

U MICROFINANCE BANK LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 March 2023

	Note	2023 Rupees in '000	2022 Rupees in '000
ASSETS			
Cash and balances with SBP and NBP	6	6,310,956	7,452,333
Balances with other Banks/ NBFIs/ MFBs	7	644,480	1,276,156
Lending to financial institution	8	5,681,760	6,581,567
Investments - net of provisions	9	104,351,364	137,330,941
Advances - net of provisions	10	66,214,955	59,283,994
Property and equipment	11	2,393,163	2,176,077
Right-of-use assets	11.4	2,256,943	2,328,564
Intangible assets	11.3	249,616	259,347
Deferred tax asset	13	2,780,174	2,609,784
Other assets	12	2,598,763	1,997,371
Total Assets		193,482,175	221,296,133
LIABILITIES			
Bills payable	15	180,858	188,229
Borrowings	17	95,855,974	116,123,715
Deposits and other accounts	16	85,667,148	92,200,411
Subordinated debt	18	1,705,319	1,833,591
Deferred grants		14,368	14,368
Deferred tax liabilities		-	-
Other liabilities	19	3,227,321	3,850,033
Total Liabilities		186,650,988	214,210,348
Net Assets		6,831,187	7,085,785
REPRESENTED BY:			
Share capital	21	5,085,714	5,085,714
Discount on issue of share capital		(25,714)	(25,714)
Advance against issue of shares		-	-
Statutory and general reserves		1,083,075	1,083,075
Depositors' protection fund		270,769	270,769
Unappropriated profit		587,746	673,956
		7,001,589	7,087,799
Surplus / (deficit) on revaluation of assets	20	(170,402)	(2,015)
Total Capital		6,831,187	7,085,785
MEMORANDUM / OFF BALANCE SHEET ITEMS	21		

The annexed notes from 1 to 35 form an integral part of these financial statements.

PRESIDENT / CHIEF EXECUTIVE

CHAIRMAN

DIRECTOR

DIRECTOR

U MICROFINANCE BANK LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 31 MARCH 2023

Note	Quarter Ended		Period Ended		
	Current Quarter	Prior Year Quarter	Year-to-Date Mar-23	Prior Year Period Mar-22	
	Rupees in '000				
Mark-up / return / interest earned	24	9,688,539	3,941,612	9,688,539	3,941,612
Mark-up / return / interest expensed	25	(7,510,086)	(2,322,258)	(7,510,086)	(2,322,258)
Net mark-up / interest income		2,178,453	1,619,354	2,178,453	1,619,354
NON MARK-UP / NON INTEREST INCOME					
Fee, commission and brokerage income	26	492,288	278,828	492,288	278,828
Dividend income		-	-	-	-
Foreign exchange income		-	-	-	-
Capital Gain		-	-	-	-
Income / (Loss) from derivatives		-	-	-	-
Gain / (Loss) on securities		-	-	-	-
Cost		-	-	-	-
Other income	27	129,435	64,516	129,435	64,516
Total non-markup / non interest income		621,723	343,344	621,723	343,344
		2,800,176	1,962,698	2,800,176	1,962,698
NON MARK-UP / NON INTEREST EXPENSES					
Operating expenses	28	2,133,542	1,454,348	2,133,542	1,454,348
Workers welfare fund		(9,041)	(4,645)	(9,041)	(4,645)
Other charges	29	250	2,266	250	2,266
Total non-markup / non interest expenses		2,142,833	1,461,259	2,142,833	1,461,259
Extra ordinary / unusual items		-	-	-	-
		657,343	501,439	657,343	501,439
Profit / (Loss) before credit loss allowance		657,343	501,439	657,343	501,439
Credit loss allowance and write offs - net	10.2.1	(1,027,749)	(276,821)	(1,027,749)	(276,821)
Other income / expense	10.2.2	813,423	-	813,423	-
PROFIT BEFORE TAXATION		443,017	224,618	443,017	224,618
TAXATION					
Current		(206,851)	(110,113)	(206,851)	(110,113)
Prior years		121,366	102,830	121,366	102,830
Deferred	30	(85,485)	(7,283)	(85,485)	(7,283)
PROFIT AFTER TAXATION		357,532	217,335	357,532	217,335
EARNINGS PER SHARE	32	0.88	0.70	0.88	0.70

The annexed notes from 1 to 35 form an integral part of these financial statements.

PRESIDENT / CHIEF EXECUTIVE

CHAIRMAN

DIRECTOR

DIRECTOR

U MICROFINANCE BANK LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2023

	2023	2022	2023	2022
Note	Rupees in '000	Rupees in '000	Rupees in '000	Rupees in '000
Profit for the year	357,532	217,335	357,532	217,335

Other comprehensive income for the year

Items that may be reclassified to profit and loss account in subsequent period:

Effect of translation of net investment in foreign branches	-	-	-	-
Movement in surplus / (deficit) on revaluation of investments - net of tax	(168,387)	(77,376)	(168,387)	(77,376)
Others (to be specified)	-	-	-	-
	<u>(168,387)</u>	<u>(77,376.3)</u>	<u>(168,387)</u>	<u>(77,376)</u>

Items that will not be reclassified to profit and loss account:

Remeasurement gain / (loss) on defined benefit obligations - net of tax	-	-	-	-
Movement in surplus / (deficit) on revaluation of investments in equity investments - net	-	-	-	-
Impact of reversal of deficit on revaluation of investments held at fair value through other comprehensive income due to change in classification	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income	189,145	139,959	189,145	139,959

The annexed notes from 1 to 35 form an integral part of these financial statements.

PRESIDENT / CHIEF EXECUTIVE

CHAIRMAN

DIRECTOR

DIRECTOR

U MICROFINANCE BANK LIMITED
CASH FLOW STATEMENT
FOR THE PERIOD ENDED 31 MARCH 2023

	2023 Rupees in '000	2022 Rupees in '000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	443,017	224,618
Less: Dividend income	-	-
	<u>443,017</u>	<u>224,618</u>
Adjustments for non-cash charges		
Depreciation of property and equipment	130,145	105,199
Amortization of intangible assets	16,845	14,562
Depreciation of right of use asset	132,722	85,625
Credit loss allowance against advances	-	-
- (Reversal) / charge for the year	1,027,749	1,517,455
Advances written off against provision	(41,124)	(998,674)
Credit loss allowance against investments	-	-
Provision for gratuity - charge for the year	21,127	14,904
Impact of markup waiver	-	-
(Gain) / loss on sale of operating fixed assets - net	(308)	(95)
Finance charges on leased assets	62,055	47,639
	<u>1,349,212</u>	<u>786,615</u>
	1,792,229	1,011,233
Increase in operating assets		
Advances	(7,917,587)	(2,100,236)
Securities classified as FVPL		
Lendings to financial institutions	900	-
Other assets (excluding advance taxation)	(601,392)	(1,106,851)
Increase / (decrease) in operating liabilities	-	-
Bills payables	7,372	33,029
Deposits and other accounts	(6,533,263)	(833,659)
Borrowings obtained/(repaid) during the period	(20,267,741)	(3,296,640)
Other liabilities (excluding current tax, bills payable finance lease and provision for gratuity)	(836,825)	715,211
	<u>(36,148,536)</u>	<u>(6,589,145)</u>
	(34,356,307)	(5,577,912)
Payments against provisions held against off-balance sheet obligations		
Income taxes paid	(401,404)	(106,635)
Net cash flow from / (used in) operating activities	<u>(34,757,711)</u>	<u>(5,684,547)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available for sale securities - Government securities	-	3,711,534
Net Investments in amortised cost securities	-	-
Net Investments in FVOCI Securities	33,621,404	-
Net Investments in FVTPL	(641,827)	-
Net investments in term deposits receipts	-	-
Dividends received	-	-
Investments in property and equipment	(233,746)	(437,436)
Proceeds from sale of property and equipment	353	2,459
Net cash flow from / (used in) investing activities	<u>33,645,992</u>	<u>3,276,557</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Payments of subordinated loan	(128,272)	-
Addition in Subordinated debt	-	-
Payment of lease liability against right-of-use assets	(89,319)	(303,395)
Dividend paid	(443,743)	(195,286)
Net cash flow from / (used in) financing activities	<u>(661,334)</u>	<u>(498,681)</u>
Net (decrease) / increase in cash and cash equivalents	<u>(1,773,053)</u>	<u>(2,906,671)</u>
Cash and cash equivalents at beginning of the year	8,728,488	10,023,835
Cash and cash equivalents at end of the year	<u><u>6,955,436</u></u>	<u><u>7,117,164</u></u>

The annexed notes from 1 to 35 form an integral part of these financial statements.

PRESIDENT / CHIEF EXECUTIVE

CHAIRMAN

DIRECTOR

DIRECTOR

U MICROFINANCE BANK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2023

	Share capital	Advance against issue of shares	Capital reserves		Surplus/(deficit) on revaluation of		Revenue reserve Unappropriated profit	Total	
			Discount on issue of share capital	Statutory reserve	Depositors' protection fund	Investments			Property and equipment / Non Banking Assets
	Rupees								
Balance at 01 January 2022	4,085,714	1,000,000	(25,714)	633,084	158,271	-	-	1,926,314	7,777,669
Adjustment on initial application of IFRS 9								(2,742,378)	(2,742,378)
	4,085,714	1,000,000	(25,714)	633,084	158,271	-	-	(816,063)	5,035,291
Profit for the year	-	-	-	-	-	-	-	2,249,956	2,249,956
Other comprehensive income	-	-	-	-	-	-	-	(2,162)	(2,162)
Total comprehensive income	-	-	-	-	-	-	-	2,247,794	2,247,794
Transfer to:	-	-	-	-	-	-	-	-	-
Statutory reserve	-	-	-	449,991	-	-	-	(449,991)	-
Depositors' Protection Fund	-	-	-	-	112,498	-	-	(112,498)	-
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-	-
Contributions and distributions	-	-	-	-	-	-	-	-	-
Issue of Dividend @ 32 paisa per ordinary share and 95.3 paisa per preference Shares	-	-	-	-	-	-	-	(195,286)	(195,286)
Issue of preference shares	1,000,000	(1,000,000)	-	-	-	-	-	-	-
Conversion of subordinated debt as advance against issue of preference shares	-	-	-	-	-	-	-	-	-
Balance at 31 December 2022 - as previously reported	5,085,714	-	(25,714)	1,083,075	270,769	-	-	673,956	7,087,799
Profit for the year	-	-	-	-	-	-	-	357,532	357,532
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	-	357,532	357,532
Transfer to:	-	-	-	-	-	-	-	-	-
Statutory reserve	-	-	-	-	-	-	-	-	-
Depositors' Protection Fund	-	-	-	-	-	-	-	-	-
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-	-
Contributions and distributions	-	-	-	-	-	-	-	-	-
Issue of Dividend @ 71 paisa per ordinary share and 1.57 rupees per preference Shares	-	-	-	-	-	-	-	(443,743)	(443,743)
Additional Tier-1 Capital TFCs	-	-	-	-	-	-	-	-	-
Balance at 31 March 2023	5,085,714	-	(25,714)	1,083,075	270,769	-	-	587,746	7,001,589

The annexed notes from 1 to 35 form an integral part of these financial statements.

PRESIDENT / CHIEF EXECUTIVE

CHAIRMAN

DIRECTOR

DIRECTOR

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2023

1 STATUS AND NATURE OF BUSINESS

On 30 August 2012, Pakistan Telecommunication Company Limited (PTCL, the Parent Company) 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 Pakistan Credit Rating Agency Limited (PACRA) assigned the long-term entity rating of the Bank at "A+" and short term rating at "A-1" on 16 September 2022.

2 BASIS OF PRESENTATION

The financial information has been presented in accordance with the requirements of format prescribed by SBP Banking Supervision Department (BSD) Circular number 11 dated 30 December 2003. Further additional disclosures have been incorporated to comply with the requirements of IFRS 9.

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

3 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan for financial reporting comprise of:

- International Financial Reporting Standards (IFRS) 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 the Chartered Accountants of Pakistan as notified under the Companies Act, 2017;
- Provisions of and directives issued under The Microfinance Institutions Ordinance, 2001 (the MFI Ordinance) and the Companies Act, 2017; and
- directives issued by the SBP and the Securities and Exchange Commission of Pakistan (SECP)

Whenever the requirements of the Microfinance Institution Ordinance, 2001, Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of IFRS or IFAS, the requirements of the Microfinance Institution Ordinance, 2001, the Companies Act, 2017 and 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.

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2023

4 BASIS OF MEASUREMENT

4.1 Accounting convention

The financial statements are prepared under the historical cost convention except:

- Investments classified as 'Fair value through profit or loss' and 'Fair value through other comprehensive income' which are measured at fair value.
- Net obligations in respect of defined benefit schemes which are carried at their present values.
- Right of use asset and lease liability which are initially measured at their present values.

4.2 Functional and presentation currency

These financial statements are presented in Pakistan Rupees (PKR), which is the Bank's functional currency. All financial information presented in PKR has been rounded off to the nearest thousand PKR, unless otherwise stated.

4.3 Use of judgement and estimates

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

The basis for accounting estimates adopted in the preparation of this condensed interim unconsolidated financial information is the same as that applied in the preparation of the unconsolidated financial statements for the year ended December 31, 2022.

5 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed in the unconsolidated financial statements for the year ended December 31, 2022.

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2023

		2023 Rupees in '000	2022 Rupees in '000
6 CASH AND BALANCES WITH SBP AND NBP	Note		
Cash in hand - Local currency		1,664,539	1,640,403
Local currency current accounts			
Balances with State Bank of Pakistan (SBP)	6.1	4,645,640	5,811,153
Balances with National Bank of Pakistan (NBP)		776	776
Less: Credit loss allowance		-	-
		<u>6,310,956</u>	<u>7,452,333</u>

6.1 This includes balance maintained with SBP to comply with the requirement of Prudential Regulations for Microfinance Banks to maintain minimum cash reserve not less than 5% (2022: 5%) of the Bank's time and demand deposits liabilities with tenure of less than one year.

		2023 Rupees in '000	2022 Rupees in '000
7 BALANCES WITH OTHER BANKS/ NBFIs/ MFBs	Note		
In Pakistan - Local currency			
Current accounts	7.1	125,869	682,282
Deposit accounts	7.2	518,611	593,874
Less: Credit loss allowance		-	-
		<u>644,480</u>	<u>1,276,156</u>

7.1 This includes Rs. 13,000,000 (2022: Rs. 12,800,000) 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 13% to 21.5% (2022: 7% to 18.25%) per annum.

		2023 Rupees in '000	2022 Rupees in '000
8 Lending to Financial Institution			
Reverse repo		5,681,760	6,581,567
Less: Credit loss allowance		-	-
Lendings to Financial Institutions - net of		<u>5,681,760</u>	<u>6,581,567</u>

		2023 Rupees in '000	2022 Rupees in '000
9 INVESTMENTS - NET OF PROVISIONS	Note		
Amortised cost			
Pakistan Investment Bonds (PIBs)	9.1	5,690,878	5,690,878
Term finance certificates (TFCs)		-	-
		<u>5,690,878</u>	<u>5,690,878</u>
Fair Value Through Profit and Loss (FVTPL)			
Mutual Funds	9.2	22,612,833	21,971,007
Treasury bills (T-bills)	9.3	-	20,326,565
Pakistan Investment Bonds (PIBs)		-	51,120,968
TFCs		-	2,268,757
		<u>22,612,833</u>	<u>95,687,295</u>
Fair Value Through Other Comprehensive Income (FVOCI)			
T-bills	9.3	16,341,930	34,458,448
Pakistan Investment Bonds (PIBs)	9.1	55,083,923	-
Ijarah Sukuk	9.4	1,387,575	1,009,549
Private sukuk - TFCs		3,251,178	501,724
Less: Credit loss allowance (Stage 1)		(16,953)	(16,953.0)
		<u>76,047,653</u>	<u>35,952,768</u>

9.1 This represents Pakistan Investment Bonds carrying interest at the rate ranging from 16.75% to 17.90% (2022: 9% to 17.67%) per annum.

9.2 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. Units held in funds are tabulated below:

9.3 This represents market treasury bills carrying interest at the rate ranging from 16.75% to 17.90% (2022: 15.55% to 16.95%) per annum.

9.4 Ijarah Sukuk carries mark up at the rate of 16.42% to 23.4% (2022: 16.45% to 19.30%) per annum.

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2023

10 ADVANCES - NET OF PROVISIONS

	Performing				Non performing		Total	
	Stage 1		Stage 2		Stage 3		2023	2022
	2023	2022	2023	2022	2023	2022		
	Rupees in '000							
Micro credits								
Secured	36,608,372	32,264,091	45,126	84,267	156,907	198,789	36,810,405	32,547,146
Unsecured	21,004,888	22,050,395	9,606,108	5,990,233	2,314,235	1,783,601	32,925,231	29,824,230
Islamic financing	1,160,224	606,896	-	-	-	-	1,160,224	606,896
Advances - gross	58,773,483	54,921,383	9,651,233	6,074,500	2,471,142	1,982,390	70,895,859	62,978,273
Credit loss allowance against advances								
- Stage 1	(201,260)	(253,833)	-	-	-	-	(201,260)	(253,833)
- Stage 2	-	-	(3,467,547)	(2,497,450)	-	-	(3,467,547)	(2,497,450)
- Stage 3	-	-	-	-	(1,012,097)	(942,996)	(1,012,097)	(942,996)
	(201,260)	(253,833)	(3,467,547)	(2,497,450)	(1,012,097)	(942,996)	(4,680,904)	(3,694,279)
Advances - net of credit loss allowance	58,572,224	54,667,550	6,183,686	3,577,050	1,459,045	1,039,394	66,214,955	59,283,994

10.1 Advances - Credit loss allowance details

	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
	2023			2022		
	Rupees in '000					
Outstanding gross exposure						
Performing	58,773,483	8,878,650	-	54,921,383	5,471,449	-
Under Performing						
Other assets especially mentioned	-	772,584	-	-	631,011	-
Non - Performing						
Substandard	-	-	966,180	-	-	1,005,532
Doubtful	-	-	933,038	-	-	580,693
Loss	-	-	571,924	-	-	368,205
	-	-	2,471,142	-	-	1,954,430
Total	58,773,483	9,651,233	2,471,142	54,921,383	6,102,460	1,954,430
Corresponding credit loss allowance						
Stage 1	(201,260)	-	-	(253,833)	-	-
Stage 2	-	(3,467,547)	-	-	(2,497,450)	-
Stage 3	-	-	(1,012,097)	-	-	(942,996)
	(201,260)	(3,467,547)	(1,012,097)	(253,833)	(2,497,450)	(942,996)

10.2 Particulars of write offs / charge offs

	2023	2022
	Rupees in '000	Rupees in '000
Against credit loss allowance	(41,124)	(335,283)
Against provision	-	-
Directly charged to profit & loss account	-	(453,495)
	(41,124)	(788,778)

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

	2023	2022
	Rupees in '000	Rupees in '000
Balance at beginning of the year	3,694,279	2,035,615
Impact of Re-measurement due to adoption of IFRS 9	-	3,349,055
Charge/(Reversal) for the period	1,027,749	(1,355,109)
Reversals	-	-
Advances written off	(41,124)	(335,283)
Balance at end of the year	4,680,904	3,694,279

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2023

10.2.2 The amount PKR 813.423 Million (2022: Nil) is the reversal of previously written-off advances as a result of the restructuring of loans falling under flood-affected areas notified by the State Bank of Pakistan as per letter AC&MFD/MFPD/PRs/10183 dated October 07, 2022. The said amount is included in stage 2 portfolio of the Expected Credit Loss (ECL) model under IFRS-9

11	OPERATING FIXED ASSETS	Note	2023	2022
			Rupees in '000	Rupees in '000
	Capital work-in-progress	11.1	772,441	651,797
	Property and equipment	11.2	1,620,721	1,524,280
	Intangible assets	11.3	249,616	259,347
	Right of use asset (ROU)	11.4	2,256,943	2,328,564
			4,899,722	4,763,988
11.1	Capital work-in-progress			
	Breakup of capital work in progress at the reporting date is as follows:			
	Advances to suppliers / contractors		68,911	68,813
	Office improvements		703,530	582,984
			772,441	651,797

11.2 Property and equipment

	2023									Book value at 31 March 2023	Rates of depreciation % (per annum)
	Cost				Depreciation						
	At 01 January 2023	Additions	Disposals / writeoff	Transfers	At 31 March 2023	At 01 January 2023	Charge for the year	Disposals / writeoff	At 31 March 2023		
	Rupees										
Owned											
Furniture and fixture	296,414	39,818	-	-	336,232	107,608	8,287	-	115,896	220,337	10.00%
Computer equipments	938,770	28,902	(1,495)	-	966,178	555,667	43,398	(1,449)	597,617	368,561	33.33%
Electrical equipment	1,259,083	87,330	-	-	1,346,413	787,931	55,136	-	843,068	503,346	20.00%
Vehicles	31,598	-	-	-	31,598	21,870	233	-	22,103	9,495	20.00%
Office improvement	717,920	70,581	-	-	788,501	246,428	23,090	-	269,518	518,983	10.00%
	3,243,785	226,632	(1,495)	-	3,468,922	1,719,505	130,145	(1,449)	1,848,201	1,620,721	
	2022										
	Cost				Depreciation				Book value at 31 December 2022	Rates of depreciation % (per annum)	
	At 01 January 2022	Additions	Disposals / writeoff	Transfers	At 31 December 2022	At 01 January 2022	Charge for the year	Disposals / writeoff			At 31 December 2022
	Rupees										
Owned											
Furniture and fixture	222,308	74,770	(663)	-	296,414	83,099	24,994	(485)	107,608	188,806	10.00%
Computer equipments	796,693	154,673	(12,596)	-	938,770	374,714	193,344	(12,391)	555,667	383,103	33.33%
Electrical equipment	946,900	312,826	(643)	-	1,259,083	585,321	203,207	(596)	787,931	471,151	20.00%
Vehicles	31,598	-	-	-	31,598	26,030	3,099	-	29,129	2,468	20.00%
Office improvement	542,691	183,552	(8,323)	-	717,920	140,664	48,558	(7,476)	181,747	536,174	10.00%
	2,540,189	725,821	(22,225)	-	3,243,785	1,254,030	487,269	(21,795)	1,719,505	1,524,280	

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2023

11.3 Intangible assets

	2023									
	Cost				Amortization				Book value at 31 March 2023	Rates of amortization % (per annum)
	At 01 January 2023	Additions	Transfers	At 31 March 2023	At 01 January 2023	Charge for the year	Transfers	At 31 March 2023		
	Rupees									
Computer softwares	436,158	7,114	-	443,272	231,323	16,845	-	248,168	195,104	10.00%
Licenses	66,907	-	-	66,907	12,395	-	-	12,395	54,512	20.00%
Mail server	78	-	-	78	78	-	-	78	-	33.33%
	-	-	-	-	-	-	-	-	-	
	503,065	7,114	-	510,258	243,796	16,845	-	260,642	249,616	
	2022									
	Cost				Amortization				Book value at 31 December 2022	Rates of amortization % (per annum)
	At 01 January 2022	Additions	Transfers	At 31 December 2022	At 01 January 2022	Charge for the year	Transfers	At 31 December 2022		
	Rupees									
Computer softwares	393,629	42,529	-	479,556	166,767	64,556	-	231,323	270,259	10.00%
Licenses	55,793	11,114	-	23,509	12,395	-	-	12,395	-	20.00%
Mail server	78	-	-	78	78	-	-	78	-	33.33%
	-	-	-	-	-	-	-	-	-	
	449,500	53,643	-	503,143	179,240	64,556	-	243,796	270	

11.3.1 This includes operating system and microsoft office licenses. The average remaining life of the computer softwares is 02 years (2021: 03 years).

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2023

12	OTHER ASSETS	Note	2023	2022	
			Rupees in '000	Rupees in '000	
	Income / mark-up accrued		-	-	
	Advances, deposits and other prepayments		375,998	411,741	
	Receivable from 1-Link		480,808	-	
	Taxes Receivable		2,840		
	Inventory of ATM cards and stationery		71,729	78,609	
	Advance to employees		203,107	138,244	
	Receivable from SBP		1,006,874	909,694	
	Insurance claims receivable		174,761	138,164	
	Receivable from staff retirement benefit - Provident		-	2,376	
	Receivable from defined contribution plan - Gratuity fund		733	16,733	
	Others		281,913	301,810	
			2,598,763	1,997,371	
			2023	2022	
			Rupees in '000	Rupees in '000	
13	DEFERRED TAX ASSET				
	Deductible temporary differences arising in respect of				
	Provision against advances		1,544,698	1,219,112	
	Deficit on revaluation of available for sale securities		53,022	992	
	Remeasurement of employees' retirement benefits		3,985	3,985	
	Lease finance facilities		78,224	76,259	
	Minimum Tax over Normal tax / Taxable losses		998,958	984,924	
	Accelerated tax depreciation / amortization allowance		56,004	80,565	
	Impact of remeasurement of financial assets		557,793	557,793	
	Total deductible temporary differences		3,292,685	2,923,630	
			2023	2022	
			Rupees in '000	Rupees in '000	
	Taxable temporary differences arising in respect of				
	Treasury bills		(195,657)	(189,338)	
	Pakistan Investment Bonds (PIBs)		-	-	
	Mutual funds		(316,854)	(124,508)	
	Total taxable temporary differences		(512,511)	(313,846)	
	Deferred tax asset		2,780,174	2,609,784	
14	CONTINGENT ASSETS				
			2023	2022	
			Rupees in '000	Rupees in '000	
15	BILLS PAYABLE				
	In Pakistan		180,858	188,229	
	Outside Pakistan		-	-	
			180,858	188,229	
			2023	2022	
			Number of accounts	Amount Rupees in '000	
			Number of accounts	Amount Rupees in '000	
16	DEPOSITS AND OTHER ACCOUNTS				
	Fixed deposits	2,355	23,309,744.65	1,644	26,708,855
	Saving deposits	18,477	55,407,631.87	17,476	55,999,876
	Current deposits	3,991,303	5,559,983.59	3,639,509	5,678,274
		4,012,135	84,277,360	3,658,629	88,387,005
	<i>Islamic</i>				
	Fixed deposits	81	218,979	37	76,903
	Saving deposits	608	523,936	423	3,222,332
	Current deposits	5,856	646,874	3,675	514,172
		6,545	1,389,788	4,135.00	3,813,406
	Total deposits	4,018,680	85,667,148	3,662,764	92,200,411

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2023

17	BORROWINGS	Note	2023 Rupees in '000	2022 Rupees in '000
	Borrowings from Banks / Financial Institutions in Pakistan:			
	Secured			
	Faysal Bank Limited - I	17.1	-	128
	Allied Bank Limited - II	17.2	-	506
	National bank of Pakistan - Running finance	17.3	1,135,308	1,041,639
	Faysal Bank Limited - II	17.4	-	-
	State Bank of Pakistan	17.5	1,005,565	1,056,302
	Repo Borrowing	17.6	7,482,259	29,659,932
	Allied Bank Limited - Running finance - I	17.7	522,887	520,946
	Bank Al Falah (Cash Management)		521,363	520,237
	Repo Borrowing - PIB	17.8	2,022,622	-
	Bank Alfalah - PPTFC	17.9	3,432,599	3,300,821
	Bank of Punjab	17.10	528,046	509,014
	Allied Bank Limited - III	17.11	2,576,031	2,480,884
	Pakistan Mortgage Refinance Company	17.12	-	-
	Pakistan Kuwait Investment Company (Private) Limited	17.13	419,560	402,842
	Allied Bank Limited - Running finance - II	17.14	5,033,277	5,023,384
	Allied Bank Limited - IV	17.15	429,725	432,359
	Pakistan Mortgage Refinance Company - II	17.16	376,188	437,515
	United Bank Limited	17.17	339,067	339,529
	MCB Bank Limited	17.18	309,778	351,356
	Meezan Bank - Bi Maujal	17.19	1,094,972	1,080,318
	UMBL ADT-1 TFCs	17.20	1,051,822	1,001,127
	UMBL - MCB - STFWC	17.21	10,088,528	10,086,400
	NBP - Term Finance	17.22	1,495,131	1,525,644
	MCB - STFWC-2	17.23	20,202,765	20,231,347
	ABL RF-MM-3	17.24	20,100,715	20,100,137
	Meezan Bimaujjal - 2	17.25	2,117,727	2,005,058
	Meezan Bimaujjal-3	17.26	3,131,360	3,002,727
	ASKARI RF/MM Facility	17.27	10,438,679	10,013,562
	Call Borrowing - ZTBL	17.28	-	1,000,000
			95,855,974	116,123,715

17.1 This represents term finance loan of Rs. 1 billion carrying markup of 6-months KIBOR plus 1% (2022: 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 and as on 31 Dec 2022 entire amount of loan has been repaid.

17.2 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% (2022: 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 and as on 31 Dec 2022 entire amount of loan has been repaid.

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2023

- 17.3 This represents utilized amount of running finance facility through National Bank of Pakistan Limited of Rs. 1,000 million (2022: 1,000 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 Markup is repayable on quarterly basis.
- 17.4 This represents term finance loan of Rs. 1 billion carrying markup of 6-months KIBOR plus 0.75% per annum (2022: 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 and as on 31 Dec 2022 entire amount of loan has been repaid.
- 17.5 This represents term finance loan of Rs. 1,500 million carrying markup of 6-months KIBOR minus 100 bps (2022: 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.
- 17.6 This represents Repo Borrowing from various banks and financial institution.
- 17.7 This represents running finance of Rs. 500 million obtained from ABL at the rate of 3 months KIBOR + 0.85% per annum (2022: 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.
- 17.8 This represents Repo Borrowing from Bank Alfalah bank Limited at the rate of 20% amounting to Rs. 1.97 billion and stand matured on 03 April 2023.
- 17.9 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 was 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% (2022: 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 are required to 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.
- 17.10 This represents term finance facility obtained from The Bank of Punjab of Rs. 600 Million carrying markup of 6-months KIBOR plus 0.95% per annum (2022 :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.
- 17.11 This represents syndicated term finance facility of Rs. 2,250 million The said finance carrying markup at the rate of 6-month KIBOR plus 1.25% per annum(2022:6-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.
- 17.12 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 fell due at the end of 3rd month from disbursement and subsequently every quarter thereafter. This was 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. As on 31 December entire amount of loan has been repaid.
- 17.13 This represents utilized amount of term finance facility of Rs. 750 million from Pakistan Kuwait Investment Company (Private) Limited (PKIC or lender) for enhancement of advances portfolio of UMBL, carrying markup at the rate of 6-months KIBOR plus 1.10% per annum (2022: 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.
- 17.14 This represents utilized amount of running finance facility of Rs. 5,000 million ,carrying markup at the rate of 3 months KIBOR + 0.05% per annum (2022: 3 months KIBOR + 0.05% 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 5% 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.
- 17.15 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 (2022: 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 at 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.

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2023

- 17.16** 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% (2022:1 year KIBOR with negative spread of 1%) depending upon the utilization. First principal payment shall fall due at the end of 3rd month from expiry of grace period 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.
- 17.17** 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 (2022: 1-month KIBOR plus 0.85% per annum). This is secured against first pari-passu hypothecated charge on all present and future assets with 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.
- 17.18** This represents housing loan of Rs. 500 million obtained from MCB Bank Limited carrying markup at the rate of 3-months KIBOR plus 0.75% per annum (2022: 3-months KIBOR plus 0.75% per annum). This is secured against first pari-passu charge amounting to Rs. 667 million 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.
- 17.19** This represents Bi-Mujjal of Rs. 999 million from Meezan Bank Ltd to finance the lending operations of Islamic Microfinance Division of U Microfinance Bank Ltd by utilizing the short-term facility to setup, establish and develop loan portfolio, carrying markup at the rate of 12-months KIBOR plus 0.15% per annum(2022: 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.
- 17.20** This represents term finance certificates (TFCs) of Rs. 1 Billion distributed in 10,000 TFCs of Rs. 100,000 each. The Issue amount will be utilized to contribute towards Ubank's Additional Tier-1 capital. The facility tenure is perpetual and is priced at 6 Month KIBOR + 3.5% (2022: 6 Month KIBOR + 3.5%). Profit will be payable semi-annually in arrears on non-cumulative on the outstanding Issue. Amount basis shall continue till the maturity of the instrument. The first such profit payment will fall due six months from the issue of the date and subsequently every six months. The rating of these certificates issued by PACRA is A-. 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.
- 17.21** This represents loan of Rs. 10 billion from MCB Bank Ltd to finance the working capital requirements including for expansion of the Bank's advances portfolio. This loan is secured with 10% margin on latest NAV at the rate of 01-month KIBOR +0.05% per annum (2022: 01-month KIBOR +0.05%). The principle amount of facility is repayable on maturity and mark-up repayments fall due at the time of adjustment of each tranche/maturity. The loan will stand mature as on 31 March 2023.
- 17.22** This represents Term finance facility of Rs. 1.5 million from National bank of Pakistan carrying markup at the rate of 06-months KIBOR plus 0.65% per annum(2022:06-months KIBOR plus 0.65% per annum). The purpose of the facility is to meet business requirements of the company including but not limited to expansion of the Bank's advances portfolio. This is secured against First pari-passu hypothecation charge over all present and future assets (excluding land & building) of the company including but not limited to advances, microcredit receivables and investment beyond CRR and SLR requirement of the company with 25% margin. This loan is repayable in eight equal semi-annual installments with the principle repayment due on 18th month from the disbursement date. The mark up is required to be repaid semi-annually in 10 semi-annual installments and the first mark up payment is due at the end of sixth month from the disbursement date.
- 17.23** This represents loan of Rs. 20 billion from MCB Bank Ltd to finance the working capital requirements including for expansion of the Bank's advances portfolio. This facility is secured against Pakistan investment bond/treasury bills to be kept in IPS account maintained with MCB at the rate of 5% margin .The loan carries interest at the rate of 01-months KIBOR per annum (2022:01-months KIBOR per annum).The principle amount of facility is repayable on maturity and mark-up repayments fall due at the time of adjustment of each tranche/maturity. The loan will stand mature as on 31 March 2023.
- 17.24** This represents Running finance/Money Market Loan bank of Rs. 10 billion from Allied bank of Pakistan to meet short-term funding requirements including but not limited to finance growth in advances portfolio in KPK and Balochistan regions. This facility carry markup at the rate of 03-months KIBOR per annum(2022:03-months KIBOR per annum). This is secured against Pakistan investment bond/treasury bills to be kept in IPS account maintained with ABL with 5% margin. The loan was drawn on 28 December 2022.and the loan will stand mature as on 31 August 2023.
- 17.25** This represents Bi-mujjal of Rs. 1.9 billion from Meezan Bank Ltd to finance the lending operations of Islamic Microfinance Division of U Microfinance Bank Ltd by utilizing the short-term facility to setup, establish and develop loan portfolio, The loan carries interest at the rate of KIBOR +0.15% with floor of 3% and cap of 5%. This loan is secured against the investment in Pakistan Investment Bonds maintained with third party banks investor portfolio with 5% margin.
- 17.26** This represents Bi-mujjal facility of Rs. 2.9 billion from Meezan bank limited to finance the lending operations of Islamic Microfinance Bank by utilizing the short term facility to set up, establish and develop loan portfolio at the rate of KIBOR 0.05% per annum (2022: KIBOR 0.05% per annum) with floor of 3% and cap of 25%. This is secured against over the principle value of Pakistan investment Bond's or treasury bills in 3rd party IPS account of UMBL maintained with ABL or Pak Brunei investment CO Ltd at the rate of 5% margin and /or lien over GOP jarah sukuk in the IPS account of UMBL maintained with MBL with nil margin . This facility will stand mature on 31 August 2023.
- 17.27** This represents Running finance bank of Rs. 10 billion from Askari bank limited to finance working capital requirements and investment and statutory and reporting requirements at the rate of 01-month KIBOR plus 0.01% per annum (2022:01-month KIBOR plus 0.01% per annum). This is secured against Pakistan investment bond/treasury bills/sukuks to be kept in IPS account maintained with AKBL with 5% margin. The principle is required to be repaid at maturity on demand and mark up is repayable on quarterly basis. This facility will stand mature on 31 August 2023.
- 17.28** Nil (2022 ; This represents Call Borrowing from Zarai Taraqiati Bank Limited at the rate of 16.75% amounting to Rs. 1 billion with maturity date of 06 January 2023)

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2023

18	SUBORDINATED DEBT	Note	2023	2022
			Rupees in '000	Rupees in '000
	Term Finance Certificates	18.1	449,100	449,100
	Subordinated loan from PTCL	18.2	1,256,219	1,384,491
			<u>1,705,319</u>	<u>1,833,591</u>

18.1 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% (2022: 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.

18.2 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% (2022: 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. 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.

18.2.1 During the year, the Bank issued fully paid up, rated, privately placed/DSLRL 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 has full discretion over the amount and timing of profit distribution and waiver of any profit distribution or other payment does not constitute an event of default. 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 fixed number of ordinary shares of the Bank upon CET 1 trigger event, the point of non viability (PONV) trigger event of failure by the Bank to comply with the lock in clause.

19	OTHER LIABILITIES	Note	2023	2022
			Rupees in '000	Rupees in '000
	Mark-up / return / interest payable		-	-
	Accrued expenses		39,385	516,765
	Payable to utility companies for utility bills collection		11,191	14,398
	Taxes payable		-	191,713
	Payable to PTCL, the Parent Company		576,796	576,796
	Payable to PTML, an associated company		254,475	22,224
	Uncollected remittances		158,773	118,590
	Lease liability		1,947,509	2,093,066
	Payable to 1-Link		-	46,522
	Payable to staff retirement benefit - gratuity		-	-
	Payable to defined contribution plan - provident fund		12,923	-
	Others		110,722	163,455
	Workers' Welfare Fund		115,546	106,505
			<u>3,227,321</u>	<u>3,850,033</u>

20 SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS

	2023	2022
	Rupees in '000	Rupees in '000
Surplus / (deficit) on revaluation		
- FVOCI - debt	(192,393)	(3,007)
- FVOCI - equity	-	-
- Property and equipment	-	-
- Non-banking assets acquired	-	-
Deferred tax on surplus /		
- FVOCI - debt	21,990	992
- FVOCI - equity	-	-
- Property and equipment	-	-
- Non-banking assets acquired	-	-
	<u>(170,402)</u>	<u>(2,015)</u>

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2023

21 SHARE CAPITAL

21.1 Authorized capital

2023 Number	2022 Number		2023 Rupees in '000	2022 Rupees in '000
<u>800,000,000</u>	<u>800,000,000</u>	Ordinary shares of Rs. 10 each	<u>8,000,000</u>	<u>8,000,000</u>

21.2 Issued, subscribed and paid-up capital

2023 Number	2022 Number		2023 Rupees in '000	2022 Rupees in '000
20,000,000	20,000,000	Ordinary shares of Rs. 10 each fully paid in cash	200,000	200,000
8,571,429	8,571,429	Fully paid shares of Rs. 10 each issued as right shares at discounted rate of Rs. 7 each	85,714	85,714
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	2,000,000
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	800,000
100,000,000	100,000,000	Fully paid preference shares of Rs. 10 each in cash issued as other than right shares at par	1,000,000	1,000,000
100,000,000	100,000,000	Fully paid shares of Rs. 10 each in cash issued as right shares at par.	1,000,000	1,000,000
<u>508,571,429</u>	<u>508,571,429</u>		<u>5,085,714</u>	<u>5,085,714</u>

21.3 Pakistan Telecommunication Company Limited (PTCL), the Parent Company, holds 100% shares of the Bank.

21.4 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.

22 CONVERSION OF ADVANCE AGAINST ISSUE OF SHARES

22.1 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 issued shares in the month of September 2022 against the advance.

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2023

23 MEMORANDUM / OFF BALANCE SHEET ITEMS

23.1 Contingencies

		2023	2022
	Note	Rupees in '000	Rupees in '000
23.2 Commitments			
Standby letter of guarantee	23.3	13,000	12,800
Property and equipment		50,739	31,008
Intangible assets		-	-
		63,739	43,808

23.3 This represents letter of guarantee issued on behalf of the Bank to China Union Pay International Company Limited for interbank settlements.

		2023	2022
		Rupees in '000	Rupees in '000
24 MARK-UP / RETURN / INTEREST EARNED			
Mark-up / return / interest on advances		4,741,253.96	2,780,516
Interest on investments in government securities		3,665,420	538,628
Interest on deposit accounts / TDRs with other banks / financial institutions		1,221,406	621,438
Mark-up / Return on Islamic Financing		60,460	1,030
		9,688,539	3,940,582

24.1 Interest income (calculated using effective interest rate method) recognised on:

Financial assets measured at amortised cost;
Financial assets measured at FVOCI.

-	-
-	-

25 MARK-UP / RETURN / INTEREST EXPENSED

Profit sharing Islamic Deposit	47,095	170
Mark-up / return / interest expense on deposits	3,278,578	1,364,855
Mark-up expense on borrowings from banks / financial institutions	4,184,413	957,233
	7,510,086	2,322,088

25.1 Interest expense calculated using effective interest rate method

26 FEE, COMMISSION AND BROKERAGE INCOME

Loan processing fee	457,280	252,333
Branchless banking	18,080	16,234
Other fee income collected from customers	16,928	10,261
	492,288	278,828

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2023

		2023	2022
	Note	Rupees in '000	Rupees in '000
27 OTHER INCOME			
Recovery against advances written off		35,495	38,712
Gain on sale of investments		23,554	25,485
Other		70,385	319
		<u>129,435</u>	<u>64,516</u>
28 ADMINISTRATIVE EXPENSES			
Staff salaries and benefits		996,240	708,116
Charge for defined benefit plan - gratuity		21,127	14,904
Contribution to defined contribution plan - provident fund		17,991	13,142
Financial charges on leased assets		62,055	47,639
Trainings		6,522	1
Insurance		94,831	46,691
Rent, rate and taxes		33,563	29,907
Travelling and conveyance		42,487	21,784
Postage and courier		7,359	3,405
Utilities		57,251	34,384
Repair and maintenance		153,996	61,581
Depreciation on property and equipment	11.2	130,168	110,710
Amortization of intangible assets	11.3	16,845	14,562
Depreciation on right of use assets	11.4	132,722	80,113
Software support and maintenance fee		89,713	63,547
Stationery and printing		30,248	28,135
Auditors' remuneration		1,445	2,802
Legal and professional fee		9,875	9,931
Security services		94,598	52,735
Office supplies		20,759	11,689
Internet and connectivity charges		29,185	26,653
NADRA verification charges		21,909	12,076
Bank charges		17,885	19,525
Marketing expenses		38,076	38,840
Other		6,692	1,475
		<u>2,133,542</u>	<u>1,454,348</u>
29 OTHER CHARGES			
		2023	2022
		Rupees in '000	Rupees in '000
SBP penalty	29.1	250	2,266
Loss on sale of investments		-	-
		<u>250</u>	<u>2,266</u>

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2023

30	TAXATION		Note	2023	2022
				Rupees in '000	Rupees in '000
	Current	- for the year		(206,851)	(110,113)
		- for prior years		-	-
				(206,851)	(110,113)
	Deferred		13	121,366	102,830
				<u>(85,485)</u>	<u>(7,283)</u>

31	CASH AND CASH EQUIVALENTS		Note	2023	2022
				Rupees in '000	Rupees in '000
	Cash and balances with SBP and NBP		6	6,310,956	3,563,728
	Balances with other banks / NBFIs / MFBs		7	644,480	3,553,436
				<u>6,955,436</u>	<u>7,117,164</u>

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2023

32 EARNINGS PER SHARE

Basic - Basic earnings 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 year.

	2023	2022
	Rupees in '000	Rupees in '000
Profit attributable to equity holders (Rupees)	357,532	217,335
Weighted average number of shares (numbers)	408,571,429	308,571,429
Earnings per share - basic (Rupees)	0.88	0.70

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2023

33 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	2023 Rupees	2022 Rupees
Pakistan Telecommunication Company Limited (Parent Company)		
Utility Bill collected on behalf of the Parent Company	31,939	66,318
Payment in regards to utility bills collected on behalf of the Parent Company	31,939	66,318
Utility Bill collection charges	110	283
Payment for administrative costs and fixed assets	19,277	15,745
Interest expense on TIER-II subordinated debt	56,219	58,105
Interest expense on deposits		
Associated Company - Pakistan Telecommunication Company Limited GP Fund		
Interest expense on PTCL employee GP fund	8,417	2,801
Associated Company - Pak Telecom Mobile Limited (PTML)		
Payment for administrative costs and fixed assets	10,428	77,288
Amount received against reimbursement of agent's commission	50,606	46,480
Associated Company - Pakistan Telecommunication Employees Trust (PTET)		
Interest expense on deposits	571	22,257
U Microfinance Bank Limited Employees' provident fund		
Contribution to provident fund	17,991	13,142
U Microfinance Bank Limited Employees' gratuity fund		
Payment to gratuity fund	21,127	14,904
Balances		
Pakistan Telecommunication Company Limited (Parent Company)		
Payable against utility bills collected	3,754	3,726
Utility bills collection charges receivable	643	643
Employee GP fund	3,127,395	2,955,543
	2023	2022
Balances	Rupees	Rupees
Interest payable on deposits - PTCL Employees' GP Fund	127,616	6,293
Associated Company - Pakistan Telecommunication Employees Trust		
Deposits	2,185,530	2,000,000
Associated Company - Pak Telecom Mobile Limited (PTML)		
Deposits	588,553	594,317
Payable against branchless banking and bills collected	254,475	22,224
U Microfinance Bank Limited Employees' provident fund		
Payable/(Receivable) from provident fund	12,923	(2,376)
U Microfinance Bank Limited Employees' gratuity fund		
Payable/(Receivable) from Gratuity fund	(733)	(16,733)

**U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2023**

34 GENERAL

- 34.1** 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.

35 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