

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

January 01,2021

to

March 31, 2021

U MICROFINANCE BANK LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)
As at 31 March, 2021

	Note	(Un-audited) March 31, 2021 Rupees	(Audited) December 31, 2020 Rupees
ASSETS			
Cash and balances with SBP and NBP	5	3,319,397,869	3,160,116,831
Balances with other Banks/ NBFIs/ MFBs	6	762,188,009	1,908,209,748
Lending to Financial Institutions	7	-	450,000,000
Investments - net of provisions	8	19,228,406,065	24,074,499,338
Advances - net of provisions	9	31,667,832,716	30,006,298,899
Operating fixed assets	10	2,766,006,644	2,917,413,581
Other assets	11	8,574,633,022	7,797,247,350
Deferred tax asset	12	478,354,000	399,616,598
Total Assets		66,796,818,325	70,713,402,345
LIABILITIES			
Deposits and other accounts	13	45,397,022,594	46,104,640,853
Borrowings	14	9,184,978,314	13,274,190,642
Subordinated Debt	15	2,799,160,000	2,799,160,000
Other liabilities	16	3,444,915,186	2,860,212,627
Total Liabilities		60,826,076,095	65,038,204,122
NET ASSETS		5,970,742,231	5,675,198,223
REPRESENTED BY:			
Share capital		4,085,714,290	3,085,714,290
Discount on issue of share capital		(25,714,290)	(25,714,290)
Advance against issue of shares		-	1,000,000,000
Statutory and other reserve		410,876,256	410,876,256
Depositors' protection fund		102,719,064	102,719,064
Accumulated Profit		1,441,310,650	1,099,564,241
Share capital		6,014,905,970	5,673,159,561
Deficit on revaluation of assets		(45,557,260)	628,774
Deferred grants		1,393,521	1,409,888
Total Capital		5,970,742,231	5,675,198,223

MEMORANDUM / OFF BALANCE SHEET ITEMS 18

The annexed notes from 1 to 31 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 THREE MONTHS PERIOD ENDED 31 March 2021

	Note	Period Ended	
		March 31, 2021	March 31, 2020
		Rupees	Rupees
Mark-up/ return/ interest earned	19	2,936,517,073	2,115,842,826
Mark-up/ return/ interest expensed	20	(1,277,274,560)	(1,077,741,979)
Net mark-up/ interest income		1,659,242,513	1,038,100,847
Provision against non-performing advances		(156,532,139)	(440,121,317)
Net mark-up/ interest income after provisions		1,502,710,374	597,979,530
NON MARK-UP/ NON INTEREST INCOME			
Fee commission & brokerage income	21	255,776,679	290,960,107
Other income	22	6,665,168	27,409,442
Gain on Sale of AFS Investments		(58,146)	20,114,186
		262,383,701	338,483,735
		1,765,094,075	936,463,265
NON MARK-UP/ NON INTEREST EXPENSES			
Salaries & Benefits	23	598,569,127	422,247,647
Administrative expenses	23	609,511,915	503,582,895
Other charges	23.1	5,000	5,472,000
		1,208,086,042	931,302,542
PROFIT BEFORE TAXATION & WWF		557,008,033	5,160,723
Workers Welfare Fund		(11,140,160)	-
PROFIT BEFORE TAXATION		545,867,873	5,160,723
TAXATION			
Current		(207,279,071)	(38,939,219)
Prior years		-	-
Deferred		70,586,917	38,308,482
	24	(136,692,154)	(630,737)
PROFIT AFTER TAXATION		409,175,719	4,529,986
EARNINGS PER SHARE	28	1.26	0.02

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

PRESIDENT / CHIEF EXECUTIVE

CHAIRMAN

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U MICROFINANCE BANK LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 March 2021

	March 31, 2021	March 31, 2020
	Rupees	Rupees
Profit after Taxation for the period	409,175,719	4,529,986
Other comprehensive income/(loss) for period	-	-
	<hr/>	<hr/>
Comprehensive income transferred to equity	409,175,719	4,529,986
	<hr/> <hr/>	<hr/> <hr/>
Items that may be subsequently reclassified to profit and loss in subsequent periods:		
Profit /Loss on revaluation of assets transferred to profit and loss	(58,146)	(20,114,186)
Gain on revaluation of assets	(55,680,218)	37,727,727
Tax Impact	9,552,330	(10,941,041)
	(46,186,034)	6,672,500
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Total comprehensive income for the period	362,989,685	11,202,486
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The annexed notes from 1 to 31 form an integral part of these financial statements.

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U MICROFINANCE BANK LIMITED
CONDENSED INTERIM STATEMENT OF CASHFLOW (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 March 2021

	Note	March 31, 2021 Rupees	March 31, 2020 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		545,867,873	5,160,723
Less: Dividend income		-	-
Adjustments for non-cash charges			
Depreciation		163,738,981	77,209,146
Amortization		14,254,997	6,511,423
Provisions against non-performing advances		156,532,139	440,121,317
Advances written off against provision		(5,026,139)	(303,806,116)
Provision for gratuity		11,058,357	9,006,775
Gain on sale of fixed assets		201,258	-
Finance charges on leased assets		1,175,311	477,566
		341,934,904	229,520,111
		887,802,777	234,680,834
(Increase)/decrease in operating assets			
Advances		(1,880,469,128)	(1,395,026,222)
Other assets (excluding advance taxation)		(538,953,630)	(455,439,513)
Increase/ (decrease) in operating liabilities			
Deposits and other accounts		(707,618,259)	(556,748,293)
Other liabilities (excluding current tax, finance lease and provision for gratuity)		469,952,302	186,992,976
		(2,657,088,714)	(5,571,043,199)
Cash generated from / (used in) operations		(1,769,285,938)	(1,985,540,219)
Gratuity paid		(590,781)	(4,338,074)
Income taxes paid		36,259,429	(28,170,140)
Net cash generated used in operating activities		(1,733,617,290)	(2,018,048,433)
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available for sale securities - Government securities		6,526,093,273	2,295,214,493
Net investments in term deposits receipts		(1,680,000,000)	-
Investments in operating fixed assets		(123,885,203)	(82,022,933)
Net cash (Outflows)/ inflow from investing Activities		4,722,208,070	2,213,191,559
CASH FLOW FROM FINANCING ACTIVITIES			
Borrowings obtained/(repaid) during the period		(4,089,212,328)	1,049,083,333
Lending to Financial Institutions		450,000,000	(250,000,000)
Payments of lease obligations		(4,824,450)	(1,823,533)
		(3,644,036,778)	797,259,800
Net cash inflow from financing activates		(3,644,036,778)	797,259,800
Net Increase/ (decrease) in cash and cash equivalents		(655,445,998)	992,402,926
Cash and cash equivalents at beginning of the period		4,737,031,876	4,737,031,876
Cash and cash equivalents at the end of period	25	4,081,585,878	5,729,434,802

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U MICROFINANCE BANK LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 March 2021

	Capital reserve				Revenue reserve		
	Share capital	Advance against issue of shares	Discount on issue of share capital	Statutory reserve	Depositors' protection fund	Unappropriated profit	Total
	-----Rupees-----						
Balance as at December 31, 2019(Audited)	2,285,714,290	-	(25,714,290)	229,644,265	57,411,066	512,586,043	3,059,641,374
Profit for the year ended December 31,2020	-	-	-	-	-	906,159,954	906,159,954
Other Comprehensive Income	-	-	-	-	-	7,358,233	7,358,233
						913,518,187	913,518,187
Transfer to:							-
Statutory reserve	-	-	-	181,231,991	-	(181,231,991)	-
Depositors' Protection Fund	-	-	-	-	45,307,998	(45,307,998)	-
Interim cash dividend Rs. 0.32 paise per share	-	-	-	-	-	(100,000,000)	(100,000,000)
Share Issuance	800,000,000	-	-	-	-	-	800,000,000
Conversion of subordinated debt as advance against issue of preference shares	-	1,000,000,000	-	-	-	-	1,000,000,000
Issue of ordinary shares	-	-	-	-	-	-	-
Balance as at December 31, 2020 (Audited)	3,085,714,290	1,000,000,000	(25,714,290)	410,876,256	102,719,064	1,099,564,241	5,673,159,561
Balance at December 31, 2020 -as previously reported	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
Adjustment on initial application of IFRS 9 (Refer to note 3)						(67,429,310)	(67,429,310)
Adjusted balance as at 01 January 2021	3,085,714,290	1,000,000,000	(25,714,290)	410,876,256	102,719,064	1,032,134,931	5,605,730,251
Statutory reserve	-	-	-	-	-	-	-
Depositors' Protection Fund	-	-	-	-	-	-	-
Conversion of subordinated debt as advance against issue of preference shares	1,000,000,000	(1,000,000,000)	-	-	-	-	-
Cash dividend paid	-	-	-	-	-	-	-
Profit for the period ended March 31, 2021	-	-	-	-	-	409,175,719	409,175,719
Other Comprehensive Income	-	-	-	-	-	-	-
Balance as at March 31,2021 (Un-audited)	4,085,714,290	-	(25,714,290)	410,876,256	102,719,064	1,441,310,650	6,014,905,970

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

PRESIDENT / CHIEF EXECUTIVE

CHAIRMAN

DIRECTOR

DIRECTOR

U Microfinance Bank Limited
Notes to the Condensed Interim Financial Statements (Un-audited)
FOR THE THREE MONTHS PERIOD ENDED 31 March 2021

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, 2020. Comparative statement of financial position is extracted from the audited annual financial statements as of December 31, 2020, 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 Three months period ended March 31, 2021.

3. IFRS 9 Financial Instruments

- 3.1** The Entity has adopted IFRS 9 "Financial Instruments" with a date of initial application of 1st January 2021.

4. SIGNIFICANT ACCOUNTING POLICIES AND FINANCIAL RISK MANAGEMENT

4.1 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, 2020.

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

	Note	(Un-audited) March 31, 2021 Rupees	(Audited) December 31, 2020 Rupees
5. CASH AND BALANCES WITH SBP AND NBP			
Cash in hand			
Local currency		1,022,224,013	920,790,506
Balances with State Bank of Pakistan (SBP)			
Local currency current accounts		2,296,397,670	2,238,550,139
Balances with National Bank of Pakistan (NBP)			
Local currency current accounts		776,186	776,186
		<u>3,319,397,869</u>	<u>3,160,116,831</u>

	Note	(Un-audited) March 31, 2021 Rupees	(Audited) December 31, 2020 Rupees
6. BALANCES WITH OTHER BANKS/ NBFIs/ MFBs			
In Pakistan - Local currency			
Current accounts	6.1	13,640,087	11,702,453
Deposit accounts	6.2	748,547,922	1,896,507,295
		<u>762,188,009</u>	<u>1,908,209,748</u>

6.1 This includes Rs. 10,200,000 (2020: Rs. 10,200,000) held as deposit under lien in respect of standby letter of guarantee issued to China Union Pay International.

6.2 Deposit accounts carried interest at rates ranging from 5.50% to 8.25% (2019: 5.50% to 8.25%) per annum.

		(Un-audited) March 31, 2021 Rupees	(Audited) December 31, 2020 Rupees
7. Lending to Financial Institution			
Call Money Lending		-	450,000,000
		<u>-</u>	<u>450,000,000</u>

		(Un-audited) March 31, 2021 Rupees	(Audited) December 31, 2020 Rupees
8. INVESTMENTS			
Available for Sale			
Market Treasury Bills (T-Bills)		1,017,703,739	10,352,699,370
Pakistan Investment Bonds (PIBs)		8,442,459,113	7,601,060,234
Mutual Funds		2,000,000,000	-
Unrealised loss on revaluation of investments		(31,756,787)	739,734
Add: Interest Receivable		-	-
		<u>11,428,406,065</u>	<u>17,954,499,338</u>

		(Un-audited) March 31, 2021 Rupees	(Audited) December 31, 2020 Rupees
Held to maturity			
8.1 Term deposit receipts		7,800,000,000	6,120,000,000
Less: Provision for diminution in value of investments		-	-
		<u>19,228,406,065</u>	<u>24,074,499,338</u>

9. ADVANCES - NET OF PROVISIONS

Loan type	(Un-audited) March 31, 2021		(Audited) December 31, 2020	
	Number of loans outstanding	Amount outstanding Rupees	Number of loans outstanding	Amount outstanding Rupees
Micro credit				
Secured	93,814	16,186,000,386	86,949	14,648,994,902
Unsecured	260,488	17,026,971,161	259,309	16,670,366,873
	<u>354,302</u>	<u>33,212,971,547</u>	<u>346,258</u>	<u>31,319,361,775</u>
Provisions held				
Specific provision	4,309	(59,097,900)	516	(7,247,107)
General provision	9.1	(1,486,040,930)		(1,305,815,769)
		<u>(1,545,138,830)</u>		<u>(1,313,062,876)</u>
Advances - net of provisions		<u>31,667,832,716</u>		<u>30,006,298,899</u>

9.1 General provision is maintained at the rate of 1% (2020: 1%) of unsecured micro credit balance net of specific provision in accordance with the Regulations. The Bank has also recognised general provision in addition to the regulatory general provision.

9.2 Particulars of non-performing advances

Category of classification	Provision rate	March 31, 2021			December 31, 2020		
		Provisions required	Provisions held	Amount outstanding	Provisions required	Provisions held	
-----Rupees-----							
OAEM	-	292,544,516	-	-	15,371,672	-	-
Sub-standard	25%	161,521,545	39,209,432	39,209,432	9,018,144	2,022,961	2,022,961
Doubtful	50%	39,714,879	17,778,042	17,778,042	8,464,804	3,174,302	3,174,302
Loss	100%	2,110,427	2,110,427	2,110,427	3,016,744	2,049,844	2,049,844
		<u>495,891,367</u>	<u>59,097,901</u>	<u>59,097,901</u>	<u>35,871,364</u>	<u>7,247,107</u>	<u>7,247,107</u>

	Note	(Un-audited) March 31, 2021 Rupees	(Audited) December 31, 2020 Rupees
10 OPERATING FIXED ASSETS			
Capital work-in-progress	10.1	78,108,499	75,560,939
Property and equipment	10.2	1,359,678,894	1,435,956,474
Intangible assets	10.3	190,755,356	201,790,196
Right of use Asset (ROU)	10.4	1,137,463,895	1,204,105,972
		<u>2,766,006,644</u>	<u>2,917,413,581</u>
10.1 Capital work-in-progress			
Advances to suppliers/ contractors		27,926,998	27,926,998
Leasehold improvements		50,181,501	47,633,941
		<u>78,108,499</u>	<u>75,560,939</u>
10.2 Right of use Asset (ROU)			
Right of use Asset (ROU)		1,204,105,972	1,429,341,831
Additions		-	50,023,228
Disposals		-	(10,283,591)
Depreciation		(66,642,077)	(264,975,496)
		<u>1,137,463,895</u>	<u>1,204,105,972</u>

10.3 Property and equipment

(Un-audited)
March 31, 2021

	Cost				Depreciation				Book value as at	Rate of depreciation	
	As at January 1, 2021	Addition	Disposal/ Transfers	Transfers	As At Mar 31, 2021	As at January 1, 2021	Charge for the period	Disposal/ Transfers	As At Mar 31, 2021	March 31, 2021	% (per annum)
	-----Rupees-----										
Owned Assets											
Furniture and fixture	205,768,045	473,402	-	-	206,241,447	62,626,997	6,460,196	-	69,087,193	137,154,254	10.00%
Computers	383,778,928	1,710,615	(193,211)	-	385,296,332	214,761,095	38,464,794	(193,211)	253,032,678	132,263,654	33.33%
Electrical equipment	1,194,316,122	12,737,266	-	-	1,207,053,388	423,636,719	41,198,923	-	464,835,642	742,217,746	20.00%
Vehicle	31,597,740	-	-	-	31,597,740	26,030,433	1,060,912	-	27,091,345	4,506,395	20.00%
Office improvement	488,235,042	6,621,135	(529,883)	-	494,326,294	140,684,159	10,350,827	(245,537)	150,789,449	343,536,845	10.00%
	<u>2,303,695,877</u>	<u>21,542,418</u>	<u>(723,094)</u>	<u>-</u>	<u>2,324,515,201</u>	<u>867,739,403</u>	<u>97,535,652</u>	<u>(438,748)</u>	<u>964,836,307</u>	<u>1,359,678,894</u>	

(Audited)

December 31, 2020

	Cost				Depreciation				Book value as at	Rate of depreciation	
	As at January 1, 2020	Additions	Disposals	Transfers	As at December 31, 2020	As at January 1, 2020	Charge for the year	Disposal/ Transfers	As at December 31, 2020	December 31, 2020	% (per annum)
	-----Rupees-----										
Furniture and fixture	188,359,184	17,413,324	(4,463)	-	205,768,045	41,799,387	20,830,176	(2,566)	62,626,997	143,141,048	10.00%
Computers	200,257,510	104,982,182	(387,456)	78,926,692	383,778,928	139,307,999	75,840,552	(387,456)	214,761,095	169,017,833	33.33%
Electrical equipment	1,105,358,505	202,536,886	-	(113,579,269)	1,194,316,122	209,931,259	213,705,460	-	423,636,719	770,679,403	20.00%
Vehicle	31,597,740	-	-	-	31,597,740	21,525,721	4,504,712	-	26,030,433	5,567,307	20.00%
Office improvement	454,119,198	34,560,614	(444,770)	-	488,235,042	95,932,168	44,937,312	(185,321)	140,684,159	347,550,883	10.00%
	<u>1,979,692,137</u>	<u>359,493,006</u>	<u>(836,689)</u>	<u>(34,652,577)</u>	<u>2,303,695,877</u>	<u>508,496,534</u>	<u>359,818,212</u>	<u>(575,343)</u>	<u>867,739,403</u>	<u>1,435,956,474</u>	

10.4 Intangible assets

(Un-audited)
March 31, 2021

	Cost			As At Mar 31, 2021	Amortization			As At Mar 31, 2021	Book value as at March 31, 2021	Rate of amortization % (per annum)
	As at January 1, 2021	Additions	Disposal/ Transfers		As at January 1, 2020	Charge for the period	On deletions			
-----Rupees-----										
Branchless										
banking software	330,656,491	3,220,157	-	333,876,648	128,866,295	14,254,997	-	143,121,292	190,755,356	10.00%
Licenses	-	-	-	-	-	-	-	-	-	20.00%
Mail server	-	-	-	-	-	-	-	-	-	33.33%
	<u>330,656,491</u>	<u>3,220,157</u>	<u>-</u>	<u>333,876,648</u>	<u>128,866,295</u>	<u>14,254,997</u>	<u>-</u>	<u>143,121,292</u>	<u>190,755,356</u>	

(Audited)
December 31, 2020

	Cost			As at December 31,	Amortization			As at December 31,	Book value as at December 31,	Rate of amortization %
	As at January 1,	Additions	Transfers		As at January 1,	Charge for the year	Transfers			
-----Rupees-----										
Branchless										
banking software	217,484,528	66,046,269	34,652,577	318,183,374	80,745,960	35,647,218	-	116,393,178	201,790,196	10.00%
Licenses	12,394,739	-	-	12,394,739	12,394,739	-	-	12,394,739	-	20.00%
Mail server	78,378	-	-	78,378	78,378	-	-	78,378	-	33.33%
	<u>229,957,645</u>	<u>66,046,269</u>	<u>34,652,577</u>	<u>330,656,491</u>	<u>93,219,077</u>	<u>35,647,218</u>	<u>-</u>	<u>128,866,295</u>	<u>201,790,196</u>	

	Note	(Un-audited) March 31, 2021 Rupees	(Audited) December 31, 2020 Rupees
11. OTHER ASSETS			
Income/ mark-up accrued		7,602,862,809	6,724,115,659
Advances, deposits and other prepayments		226,193,489	208,483,161
Receivable from I-Link		-	181,726,809
Inventory of ATM cards & Stationery		28,971,581	18,285,049
Advance to employees		90,805,388	92,403,524
Receivable from SBP	11.1	492,260,178	476,990,966
Insurance claims receivable		79,677,112	75,370,102
Receivable from staff retirement benefit - gratuity		-	7,849,721
Receivable from defined contribution plan - provident fund		-	1,391,950
Others		53,862,465	10,630,409
		<u>8,574,633,022</u>	<u>7,797,247,350</u>

11.1 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) March 31, 2021 Rupees	(Audited) December 31, 2020 Rupees
12. DEFFERED TAX ASSET		
Deductable temporary differences arising in respect of		
Provision against advances	428,535,761	380,788,234
Surplus/(Deficit) on revaluation of available for sale securities	8,039,527	-
Remeasurements of employees' retirement benefits	253,586	253,586
Minimum Tax over Normal tax	-	-
Lease finance facilities	73,120,637	50,994,492
Accelerated tax depreciation / amortization	(26,481,748)	(24,254,668)
Gain on revaluation of available for sale securities	-	(110,960)
Treasury Bills	(5,113,763)	(8,054,086)
	<u>478,354,000</u>	<u>399,616,598</u>

	(Un-audited) March 31, 2021		(Audited) December 31, 2020	
	Number of accounts	Rupees	Number of accounts	Rupees
13. DEPOSITS				
Fixed deposits	2,212	25,120,966,198	2,282	26,357,673,331
Saving deposits	15,121	17,910,592,433	14,785	16,802,040,082
Current deposits	1,878,685	2,365,463,963	1,461,867	2,944,927,440
	<u>1,896,018</u>	<u>45,397,022,594</u>	<u>1,478,934</u>	<u>46,104,640,853</u>

	Note	(Un-audited)	(Audited)
		March 31, 2021	December 31, 2020
14. BOROWINGS			
Borrowings from Banks/Financial Institutions in Pakistan			
Borrowings from Allied Bank Ltd	14.1	-	249,999,998
Borrowings from Faysal Bank Ltd	14.2	333,333,333	500,000,000
Loan Allied Bank Ltd-2	14.3	2,666,666,667	2,666,666,667
NBP-Running Finance	14.4	500,000,000	500,000,000
Loan Faysal Bank Ltd-2	14.5	666,665,334	666,665,334
Bank of Punjab	14.6	-	50,000,000
State Bank of Pakistan (LOC)	14.7	1,500,000,000	1,500,000,000
Repo Borrowing	14.8	57,830,520	6,154,540,000
Loan ABL-RF	14.9	500,000,000	500,000,000
Repo Borrowing-PIB	14.10	2,500,000,000	-
Bank Al Falah (Cash Management)	14.11	460,482,460	486,318,643
		<u>9,184,978,314</u>	<u>13,274,190,642</u>

14.1 This represents outstanding balance of term finance facility under syndicate financing through Allied Bank Limited of Rs. 1,500 million carrying markup of 6-months KIBOR plus 1.10% (2020: 6-month KIBOR plus 1.10%) per annum payable semi-annually. This facility is secured against first pari passu charge over all present and future assets of the Bank with 25% margin. This loan is repayable in 6 equal semi-annual instalments of Rs. 250 million each. Repayments have started from September 2018.

14.2 This represent term finance loan of Rs. 1 billion carrying markup of 6-months KIBOR plus 1% (2020: 6-Months KIBOR plus 1%) per annum payable semi-annually. 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.

14.3 This represents term finance facility under syndicate financing through Allied Bank Limited of Rs. 4 billion carrying markup of 6-months KIBOR plus 0.95% (2020: 6-Months KIBOR plus 0.95%) per annum payable semi-annually in arrears. This is secured against first pari passu charge over all present and future assets excluding land and building of the Bank but not limited to advances and investments beyond CRR and SLR requirements of the Bank with 25% margin. Disbursement was initially made against a ranking charge which was upgraded to 1st pari passu 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.

14.4 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 (2020: 3-Months KIBOR plus 0.75% per annum). This is secured against first pari passu charge on all current and future book debts, advances and receivable of the Bank. The initial disbursement was made against ranking charge which was upgraded to first pari passu charge within 120 days from date of disbursement. Markup is repayable on quarterly basis.

14.5 This represent term finance loan of Rs. 1 billion carrying markup of 6-months KIBOR plus 0.75% per annum (2020: 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.

14.6 This represents utilised amount of term finance loan of Rs. 200 million carrying markup of 6-months KIBOR plus 0.85% per annum (2020: 6-months KIBOR plus 0.85%). This is secured against first pari passu charge on book debts, advances and receivables of the Bank for Rs. 266.67 million (25% margin). This loan is repayable in 4 semi-annual instalments of Rs. 50 million each after grace period of 06 months. The loan was disbursed on 12 March 2019.

14.7 This represent term finance loan of Rs. 1,500 million carrying markup of 6-months KIBOR minus 100 bps (2020: 6 Months KIBOR minus 100 bps) for the tenor of five years. Markup amount is payable on every half year end i.e 30 June and 31 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.

During the year, the Bank disbursed 28,983 loans amounting to Rs. 2.77 billion out of which 20,123 loans amounting to Rs. 1.64 billion were disbursed to female borrower as per the E&S guideline issued by SBP.

14.8 This represent Repo Borrowing from Muslim Commercial Bank at the rate of 7.90% amounting to Rs. 58 million with the tenor of less than a month.

14.9 This represent running finance of Rs. 500 million at the rate of 3 months KIBOR + 0.85% per annum to be paid on quarterly basis with the tenor of 12 months. This running finance facility is obtained to meet the short term funding requirement and to finance growth in advances.

14.10 This represent Repo Borrowing from :
 Allied Bank Limited at the rate of 7.15% amounting to Rs. 1 billion with the tenor of less than a month.
 Samba Bank Limited at the rate of 7.10% amounting to Rs. 1 billion with the tenor of less than a month.
 National Bank of Pakistan at the rate of 7.80% amounting to Rs. 500 million with the tenor of less than a month.

14.11 This represent current finance facility amounting to Rs. 460 million at the rate of 3 months KIBOR + 0.50% per annum to be paid on quarterly basis with with the tenor of 12 months.Mark-up will be calculated on the basis of actual number of days elapsed in the year.

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

15.1 This represents term finance certificates (TFCs) of Rs. 600 million distributed in 120,000 TFCs of Rs. 5,000 each issued as subordinated loan in June 2017. The loan is availed as TIER-II subordinated debt for inclusion in the Bank's Supplementary Capital. The facility tenure is 7 years and is priced at 6 Month KIBOR + 3.50% (2020: 6 Month KIBOR + 3.50%). The instrument is structured to redeem 0.02% of principal, semi-annually, over the first 60 months and remaining principal of 24.95% each of the issue amount respectively, in four equal instalments starting from 66th month. The TFCs are subordinated as to the payment of principal and profit to all other indebtedness of the Bank. The rating of these certificates issued by JCR-VIS is A- with an stable outlook.

15.2 This represents unsecured, subordinated debt from PTCL, the Parent Company. The facility tenure is 7 years with grace period of 5 years and is priced at 3 Month KIBOR + 2% (2020: 3 Month KIBOR + 2%) per annum. The loan is availed as TIER-II subordinated debt for inclusion in the Bank's Supplementary Capital. Loan is structured to redeem in four equal semi-annual instalments starting from June 2024. The debt is unsecured, subordinated as to the payment of principle and profit to all other indebtedness of the Bank, including deposit and it is not redeemable before maturity without prior approval of the SBP.

	(Un-audited)	(Audited)
	March 31, 2021	December 31, 2020
	Rupees	Rupees
16. OTHER LIABILITIES		
Mark-up / return / interest payable	828,220,614	604,640,989
Accrued expenses	348,074,686	292,234,939
Taxes payable	632,567,219	461,547,577
Payable to Pakistan Telecommunication Company Limited, the Parent Company	31,746,869	31,746,869
Payable to Pak Telecom Mobile Limited (PTML), an associated company	91,318,646	47,034,661
Uncollected remittances	59,367,188	58,794,815
Payable to defined contribution plan - provident fund	11,448,564	-
Payable to 1-Link	34,813,770	-
Payable to staff retirement benefit - gratuity	2,617,855	-
Lease Liability	1,148,299,240	1,212,010,930
Bills payable	113,381,192	75,971,909
Others	75,387,684	19,698,438
Workers' Welfare Fund	<u>67,671,660</u>	<u>56,531,500</u>
	<u>3,444,915,186</u>	<u>2,860,212,627</u>

17. SHARE CAPITAL**17.1 Authorized capital**

(Un-audited) March 31, 2021 Number	(Audited) December 31, 2020 Number		(Un-audited) March 31, 2021 Rupees	(Audited) December 31, 2020 Rupees
800,000,000	800,000,000	Ordinary shares of Rs. 10 each	8,000,000,000	8,000,000,000

17.2 Issued, subscribed and paid-up capital

March 31, 2021 Number	December 31, 2020 Number		March 31, 2021 Rupees	December 31, 2020 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	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	2,000,000,000	2,000,000,000
180,000,000	80,000,000	Conversion of subordinated debt as advance against issue of preference	1,800,000,000	800,000,000
<u>408,571,429</u>	<u>308,571,429</u>		<u>4,085,714,290</u>	<u>3,085,714,290</u>

18. MEMORANDUM / OFF BALANCE SHEET ITEMS**18.1 Contingencies**

There are no material contingencies as at 31 Mar 2021 (2020: Nil).

18.2 Commitments

	(Un-audited) March 31, 2021 Rupees	(Audited) December 31, 2020 Rupees
Standby letter of guarantee	10,200,000	10,200,000
Property and equipment	1,223,259	13,851,935
Intangible assets	-	1,495,500
	<u>11,423,259</u>	<u>25,547,435</u>

(Un-audited) (Un-audited)

PERIOD ENDED**19. MARK-UP/ RETURN/ INTEREST EARNED**

	March 31, 2021 Rupees	March 31, 2020 Rupees
Mark-up / return / interest on advances	2,452,807,415	1,850,756,386
Interest on investments in government securities	268,147,832	156,091,161
Interest on deposit accounts / TDRs with other banks / financial institutions	215,561,826	108,995,279
	<u>2,936,517,073</u>	<u>2,115,842,826</u>

20. MARK-UP/ RETURN/ INTEREST EXPENSED

Mark-up / return / interest expense on deposits	1,025,018,480	660,644,485
Mark-up expense on borrowings from banks / financial institutions	252,256,080	417,097,494
	<u>1,277,274,560</u>	<u>1,077,741,979</u>

21. OTHER CHARGES COLLECTED FROM CUSTOMERS

Loan processing fee	211,593,135	258,033,153
Other fee income collected from customers	44,183,544	32,926,954
	<u>255,776,679</u>	<u>290,960,107</u>

(Un-audited)
March 31, 2021
Rupees

(Un-audited)
March 31, 2020
Rupees

22. OTHER INCOME

Recovery against advances written off	6,059,747	11,413,367
Miscellaneous income	605,421	15,996,075
	<u>6,665,168</u>	<u>27,409,442</u>

	(Un-audited) March 31, 2021 Rupees	(Un-audited) March 31, 2020 Rupees
23. ADMINISTRATIVE EXPENSES		
Staff salaries and benefits	577,837,609	404,953,814
Charge for defined benefit plan - gratuity	11,058,357	9,006,775
Contribution to defined contribution plan - provident fund	9,673,161	8,287,058
Insurance	51,741,212	36,766,157
Rent, rate and taxes	17,339,637	14,986,368
Marketing Expenses	49,921,250	4,908,336
Travelling and conveyance	5,324,318	19,757,641
Postage and courier	4,639,129	6,191,138
Utilities	26,614,488	25,976,170
Repair and maintenance	52,708,081	48,890,400
Depreciation and amortization	178,432,726	144,578,375
Software support and maintenance fee	42,932,248	22,179,536
Stationery and printing	29,067,755	26,802,027
Auditors' remuneration	963,997	631,099
Legal and professional fee	3,881,695	4,864,143
Security services	39,144,187	57,570,751
Interest expense on ROU liability	41,776,260	32,635,615
Financial charges on leased assets	1,175,311	1,172,876
Office supplies	6,714,077	6,807,074
Internet and connectivity charges	22,755,428	28,177,809
NADRA verification charges	18,393,299	12,686,750
Bank and Collection charges	13,047,888	6,047,170
Other	2,938,929	1,244,823
	<u>1,208,081,042</u>	<u>925,830,542</u>
23.1 SBP penalty	5,000	5,472,000
	<u>5,000</u>	<u>5,472,000</u>
24. TAXATION		
Current - for the period	(207,279,071)	(38,939,219)
- for prior period	-	-
Deferred - for the period	70,586,917	38,308,482
- for prior period	-	-
	70,586,917	38,308,482
	<u>(136,692,154)</u>	<u>(630,737)</u>
	31-Mar-21	31-Mar-20
	Rupees	Rupees
25. CASH AND CASH EQUIVALENTS		
Cash and balances with SBP and NBP	3,319,397,869	1,831,616,489
Balances with other banks / NBFIs / MFBs	762,188,009	3,897,818,313
Investments	-	-
	<u>4,081,585,878</u>	<u>5,729,434,802</u>

26. NUMBER OF EMPLOYEES	(Un-Audited) March 31, 2021 Rupees	(Audited) December 31, 2020 Rupees
Credit sales staff		
Permanent	103	113
Contractual	992	961
	1,095	1,074
Banking/ support staff		
Permanent	708	695
Contractual	1,043	926
Outsourced	-	-
	1,751	1,621
Total number of employees at the end of the period/ year	2,846	2,695
Average number of employees during the period/ year	2,808	2,695

27. NUMBER OF BRANCHES

Branches at beginning of the period/ year	212	212
Opened during the year		
- Branches	-	-
- Service Centers / FCs	1	-
Closed/ merged during the year	-	-
Branches at the end of the period/ year	<u>213</u>	<u>212</u>

28. 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

	March 31, 2021	March 31, 2020
	Rupees	Rupees
Profit attributable to equity holders (Rupees)	<u>409,175,719</u>	<u>4,529,986</u>
Depositors' Protection Fund	-	-
Profit/ (loss) attributable to equity holders (Rupees)	<u>409,175,719</u>	<u>4,529,986</u>
Opening Ordinary shares outstanding (numbers)	-	-
Weighted average number of shares in issue (numbers)	324,187,867	228,571,429
Total shares (numbers)	<u>324,187,867</u>	<u>228,571,429</u>
Earning per share - basic (Rupees)	<u>1.26</u>	<u>0.02</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

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	Mar-21 Rupees	Mar-20 Rupees
Parent Company		
Utility Bill collected on behalf of the Parent Company	34,203,563	22,472,227
Payment in regards utility bills collected on behalf of the Parent Company	34,203,563	22,472,227
Utility Bill collection charges	97,920	70,680
Payment for administrative costs and fixed assets	14,590,649	45,163,172
Interest expense on TIER-II subordinated Debt Payment	50,142,335	155,073,972
Interest expense on PTCL employee GP fund	4,799,069	52,738,782
Associated Company - Pak Telecom Mobile Limited (PTML)		
Payment for administrative costs and fixed assets	5,987,752	-
Payment against branchless banking and bills collected	-	-
Amount received against reimbursement of agent's commission	70,971,729	71,309,495
Interest expense on deposits	253,029	-
Deposit incentive	-	-
Associated Company - Pakistan Telecommunication Employees Trust (PTET)		
Interest expense on deposits	15,182,433	8,247,411
Employees' provident fund		
Contribution to provident fund	9,673,161	8,287,058
Employees' gratuity fund		
Payment to gratuity fund	11,058,357	9,006,775
Balances	Mar-21 Rupees	Dec-20 Rupees
Parent Company		
Subordinated Debt -Tier II	2,865,781,058	2,799,160,000
Deposits	286,584	2,097,118
Interest payable on Tier- II Sub ordinated loan	50,142,334	-
Payable against utility bills collected	901,751	122,902
Utility bills collection charges receivable	328,846	1,792,839
Employee GP fund	1,773,139,694	2,171,917,933

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS

Balances	Mar-21 Rupees	Dec-20 Rupees
Interest payable on deposits - PTCL Employees' GP Fund	380,777	198,384,839
Associated Company - Pakistan Telecommunication Employees Trust		
Deposits	2,156,786,067	1,916,265,365
Associated Company - Pak Telecom Mobile Limited		
Employees' Gratuity fund	720,512,519	720,259,489
Payable against branchless banking and bills collected	91,318,646	61,034,661
Payable to Pak Telecom Mobile Limited		
Administrative expenses incurred on behalf of the Bank		
Interest payable on deposits	8,323,287	177,534
Employees' provident fund		
Payable to provident fund	11,448,564	3,517,822
Employees' gratuity fund		
Receivable from gratuity fund	2,617,855	1,235,802

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 balance sheet and profit and loss account.

31. 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