U Microfinance Bank Limited

Condensed interim financial information (Unaudited)

For the period ended 30 September 2022

U Microfinance Bank Limited

Condensed Interim Balance Sheet (Un-audited)

As at 30 September 2022

	Note	**(Un-audited) 30 September 2022 (Rupees)**	(Audited) 31 December 2021 (Rupees)
ASSETS			
Cash and balances with SBP and NBP	6	**5,208,951,384**	3,799,930,850
Balances with other Banks/ NBFIs/ MFBs	7	**2,351,603,958**	6,223,904,412
Investments - net of provisions	8	**52,095,009,871**	46,564,519,779
Advances - net of provisions	9	**55,388,374,978**	34,375,729,318
Operating fixed assets	10	**3,549,488,097**	2,886,170,228
Other assets	11	**1,937,402,299**	10,050,583,152
Deferred tax asset	12	**1,279,758,922**	677,447,619
Total Assets		**121,810,589,509**	104,578,285,358
LIABILITIES			
Deposits and other accounts	13	**71,900,388,998**	55,000,289,695
Borrowings	14	**35,490,814,538**	36,880,686,164
Subordinated debt	15	**2,798,800,000**	1,798,920,000
Other liabilities	16	**3,464,116,072**	3,407,296,747
Deferred tax liabilities		**-**	-
Total Liabilities		**113,654,119,607**	97,087,192,606
Net Assets		**8,156,469,902**	7,491,092,752
REPRESENTED BY:			
Share capital	17	**5,085,714,290**	4,085,714,290
Advance against issue of shares	18	**-**	1,000,000,000
Discount on issue of share capital		**(25,714,290)**	(25,714,290)
Statutory and general reserves		**633,083,649**	633,083,649
Depositors' protection fund		**158,270,912**	158,270,912
Unappropriated profit		**2,312,859,228**	1,926,314,403
		8,164,213,789	7,777,668,964
Surplus / (deficit) on revaluation of assets		**(9,690,119)**	(288,630,328)
Deferred grants		**1,946,232**	2,054,116
Total Capital		**8,156,469,902**	7,491,092,752
MEMORANDUM / OFF BALANCE SHEET ITEMS	19		

The annexed notes from 1 to 31 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 Period ended 30 September 2022

	Note	For the period Ended Sept 2022 30 Sept 2022 (Rupees)	 30 Sept 2021 (Rupees)
Mark-up / return / interest earned	*20*	**13,917,223,408**	8,905,503,324
Mark-up / return / interest expensed	*21*	**(9,170,973,413)**	(4,016,768,167)
Net mark-up / interest income		**4,746,249,995**	4,888,735,157
Provision against non-performing loans and advances	*9.1*	**188,327,043**	(1,044,096,080)
Provision for diminution in the value of investments		**-**	-
Bad debts written off directly		**-**	-
Net mark-up / interest income after provisions		**4,934,577,038**	3,844,639,077
NON MARK-UP / NON INTEREST INCOME			
Fee, commission and brokerage income	*22*	**945,928,045**	719,421,859
Dividend income		**-**	-
Other income	*23*	**279,418,525**	172,299,129
Total non-markup / non interest income		**1,225,346,570**	891,720,988
		6,159,923,608	4,736,360,065
NON MARK-UP / NON INTEREST EXPENSES			
Administrative expenses		**(4,774,462,306)**	(3,712,242,924)
Other provisions / write offs		**-**	-
Other charges		**-**	-
Total non-markup / non interest expenses		**(4,774,462,306)**	(3,712,242,924)
Extra ordinary / unusual items		**-**	-
PROFIT BEFORE TAXATION		**1,385,461,302**	1,024,117,141
Workers welfare fund (WWF)		**(27,769,226)**	(20,482,305)
		1,357,692,076	1,003,634,836
TAXATION			
Current		**(686,980,991)**	(359,545,469)
Prior years		**(82,357,813)**	-
Deferred		**651,026,284**	209,859,318
	24	**(118,312,520)**	(149,686,151)
PROFIT AFTER TAXATION		**1,239,379,556**	853,948,685
EARNINGS PER SHARE	*28*	**3.88**	2.28

The annexed notes from 1 to 31 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 Period ended 30 September 2022

CASH FLOW FROM OPERATING ACTIVITIES	**Note**	**30 September 2022 (Rupees)**	30 September 2021 (Rupees)
Profit before taxation		**1,357,692,076**	1,003,634,836
Less: Dividend income		**-**	-
		1,357,692,076	825,075,567
Adjustments for non-cash charges			
Depreciation of property and equipment	10.2	**343,715,146**	297,646,170
Amortization of intangible assets	10.3	**44,965,942**	40,188,283
Depreciation of right of use assets		**681,814,510**	204,234,936
Provisions against non-performing advances	9.1	**(188,327,043)**	1,044,096,080
Advances written off against provision	9.1	**(172,685,105)**	(468,304,124)
Provision for gratuity		**47,815,686**	36,513,993
Loss on sale of fixed assets		**(420,363)**	3,332,446
Finance charges on leased assets		**5,845,949**	113,022,509
		762,724,722	1,270,730,294
		2,120,416,798	2,274,365,130
Increase in operating assets			
Advances		**(21,892,266,950)**	(3,418,113,598)
Other assets (excluding advance taxation)		**8,113,180,853**	(1,828,775,858)
Increase in operating liabilities			
Bills payables		**-**	-
Deposits and other accounts		**16,900,099,303**	4,476,977,037
Other liabilities (excluding current tax, bills payable, finance lease and provision for gratuity)		**(262,475,376)**	1,313,962,768
		2,858,537,830	544,050,349
Net cash generated from / (used in) operations		**4,978,954,628**	2,818,415,479
Payments against provisions held against off-balance sheet obligations			
Gratuity paid		**(48,276,288)**	(24,677,064)
Income taxes paid		**(369,952,411)**	(212,473,085)
Net cash generated from / (used in) operating activities		**4,560,725,929**	2,581,265,330
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available for sale securities - Government securities		**(13,280,490,092)**	(5,864,902,697)
Net investments in term deposits receipts		**7,750,000,000**	120,000,000
Investments in operating fixed assets		**(881,117,249)**	(243,490,916)
Sale proceeds of property and equipment disposed-off		**463,697**	3,647,578
Net cash used in investing activities		**(6,411,143,644)**	(5,984,746,035)
CASH FLOW FROM FINANCING ACTIVITIES			
Payments of subordinated loan		**(360,000)**	-
Borrowings - net		**(1,389,871,626)**	3,235,483,238
Payments of lease obligations		**(27,344,580)**	(332,805,478)
Issue of Additional Tier-1 Capital TFCs		**1,000,000,000**	-
Dividend paid		**(195,286,000)**	(741,147,225)
Lending to Financial Institutions		**-**	-
Net cash (used in) / generated from financing activates		**(612,862,206)**	2,161,530,535
Net (decrease) / increase in cash and cash equivalents		**(2,463,279,921)**	(1,241,950,170)
Cash and cash equivalents at beginning of the period		**10,023,835,262**	5,068,326,579
Cash and cash equivalents at the end of period	25	**7,560,555,341**	3,826,376,409

The annexed notes from 1 to 31 form an integral part of these condensed interim financial statements.

PRESIDENT / CHIEF EXECUTIVE **CHAIRMAN** **DIRECTOR** **DIRECTOR**

U Microfinance Bank Limited

Condensed Interim Statement of Changes in Equity (Un-audited)

For the Period ended 30 September 2022

	Share capital	Advance against issue of shares	Capital reserve			Revenue reserve	Total
			Discount on issue of share capital	Statutory reserve	Depositors' protection fund	Unappropriated profit	
				Rupees			
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**
Profit for the period	-	-	-	-	-	1,111,036,967	1,111,036,967
Other comprehensive income	-	-	-	-	-	(6,527,564)	(6,527,564)
Total comprehensive income	-		-	-	-	1,104,509,403	1,104,509,403
Transfer to:							
Statutory reserve*	-	-	-	222,207,393	-	(222,207,393)	-
Depositors' Protection Fund**	-	-	-	-	55,551,848	(55,551,848)	-
Transactions with owners, recorded directly in equity							
Contributions and distributions							
Issue of preference shares	1,000,000,000	(1,000,000,000)	-	-	-	-	-
Conversion of subordinated debt as advance against issue of ordinary shares		1,000,000,000	-	-	-	-	1,000,000,000
Issue of ordinary shares	-	-	-	-	-	-	-
Balance at 31 December 2021 (Audited)	**4,085,714,290**	**1,000,000,000**	**(25,714,290)**	**633,083,649**	**158,270,912**	**1,926,314,403**	**7,777,668,964**
Adjustment on initial application of IFRS 9 (Refer to note 3)	**-**	**-**	**-**	**-**	**-**	**(660,554,001)**	**(660,554,001)**
Adjusted Balances as at 01 January 2022	**4,085,714,290**	**1,000,000,000**	**(25,714,290)**	**633,083,649**	**158,270,912**	**1,265,760,402**	**7,117,114,963**
						-	-
Profit for the period	-	-	-	-	-	**1,239,379,556**	**1,239,379,556**
Other comprehensive income	-	-	-	-	-	**3,005,270**	**3,005,270**
Total comprehensive income	-		-	-	-	**1,242,384,826**	**1,242,384,826**
Transfer to:							
Statutory reserve*	-	-	-	-	-	-	-
Depositors' Protection Fund**	-	-	-	-	-	-	-
Transactions with owners, recorded directly in equity							
Contributions and distributions							
Conversion of subordinated debt as advance against issue of ordinary shares	1,000,000,000	(1,000,000,000)	-	-	-	-	-
Issue of dividend @ Rs. 32 paisa per ordinary share and Rs. 95.3 paisa per preference shares	-	-	-	-	-	**(195,286,000)**	**(195,286,000)**
Balance at 30 September 2022 (Un-audited)	**5,085,714,290**	**-**	**(25,714,290)**	**633,083,649**	**158,270,912**	**2,312,859,228**	**8,164,213,789**

The annexed notes from 1 to 31 form an integral part of these condensed interim financial statements.

PRESIDENT / CHIEF EXECUTIVE	CHAIRMAN	DIRECTOR	DIRECTOR

U Microfinance Bank Limited

Condensed interim statement of comprehensive income (Un-audited)

For the Period ended 30 September 2022

	For the period Ended Sept 2022	
	30 September 2022	30 September 2021
	Rupees	Rupees
Profit for the period	**1,239,379,556**	853,948,685
Other comprehensive income for the period	**-**	-
Comprehensive income for the period transferred to equity	**1,239,379,556**	853,948,685
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	**116,656,597**	113,033,415
Gain on revaluation of assets transferred to profit and loss	**276,216,937**	(242,447,168)
Related tax impact	**(113,933,325)**	37,529,988
	278,940,209	(91,883,765)
Total comprehensive income for the period	**1,518,319,765**	762,064,920

The annexed notes from 1 to 31 form an integral part of these condensed interim financial statements.

PRESIDENT / CHIEF EXECUTIVE **CHAIRMAN** **DIRECTOR** **DIRECTOR**

1 STATUS AND NATURE OF BUSINESS

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

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

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

The credit rating company JCR-VIS assigned the long-term entity rating of the Bank at "A+" and short term rating at "A-1" on 30 April 2022.

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.

The Financial Results of Islamic Microfinance Division (IMD) of the Bank has been consolidated in these condensed interim financial statements for reporting purpose, after eliminating Inter branch transaction/balances. Key figures of the IMD, dervied from the related accounting records of the Bank, are disclosed in relevant notes to these condensed interim financial statements.

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;

- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) 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 or IFAS, the requirements of the Companies Act, 2017, the Microfinance Ordinance, 2001, or the requirements of the said directives shall prevail.

The SBP vide BSD Circular No. 10, dated 26 August 2002 has deferred the applicability of the International Accounting Standard (IAS) 39, “Financial Instruments: Recognition and Measurement” and IAS 40, “Investment Property” for banking companies till further instructions. Further, the SECP vide its SRO 633 (I)/ 2014, dated 10 July 2014 has deferred the applicability of International Accounting Standard (IAS) 39, “Financial Instruments: Recognition and Measurement”, IAS 40, “Investment Property” and International Financial Reporting Standard (IFRS) 7, “Financial Instruments: Disclosures” for banking companies till further instructions. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by SBP through various circulars /regulations.

State Bank of Pakistan (SBP) through its BPRD circular No. 4 of 2019 dated 23 October 2019 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 in view of COVID-19 impact and banking industry representations, SBP vide circular no. 24 of 2021 dated 05 July 2021 had decided to implement IFRS 9 from 01 January 2022. In continution to this, SBP vide circular no. 3 of 2022 dated 05 July 2022 has decided to implement IFRS 9 from 01 January 2024. However, the Bank has early adopted the IFRS 9 from 01 January 2022.

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 2021. Comparative condensed interim balance sheet is extracted from the audited annual financial statements as of 31 December 2021, 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 2021.

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.

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) except for early adoption of IFRS as disclosed below:

CLASSIFICATION AND MEASUREMENT

Financial assets

IFRS has different requirements for debt or equity financial assets. Debt instruments should be classified and measured either at:

- Amortized cost, where the effective interest rate method will apply;
- Fair value through other comprehensive income, with subsequent recycling to the statement of profit or loss upon disposal of the financial asset; or
- Fair value through profit or loss.

Investments in equity instruments, other than those to which consolidation or equity accounting apply, should be classified and measured either at:

- Fair value through profit or loss; or
- Fair value through other comprehensive income, with no subsequent recycling to the statement of profit or loss upon disposal of the financial asset (if the instrument by instrument option is to classify at fair value through other comprehensive income is elected).

When classifying a financial asset (other than derivatives and equity instruments), IFRS requires that the contractual cash flows test is performed, commonly referred to as the solely payments of principal and interest test ("SPPI") test. If an instrument fails the SPPI test, it should be classified as Fair Value through profit or loss. When an instrument passes the SPPI test, it should undergo the business model test, on a portfolio level.

Busines model	**Classification basis**
Hold to collect	Portfolio accounted at amortized cost
Hold to collect and sel	Portfolio accounted at fair value through other comprehensive income with recycling
Others	Portfolio accounted at fair value through profit or loss

All instruments held for trading should always be classified as Fair value through profit or loss.

Investments in equity instruments should by default be classified as fair value through profit or loss, however the Bank has an irrevocable choice on an instrument by instrument basis, to elect that the fairvalue changes on the equity investment are accounted for through other comprehensive income. Upon disposal of the investment the gain or loss on disposal will be recognized in equity. Dividends received should be recognized in the profit and loss account. The following table summarizes the two-stage approach for financial assets classification on their initial recognition.

At initial recognition		**Contractual cash flow characteristics test**	
		Pass	**Fail**
Business model	Held within a business model whose objective is to hold financial assets in order to collect contractual cash flows	Amortized cost	Fair value through profit or loss (FVTPL)
	Held within a business model whose objective is achieved by both collecting contractual cash flows and selling	Fair value through other comprehensive income (FVOCI) with recycling (debt)	Fair value through profit or loss (FVTPL)
	Financial assets which are neither held at amortized nor at fair value through other comprehensive income	Fair value through profit or loss (FVTPL)	Fair value through profit or loss (FVTPL)
Options	Conditional fair value option is elected	Fair value through profit or loss (FVTPL)	Fair value through profit or loss (FVTPL)
	Option elected to present changes in fair value of an equity instrument not held for trading in OCI	N/A	Fair value through other comprehensive income (FVOCI) without recycling (equity)

Financial liabilities

All financial liabilities are carried at amortized cost (i.e. loan payables) and are subsequently accounted in accordance with the effective interest rate method.

Recognition and measurement

An entity shall recognize a financial asset or a financial liability in its financial statements when and only when it becomes a party to the contractual provisions of the instrument.

Initial measurement of financial assets and financial liabilities

Financial assets and liabilities not measured at fair value through profit or loss

When a financial asset or financial liability is recognized initially, an entity shall measure it at its fair value plus or minus, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Examples of transaction costs include fees and commissions paid to agents such as broker commissions and stamp duty.

Financial assets and liabilities at fair value through profit or loss.

Financial asset or financial liability shall be measured at initial recognition at the fair value excluding transaction costs. Transaction costs for this class of financial instrument should be recognized directly in the profit and loss account.

Subsequent measurement of financial assets

Financial assets can be categorized into the following categories:

i. Amortized cost (Expected credit losses need to be provided);

ii. Fair value through other comprehensive income with recycling (Expected credit losses need to be provided);

iii. Fair value through other comprehensive income without recycling (for equity instruments for which the FVOCI option was elected)

iv. Fair value through profit and loss.

The categorization of the instrument determines the manner of subsequent measurement.

IMPAIRMENT REQUIREMENT FOR FINANCIAL ASSETS

The Bank is required to assess impairment of financial assets measured at amortized cost and FVOCI at the end of each reporting period. As per IFRS 9, the measurement of expected losses must reflect:

- A considered and unbiased, probability-weighted amount;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort and that reflects past events, current conditions and forecasts of future economic conditions.

IFRS 9 establishes two approaches for measuring impairment i.e. general and simplified. Under the general approach, impairment is generally measured as either 12 months ECL or lifetime ECL relevant for banks and financial institutions. The measurement basis depends on whether there has been a significant increase in credit risk of a financial instrument at the reporting date since its initial recognition. The standard has identified basis of ECL computation for following stages:

Stage 1: No significant deterioration in credit quality of the financial assets – 12 month expected credit loss
Stage 2: Significant deterioration in credit quality of the financial asset since recognition – lifetime expected credit loss
Stage 3: Credit impaired – impairment determined on individual or collective basis over the life time.

The staging guidelines applicable on the Bank has been adopted from State Bank of Pakistan (SBP) guidelines:

Particular	Classification	Days due	Stage allocation under IFRS 9	Provision to be made
Prudential regulations for Microfinance Banks	Performing	1 - 29	Stage 1	As per IFRS 9 ECL modelling
	Underperforming (OAEM)	30 - 59	Stage 2	
	Non-performing			
	Substandard	60 - 89	Stage 3	***whichever is higher***
	Doubtful	90 - 179		(a) IFRS 9 ECL
	Loss	180 or more		(b) PR's requirements

In order to align classification and provisioning requirements with enhanced loan sizes, State Bank of Pakistan (SBP) via AC&MFD circular 02 of 2022 dated 16 March 2022 has decided to revise Prudential Regulations R-8 for MFBs as under:

<u>Regulation R-8: Classification of Assets and Provisioning Requirements</u>
Specific Provisioning:

The outstanding principal and mark-up of the loans and advances, payments against which are overdue, shall be classified as Non- Performing Loans (NPLs) as prescribed below:

For General Loans

Category	Determinant	Treatment of Income	Provisioning to be made
Other Assets Especially Mentioned (OAEM)	Where mark-up or principal is overdue for 30 days or more but less than 60 days.	NIL.	No provisioning Required.
Substandard	Where mark-up or principal is overdue for 60 days or more but less than 90 days	The unrealized interest / profit / mark-up / service charges on NPLs shall be suspended and credited to memorandum account.	25% of outstanding principal net of liquid assets realizable without recourse to a court of law.
Doubtful	Where mark-up or principal is overdue for 90 days or more but less than 180 days.	As above.	50% of outstanding principal net of liquid assets realizable without recourse to a court of law.
Loss	Where mark-up or principal is overdue for 180 days or more.	As above.	100% of outstanding principal net of liquid assets realizable without recourse to a court of law.

For Housing Loans

Category	Determinant	Treatment of Income	Provisioning to be made
Other Assets Especially Mentioned (OAEM)	Where mark-up or principal is overdue for 90 days or more but less than 180 days from the due date.	NIL.	No provisioning Required.
Substandard	Where mark-up or principal is overdue by 180 days or more but less than one year from the due date.	Unrealized interest / profit / mark-up to be kept in Memorandum Account and not to be credited to Income Account except when realized in cash. Unrealized interest / profit / mark-up already taken to income account to be reversed and kept in Memorandum Account.	Provision of 25% of the difference resulting from the outstanding balance of principal net of liquid assets realizable without recourse to a court of law, and Forced Sale Value (FSV) of mortgaged properties to the extent of 75% of such FSV.
Doubtful	Where mark-up or principal is overdue by one year or more but less than two years from the due date.	As above.	Provision of 50% of the difference resulting from the outstanding balance of principal net of liquid assets realizable without recourse to a court of law, and Forced Sale Value (FSV) of mortgaged properties to the extent of 75% of such FSV.

Loss	Where mark-up or principal is overdue by two years or more from the due date	As above.	Provision of 100% of the difference resulting from the outstanding balance of principal net of liquid assets realizable without recourse to a court of law, and Forced Sale Value (FSV) of mortgaged properties to the extent of 75% of such FSV for first and second year, 50% for third and fourth year and 30% of FSV for fifth year from the date of Classification. Benefit of FSV against NPLs shall not be available after 05 years from the date of classification of financing.

For Microenterprise Loans

Category	Determinant	Treatment of Income	Provisioning to be made
Other Assets Especially Mentioned (OAEM)	Where mark- up/ interest or principal is overdue by 90 days or more but less than 180 days from the due date	Unrealized interest / profit / mark-up to be kept in Memorandum Account and not to be credited to Income Account except when realized in cash. Unrealized interest / profit / mark-up already taken to income account to be reversed and kept in Memorandum Account.	Provision of 10% of the difference resulting from the outstanding balance of principal net of liquid assets realizable without recourse to a court of law, and Forced Sale Value (FSV) of pledged stocks, plant & machinery under charge and mortgaged residential, commercial and industrial properties (land & building only) to the extent allowed in Annexure I-4.
Substandard	Where mark- up/ interest or principal is overdue by 180 days or more but less than one year from the due date.	As above	Provision of 25% of the difference resulting from the outstanding balance of principal net of liquid assets realizable without recourse to a court of law, and Forced Sale Value (FSV) of pledged stocks, plant & machinery under charge and mortgaged residential, commercial and industrial properties (land & building only) to the extent allowed in Annexure I-4
Doubtful	Where mark-up/ interest or principal is overdue by one year or more but less than 18 months from the due date.	As above	Provision of 50% of the difference resulting from the outstanding balance of principal net of liquid assets realizable without recourse to a court of law, and Forced Sale Value (FSV) of pledged stocks, plant & machinery under charge and mortgaged residential, commercial and industrial properties (land & building only) to the extent allowed in Annexure I-4.
Loss	Where mark-up/ interest or principal is overdue by 18 months or more from the due date. Where Inland Trade Bills are not paid/ adjusted within 180 days of the due date.	As above	Provision of 100% of the difference resulting from the outstanding balance of principal net of liquid assets realizable without recourse to a court of law, and Forced Sale Value (FSV) of pledged stocks, plant & machinery under charge and mortgaged residential, commercial and industrial properties (land & building only) to the extent allowed in Annexure I-4.

Significant increase in credit risk
A financial asset is considered to have had a significant deterioration in its credit quality, when following factors exists:

i. Quantitative factor: 30 days past due;
ii. Qualitative factors:
iii. Restructuring/Rescheduling due to credit reasons
iv. Unavailable/inadequate financial information/financial statements;
v. Expectation of forbearance (restructuring/rescheduling) occurring
vi. Qualified report by external auditors;
vii. Significant contingent liabilities;
viii. Pending litigation resulting in a detrimental impact;
ix. Loss of key staff to the organization;
x. Increase in operational risk and higher occurrence of fraudulent activities; and

xi. Borrower is the subject of litigation by third parties that may have a significant impact on his financial position.
xii. Frequent changes in senior management.
xiii. Intra-group transfer of funds without underlying transactions.
xiv. Deferment/delay in the date for commencement of commercial operations by more than one year.

Key assumptions used in calculation of ECL:

Expected credit loss is a product of:
Probability of default (“PD”) x Loss given default (“LGD”) x Exposure at default (“EAD”)

Probability of default:

Probability of default is a term ascribed to the likelihood of a default over a specified period that a debtor will not be able to repay the amount due.

Many models have been developed by statisticians to estimate probability of default for portfolios with varying default rates. These models take into account a number of factors such as debtor characteristics including third-party-credit-risk-ratings, days past due, past default rates, macroeconomic factors, and asset correlation to estimate future PDs associated with the financial exposures of an entity. Based on analysis performed on available data, flow rate migration matrix have been found most suitable for estimation of probability of default. Accordingly, the Bank has computed loss rates for its advances using flow rate by observing default behavior over the period of 5 years as suggested by BASEL II.

The flow rates have been determined using month on month movement of outstanding balance from one bucket to another. In order to arrive at loss rate the product of average flow rates and LGD was taken.

Forward looking information:

IFRS 9 requires incorporating future economic conditions into the measurement of ECL. Future economic conditions are incorporated by adjusting estimates of PD to reflect expectations about the stage of economic cycle expected to be prevalent in the economy as-and-when default is expected to arise in the future. The macroeconomic factors were selected based on regression analysis of historical default rate and macroeconomic indicator and based on the results of the analysis GDP and CPI were considered to be the most suitable factors based on highest correlation with default rate.

The GDP and CPI forecast were sourced from “The Economist Intelligence Unit” which was used to determine forward looking Point in time PDs (PiT PDs). In compliance with IFRS 9, GDP and CPI were forecasted considering scenarios indicating movement of both indicators under base case, best case, and worst-case simulations. Base case forecasts were sensitized using a scaling factor of 5 years standard deviation to determine better and worst-case scenarios. It was assumed that forecast is a normal distribution. As per normal distribution property the base, better and worst would have 68%, 16% and 16% chances of likelihood.

Furthermore, in order to arrive at the Point in Time (PiT) loss rates, the Vasicek model framework has been used to take into account macroeconomic variables for Pakistan, loss rates and asset correlation as inputs.

Loss given default (LGD):

Loss given default is the loss expected to suffer should the counterparty default and is set as a percentage.

To estimate LGD, specific and accurate recovery data is to be made available. However, in the absence of this information, the standard loss given default identified in Basel framework for secured and unsecured portfolio is used for estimation of expected credit loss.

Segment	Secured / Unsecured	Loss given default
Gold	Secured	35%
Enterprise	Unsecured	45%
Agriculture	Unsecured	45%
Livestock	Unsecured	45%

Exposure at default (EAD):

Exposure at default is the value of the contractual obligation that must be fulfilled by the obligor under the contract at the time of default. Therefore, EAD represents the amount of potential exposure that is at risk.

In case of advances, the EAD is to be calculated by amortizing loans over their tenures. The EAD is to be bifurcated into stage 1, stage 2 and stage 3 using low risk, significant increase in credit risk and default definitions. Further, the SBP guidelines require that loan rescheduled should be considered as an indicator of significant increase in credit risk. Therefore, in case rescheduling has been performed.

DERECOGNITION

Financial assets
A financial asset is derecognized when, and only when:

- the contractual rights to the cash flows from the financial asset expire; or
- the entity transfers the financial asset and the transfer qualifies for derecognition (substantially all risks and rewards are transferred meaning that no control is retained).

Financial liabilities
A financial liability (e.g. debt) is derecognized from the balance sheet when it is extinguished, that is when the obligation is discharged, cancelled or expired. This condition is met when the debtor either:

- Discharges the liability (or part of it) by paying the creditor, normally with cash, other financial assets, goods or services; or
- is legally released from primary responsibility for the liability (or part of it) either by process of law or by the creditor.

Policies applicable before 01 January 2022:

Investments

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

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

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

Held for trading

These represent securities acquired with the intention to trade by taking advantage of short-term market/ interest rate movements. These securities are required to be disposed off within 90 days from the date of their acquisition. After initial measurement, these are marked to market and surplus/ deficit arising on revaluation of 'held for trading' investments is taken to profit and loss account in accordance with the requirements prescribed by SBP.

Held to maturity

Investments with fixed maturity, where management has both the intent and the ability to hold till maturity, are classified as held to maturity. Subsequent to initial recognition at cost, these investments are measured at amortized cost, less provision for impairment in value, if any, and amortized cost is calculated taking into account effective interest rate method. Profit on held to maturity investments is recognized on a time proportion basis taking into account the effective yield on the investments.

Available for sale

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

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

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

Advances

Advances are stated net of provision for non-performing advances. The outstanding principal and mark-up of the loans and advances, payments against which are overdue for 30 days or more are classified as non-performing loans (NPLs). The unrealized interest / profit / mark-up / service charges on NPLs is suspended and credited to interest suspense account. Further the NPLs are classified into following categories as prescribed in the Regulations:

Other assets especially mentioned
These are advances, payments against which are overdue for 30 days or more but less than 60 days.
Substandard
These are advances, payments against which are overdue for 60 days or more but less than 90 days.
Doubtful
These are advances, payments against which are overdue for 90 days or more but less than 180 days.
Loss
These are advances, payments against which are overdue for 180 days or more.

In addition the Bank maintains a watch list of all accounts overdue for 5-29 days. However, such accounts are not treated as non-performing for the purpose of classification/ provisioning.

In order to enable MFBs in extending relief measures to the affected borrowers, SBP via AC&MFD Circular Letter No. 01 of 2021 dated 01 December 2021 relaxed the criteria for classification of assets and provisioning requirements for Deferred and Restructured Portfolio (DRP) as per the following:

Category	***Determinant (Existing)***	***Determinant (DRP)***
Other Assets Especially Mentioned (OAEM)	Loans (principal/mark-up) is overdue for 30 days or more but less than 60 days	Loans (principal/mark-up) is overdue for 60 days or more but less than 90 days
Substandard	Loans (principal/mark-up) is overdue for 60 days or more but less than 90 days	Loans (principal/mark-up) is overdue for 90 days or more but less than 120 days
Doubtful	Loans (principal/mark-up) is overdue for 90 days or more but less than 180 days	Loans (principal/mark-up) is overdue for 120 days or more but less than 210 days
Loss	Loans (principal/mark-up) is overdue for 180 days or more	Loans (principal/mark-up) is overdue for 210 days or more

In accordance with the Regulations, the Bank maintains specific provision of outstanding principal net of cash collaterals and gold (ornaments and bullion) realizable without recourse to a Court of Law at the following rates:

Other assets especially mentioned Substandard	Nil
Substandard	25% of outstanding principal net of cash collaterals
Doubtful	50% of outstanding principal net of cash collaterals

Loss	100% of outstanding principal net of cash collaterals

In addition to above, a general provision is made equivalent to 1% (2020: 1%) of the net outstanding balance (advance net of specific provisions) in accordance with the requirement of the Regulations. The Bank also recognises general provisions in addition to the above general provision when the circumstances indicate delinquency in the portfolio.

General and specific provision is charged to the profit and loss account in the period in which they occur.

Non-performing advances are written off one month after the loan is classified as "Loss". However, the Bank continues its efforts for recovery of the written off balances.

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

Impairment

Non-derivative financial assets

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

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

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

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit and loss account and reflected in an allowance account. When the Bank considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit and loss account.

Non-financial asset

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

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

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

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

Financial instruments

Financial assets and liabilities are recognized when the Bank becomes a party to the contractual provisions of the instrument. These are derecognized when the Bank ceases to be the party to the contractual provisions of the instrument.

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or historical cost as the case may be.

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

Financial Assets

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

Financial Liabilities

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

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

Derivative financial instruments

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

		Note	(Un-audited) 30 September 2022 Rupees	(Audited) 31 December 2021 Rupees
6	**CASH AND BALANCES WITH SBP AND NBP**			
	Cash in hand - Local currency		**1,142,840,337**	808,663,563
	Local currency current accounts			
	Balances with State Bank of Pakistan (SBP)	6.1	**4,065,334,861**	2,990,491,101
	Balances with National Bank of Pakistan (NBP)		**776,186**	776,186
			5,208,951,384	3,799,930,850

		Note	(Un-audited) 30 September 2022 Rupees	(Audited) 31 December 2021 Rupees
7	**BALANCES WITH OTHER BANKS/ NBFIs/ MFBs**			
	In Pakistan - Local currency			
	Current accounts	7.1	**48,135,995**	12,385,714
	Deposit accounts	7.2	**2,303,467,963**	6,211,518,698
			2,351,603,958	6,223,904,412

7.1 This includes Rs. 15,000,000 (2021: Rs. 10,600,000) 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 12% to 17.5% (2021: 5.5% to 11.50%) per annum.

8 INVESTMENTS - NET OF PROVISIONS		**(Un-audited) 30 September 2022 Rupees**	(Audited) 31 December 2021 Rupees
Held at amortised cost			
Pakistan Investment Bonds (PIBs)	8.1	**5,497,232,320**	-
Term deposit receipts	8.2	-	-
Term Finance Certificates (TFCs)	8.3	**1,010,762,310**	-
		6,507,994,630	-
Fair Value Through Profit and Loss (FVTPL)			
Mutual Funds	8.4	**20,446,006,565**	-
AL Meezan	8.4	**1,331,851,952**	-
Market Treasury Bills (T-Bills)	8.5	**8,837,548,164**	
		30,615,406,681	-
Fair Value Through Other Comprehensive Income (FVOCI)			
Market Treasury Bills (T-Bills)	8.5	**8,974,104,562**	-
Ijarah Sukuk	8.6	**997,503,998**	-
Pakistan Investment Bonds (PIBs)	8.7	**5,000,000,000**	-
		14,971,608,560	-
Available for sale			
Pakistan Investment Bonds (PIBs)	8.1	-	6,066,754,960
Market Treasury Bills (T-Bills)	8.5	-	21,005,065,107
Unrealised loss on revaluation of investments	8.8	-	(339,506,279)
		-	26,732,313,788
Held for trading			
Mutual Funds		-	12,082,205,991
Held to maturity			
Term deposit receipts	8.2	-	7,750,000,000
		-	46,564,519,779
Less: Provision for diminution in value of investments		-	-
		52,095,009,871	46,564,519,779

8.1 This represents Pakistan Investment Bonds carrying interest at the rate ranging from 8.07% to 15.84% (2021: 9% to 9.5%) maturing on 19 Sep 2024.

8.2 This represent Term Deposit Receipts (TDR) carrying markup at rate ranging between 12% to 17.5% (2021: 10.5% to 13%) per annum.

8.3 This represent the TFCs with the following entities:
- TPL corp limited at the rate of 3 Months Kibor + 2.25% amounting to Rs. 250 million with maturity date of five years from the date of issue;
- Khushali Bank Limited at the rate of 6 Months Kibor + 4% amounting to Rs. 225 million with perpetual maturity (no fix or final redemption date); and
- Bank of Punjab at the rate of 6 Months Kibor + 2% amounting to Rs. 500 million with perpetual maturity (no fix or final redemption date).
-Bank of Punjab at the rate of 3 Months Kibor + 2.25% amounting to Rs. 250 million with h maturity date of five years from the date of issue;

8.4 This represents investments in open ended mutual funds and are measured at fair value through profit or loss. Fair value of these investments is determined using quoted repurchase price.

8.5 This represents market treasury bills carrying interest at the rate ranging from 14.74% to 15.96% (2021: 7.4% to 11.45%) per annum.

8.6 Ijarah Sukuk carry interest at the rate of 17.23% (2021: Nil) per annum.

8.7 PIBs carries interest rates ranging from 8.07% to 15.84% (2021: Nil) per annum maturing on September 2024.

8.8 Revaluation of available for sale securities - net of deferred tax	**(Un-audited) 30 September 2022 Rupees**	(Audited) 31 December 2021 Rupees
Market Treasury Bills (T-Bills)	**(11,400,140)**	(26,979,500)
Pakistan Investment Bonds (PIBs)	**-**	(312,526,779)
	(11,400,140)	(339,506,279)
Related deferred tax effect	**1,710,021**	50,875,951
	(9,690,119)	(288,630,328)

9 ADVANCES - NET OF PROVISIONS

		(Un-audited) 30 September 2022		(Audited) 31 December 2021	
Loan type	**Note**	**Number**	**Rupees**	Number	Rupees
Micro credit					
Advances		**360,992**	**45,216,859,766**	346,390	36,411,344,571
Islamic Financing		**1,615**	**270,469,760**	-	-
		362,607	**45,487,329,527**	346,390	36,411,344,571
Income / mark-up accrued			**12,816,281,994**		-
			58,303,611,521		-
Provisions held					
Allowance for Impairment		**362,607**	**(2,915,236,543)**	15,813	(2,035,615,253)
Advances - net of provisions	9.1		**55,388,374,978**		34,375,729,318

9.1 Movement in impairment allowance for credit losses is as follows:

	(Un-audited) 30 September 2022	(Audited) 31 December 2021
	Rupees	Rupees
Balance at beginning of the period/ year	**2,035,615,253**	1,313,062,876
Impact of Re-measurement due to adoption of IFRS 9	**1,240,633,438**	-
Impairment charge for the period/ year	**(188,327,043)**	1,512,900,464
Reversals	**-**	-
Advances written off	**(172,685,105)**	(790,348,087)
Balance at end of the period/ year	**2,915,236,543**	2,035,615,253

U Microfinance Bank Limited

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

For the Period ended 30 September 2022

			(Un-audited)	(Audited)
			30 September 2022	31 December 2021
10	**OPERATING FIXED ASSETS**	**Note**	**Rupees**	Rupees
	Right of use asset (ROU)		**1,329,593,691**	1,158,333,270
	Capital work-in-progress	10.1	**611,352,711**	171,418,550
	Property and equipment	10.2	**1,362,760,365**	1,286,159,012
	Intangible assets	10.3	**245,781,330**	270,259,396
			3,549,488,097	2,886,170,228

		Note	(Un-audited) 30 September 2022 Rupees	(Audited) 31 December 2021 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	**68,813,050**	28,308,159
	Leasehold improvements		**542,539,661**	143,110,391
			611,352,711	171,418,550

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

10.2 Property and equipment

30 September 2022 (Un-audited)

	Cost				**Depreciation**				**Book value at 30 September 2022**	**Rate of depreciation % (per annum)**
	At 01 January 2022	**Additions**	**Disposals**	**At 30 September 2022**	**At 01 January 2022**	**Charge for the period**	**Disposals**	**At 30 September 2022**		
	Rupees									
Owned										
Furniture and fixture	**222,386,953**	**30,619,453**	**(144,920)**	**252,861,486**	**83,099,458**	**16,822,679**	**(80,429)**	**99,841,709**	**153,019,777**	**10.00%**
Computer equipments	**478,516,376**	**119,559,139**	**(5,440,400)**	**592,635,115**	**374,714,117**	**219,878,471**	**(5,396,264)**	**589,196,324**	**3,438,791**	**33.33%**
Electrical equipment	**1,264,997,291**	**172,898,802**	**(145,243)**	**1,437,750,850**	**585,320,919**	**61,879,956**	**(110,143)**	**647,090,732**	**790,660,118**	**20.00%**
Vehicle	**31,597,740**	**-**	**(8,322,737)**	**23,275,003**	**29,129,357**	**595,859**	**(8,322,737)**	**21,637,464**	**1,637,539**	**20.00%**
Office improvement	**542,691,125**	**97,617,818**	**-**	**640,308,943**	**181,766,622**	**44,538,181**	**-**	**226,304,803**	**414,004,140**	**10.00%**
	2,540,189,485	**420,695,212**	**(14,053,300)**	**2,946,831,397**	**1,254,030,473**	**343,715,146**	**(13,909,573)**	**1,584,071,032**	**1,362,760,365**	

31 December 2021 (Audited)

	Cost				Depreciation				Book value at 31 December 2021	Rate of depreciation % (per annum)
	At 01 January 2021	Additions	Disposals	At 31 December 2021	At 01 January 2021	Charge for the year	Disposals	At 31 December 2021		
	Rupees									
Owned										
Furniture and fixture	205,768,045	22,212,056	(5,593,148)	222,386,953	62,626,997	22,397,323	(1,924,862)	83,099,458	139,287,495	10.00%
Computers	383,778,928	98,656,024	(3,918,576)	478,516,376	214,761,095	163,856,834	(3,903,812)	374,714,117	103,802,259	33.33%
Electrical equipment	1,194,316,122	76,407,893	(5,726,724)	1,264,997,291	423,636,719	167,053,302	(5,369,102)	585,320,919	679,676,372	20.00%
Vehicle	31,597,740	-	-	31,597,740	26,030,433	3,098,924	-	29,129,357	2,468,383	20.00%
Office improvement	488,235,042	66,242,830	(11,786,747)	542,691,125	140,684,159	48,558,078	(7,475,615)	181,766,622	360,924,503	10.00%
	2,303,695,877	263,518,803	(27,025,195)	2,540,189,485	867,739,403	404,964,461	(18,673,391)	1,254,030,473	1,286,159,012	

U Microfinance Bank Limited

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

For the Period ended 30 September 2022

10.3 Intangible assets

	Note	30 September 2022 (Un-Audited)								
		Cost				Amortization			Book value at 30 Sep 2022	Rates of amortization % (per annum)
		At 01 January 2021	Additions	Transfers	At 30 Sep 2022	At 01 January 2022	Charge for the year	At 30 Sep 2022		
		Rupees								
Computer softwares		**449,499,848**	**20,487,876**	**-**	**469,987,724**	**179,240,452**	**44,965,942**	**224,206,394**	**245,781,330**	**10.00%**
Licenses	**10.3.1**	-	-	-	-	-	-	-	-	**20.00%**
Mail server		-	-	-	-	-	-	-	-	**33.33%**
		449,499,848	**20,487,876**	**-**	**469,987,724**	**179,240,452**	**44,965,942**	**224,206,394**	**245,781,330**	

	Note	31 December 2020 (Audited)								
		Cost				Amortization			Book value at 31 December 2021	Rates of amortization % (per annum)
		At 01 January 2021	Additions	Transfers	At 31 December 2021	At 01 January 2021	Charge for the year	At 31 December 2021		
		Rupees								
Computer softwares		318,183,374	118,843,357	-	437,026,731	116,393,178	50,374,157	166,767,335	270,259,396	10.00%
Licenses	10.3.1	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%
		330,656,491	118,843,357	-	449,499,848	128,866,295	50,374,157	179,240,452	270,259,396	

		Note	(Un-audited) 30 September 2022 Rupees	(Audited) 31 December 2021 Rupees
11	**OTHER ASSETS**			
	Income / mark-up accrued	11.1	**231,231,623**	8,837,417,346
	Advances, deposits, advance rent and other prepayments		**773,021,387**	376,198,998
	Receivable from 1-Link		**-**	100,536,490
	Inventory of ATM cards and stationery		**50,172,669**	29,192,613
	Advance to employees	11.1	**154,971,303**	125,840,940
	Receivable from SBP against crop and livestock insurance	11.2	**453,228,260**	456,749,452
	Insurance claims receivable		**113,762,838**	93,071,656
	Recievable from defined contribution plan - provident fund		**2,327,218**	-
	Others		**158,687,001**	31,575,657
			1,937,402,299	10,050,583,152

11.1 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.

11.2 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 September 2022 Rupees	(Audited) 31 December 2021 Rupees
12	**DEFERRED TAX ASSET**		
	Deductable temporary differences arising in respect of:		
	Provision against advances	**780,124,771**	590,328,423
	Deficit on revaluation of available for sale securities	**2,181,135**	50,875,951
	Remeasurements of employees' retirement benefits	**5,925,044**	2,919,774
	Minimum Tax over Normal tax / Taxable losses	**660,154,820**	-
	Lease finance facilities	**104,668,361**	60,926,189
		1,553,054,131	705,050,337
	Taxable temporary differences arising in respect of:		
	Accelerated tax depreciation / amortization allowance	**59,434,445**	41,408,196
	Gain on revaluation of available for sale securities	**-**	-
	Treasury Bills and Pakistan Investment Bonds	**(332,729,654)**	(69,010,914)
		1,279,758,922	677,447,619

		(Un-audited) 30 September 2022		(Audited) 31 December 2021	
		Number of accounts	**Amount Rupees**	Number of accounts	Amount Rupees
13	**DEPOSITS AND OTHER ACCOUNTS**				
	Fixed deposits	**1,543**	**21,392,564,347**	1,556	20,280,326,633
	Saving deposits	**16,833**	**45,631,342,255**	15,846	30,892,674,901
	Current deposits	**3,424,182**	**3,461,631,164**	2,722,176	3,827,288,161
		3,442,558	**70,485,537,766**	2,739,578	55,000,289,695
	Mark-up /interest payable	**-**	**1,077,390,723**		-
		3,442,558	**71,562,928,489**	2,739,578	55,000,289,695
	Islamic				
	Fixed deposits	**18**	**30,949,500**	-	-
	Saving deposits	**249**	**107,328,631**	-	-
	Current deposits	**2,038**	**199,182,378**	-	-
		2,305	**337,460,509**	-	-
	Total deposits	**3,444,863**	**71,900,388,998**	2,739,578	55,000,289,695

		Note	(Un-audited) 30 September 2022 Rupees	(Audited) 31 December 2021 Rupees
14	**BORROWINGS**			
	Borrowings from Banks / Financial Institutions in Pakistan:			
	Secured			
	Faysal Bank Limited - I	14.1	**-**	166,666,667
	Allied Bank Limited - II	14.2	**666,666,663**	1,333,333,330
	NBP-Running Finance	14.3	**1,000,000,000**	1,000,000,000
	Faysal Bank Limited - II	14.4	**166,666,334**	333,332,667
	State Bank of Pakistan	14.5	**1,500,000,000**	1,500,000,000
	Allied Bank Limited - RF	14.6	**500,000,000**	500,000,000
	Repo Borrowing	14.7	**15,511,057,100**	15,555,721,500
	Repo Borrowing - PIB	14.8	**-**	1,916,632,000
	Bank Al Falah (Cash Management)	14.9	**499,808,267**	-
	PPTFC - Bank Al Falah	14.10	**3,500,000,000**	3,500,000,000
	Bank of Punjab - TF (Housing)	14.11	**514,285,714**	600,000,000
	Allied Bank Limited - III	14.12	**2,250,000,000**	2,250,000,000
	Pakistan Mortgage Refinance Company	14.13	**-**	500,000,000
	Pakistan Kuwait Investment Company (Private) Limited	14.14	**562,500,000**	750,000,000
	Allied Bank Limited - Running finance - II	14.15	**5,000,000,000**	5,000,000,000
	Allied Bank Limited - IV	14.16	**500,000,000**	500,000,000
	Pakistan Mortgage Refinance Company - II	14.17	**500,000,000**	500,000,000
	United Bank Limited	14.18	**395,833,333**	475,000,000
	MCB Bank Limited	14.19	**500,000,000**	500,000,000
	Meezan Bank - Bi Maujal	14.20	**999,319,080**	
	Mark-up / interest on borrowings		**924,678,047**	
			35,490,814,538	36,880,686,164

14.1 This represents term finance loan of Rs. 1 billion carrying markup of 6-months KIBOR plus 1% (2021: 6-Months KIBOR plus 1%) per annum payable semi-annually. The loan is secured against first pari passu charge on book debts, advances and receivable of the Bank with 25% margin and Microfinance Credit Guarantee Facility from State Bank of Pakistan at 25%. This loan is repayable in 6 equal semi-annual instalments of Rs. 166.67 million each. Repayments have started from August 2019.

14.2 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% (2021: 6-Months KIBOR plus 0.95%) per annum payable semi-annually in arrears. This is secured against first pari passu charge over all present and future assets excluding land and building of the Bank but not limited to advances and investments beyond CRR and SLR requirements of the Bank with 25% margin. Disbursement was initially made against a ranking charge which was upgraded to 1st pari pasu with in 120 days of first disbursement. This loan is repayable in 06 equal semi-annual instalments with the first principal repayment falling due on eighteenth (18th) month from the first disbursement date. The loan was drawn on 31 December 2018.

14.3 This represents utilized amount of running finance facility through National Bank of Pakistan Limited of Rs. 1,000 million (2021: 1,000 million) carrying markup of 3-months KIBOR plus 0.75% per annum. During the year Rs. 500 million was further drawn on 31 December 2021 carrying markup of KIBOR+1.25% (2021: 3-Months KIBOR plus 1.25% 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.

14.4 This represents term finance loan of Rs. 1 billion carrying markup of 6-months KIBOR plus 0.75% per annum (2021: 6-Months KIBOR plus 0.75% per annum). This is secured against first pari passu charge on book debts, advances and receivables of the Bank for Rs. 1,333 million (25% margin). Initial disbursement on ranking charge was upgraded to first pari passu from 21 December 2018. This loan is repayable in 6 semi-annual instalments of Rs. 166.66 million each after grace period of 01 year with the notional principle of Rs. 1,000 within first two semi-annual mark-up payments.

14.5 This represents term finance loan of Rs. 1,500 million carrying markup of 6-months KIBOR minus 100 bps (2021: 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 guidline issued by SBP.

14.6 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.

14.7 This represents Repo Borrowing from:
- Zarai Taraqiati Bank Limited at the rate of 15.30% amounting to Rs. 1.97 billion with maturity date of 7 Oct 2022.
- Zarai Taraqiati Bank Limited at the rate of 15.30% amounting to Rs. 1.96 billion with maturity date of 7 Oct 2022.
- Zarai Taraqiati Bank Limited at the rate of 15.30% amounting to Rs. 980 million with maturity date of 7 July 2022.
- National Bank of Pakistan at the rate of 15.25% amounting to Rs. 1.984 billion with maturity date of 7 July 2022.
- National Bank of Pakistan at the rate of 15.25% amounting to Rs. 1.984 billion with maturity date of 7 July 2022.
- National Bank of Pakistan at the rate of 15.50% amounting to Rs. 998 million with maturity date of 3 Oct 2022.
- Muslim Commercial Bank at the rate of 15.30% amounting to Rs.998 Million with maturity date of 3 Oct 2022.
- SAMBA at the rate of 15.30% amounting to Rs. 1.50 billion with maturity date of 3 Oct 2022.
- Allied Bank Limited at the rate of 15.40% amounting to Rs. 1.46 billion with maturity date of 3 Oct 2022.
- Allied Bank Limited at the rate of 15.40% amounting to Rs. 1.48 billion with maturity date of 3 Oct 2022.
- Bank of Punjab at the rate of 15.95% amounting to Rs. 1.98 million with maturity date of 3 Oct 2022.

14.8 This represents Repo Borrowing from Zarai Taraqiati Bank Limited at the rate of 14.50% amounting to Rs. 1.84 billion with maturity date of 29 July 2022.

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 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 have been 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.

14.11 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.

14.12 This represents syndicated term finance facility with Allied Bank Limted of Rs. 2,250 milllion carrying markup at the rate of 6-month KIBOR plus 1.25% per annum. Mark up is paid semi annually in arrears. The first payment shall be due and payable at the end of eighteen months from disbursement date and subsequently every six months thereafter. This is secured against first pari-passu charge on all present and future assets of the borrower with the margin of 25%. The loan was drawn on 26 November 2021.

14.13 This represents housing loan from Pakistan Mortgage Refinance Company Limited of Rs. 500 million carrying markup at the rate of 1 year Kibor with negative spread of 1% depending upon the utilization. First payment shall fall due at the end of 3rd month from disbursement and subsequently every quarter thereafter. This is secured against first pari-passu charge on all present and future current assets of the borrower with the margin of 25%. Loan amounting to Rs. 300 million was drawn on 27 August 2021 and Rs. 200 million on 30 Sep 2021.

14.14 This represents utilised amount of term finance facility of Rs. 750 million from Pakistan Kuwait Investment Company (Private) Limited (PKIC or lender) carrying markup at the rate of 6-months KIBOR plus 1.10% (2021: 6-months KIBOR plus 1.10%) per annum. This is secured against first pari-passu charge on all present and future assets (excluding land and building) including but not limited to book debts, advances, microcredits, bills, cash and bank balances, investments etc with 25% margin. This loan is repayable in 4 semi-annual instalments of Rs. 187.5 million each with no grace period. The loan was drawn on 2 December 2021.

14.15 This represents utilised amount of running finance facility of Rs. 5,000 million carrying markup at the rate of 3 months KIBOR + 0.10% per annum to be paid on quarterly basis in arrears with the tenor of 12 months. This is secured against ABL asset management units with 10% margin. This running finance facility is obtained to meet the short term funding requirement and to finance growth in advances/agri portfolio including but not limited to lending in KPK/Balochistan. The loan was drawn on 20 December 2021.

14.16 This represents housing loan of Rs. 500 million from Allied Bank Limited carrying markup at the rate of 6-months KIBOR plus 0.95% per annum (2021: 6-months KIBOR plus 0.95% per annum). This is secured against first pari-passu hypothecated charge on all present and future assets (excluding land and building) of the Bank inclusive of 25% margin. This loan is repayable in 9 equal semi-annual instalments of Rs. 55.55 million each inclusive of 6 months grace period. The loan was drawn on 17 December 2021.

14.17 This represents housing loan of Rs. 500 million from Pakistan Mortgage Refinance Company Limited carrying markup at the rate of 1 year Kibor with negative spread of 1% depending upon the utilization. First payment shall fall due at the end of 3rd month from disbursement and subsequently every quarter thereafter. This is secured against first pari-passu charge on all present and future assets of the Bank. The loan was drawn on 30 December 2021

14.18 This represents housing loan of Rs. 475 million from United Bank Limited carrying markup at the rate of 1-month KIBOR plus 0.85% per annum (2021: 1-month KIBOR plus 0.85% per annum). This is secured against first pari-passu hypothecated charge on all present and future assets inclusive of 25% margin. This loan is repayable in 6 equal semi-annual instalments of Rs. 79.17 million starting from June 2022. The loan was drawn on 29 December 2021.

14.19 This represents housing loan of Rs. 500 million from MCB Bank Limited carrying markup at the rate of 3-months KIBOR plus 0.75% per annum (2021: 3 - months KIBOR plus 0.75% per annum). This is secured against first pari-passu amounting to Rs. 667 million charge on all present and future assets (excluding land and building) but not limited to advances/microcredit receivables and investments (excluding CRR and SLR requirements, any lien over cash/TDR). This loan is repayable in 12 quarterly instalments of Rs. 41.67 million starting from fifteenth month each inclusive of 1 year grace period. The loan was drawn on 31 December 2021.

14.20 This represents Meezan BI Maujal of Rs. 999 million from Pak Oman Investment Company carrying markup at the rate of 12-months KIBOR plus 0.15% per annum. This is secured against Government security amounting to Rs. 1.1 Billion charge. This loan is repayable after 12 Months amounting to Rs. 999 million on 22 June 2023. The loan was drawn on 22 June 2022.

			(Un-audited)	(Audited)
15	**SUBORDINATED DEBT**	**Note**	**30 September 2022**	31 December 2021
	Term finance certificates	15.1	**598,800,000**	598,920,000
	Subordinated loan PTCL	15.2	**1,200,000,000**	1,200,000,000
	Additional Tier 1 capital - Term finance certificates	15.3	**1,000,000,000**	-
			2,798,800,000	1,798,920,000

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% (2021: 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 indebtness of the Bank. The rating of these certificates issued by 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% (2021: 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 indebtness of the Bank, including deposit and it is not redeemable before maturity without prior approval of the SBP. In the previous year, 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 ordinary shares subject to regulatory approvals. State Bank of Pakistan via letter no. BPRD/BA&CP/671/174072/2022 dated 12 January 2022 granted approval for the said conversion subject to certain conditions, effective as of 31 December 2021. Approval of Securities and Exchange Commission of Pakistan (SECP) was obtained on 25 May 2022 and approval to convert into ordinary shares by CDC via letter no.OPS/CA/FI/001 dated 28 September 2022.

15.3 During the year, the Bank issued fully paid up, rated, privately placed/DSLR listed, unsecured, subordinated, perpetual and non cumulative debt instrument in the nature of Additional TIER 1 Capital Term Finance Certificates of Rs. 1,000 million (inclusive of Green shoe option of Rs. 250 million) (The "TFC") as instrument of redeemable capital under section 66 (1) of Companies Act, 2017 carrying markup at the rate of 6 months KIBOR plus 3.5% payable semi-annually on a non-cumulative basis on the outstanding issue amount. The Bank may call the TFCs at par (either partially or in full) with prior approval of State Bank of Pakistan (SBP), on any profit payment date after 5 years from the issue date. The instrument is subordinated as to payment of principal and profit to all other claims except common shares. These term finance certificates are convertible into ordinary shares of the Bank upon CET 1 trigger event, the point of non viability (PONV).

	(Un-audited) 30 September 2022 Rupees	(Audited) 31 December 2021 Rupees
16 OTHER LIABILITIES		
Mark-up / return / interest payable	**-**	612,294,341
Accrued expenses	**627,343,681**	525,121,278
Taxes payable	**447,892,878**	48,506,485
Payable to Pak Telecom Mobile Limited (PTML), an associated compar	**100,560,032**	66,190,908
Payable to Pakistan Telecommunication Company Limited, the Parent C	**513,757,012**	513,757,012
Payable to Nadra / Utility companies	**34,724,407**	18,382,235
Payable to 1-Link	**97,533,570**	-
Uncollected remittances	**119,344,125**	121,780,510
Lease liability	**1,115,030,845**	1,194,661,938
Payable to staff retirement benefit - gratuity	**2,943,493**	3,404,095
Payable to defined contribution plan - provident fund	**-**	154,137
Bills payable	**138,603,128**	136,247,772
Others	**154,097,519**	84,304,213
Workers' Welfare Fund	**112,285,382**	82,491,823
	3,464,116,072	3,407,296,747

17 SHARE CAPITAL

(Un-audited) 30 September 2022 Number	(Audited) 31 December 2021 Number		(Un-audited) 30 September 2022 Rupees	(Audited) 31 December 2021 Rupees
20,000,000	20,000,000	Ordinary shares of Rs. 1	**200,000,000**	200,000,000
8,571,429	8,571,429	Fully paid shares of Rs. 10 each issued as right	**85,714,290**	85,714,290
200,000,000	200,000,000	Fully paid shares of Rs. 10 each in cash issued	**2,000,000,000**	2,000,000,000
80,000,000	80,000,000	Fully paid ordinary shares of Rs. 10 each	**800,000,000**	800,000,000
100,000,000	100,000,000	Fully paid preference shares of Rs. 10 each	**1,000,000,000**	1,000,000,000
100,000,000	-	Fully paid shares of Rs. 10 each in cash issued	**1,000,000,000**	-
508,571,429	408,571,429		**5,085,714,290**	4,085,714,290

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 ordinary shares subject to regulatory approvals. State Bank of Pakistan via letter no. BPRD/BA&CP/671/174072/2022 dated 12 January 2022 granted approval for the said conversion subject to certain conditions effective as of 31 December 2021. Approval of Securities and Exchange Commission of Pakistan (SECP) was obtained on 25 May 2022. The Bank converted the advance against issue of shares into ordinary shares after obtaining necessary regulatory approvals .

19 MEMORANDUM/ OFF BALANCE SHEET ITEMS

19.1 Contingencies

There are no material contingencies as at 30 September 2022 (31 December 2021: Nil).

	(Un-audited) 30 September 2022 Rupees	(Audited) 31 December 2021 Rupees
19.2 Commitments		
Standby letter of guarantee	**15,000,000**	10,600,000
Property and equipment	**7,868,567**	4,896,005
	22,868,567	15,496,005

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

		For the Period Ended Sept 2022	
		(Un-audited)	(Un-audited)
		30 September 2022	30 September 2021
		Rupees	Rupees
20	**MARK-UP/ RETURN/ INTEREST EARNED**		
	Mark-up / return / interest on advances	**9,478,628,618**	7,328,161,871
	Interest on investments in government securities	**2,106,027,212**	820,327,008
	Interest on deposit accounts / TDRs with other banks / financial institutions	**2,307,968,787**	757,014,445
	Profit on Islamic financing	**24,598,791**	-
		13,917,223,408	8,905,503,324
21	**MARK-UP/ RETURN/ INTEREST EXPENSED**		
	Mark-up / return / interest expense on deposits	**5,726,125,885**	3,120,967,306
	Mark-up expense on borrowings from banks / financial institutions	**3,441,768,340**	895,800,860
	Profit sharing islamic deposit	**3,079,188**	-
		9,170,973,413	4,016,768,167
22	**FEE, COMMISSION AND BROKERAGE INCOME**		
	Loan processing fee	**854,498,896**	620,806,888
	Branchless banking	**54,863,628**	64,298,949
	Other fee income collected from customers	**36,565,521**	34,316,022
		945,928,045	719,421,859
23	**OTHER INCOME**		
	Recovery against advances written off	**145,926,102**	57,003,539
	Gain on sale of AFS Investment	**116,656,597**	113,033,415
	Other	**16,835,826**	2,262,175
		279,418,525	172,299,129

U Microfinance Bank Limited

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

For the Period ended 30 September 2022

			For the Period Ended Sept 2022	
			(Un-audited)	(Un-audited)
			30 September 2022	30 September 2021
24	**TAXATION**		**Rupees**	Rupees
	Current	- for the year	**(686,980,991)**	(359,545,469)
		- for prior years	**(82,357,813)**	-
			(769,338,804)	(359,545,469)
	Deferred		**651,026,284**	209,859,318
			(118,312,520)	(149,686,151)

		(Un-audited)	(Audited)
25	**CASH AND CASH EQUIVALENTS**	**30 September 2022**	31 December 2021
	Cash and balances with SBP and NBP	**5,208,951,384**	3,799,930,850
	Balances with other banks / NBFIs / MFBs	**2,351,603,958**	6,223,904,412
		7,560,555,342	10,023,835,262

26	**NUMBER OF EMPLOYEES**		
	Credit / sales staff		
	Permanent	**253**	240
	Contractual	**1,218**	1,062
		1,471	1,302
	Banking / support staff		
	Permanent	**966**	812
	Contractual	**1,162**	893
		2,128	1,705
	Total number of employees at the end of the period/ year	**3,599**	3,007
	Average number of employees during the period/ year	**3,237**	3,000

27	**NUMBER OF BRANCHES**		
	Branches at beginning of the period/ year	**208**	213
	Opened during the year		
	- Branches / Booth	**41**	(5)
	- Service Centers	**-**	-
	Branches & Service Centers at the end of the period/ year	**249**	208

28 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.

	For the Period Ended Sept 2022	
	(Un-audited)	(Un-audited)
	30 September 2022	30 September 2021
	Rupees	Rupees
Profit attributable to equity holders (Rupees)	**1,239,379,556**	853,948,685
Weighted average number of shares (numbers)	**319,530,333**	374,324,854
Earning per share - basic (Rupees)	**3.88**	2.28

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

29 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 September 2022 Rupees**	30 September 2021 Rupees
Parent Company		
Issue of share capital	**-**	-
Utility Bill collected on behalf of the Parent Company	**167,185,933**	80,216,453
Payment in regards utility bills collected on behalf of the Parent Company	**167,185,933**	80,216,453
Utility Bill collection charges	**633,686**	253,728
Payment for administrative costs and fixed assets	**98,855,106**	102,504,757
Interest expense on TIER-II subordinated Debt Payment	**130,743,124**	155,145,019
Interest expense on PTCL employee GP fund	**5,995,698**	11,668,245
Associated Company - Pak Telecom Mobile Limited (PTML)		
Payment for administrative costs and fixed assets	**136,676,341**	18,297,607
Amount received against reimbursement of agent's commission	**140,712,251**	155,914,511
Associated Company - Pakistan Telecommunication Employees Trust (PTET)		
Interest expense on deposits	**68,993,117**	38,628,339
Employees' provident fund		
Contribution to provident fund	**40,999,320**	30,661,361
Employees' gratuity fund		
Payment to gratuity fund	**47,815,686**	36,513,993

Balances	**30 September 2022 Rupees**	31 December 2021 Rupees
Parent Company		
Deposits	**-**	-
Utility bills collection charges receivable	**643,315**	643,315
Employee GP fund	**2,776,752,463**	1,120,339,594
Interest payable on deposits - PTCL Employees' GP Fund	**110,672,774**	3,021,588
Associated Company - Pakistan Telecommunication Employees Trust		
Deposits	**2,042,528,397**	1,929,187,801
Interest payable on deposits	**90,440,227**	9,250,788
Associated Company - Pak Telecom Mobile Limited		
Employees' Gratuity fund	**575,102,397**	500,002,795
Payable against branchless banking and bills collected	**100,560,032**	66,190,908
Interest payable on deposits	**270,154**	324,723
Employees' provident fund		
Receivable / (payable) from provident fund	**2,327,218**	(154,137)
Employees' gratuity fund		
Payable to gratuity fund	**2,943,493**	3,404,095

30 GENERAL

30.1 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 condensed interim balance sheet and condensed interim profit and loss account.

31 DATE OF APPROVAL

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

PRESIDENT / CHIEF EXECUTIVE	**CHAIRMAN**	**DIRECTOR**	**DIRECTOR**