

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

January 01,2022

to

March 31,2022

U MICROFINANCE BANK LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)
As at 31 March, 2022

	Note	(Un-audited) March 31, 2022 Rupees	(Audited) December 31, 2021 Rupees
ASSETS			
Cash and balances with SBP and NBP	4	3,563,727,588	3,799,930,850
Balances with other Banks/ NBFIs/ MFBs	5	3,553,436,155	6,223,904,412
Lending to Financial Institutions		-	-
Investments - net of provisions	6	42,623,283,495	46,564,519,779
Advances - net of provisions	7	35,957,184,013	34,375,729,318
Operating fixed assets	8	3,323,527,720	2,886,170,228
Other assets	9	11,157,434,227	10,050,583,152
Deferred tax asset		735,282,820	677,447,619
Total Assets		100,913,876,018	104,578,285,358
LIABILITIES			
Deposits and other accounts	10	54,166,630,760	55,000,289,695
Borrowings	11	33,584,046,590	36,880,686,164
Subordinated Debt	12	1,798,920,000	1,798,920,000
Other liabilities	13	4,281,988,329	3,407,296,747
Total Liabilities		93,831,585,679	97,087,192,606
NET ASSETS		7,082,290,339	7,491,092,752
REPRESENTED BY:			
Share capital	14	4,085,714,290	4,085,714,290
Discount on issue of share capital		(25,714,290)	(25,714,290)
Advance against issue of shares		1,000,000,000	1,000,000,000
Statutory and other reserve		633,083,649	633,083,649
Depositors' protection fund		158,270,912	158,270,912
Accumulated Profit		1,287,809,248	1,926,314,403
Share capital		7,139,163,809	7,777,668,964
Deficit on revaluation of assets		(58,927,586)	(288,630,328)
Deferred grants		2,054,116	2,054,116
Total Capital		7,082,290,339	7,491,092,752
MEMORANDUM / OFF BALANCE SHEET ITEMS	15		

The annexed notes from 1 to 22 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 2022

	Note	Period Ended	
		March 31, 2022 Rupees	March 31, 2021 Rupees
Mark-up/ return/ interest earned	16	3,941,612,020	2,936,517,073
Mark-up/ return/ interest expensed	17	(2,322,258,128)	(1,277,274,560)
Net mark-up/ interest income		1,619,353,891	1,659,242,513
Provision against non-performing advances		(276,821,408)	(156,532,139)
Net mark-up/ interest income after provisions		1,342,532,483	1,502,710,374
NON MARK-UP/ NON INTEREST INCOME			
Fee commission & brokerage income	18	278,828,457	255,776,679
Other income	19	39,031,012	6,665,168
Capital Gain		25,485,014	(58,146)
		343,344,483	262,383,701
		1,685,876,967	1,765,094,075
NON MARK-UP/ NON INTEREST EXPENSES			
Salaries & Benefits		736,163,599	598,569,127
Administrative expenses		718,184,449	609,511,915
Other charges		2,265,850	5,000
		1,456,613,898	1,208,086,042
PROFIT BEFORE TAXATION & WWF		229,263,069	557,008,033
Workers Welfare Fund		(4,645,261)	(11,140,160)
PROFIT BEFORE TAXATION		224,617,808	545,867,873
TAXATION			
Current		(110,113,002)	(207,279,071)
Prior years		-	-
Deferred		102,830,039	70,586,917
		(7,282,963)	(136,692,154)
PROFIT AFTER TAXATION		217,334,845	409,175,719
MEMORANDUM / OFF BALANCE SHEET ITEMS	15		

The annexed notes from 1 to 22 form an integral part of these financial statements.

U MICROFINANCE BANK LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 March 2022

	March 31, 2022	March 31, 2021
	Rupees	Rupees
Profit after Taxation for the period	217,334,845	409,175,719
Items that may be subsequently reclassified to profit and loss in subsequent periods:		
Profit /Loss on revaluation of assets transferred to profit and loss	25,485,014	(58,146)
Gain on revaluation of assets	(134,465,705)	(55,680,218)
Tax Impact	31,604,354	9,552,330
	(77,376,336)	(46,186,034)
Total comprehensive income for the period	139,958,509	362,989,685

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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 2022

	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, 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 year ended December 31, 2021	-	-	-	-	-	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)	-
Transaction with owners, recorded directly in equity							
Contributions and distributions							
Interim cash dividend Rs. 0.32 paisa per share	-	-	-	-	-	-	-
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 as at December 31, 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
Balance as at 31 December 2021, as previously reported (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)	
Adjusted Balances as at 01 January 2022	4,085,714,290	1,000,000,000	(25,714,290)	633,083,649	158,270,912	1,265,760,403	7,777,668,964
Profit for the period ended March 31, 2022						217,334,845	217,334,845
Other Comprehensive Income						-	-
Total Comprehensive Income						217,334,845	217,334,845
Transfer to:							
Statutory reserve	-	-	-	-	-	-	-
Depositors' Protection Fund	-	-	-	-	-	-	-
Issue of Dividend @ 32 paisa per ordinary share and 95.3 paisa per preference Shares	-	-	-	-	-	(195,286,000)	(195,286,000)
Conversion of subordinated debt as advance against issue of preference shares	-	-	-	-	-	-	-
Balance as at March 31, 2022 (Un-audited)	4,085,714,290	1,000,000,000	(25,714,290)	633,083,649	158,270,912	1,287,809,248	7,799,717,810

The annexed notes from 1 to 22 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 2022

	Note	March 31, 2022 Rupees	March 31, 2021 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		224,617,808	545,867,873
Less: Dividend income		-	-
Adjustments for non-cash charges			
Depreciation		105,199,104	163,738,981
Amortization		14,561,681	14,254,997
Provisions against non-performing advances		1,517,454,846	156,532,139
Depreciation of right of use assets		85,624,546	-
Advances written off against provision		(998,673,873)	(5,026,139)
Provision for gratuity		14,904,490	11,058,357
Loss/(Gain) on sale of fixed assets		(94,817)	201,258
Finance charges on leased assets		47,639,155	1,175,311
		786,615,133	341,934,904
		1,011,232,941	887,802,777
(Increase)/decrease in operating assets			
Advances		(2,100,235,579)	(8,964,177,652)
Other assets (excluding advance taxation)		(1,106,851,075)	7,036,846,912
Increase/ (decrease) in operating liabilities			
Deposits and other accounts		(833,658,935)	(75,219,321)
Other liabilities (excluding current tax, finance lease and provision for gratuity)		748,240,105	(348,232,699)
		(3,292,505,483)	(2,350,782,760)
Cash generated from / (used in) operations		(2,281,272,542)	(1,462,979,983)
Gratuity paid		(15,138,335)	(590,781)
Income taxes paid		(91,497,282)	36,259,429
Net cash generated used in operating activities		(2,387,908,158)	(1,427,311,336)
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available for sale securities - Government securities		3,711,533,541	6,526,093,273
Net investments in term deposits receipts		-	(1,680,000,000)
Investments in operating fixed assets		(437,435,948)	(123,885,203)
Sale proceeds of property and equipment disposed-off		2,459,273	-
Net cash (Outflows)/ inflow from investing Activities		3,276,556,866	4,722,208,070
CASH FLOW FROM FINANCING ACTIVITIES			
Borrowings obtained/(repaid) during the period		(3,296,639,574)	(3,903,426,264)
Lending to Financial Institutions		-	450,000,000
Payments of lease obligations		(303,394,653)	(4,824,450)
Dividend paid		(195,286,000)	-
Net cash inflow from financing activates		(3,795,320,227)	(3,458,250,714)
Net Increase/ (decrease) in cash and cash equivalents		(2,906,671,519)	(163,353,981)
Cash and cash equivalents at beginning of the period		10,023,835,262	4,737,031,876
Cash and cash equivalents at the end of period		7,117,163,743	4,573,677,896

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U Microfinance Bank Limited

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

FOR THE THREE MONTHS PERIOD ENDED 31 March 2022

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 MFI 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.

The Bank has adopted IFRS 9 Financial Instruments from 1st Jan 2022 and the detail of the first time adoption is disclosed in note 3 . 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, 2021. Comparative statement of financial position is extracted from the audited annual financial statements as of December 31, 2021, 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, 2022.

3. IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS

3.1 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 2020 for banks/DFIs/MFBs. However, given 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. Further in view of COVID-19 impact and banking industry representations, SBP vide its BPRD circular letter no. 24 of 2021 dated 05 July 2021 has decided to implement IFRS 9 from 01 January 2022. Accordingly, the bank has implemented IFRS 9 along with its requirements, which mainly included classification & measurement and impairment have been considered in the preparation of these financial statements.

3.2 Classification and measurement of financial instrument:

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (“FVOCI”) and Fair value through profit and loss (“FVTPL”). This classification is generally based on the business model in which a financial asset is managed and is based on its contractual cash flows.

3.3 Impairment of Financial Assets:

The IFRS 9 replaces the current credit loss measurement method with an 'expected credit loss' model (“ECL”). The IFRS 9 requires the bank to record an allowance for ECLs for all financial assets not held at FVTPL. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination.

3.4 Transition

Changes in accounting policies resulting from the adoption of the complete IFRS 9 have been applied retrospectively, except as described below.

Comparative periods have not been restated. A difference in the carrying amounts of financial assets and financial liabilities resulting from the adoption of the IFRS 9 are recognized in retained earnings as at 1 January 2022.

Accordingly, the impairment allowance presented for 2021 does not reflect the requirements of the IFRS 9 and therefore impairment allowance is not comparable to the information presented for 2022 under the IFRS 9.

The assessment for the determination of the business model within which a financial asset is held, considers the facts and circumstances that existed at the date of initial application.

U Microfinance Bank Limited
Notes to the Condensed Interim Financial Statements (Un-audited)
FOR THE THREE MONTHS PERIOD ENDED 31 March 2022

	Note	(Un-audited) March 31, 2022 Rupees	(Audited) December 31, 2021 Rupees
4 CASH AND BALANCES WITH SBP AND NBP			
Cash in hand			
Local currency		870,058,284	808,663,563
Balances with State Bank of Pakistan (SBP)			
Local currency current accounts		2,692,893,118	2,990,491,101
Balances with National Bank of Pakistan (NBP)			
Local currency current accounts		776,186	776,186
		<u>3,563,727,588</u>	<u>3,799,930,850</u>

	Note	(Un-audited) March 31, 2022 Rupees	(Audited) December 31, 2021 Rupees
5 BALANCES WITH OTHER BANKS/ NBFIs/ MFBs			
In Pakistan - Local currency			
Current accounts	5.1	13,419,464	12,385,714
Deposit accounts	5.2	<u>3,540,016,692</u>	<u>6,211,518,698</u>
		<u>3,553,436,155</u>	<u>6,223,904,412</u>

5.1 This includes Rs. 10,600,000 (2020: Rs. 10,600,000) held as deposit under lien in respect of standby letter of guarantee issued to China Union Pay International.

5.2 Deposit accounts carried interest at rates ranging from 7% to 13% (2021: 5.50% to 11.5%) per annum.

	Note	(Un-audited) March 31, 2022 Rupees	(Audited) December 31, 2021 Rupees
6 INVESTMENTS			
Held at amortised cost			
Pakistan Investment Bonds (PIBs)	6.1	6,061,849,070	-
Term deposit receipts	6.2	<u>6,250,000,000</u>	<u>7,750,000,000</u>
		<u>12,311,849,070</u>	<u>7,750,000,000</u>
Fair Value Through Profit and Loss (FVTPL)			
Mutual Funds	6.3	12,295,926,934	12,082,205,991
AL Meezan	6.3	564,543,611	-
		<u>12,860,470,545</u>	<u>12,082,205,991</u>
Fair Value Through Other Comprehensive Income (FVOCI)			
T-bills	6.4	16,513,211,880	21,005,065,107
Pakistan Investment Bonds (PIBs)	6.1	-	6,066,754,960
Ijarah Sukuk	6.5	1,001,104,000	-
Unrealised loss on revaluation of investments		<u>(63,352,000)</u>	<u>(339,506,279)</u>
		<u>17,450,963,880</u>	<u>26,732,313,788</u>

6.1 This represents Pakistan Investment Bonds carrying interest at the rate ranging from 9.08% to 8.07% (2021: 9% to 9.5%) Maturing on 19-Sep-2024.

6.2 This represent the Term Deposit Receipts (TDR) carries markup at rate ranging between 7% to 13% (2021: 10.5% to 13%) per annum.

6.3 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.

6.4 This represents market treasury bills carrying interest at the rate ranging from 10.50% to 11.15% (2021: 7.4% to 11.45%) per annum maturing on 11-Aug-2022.

6.5 Ijarah Sukuk carried interest rates ranging from 10.73% to 10.71% per annum maturing on 9-Dec-2025.

U Microfinance Bank Limited
Notes to the Condensed Interim Financial Statements (Un-audited)
FOR THE THREE MONTHS PERIOD ENDED 31 March 2022

7 ADVANCES - NET OF PROVISIONS

Loan type	(Un-audited) March 31, 2022		(Audited) December 31, 2021	
	Number of loans outstanding	Amount outstanding Rupees	Number of loans outstanding	Amount outstanding Rupees
Advances	338,794	38,461,635,327	346,390	36,411,344,571
Islamic Financing	290	49,944,823	-	-
	<u>339,084</u>	<u>38,511,580,150</u>	<u>346,390</u>	<u>36,411,344,571</u>
Provisions held				
Allowances for Impairment	339,084	(2,554,396,136)		(2,035,615,253)
Advances - net of provisions		<u>35,957,184,013</u>		<u>34,375,729,318</u>

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

	(Un-audited) March 31, 2022	(Audited) December 31, 2021
	Total	Total
Balance at beginning of the period/ year	2,035,615,163	1,313,062,786
Impact of Re-measurement due to adoption of IFRS - 9	1,240,633,438	-
Impairment charge for the period/ year	276,821,408	1,512,900,464
Reversals	-	-
Advances written off	(998,673,873)	(790,348,087)
Balance at end of the period/ year	<u>2,554,396,136</u>	<u>2,035,615,163</u>

U Microfinance Bank Limited
Notes to the Condensed Interim Financial Statements (Un-audited)
FOR THE THREE MONTHS PERIOD ENDED 31 March 2022

	Note	(Un-audited) March 31, 2022 Rupees	(Audited) December 31, 2021 Rupees
8 OPERATING FIXED ASSETS			
Capital work-in-progress	8.1	450,154,204	171,418,550
Property and equipment	8.3	1,223,363,744	1,286,159,012
Intangible assets	8.4	256,915,880	270,259,396
Right of use Asset (ROU)	8.2	1,393,093,893	1,158,333,270
		<u>3,323,527,720</u>	<u>2,886,170,228</u>
8.1 Capital work-in-progress			
Advances to suppliers/ contractors		28,308,159	28,308,159
Leasehold improvements		421,846,045	143,110,391
		<u>450,154,204</u>	<u>171,418,550</u>
8.2 Right of use Asset (ROU)			
Right of use Asset (ROU)		1,158,333,270	1,204,105,972
Additions		3,574,199	273,226,353
ROU impact		319,096,190	
Disposals		(2,285,220)	(38,075,661)
Depreciation		(85,624,546)	(280,923,394)
		<u>1,393,093,893</u>	<u>1,158,333,270</u>

8.3 Property and equipment

(Un-audited)
March 31, 2022

	Cost				Depreciation				Book value as at March 31, 2022	Rate of depreciation % (per annum)	
	As at January 1, 2022	Addition	Disposal/ Transfers	Transfers	As At March 31, 2022	As at January 1, 2022	Charge for the period	Disposal/ Transfers			As At March 31, 2022
-----Rupees-----											
Owned Assets											
Furniture and fixture	222,386,953	2,248,934	-	-	224,635,887	83,099,458	5,607,687	-	88,707,145	135,928,742	10.00%
Computers	478,516,376	25,537,007	(1,616,655)	-	502,436,728	374,714,117	43,332,076	(1,572,520)	416,473,673	85,963,055	33.33%
Electrical equipment	1,264,997,291	6,917,379	-	-	1,271,914,670	585,320,919	42,795,560	-	628,116,479	643,798,191	20.00%
Vehicle	31,597,740	-	(8,322,737)	-	23,275,003	29,129,357	334,942	(8,322,737)	21,141,562	2,133,441	20.00%
Office improvement	542,691,125	7,778,971	(46,800)	-	550,423,296	181,766,622	13,128,839	(12,480)	194,882,981	355,540,315	10.00%
	<u>2,540,189,485</u>	<u>42,482,291</u>	<u>(9,986,192)</u>	<u>-</u>	<u>2,572,685,584</u>	<u>1,254,030,473</u>	<u>105,199,104</u>	<u>(9,907,737)</u>	<u>1,349,321,840</u>	<u>1,223,363,744</u>	

(Audited)
December 31, 2021

	Cost				Depreciation				Book value as at December 31, 2021	Rate of depreciation % (per annum)	
	As at January 1, 2021	Additions	Disposals	Transfers	As at December 31, 2021	As at January 1, 2021	Charge for the year	Disposal/ Transfers			As at December 31, 2021
-----Rupees-----											
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%
	<u>2,303,695,877</u>	<u>263,518,803</u>	<u>(27,025,195)</u>	<u>-</u>	<u>2,540,189,485</u>	<u>867,739,403</u>	<u>404,964,461</u>	<u>(18,673,391)</u>	<u>1,254,030,473</u>	<u>1,286,159,012</u>	

U Microfinance Bank Limited
Notes to the Condensed Interim Financial Statements (Un-audited)
FOR THE THREE MONTHS PERIOD ENDED 31 March 2022

8.4 Intangible assets

(Un-audited) March 31, 2022										
	Cost			Amortization				Book value as at March 31, 2022	Rate of amortization % (per annum)	
	As at January 1, 2022	Additions	Disposal/ Transfers	As At March 31, 2022	As at January 1, 2022	Charge for the period	On deletions			As At March 31, 2022
-----Rupees-----										
Branchless banking software	449,499,848	1,218,165	-	450,718,013	179,240,452	14,561,681	-	193,802,133	256,915,880	10.00%
Licenses	-	-	-	-	-	-	-	-	-	20.00%
Mail server	-	-	-	-	-	-	-	-	-	33.33%
	<u>449,499,848</u>	<u>1,218,165</u>	<u>-</u>	<u>450,718,013</u>	<u>179,240,452</u>	<u>14,561,681</u>	<u>-</u>	<u>193,802,133</u>	<u>256,915,880</u>	
(Audited) December 31, 2021										
	Cost			Amortization				Book value as at December 31, 2021	Rate of amortization % (per annum)	
	As at January 1, 2021	Additions	Transfers	As at December 31, 2021	As at January 1, 2021	Charge for the year	Transfers			As at December 31, 2021
-----Rupees-----										
Branchless banking software	318,183,374	118,843,357	-	437,026,731	116,393,178	50,374,157	-	166,767,335	270,259,396	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>330,656,491</u>	<u>118,843,357</u>	<u>-</u>	<u>449,499,848</u>	<u>128,866,295</u>	<u>50,374,157</u>	<u>-</u>	<u>179,240,452</u>	<u>270,259,396</u>	

U Microfinance Bank Limited
Notes to the Condensed Interim Financial Statements (Un-audited)
FOR THE THREE MONTHS PERIOD ENDED 31 March 2022

	Note	(Un-audited) March 31, 2022 Rupees	(Audited) December 31, 2021 Rupees
9 OTHER ASSETS			
Income/ mark-up accrued		9,797,987,086	8,837,417,346
Advances, deposits and other prepayments		533,146,975	376,198,998
Receivable from 1-Link		-	100,536,490
Inventory of ATM cards & Stationery		41,703,670	29,192,613
Advance to employees		129,059,224	125,840,940
Receivable from SBP	9.1	483,790,956	456,749,452
Insurance claims receivable		119,461,328	93,071,656
Others		52,284,987	31,575,657
		11,157,434,227	10,050,583,152

9.1 This represents the amount receiveable 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.

U Microfinance Bank Limited
Notes to the Condensed Interim Financial Statements (Un-audited)
FOR THE THREE MONTHS PERIOD ENDED 31 March 2022

	(Un-audited) March 31, 2022		(Audited) December 31, 2021	
	Number of accounts	Rupees	Number of accounts	Rupees
10 DEPOSITS				
Conventional				
Fixed deposits	1,396	15,965,872,602	1,556	20,280,326,633
Saving deposits	16,064	35,088,037,121	15,846	30,892,674,901
Current deposits	2,984,369	3,043,767,557	2,722,176	3,827,288,161
	<u>3,001,829</u>	<u>54,097,677,279</u>	<u>2,739,578</u>	<u>55,000,289,695</u>
Islamic				
Term deposits	1	1,000,000	-	-
Saving deposits	44	29,438,847	-	-
Current deposits	401	38,514,633	-	-
	<u>446</u>	<u>68,953,481</u>	<u>-</u>	<u>-</u>

	Note	(Un-audited)	(Audited)
		March 31, 2022	December 31, 2021
11 BOROWINGS			
Borrowings from Banks/Financial Institutions in Pakistan			
Borrowings from Faysal Bank Ltd	11.1	-	166,666,667
Allied Bank Limited - II	11.2	1,333,333,330	1,333,333,330
National bank of Pakistan - Running finance	11.3	1,000,000,000	1,000,000,000
Faysal Bank Limited - II	11.4	333,332,667	333,332,667
State Bank of Pakistan	11.5	1,500,000,000	1,500,000,000
Repo Borrowing	11.6	12,843,612,025	15,555,721,500
Allied Bank Limited - Running finance - I	11.7	500,000,000	500,000,000
Repo Borrowing-PIB		-	1,916,632,000
Bank Al Falah (Cash Management)	11.8	499,997,167	-
Bank Alfalah - PPTFC	11.9	3,500,000,000	3,500,000,000
Allied Bank Limited - III	11.10	2,250,000,000	2,250,000,000
Bank of Punjab	11.11	600,000,000	600,000,000
Pakistan Mortgage Refinance Company	11.12	500,000,000	500,000,000
Pakistan Kuwait Investment Company (Private) Limited	11.13	750,000,000	750,000,000
Allied Bank Limited - Running finance - II	11.14	5,000,000,000	5,000,000,000
Allied Bank Limited - IV	11.15	500,000,000	500,000,000
Pakistan Mortgage Refinance Company - II	11.16	500,000,000	500,000,000
United Bank Limited	11.17	475,000,000	475,000,000
MCB Bank Limited	11.18	500,000,000	500,000,000
Meezan Bank - Bi Maujal	11.19	998,771,401	-
		<u>33,584,046,590</u>	<u>36,880,686,164</u>

- 11.1 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 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.
- 11.2 This represents utilized amount of running finance facility through National Bank of Pakistan Limited of Rs. 1,000 million (2021: 500 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% (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.
- 11.3 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 (2021: 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.
- 11.4 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.

- 11.5 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 guideline issued by SBP.
- 11.6 This represent Repo Borrowing from:
 - National bank of Pakistan at the rate of 10.10% amounting to Rs. 1.93 billion with maturity date of 01 April 2022.
 - National Bank of Pakistan at the rate of 10.10% amounting to Rs. 1.93 billion with maturity date of 01 April 2022.
 - Zarai Taraqiati Bank Limited at the rate of 10.40% amounting to Rs. 1.91 billion with maturity date of 01 April 2022.
 - National Bank of Pakistan at the rate of 10.5% amounting to Rs. 970 million with maturity date of 01 April 2022.
 - Muslim Commercial Bank at the rate of 10.75% amounting to Rs. 957 million with maturity date of 01 April 2022.
 - Bank of Punjab at the rate of 10.75% amounting to Rs. 957 million with maturity date of 01 April 2022.
 - HBL microfinance bank at the rate of 10.75% amounting to Rs. 479 million with maturity date of 01 April 2022.
 - Zarai Taraqiati Bank Limited at the rate of 10.75% amounting to Rs. 479 million with maturity date of 01 April 2022.
 - Allied Bank limited at the rate of 11.90% amounting to Rs. 962 million with maturity date of 08 April 2022.
 - Allied Bank limited at the rate of 11.90% amounting to Rs. 1.933 billion with maturity date of 08 April 2022.
 - Bank of Punjab at the rate of 10.7% amounting to Rs. 313 million with maturity date of 01 April 2022.
- 11.7 This represents 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 secured against all present and future assets of Bank excluding land and building with 25 % margin and is obtained to meet the short term funding requirement and to finance growth in advances
- 11.8 This represent current finance facility amounting to Rs. 500 million at the rate of 3 months KIBOR + 0.50% (2020: 3 months KIBOR + 0.50%) per annum to be paid on quarterly basis with the tenor of 12 months. Mark-up will be calculated on the basis of actual number of days elapsed in the year.
- 11.9 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 instalments and shall continue till the maturity of the instrument. The rating of these certificates issued by PACRA is AA- with stable outlook. These TFCs shall be inducted in CDS and the laws and regulation relating to the CDS with respect to the term finance certificates will be applicable to the TFCs.
- 11.10 This represents syndicated term finance facility with Allied Bank Limited of Rs. 2,250 million 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
- 11.11 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.
- 11.12 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.
- 11.13 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% per annum (2021: Nil). 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.
- 11.14 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.
- 11.15 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: Nil). 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.
- 11.16 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
- 11.17 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: Nil). 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
- 11.18 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: Nil). 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.
- 11.19 This represent Long Term finance facility to finance the financing operation of Islamic microfinance division of U microfinance bank by utilizing the facility to set up, establish and develop loan portfolio amounting to Rs. 1 billion at the rate of 3 months KIBOR + 0.15% per annum to be paid as per product structure.

		(Un-audited)	(Audited)
	Note	March 31, 2022	December 31, 2020
12	SUBORDINATED DEBT		
	Term Finance Certificates	598,920,000	598,920,000
	Subordinated loan PTCL	1,200,000,000	1,200,000,000
		<u>1,798,920,000</u>	<u>1,798,920,000</u>

12.1 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.

12.2 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. During the 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.

		(Un-audited)	(Audited)
		March 31, 2022	December 31, 2021
		Rupees	Rupees
13	OTHER LIABILITIES		
	Mark-up / return / interest payable	1,206,242,426	612,294,341
	Accrued expenses	411,556,700	525,121,278
	Taxes payable	549,132,348	48,506,485
	Payable to Pakistan Telecommunication Company Limited, the Parent Company	31,746,869	513,757,012
	Payable to Pak Telecom Mobile Limited (PTML),an associated company	294,141,642	66,190,908
	Uncollected remittances	125,124,505	121,780,510
	Payable to defined contribution plan - provident fund	5,624,459	154,137
	Payable to 1-Link	8,470,910	-
	Payable to Utility companies	20,323,690	18,382,235
	Payable to staff retirement benefit - gratuity	3,170,250	3,404,095
	Lease Liability	1,294,260,626	1,194,661,938
	Bills payable	169,277,578	136,247,772
	Others	75,779,241	84,304,215
	Workers' Welfare Fund	87,137,084	82,491,823
		<u>4,281,988,329</u>	<u>3,407,296,749</u>

U Microfinance Bank Limited
Notes to the Condensed Interim Financial Statements (Un-audited)
FOR THE THREE MONTHS PERIOD ENDED 31 March 2022

14 SHARE CAPITAL

14.1 Authorized capital

(Un-audited) March 31, 2022 Number	(Audited) December 31, 2021 Number		(Un-audited) March 31, 2022 Rupees	(Audited) December 31, 2021 Rupees
800,000,000	800,000,000	Ordinary shares of Rs. 10 each	8,000,000,000	8,000,000,000

14.2 Issued, subscribed and paid-up capital

March 31, 2022 Number	December 31, 2021 Number		March 31, 2022 Rupees	December 31, 2021 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	85,714,290	85,714,290
200,000,000	200,000,000	Fully paid ordinary shares of Rs.10 each in cash issued as right shares at par	2,000,000,000	2,000,000,000
80,000,000	80,000,000	Fully paid ordinary shares of Rs. 10 each in cash issued as other than right shares at par	800,000,000	800,000,000
100,000,000	-	Fully paid preference shares of Rs. 10 each in cash issued as other than right shares at par	1,000,000,000	-
<u>408,571,429</u>	<u>308,571,429</u>		<u>4,085,714,290</u>	<u>3,085,714,290</u>

15 MEMORANDUM / OFF BALANCE SHEET ITEMS

15.1 Contingencies

There are no material contingencies as at 31 Mar 2022 (2021: Nil).

15.2 Commitments

Standby letter of guarantee
Property and equipment
Intangible assets

(Un-audited) March 31, 2022 Rupees	(Audited) December 31, 2021 Rupees
10,600,000	10,600,000
3,219,990	4,896,005
<u>-</u>	<u>-</u>
<u>13,819,990</u>	<u>15,496,005</u>

(Un-audited) (Un-audited)

PERIOD ENDED

March 31, 2022 Rupees	March 31, 2021 Rupees
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16 MARK-UP/ RETURN/ INTEREST EARNED

Mark-up / return / interest on advances	2,780,516,386	2,452,807,415
Interest on investments in government securities	538,627,704	268,147,832
Interest on deposit accounts / TDRs with other banks / financial institutions	621,437,957	215,561,826
Profit on Islamic Financing	1,029,973	-
	<u>3,941,612,020</u>	<u>2,936,517,073</u>

17 MARK-UP/ RETURN/ INTEREST EXPENSED

Profit Sharing Islamic Deposits	169,675	-
Mark-up / return / interest expense on deposits	1,364,855,369	1,025,018,480
Mark-up expense on borrowings from banks / financial institutions	957,233,085	252,256,080
	<u>2,322,258,128</u>	<u>1,277,274,560</u>

18 OTHER CHARGES COLLECTED FROM CUSTOMERS

Loan processing fee	252,332,825	211,593,135
Other fee income collected from customers	26,495,632	44,183,544
	<u>278,828,457</u>	<u>255,776,679</u>

19 OTHER INCOME

Recovery against advances written off	38,711,628	6,059,747
Miscellaneous income	319,384	605,421
	<u>39,031,012</u>	<u>6,665,168</u>

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS

20 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-22 Rupees	Mar-21 Rupees
Parent Company		
Utility Bill collected on behalf of the Parent Company	66,317,867	34,203,563
Payment in regards utility bills collected on behalf of the Parent Company	66,317,867	34,203,563
Utility Bill collection charges	283,174	97,920
Payment for administrative costs and fixed assets	15,744,977	14,590,649
Interest expense on TIER-II subordinated Debt Payment	58,105,134	50,142,335
Interest expense on PTCL employee GP fund	2,800,669	4,799,069
Associated Company - Pak Telecom Mobile Limited (PTML)		
Payment for administrative costs and fixed assets	77,288,395	5,987,752
Payment against branchless banking and bills collected	-	-
Amount received against reimbursement of agent's commission	46,480,495	70,971,729
Associated Company - Pakistan Telecommunication Employees Trust (PTET)		
Interest expense on deposits	22,256,746	15,182,433
Employees' provident fund		
Contribution to provident fund	13,142,467	9,673,161
Employees' gratuity fund		
Payment to gratuity fund	14,904,490	11,058,357
Balances	Mar-22 Rupees	Dec-21 Rupees
Parent Company		
Interest payable on Tier- II Sub ordinated loan	58,105,134	-
Payable against utility bills collected	1,459,950	1,157,052
Utility bills collection charges receivable	643,315	643,315
Employee GP fund	2,603,881,072	1,402,181,868

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS

Balances	Mar-22 Rupees	Dec-21 Rupees
Interest payable on deposits - PTCL Employees' GP Fund	806,829	3,021,588
Associated Company - Pakistan Telecommunication Employees Trust		
Deposits	1,177,788,267	1,929,187,801
Associated Company - Pak Telecom Mobile Limited		
Employees' Gratuity fund	575,000,171	500,002,795
Payable against branchless banking and bills collected	294,141,642	66,190,908
Employees' provident fund		
Payable to provident fund	5,624,459	154,137
Employees' gratuity fund		
Payable to gratuity fund	3,170,250	3,404,095

21 GENERAL

21.1 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.

22 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