Electrical equipment	1,105,358,505	167,270,622	(34,652,577)	1,237,976,550	209,931,259	112,177,161	-	322,108,420	915,868,130	20.00%
Vehicle	31,597,740	-	-	31,597,740	21,525,721	3,378,534	-	24,904,255	6,693,485	20.00%
Office improvement	454,119,198	24,080,352	-	478,199,550	95,932,168	30,771,835	-	126,704,003	351,495,547	10.00%
	<u>2,026,245,165</u>	<u>262,483,072</u>	<u>(40,891,813)</u>	<u>2,247,836,424</u>	<u>517,446,490</u>	<u>276,353,515</u>	<u>(1,397,342)</u>	<u>792,402,663</u>	<u>1,455,433,762</u>	
-----Rupees-----										
<b>December 31, 2019</b>										
	Cost				Depreciation				Book value as at December 31, 2018	Rate of depreciation % (per annum)
	As at January 1, 2019	Additions	Deletion	As at December 31, 2019	As at January 1, 2019	Charge for the year	Disposal/ Transfers	As at December 31, 2019		
-----Rupees-----										
Vehicle	26,362,716	20,190,312	-	46,553,028	1,026,858	7,923,098	-	8,949,956	37,603,072	
Furniture and fixture	137,162,430	51,196,754	-	188,359,184	25,072,232	16,727,155	-	41,799,387	146,559,797	10.00%
Computers	140,503,548	60,939,837	(1,185,875)	200,257,510	107,282,294	33,211,580	(1,185,875)	139,307,999	60,949,511	33.33%
Electrical equipment	306,699,356	798,659,149	-	1,105,358,505	106,812,632	103,118,627	-	209,931,259	895,427,246	20.00%
Vehicle	27,153,042	4,444,698	-	31,597,740	17,519,373	4,006,348	-	21,525,721	10,072,019	20.00%
Office improvement	280,045,330	174,073,868	-	454,119,198	64,626,411	31,305,757	-	95,932,168	358,187,030	10.00%
	<u>917,926,422</u>	<u>1,109,504,618</u>	<u>(1,185,875)</u>	<u>2,026,245,165</u>	<u>322,339,800</u>	<u>196,292,565</u>	<u>(1,185,875)</u>	<u>517,446,490</u>	<u>1,508,798,675</u>	

8.3.1 The cost of fully depreciated property and equipment that are still in use is Rs. 215,615,820 (2018: Rs. 198,483,015).

8.4 Intangible assets

(Un-audited)

September 30, 2020

	Cost			As At Sep 30, 2020	Amortization			As At Sep 30, 2020	Book value as at September 30, 2020	Rate of amortization % (per annum)
	As at January 1, 2020	Additions	Disposal/ Transfers		As at January 1, 2019	Charge for the period	On deletions			
-----Rupees-----										
Branchless banking software	229,957,645	25,841,744	34,652,577	290,451,966	93,219,077	28,484,633	-	121,703,710	168,748,256	10.00%
Licenses	-	-	-	-	-	-	-	-	-	20.00%
Mail server	-	-	-	-	-	-	-	-	-	33.33%
	<u>229,957,645</u>	<u>25,841,744</u>	<u>34,652,577</u>	<u>290,451,966</u>	<u>93,219,077</u>	<u>28,484,633</u>	<u>-</u>	<u>121,703,710</u>	<u>168,748,256</u>	

	Cost			As at December 31, 2019	Amortization			As at December 31, 2019	Book value as at December 31, 2019	Rate of amortization %
	As at January 1, 2019	Additions	Deletion		As at January 1, 2019	Charge for the year	On deletions			
-----Rupees-----										
Branchless banking software	165,878,303	51,606,225	-	217,484,528	57,277,885	23,468,075	-	80,745,960	136,738,568	10.00%
Licenses	12,394,739	-	-	12,394,739	11,994,749	399,990	-	12,394,739	-	20.00%
Mail server	78,378	-	-	78,378	78,378	-	-	78,378	-	33.33%
	<u>114,788,355</u>	<u>31,267,500</u>	<u>-</u>	<u>229,957,645</u>	<u>69,351,012</u>	<u>23,868,065</u>	<u>-</u>	<u>93,219,077</u>	<u>136,738,568</u>	

8.4.1 This includes operating system and microsoft office licenses.

	Note	(Un-audited) September 30, 2020 Rupees	(Audited) December 31, 2019 Rupees
<b>9. OTHER ASSETS</b>			
Income/ mark-up accrued		5,648,191,629	3,016,072,476
Advances, deposits and other prepayments		304,500,780	152,669,104
Advance taxation (payments less provisions)		-	19,183,051
Receivable from Pak Telecom Mobile		3,055,477	-
Inventory of ATM cards & Stationery		14,884,639	8,472,151
Advance to employees		75,704,460	38,280,632
Receivable from SBP	9.1	459,149,770	497,710,786
Insurance claims receivable		77,450,305	78,298,383
Others		7,275,235	17,990,872
		<u>6,590,212,296</u>	<u>3,828,677,455</u>

- 9.1** 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, 2020 Rupees	(Audited) December 31, 2019 Rupees
<b>10. DEFFERED TAX ASSET</b>		
Deductable temporary differences arising in respect of		
Provision against advances	81,226,262	147,385,914
Surplus/(Deficit) on revaluation of available for sale securities	(49,050)	1,549,152
Remeasurements of employees' retirement benefits	3,259,061	3,259,061
Minimum Tax over Normal tax	-	-
Lease finance facilities	56,797,104	34,200,832
Accelerated tax depreciation / amortization	(84,266,754)	(97,299,842)
Treasury Bills	(16,297,086)	(12,740,588)
	<u>40,669,537</u>	<u>76,354,529</u>

	(Un-audited) September 30, 2020		(Audited) December 31, 2019	
	Number of accounts	Rupees	Number of accounts	Rupees
<b>11. DEPOSITS</b>				
Fixed deposits	2,414	18,810,784,561	2,678	14,836,423,300
Saving deposits	13,996	9,446,669,928	12,652	6,071,321,337
Current deposits	1,201,072	2,110,419,136	824,179	2,382,514,834
	<u>1,217,482</u>	<u>30,367,873,625</u>	<u>839,509</u>	<u>23,290,259,471</u>

	Note	(Un-audited)	(Audited)
		September 30, 2020	December 31, 2019
<b>12. BOROWINGS</b>			
Borrowings from Banks/Financial Institutions in Pakistan			
Borrowings from Allied Bank Ltd	12.1	249,999,998	750,000,000
Borrowings from Faysal Bank Ltd	12.2	500,000,000	833,333,333
Loan Allied Bank Ltd-2	12.3	3,333,333,334	2,000,000,000
NBP-Running Finance	12.4	500,000,000	500,000,000
Loan Faysal Bank Ltd-2	12.5	833,331,667	999,998,000
Bank of Punjab	12.6	50,000,000	150,000,000
State Bank of Pakistan (LOC)	12.7	1,500,000,000	1,500,000,000
Repo Borrowing	12.8	497,395,000	-
		<u>7,464,059,999</u>	<u>6,733,331,333</u>

- 12.1 This represents outstanding balance of term finance facility under syndicate financing through Allied Bank Limited of Rs. 1,500 million carrying markup of 6-months KIBOR plus 1.10% (2019: 6-month KIBOR plus 1.10%) per annum payable semi-annually. These facility is 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.
- This represent term finance loan of Rs. 1 billion carrying markup of 6-months KIBOR plus 1% per annum (2019: 6-Months KIBOR plus 1% per annum) payable semi-annually. The Loan is secured against first pari passu charge on book debts, advances and receivable of the Bank with 25% margin and Microfinance Credit Guarantee Facility from State Bank of Pakistan at 25%. This loan is repayable in 8 equal semi-annual instalments of Rs. 166.67 million each commencing from August 2019.
- 12.3 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 (2019: 6-Months KIBOR plus 0.95% per annum) payable semi-annually in arrears. This is secured against first pari passu charge over all present and future assets excluding land and building of the Bank but not limited to advances and investments beyond CRR and SLR requirements of the Bank with 25% margin. Disbursement was initially made against a ranking charge which was upgraded to 1st pari passu within 120 days of first disbursement. This loan is repayable in 06 equal semi-annual instalments with the first principal repayment falling due on eighteenth (18th) month from the first disbursement date. The loan was drawn on 31 December 2018. In accordance with the agreement entered into with Allied Bank Limited, the Bank was required to maintain certain ratios which exceeded the required threshold as at year end.
- 12.4 This represents Utilized amount of running finance facility through National Bank of Pakistan Limited of Rs. 500 million carrying markup of 3-months KIBOR plus 0.75% per annum (2019: 3-Months KIBOR plus 0.75% per annum). This is secured against first pari passu charge on all current and future book debts, advances and receivable of the Bank. The initial disbursement was made against ranking charge which was upgraded to first pari passu charge within 120 days from date of disbursement. Markup is repayable on quarterly basis.
- 12.5 This represent term finance loan of Rs. 1 Billion carrying markup of 6-months KIBOR plus 0.75% per annum (2019: 6-Months KIBOR plus 0.75% per annum). This is secured against first pari passu charge on book debts, advances and receivables of the Bank for Rs. 1,333 million (25% margin). Initial disbursement on ranking charge 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 with the notional principle of Rs. 1000 within first two semi-annual mark-up payments.
- 12.6 This represent term finance loan of Rs. 200 million carrying markup of 6-months KIBOR plus 0.85% per annum (2019: 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. The Loan was Disbursed on 12 March 2019.
- 12.7 This represent term finance loan of Rs. 1,500 million carrying markup of 6-months KIBOR minus 100 bps (2019: 6 Months KIBOR minus 100 bps) for the tenor of five years. Markup amount is payable on every half year end i.e 30 June and 31 Decemeber, while payment of principle will be made in the last four quarters of the loan period or in Bullet Form. The loan is provided against the following target set by the SBP;
- the loan should be disbursed to 60% female borrowers
  - the Bank should disburse 25,000 loans; and
  - all loans disbursed should meet the E&S guideline issued by SBP.
- 12.8 This represent Repo Borrowing from NBP at the rate of 7.10% amounting to Rs. 497M with the tenor of less than a month.

	Note	(Un-audited) September 30, 2020	(Audited) December 31, 2019
<b>13. SUBORDINATED DEBT</b>			
Term Finance Certificates	13.1	599,280,000	599,400,000
Subordinated loan PTCL	13.2	<u>3,200,000,000</u>	<u>4,000,000,000</u>
		<u>3,799,280,000</u>	<u>4,599,400,000</u>

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

13.2 This represents unsecured, subordinated debt from PTCL, the Parent Company. The facility tenure is 7 years with grace period of 5 years and is priced at 3 Month KIBOR + 2% (2019: 3 Month KIBOR + 2%) per annum. The loan is availed as TIER-II subordinated debt for inclusion in the Bank's Supplementary Capital. Loan is structured to redeem in four equal semi-annual instalments starting from June 2024. The debt 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. During the period, the bank issued 80 million shares by way of other than right shares under section 83(1)b of the companies act, 2017 at par value of Rs. 10 per share to Pakistan Telecommunication Company Limited (PTCL) by conversion of Tier-II Unsecured & subordinated debt into common shares amounting to Rs. 800 million.

	(Un-audited) September 30, 2020 Rupees	(Audited) December 31, 2019 Rupees
<b>14. OTHER LIABILITIES</b>		
Mark-up / return / interest payable	987,735,972	491,831,224
Accrued expenses	12,365,901	301,681,149
Payable to Utility Companies for utility bills collection	-	11,512,274
Payable to Pak Telecom Mobile Limited (PTML), an associated company	182,164,078	63,427,705
Uncollected remittances	58,979,812	62,260,334
Payable to defined contribution plan - provident fund	2,513,963	3,517,822
Payable to staff retirement benefit - gratuity	2,528,021	1,235,802
Sales tax / federal excise duty	19,522,719	-
Lease Liability	1,251,163,716	1,350,956,711
Bills payable	89,908,247	70,834,204
Others	80,460,357	26,642,836
Workers' Welfare Fund	<u>47,233,559</u>	<u>32,450,046</u>
	<u>2,734,576,345</u>	<u>2,416,350,107</u>

15. SHARE CAPITAL

15.1 Authorized capital

	(Un-audited) September 30, 2020 Number	(Audited) December 31, 2019 Number		(Un-audited) September 30, 2020 Rupees	(Audited) December 31, 2019 Rupees
	800,000,000	800,000,000	Ordinary shares of Rs. 10 each	8,000,000,000	8,000,000,000

15.2 Issued, subscribed and paid-up capital

	September 30, 2020 Number	December 31, 2019 Number		September 30, 2020 Rupees	December 31, 2019 Rupees
	20,000,000	20,000,000	Ordinary shares of Rs. 10 each 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 ordinary shares of Rs.10 each in cash issued as right shares at par	2,000,000,000	2,000,000,000
	80,000,000	-	Fully paid ordinary shares of Rs.10 each in cash issued as other than right shares at par	800,000,000	-
	<u>308,571,429</u>	<u>228,571,429</u>		<u>3,085,714,290</u>	<u>2,285,714,290</u>

16. MEMORANDUM / OFF BALANCE SHEET ITEMS

16.1 Contingencies

There are no material contingencies as at 30 September 2020 (2019: Nil).

16.2 Commitments

Standby letter of guarantee  
Property and equipment  
Intangible assets

5.1

	(Un-audited) September 30, 2020 Rupees	(Audited) December 31, 2019 Rupees
	9,600,000	9,600,000
	11,668,850	78,008,400
	-	1,162,500

(Un-audited) (Un-audited)

PERIOD ENDED

September 30, 2019 Rupees	September 30, 2019 Rupees
------------------------------	------------------------------

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

6,285,151,442	4,255,002,434
356,997,977	175,919,787
411,034,949	858,098,808
<u>7,053,184,368</u>	<u>5,289,021,029</u>

18. MARK-UP/ RETURN/ INTEREST EXPENSED

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

2,132,495,880	1,709,346,417
1,093,626,464	1,061,452,403
<u>3,226,122,344</u>	<u>2,770,798,820</u>

19. OTHER CHARGES COLLECTED FROM CUSTOMERS

Loan processing fee  
Other fee income collected from customers

699,305,667	491,770,004
90,544,943	55,897,337
<u>789,850,610</u>	<u>547,667,341</u>

(Un-audited) (Un-audited)  
September 30, 2019 September 30, 2019  
Rupees Rupees

20 OTHER INCOME

Recovery against advances written off  
Miscellaneous income

42,340,189	20,013,105
1,152,439	486,855
<u>43,492,628</u>	<u>20,499,960</u>



	(Un-audited) September 30, 2019	(Un-audited) September 30, 2019
<b>21 ADMINISTRATIVE EXPENSES</b>		
Staff salaries and benefits	1,370,850,838	1,076,394,637
Charge for defined benefit plan - gratuity	28,935,250	24,672,321
Contribution to defined contribution plan - provident fund	26,572,999	20,783,378
Insurance	103,781,421	61,455,052
Rent, rate and taxes	56,304,699	163,095,264
Marketing Expenses	31,061,876	15,675,310
Travelling and conveyance	29,811,655	63,197,228
Postage and courier	14,793,059	14,376,818
Utilities	99,011,843	69,450,388
Repair and maintenance	156,262,689	108,804,512
Depreciation and amortization	469,695,428	191,269,605
Software support and maintenance fee	97,206,748	45,470,758
Stationery and printing	70,911,014	28,819,794
Auditors' remuneration	3,244,499	2,277,655
Legal and professional fee	21,607,832	18,316,343
Security services	158,767,501	135,175,192
Interest expense on ROU liability	121,648,907	24,904,601
Financial charges on leased assets	4,152,425	2,148,424
Office supplies	17,541,597	22,617,352
Internet and connectivity charges	83,687,640	21,361,318
NADRA verification charges	27,739,483	19,742,779
Bank and Collection charges	18,045,488	8,546,341
Other	4,866,648	13,465,115
	<u>3,016,501,539</u>	<u>2,152,020,184</u>
<b>21.1 SBP penalty</b>	5,477,000	5,422,000
	<u>5,477,000</u>	<u>5,422,000</u>
<b>22. TAXATION</b>		
Current - for the period	(123,972,608)	(123,889,251)
- for prior period	-	(1,513,184)
Deferred - for the period	(34,086,790)	40,454,950
- for prior period	-	-
	<u>(34,086,790)</u>	<u>40,454,950</u>
	<u>(158,059,398)</u>	<u>(84,947,485)</u>
	<b>30-Sep-20 Rupees</b>	<b>30-Sep-19 Rupees</b>
<b>23. CASH AND CASH EQUIVALENTS</b>		
Cash and balances with SBP and NBP	2,380,289,184	1,409,977,165
Balances with other banks / NBFIs / MFBs	4,978,665,353	1,167,352,389
	<u>7,358,954,537</u>	<u>2,577,329,554</u>
	<b>(Un-Audited) September 30, 2019 Rupees</b>	<b>(Audited) December 31, 2019 Rupees</b>
<b>24. NUMBER OF EMPLOYEES</b>		
Credit sales staff		
Permanent	110	127
Contractual	919	915
	<u>1,029</u>	<u>1,042</u>
Banking/ support staff		
Permanent	688	683
Contractual	911	875
Outsourced	-	-
	<u>1,599</u>	<u>1,558</u>
Total number of employees at the end of the period/ year	<u>2,628</u>	<u>2,600</u>
Average number of employees during the period/ year	<u>2,590</u>	<u>2,376</u>

25. NUMBER OF BRANCHES

Branches at beginning of the period/ year	212	141
Opened during the year		
- Branches	-	61
- Service Centers / FCs	-	10
Closed/ merged during the year	-	-
Branches at the end of the period/ year	<u>212</u>	<u>212</u>

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, 2020 Rupees	YTD September 30, 2019 Rupees
<b>Profit attributable to equity holders (Rupees)</b>	<u>566,342,195</u>	<u>280,642,620</u>
<b>Depositors' Protection Fund</b>	-	-
Profit/ (loss) attributable to equity holders (Rupees)	<u>566,342,195</u>	<u>280,642,620</u>
Opening Ordinary shares outstanding (numbers)	-	-
Weighted average number of shares in issue (numbers)	276,162,670	228,571,429
Total shares (numbers)	<u>276,162,670</u>	<u>228,571,429</u>
Earning per share - basic (Rupees)	<u>2.05</u>	<u>1.23</u>

(b) Diluted

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

**U MICROFINANCE BANK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**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. 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:

<b>Transactions</b>	<b>Sep-20 Rupees</b>	Sep-19 Rupees
Parent Company		
Utility Bill collected on behalf of the Parent Company	<b>60,868,199</b>	53,688,696
Payment in regards utility bills collected on behalf of the Parent Company	<b>60,868,199</b>	53,688,696
Utility Bill collection charges	<b>621,309</b>	195,741
Payment for administrative costs and fixed assets	<b>73,577,317</b>	31,421,231
Interest expense on TIER-II subordinated Debt Payment	<b>338,940,550</b>	404,227,927
Interest expense on PTCL employee GP fund	<b>146,794,243</b>	80,189,464
Advance for purchase of ICT hardware	-	69,287,244
Associated Company - Pak Telecom Mobile Limited (PTML)		
Payment for administrative costs and fixed assets	<b>12,721,710</b>	33,678,672
Payment against branchless banking and bills collected	<b>151,985,754</b>	171,488,100
Amount received against reimbursement of agent's commission	<b>198,804,036</b>	203,626,988
Interest expense on deposits	-	45,508,481
Associated Company - Pakistan Telecommunication Employees Trust (PTET)		
Interest expense on deposits	<b>77,106,137</b>	72,980,137
Employees' provident fund		
Contribution to provident fund	<b>26,572,999</b>	20,783,378
Employees' gratuity fund		
Payment to gratuity fund	<b>28,935,250</b>	24,672,321
<b>Balances</b>		
	<b>Sep-20 Rupees</b>	Dec-19 Rupees
Parent Company		
Payable against utility bills collected	<b>1,138,385</b>	35,948
Utility bills collection charges receivable	<b>2,061,426</b>	1,792,839
Employee GP fund	<b>1,825,980,318</b>	1,383,127,074
Subordinated Debt -Tier II	<b>3,200,000,000</b>	4,000,000,000
Interest payable on Tier- II Subordinated loan	<b>303,387,103</b>	374

**U MICROFINANCE BANK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

<b>Balances</b>	<b>Sep-20 Rupees</b>	Dec-19 Rupees
Interest payable on deposits - PTCL Employees' GP Fund	<b>146,794,243</b>	7,130,217
Associated Company - Pakistan Telecommunication Employees Trust		
Deposits	<b>2,120,269,752</b>	1,050,001,647
Interest payable on deposits	<b>24,109,589</b>	39,378,995
Associated Company - Pak Telecom Mobile Limited		
Employees' Gratuity fund	<b>472,657,538</b>	400,088,157
Payable against branchless banking and bills collected	<b>182,164,078</b>	63,427,705
Interest payable on deposits	<b>7,548,630</b>	352,811
Employees' provident fund		
Payable to provident fund	<b>2,513,963</b>	3,517,822
Employees' gratuity fund		
Payable to gratuity fund	<b>2,528,021</b>	1,235,802

**28 GENERAL**

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

- 28.1** 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.

**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**