



KPMG Taseer Hadi & Co.
Chartered Accountants

U Microfinance Bank Limited

Financial statements

For the year ended
31 December 2019



KPMG Taseer Hadi & Co.
Chartered Accountants
Sixth Floor, State Life Building, Blue Area
Islamabad, Pakistan
Telephone 92 (51) 282 3558, Fax 92 (51) 282 2671

INDEPENDENT AUDITORS' REPORT

To the members of U Microfinance Bank Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of U Microfinance Bank Limited (the Bank), which comprise the balance sheet as at 31 December 2019, and the profit and loss account, the statement of comprehensive income, the statement of changes in equity, the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), Microfinance Institutions Ordinance, 2001 and the directives issued by the State Bank of Pakistan in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at 31 December 2019 and of the profit, the comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



KPMG Taseer Hadi & Co.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017), Microfinance Institutions Ordinance, 2001 and the directives issued by the State Bank of Pakistan and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



KPMG Taseer Hadi & Co.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Bank as required by the Companies Act, 2017 (XIX of 2017);
- b) the balance sheet, profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017), Microfinance Institutions Ordinance, 2001 and the directives issued by the State Bank of Pakistan and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Bank's business; and
- d) zakat deductible at source under the Zakat and Usher Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.



KPMG Taseer Hadi & Co.

The engagement partner on the audit resulting in this independent auditors' report is Riaz Pesnani.

A handwritten signature in blue ink, appearing to read 'Riaz Pesnani', with a stylized flourish at the end.

KPMG Taseer Hadi & Co.
Chartered Accountants
Islamabad
Date: 02 March 2020

U MICROFINANCE BANK LIMITED
BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note	2019 Rupees	2018 Rupees
ASSETS			
Cash and balances with SBP and NBP	6	1,717,205,410	1,457,386,758
Balances with other Banks/ NBFIs/ MFBs	7	3,019,826,466	11,027,311,074
Lending to financial institutions		-	-
Investments - net of provisions	8	6,969,538,668	1,967,824,071
Advances - net of provisions	9	21,374,079,265	17,019,838,156
Operating fixed assets	10	3,104,521,964	754,499,905
Other assets	11	3,828,677,455	2,523,062,846
Deferred tax asset	12	76,354,529	41,654,400
Total Assets		40,090,203,757	34,791,577,210
LIABILITIES			
Deposits and other accounts	13	23,290,259,471	20,534,770,395
Borrowings	14	6,733,331,333	6,010,000,000
Subordinated debt	15	4,599,400,000	4,599,640,000
Other liabilities	16	2,416,350,107	838,664,403
Deferred tax liabilities		-	-
Total Liabilities		37,039,340,911	31,983,074,798
Net Assets		3,050,862,846	2,808,502,412
REPRESENTED BY:			
Share capital	17	2,285,714,290	2,285,714,290
Discount on issue of share capital		(25,714,290)	(25,714,290)
Statutory and general reserves	5.13.1	229,644,265	178,914,625
Depositors' protection fund	5.13.2	57,411,066	44,728,656
Unappropriated profit		512,586,043	324,888,330
		3,059,641,374	2,808,531,611
Surplus / (deficit) on revaluation of assets	18	(8,778,528)	(29,199)
Deferred grants		-	-
Total Capital		3,050,862,846	2,808,502,412
MEMORANDUM / OFF BALANCE SHEET ITEMS			
	19		

The annexed notes from 1 to 39 form an integral part of these financial statements.

PRESIDENT / CHIEF EXECUTIVE

CHAIRMAN

DIRECTOR

DIRECTOR

U MICROFINANCE BANK LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 Rupees	2018 Rupees
Mark-up / return / interest earned	20	7,266,317,884	4,365,933,802
Mark-up / return / interest expensed	21	(3,842,508,867)	(1,676,143,400)
Net mark-up / interest income		3,423,809,017	2,689,790,402
Provision against non-performing loans and advances	9.3	(809,740,000)	(259,713,803)
Provision for diminution in the value of investments		-	-
Bad debts written off directly	9.3	(28,716,236)	-
Net mark-up / interest income after provisions		2,585,352,781	2,430,076,599
NON MARK-UP / NON INTEREST INCOME			
Fee, commission and brokerage income	22	900,356,644	625,463,208
Dividend income		-	-
Other income	23	39,075,818	15,019,173
Total non-markup / non interest income		939,432,462	640,482,381
		3,524,785,243	3,070,558,980
NON MARK-UP / NON INTEREST EXPENSES			
Administrative expenses	24	3,206,406,891	2,267,866,712
Other provisions / write offs		-	-
Other charges	25	7,665,076	2,399,837
Total non-markup / non interest expenses		3,214,071,967	2,270,266,549
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		310,713,276	800,292,431
Workers' Welfare Fund (WWF)		(6,214,266)	(16,005,849)
		304,499,010	784,286,582
TAXATION			
Current		(81,447,841)	(261,029,309)
Prior years		(1,317,977)	4,096,213
Deferred		31,915,009	19,703,750
	26	(50,850,809)	(237,229,346)
PROFIT AFTER TAXATION		253,648,201	547,057,236
Unappropriated profit brought forward		324,888,330	32,149,466
Less: Other comprehensive income		(2,538,438)	(3,268,348)
Profit available for appropriation		575,998,093	575,938,354
APPROPRIATIONS:			
Transfer to:			
Statutory reserves		50,729,640	109,411,447
Capital reserve		-	-
Contribution to MSDF / DFP / RMF		12,682,410	27,352,862
Revenue reserve		-	-
Interim cash dividend Rs. Nil (2018: Rs. 50 paisa per share)		-	114,285,715
		63,412,050	251,050,024
UNAPPROPRIATED PROFIT CARRIED FORWARD		512,586,043	324,888,330
EARNINGS PER SHARE	30	1.11	2.49

The annexed notes from 1 to 39 form an integral part of these financial statements.


PRESIDENT / CHIEF EXECUTIVE


CHAIRMAN


DIRECTOR


DIRECTOR

U MICROFINANCE BANK LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 Rupees	2018 Rupees
Profit for the year		253,648,201	547,057,236

Other comprehensive income for the year

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

Remeasurement loss on defined benefit liability - gratuity

Related tax

16.3.1	(3,785,206)	(4,349,657)
12	1,246,768	1,081,309
	<u>(2,538,438)</u>	<u>(3,268,348)</u>

Comprehensive income for the year transferred to equity

251,109,763 543,788,888

Components of comprehensive income for the year not transferred to equity:

Items that may be reclassified to profit and loss:

Deficit on revaluation of available for sale investments

Related tax effect

18	(10,287,681)	(39,999)
18	1,538,352	10,800
	<u>(8,749,329)</u>	<u>(29,199)</u>

Total comprehensive income for the year

242,360,434 543,759,689

The annexed notes from 1 to 39 form an integral part of these financial statements.

PRESIDENT CHIEF EXECUTIVE

CHAIRMAN

DIRECTOR

DIRECTOR

U MICROFINANCE BANK LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

CASH FLOW FROM OPERATING ACTIVITIES

	Note	2019 Rupees	2018 Rupees
Profit before taxation		304,499,010	784,286,582
Less: Dividend income		-	-
		<u>304,499,010</u>	<u>784,286,582</u>
Adjustments for non-cash charges			
Depreciation of property and equipment	10.2	196,292,565	116,481,950
Amortization of intangible assets	10.3	23,868,065	18,264,325
Depreciation of right of use assets	10.4	129,093,001	-
Provisions against non-performing advances	9.3	838,456,236	259,713,803
Advances written off against provision	9.3	(535,634,449)	(148,663,082)
Provision for gratuity	24	29,504,965	17,736,870
Gain on sale of fixed assets		(59,290)	(141,053)
Finance charges on leased assets	24	95,923,953	640,038
		<u>777,445,046</u>	<u>264,032,851</u>
		<u>1,081,944,056</u>	<u>1,048,319,433</u>
Increase in operating assets			
Advances		(4,657,062,896)	(6,576,530,727)
Other assets (excluding advance taxation)		(1,478,927,212)	(1,106,942,768)
Increase in operating liabilities			
Bills payables		(9,463,692)	25,975,898
Deposits and other accounts		2,755,489,076	8,563,412,181
Other liabilities (excluding current tax, bills payable finance lease and provision for gratuity)		264,776,108	177,228,001
		<u>(3,125,188,616)</u>	<u>1,083,142,585</u>
Net cash (used in) / generated from operations		<u>(2,043,244,560)</u>	<u>2,131,462,018</u>
Payments against provisions held against off-balance sheet obligations			
Gratuity paid	16.3.10	(41,091,375)	(16,514,091)
Income taxes paid		(77,152,128)	(228,176,187)
Net cash (used in) / generated from operating activities		<u>(2,161,488,063)</u>	<u>1,886,771,740</u>

CASH FLOW FROM INVESTING ACTIVITIES

Net investments in available for sale securities - Government securities	(5,012,002,278)	(181,449,079)
Net investments in term deposits receipts	-	2,000,000,000
Investments in operating fixed assets	(1,158,253,618)	(398,907,877)
Sale proceeds of property and equipment disposed-off	59,290	1,520,681
Net cash (used in) / generated from investing activities	<u>(6,170,196,606)</u>	<u>1,421,163,725</u>

CASH FLOW FROM FINANCING ACTIVITIES

Receipts of subordinated loan	-	4,000,000,000
Payments of subordinated loan	(240,000)	(360,000)
Borrowings obtained during the year	2,300,003,032	4,650,513,252
Borrowings repaid during the year	(1,576,671,699)	(1,710,000,000)
Payments of lease obligations	(139,072,620)	(8,157,108)
Issue of share capital	-	1,000,000,000
Dividend paid	-	(114,285,715)
Net cash generated from financing activities	<u>584,018,713</u>	<u>7,817,710,429</u>
Net (decrease) / increase in cash and cash equivalents	<u>(7,747,665,956)</u>	<u>11,125,645,894</u>
Cash and cash equivalents at beginning of the year	<u>12,484,697,832</u>	<u>1,359,051,938</u>
Cash and cash equivalents at end of the year	<u>4,737,031,876</u>	<u>12,484,697,832</u>

The annexed notes from 1 to 39 form an integral part of these financial statements.

PRESIDENT / CHIEF EXECUTIVE

CHAIRMAN

DIRECTOR

DIRECTOR

AMYA

U MICROFINANCE BANK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital	Discount on issue of share capital	Capital reserves Statutory reserve	Depositors' protection fund	Revenue reserve Unappropriated profit	Total
	Rupees					
Balance at 31 December 2017	1,285,714,290	(25,714,290)	69,503,178	17,375,794	32,149,466	1,379,028,438
Profit for the year	-	-	-	-	547,057,236	547,057,236
Other comprehensive income	-	-	-	-	(3,268,348)	(3,268,348)
Total comprehensive income	-	-	-	-	543,788,888	543,788,888
Transfer to:						
Statutory reserve	-	-	109,411,447	-	(109,411,447)	-
Depositors' Protection Fund				27,352,862	(27,352,862)	-
Transactions with owners, recorded directly in equity						
Contributions and distributions						
Interim cash dividend at 50 paisa per share	-	-	-	-	(114,285,715)	(114,285,715)
Issue of ordinary shares	1,000,000,000	-	-	-	-	1,000,000,000
Balance at 31 December 2018	2,285,714,290	(25,714,290)	178,914,625	44,728,656	324,888,330	2,808,531,611
Profit for the year	-	-	-	-	253,648,201	253,648,201
Other comprehensive income	-	-	-	-	(2,538,438)	(2,538,438)
Total comprehensive income	-	-	-	-	251,109,763	251,109,763
Transfer to:						
Statutory reserve	-	-	50,729,640	-	(50,729,640)	-
Depositors' Protection Fund	-	-	-	12,682,410	(12,682,410)	-
Balance at 31 December 2019	2,285,714,290	(25,714,290)	229,644,265	57,411,066	512,586,043	3,059,641,374

The annexed notes from 1 to 39 form an integral part of these financial statements.

PRESIDENT / CHIEF EXECUTIVE

CHAIRMAN

DIRECTOR

DIRECTOR

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

The credit rating company JCR-VIS assigned the long-term entity rating of the Bank at "A" and short term rating at "A-1" on 11 January 2019.

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.

3 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the 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 Standards), issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Microfinance Institutions Ordinance, 2001 (the MFI Ordinance);
- Directives issued by the Securities and Exchange Commission of Pakistan (SECP) and State Bank of Pakistan (SBP); and
- Provisions of and directives issued under the Companies Act, 2017

Where the requirements of the Companies Act, 2017, the MFI Ordinance and the directives issued by the SECP and SBP differ with the requirements of IFRSs, the requirements of the Companies Act, 2017, the Microfinance Ordinance, 2001, or the requirements of the said directives shall prevail.

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

State Bank of Pakistan (SBP) through its BPRD circular No. 4 of 2019 dated 23 October 2019 has decided that the effective date of IFRS 9 implementation is 01 January 2021 for banks/DFIs/MFBs. Accordingly, the requirements of this standard has not been considered in the preparation of these financial statements.

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

4 BASIS OF MEASUREMENT

4.1 Accounting convention

These financial statements have been prepared under the historical cost convention except for available for sale investments which are measured at fair value and employee's gratuity which is measured based on actuarial valuation.

4.2 Functional and presentation currency

These financial statements are presented in Pakistan Rupees (Rupee or PKR), which is the Bank's functional currency. All amounts have been rounded to the nearest Rupee, unless otherwise indicated.

4.3 Use of judgments 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 recognised prospectively.

Information about assumptions and estimation uncertainties or where judgment was exercised in application of accounting policies that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the year ending 31 December 2019 is included in the following notes:

Note 5.12.3 and 16.3.4 – measurement of defined benefit obligations: key actuarial assumptions;

Note 5.7 and 26 – recognition of deferred tax assets and estimation of income tax provision

Notes 5.14 and 19 – recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources; and

Note 5.5 and 10 useful lives, reassessed values, residual values and depreciation method of property and equipment.

Note 5.5.3 and 10.3 useful lives, residual values and amortization method of intangible assets.

Note 5.4 and 9.2 criteria / rates for provision against non-performing advances as per the requirements of the prudential regulations.


Note 5.3 and 8 Provision for diminution in the value of investment as per the regulations issued by SBP.

Note 5.6 and 16.2 incremental borrowing rate for recognition of leased liabilities and corresponding right of use assets under IFRS-16.

4.4 Standards, interpretations and amendments to the accounting and reporting standards

New accounting standards / amendments and IFRSs interpretations that are effective for the year ended 31 December 2019.

IFRS 15: 'Revenue from Contracts with Customers' This Effective for accounting period beginning on or after 01 standard establishes a single comprehensive model for entities to January 2019 (SECP has adopted for local application use in accounting for revenue arising from contracts with from accounting period beginning on or after 01 July customers. It will supersede the following revenue standards and 2018).
interpretations upon its effective date: IAS 18 Revenue, IAS 11 Construction contracts, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue-barter Transaction involving Advertising Services.



U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

The Bank has adopted the requirements of IFRS 15 'Revenue from contracts with customers' from 01 January 2019 and a number of interpretations and amendments to standards, which have had an insignificant effect on the financial statements of the Bank.

IFRS 16: 'Leases' This standard has introduced a single, on-balance sheet accounting model for lessees. As a result, the Bank, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

Effective from 30 June 2019 (SECP has adopted for local application from accounting period beginning on or after 01 July 2018).

Detailed disclosure of the effect of IFRS 16 are given in the notes 10.4 and 16.2 to these financial statements.

The following standards, amendments and interpretations thereto as notified under the Companies Act, 2017 are either not relevant to the Bank's operations or are not likely to have a significant impact on the Bank's financial statements:

IFRIC 23 "Uncertainty over Income Tax Treatments". It clarifies the accounting for income tax treatments that are yet to be accepted by tax authorities, whilst also aiming to enhance transparency.

Effective for accounting period beginning on or after 01 January 2019.

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2020:

- Amendment to IFRS 3 'Business Combinations' - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments to IAS 1 - Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.
- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future.. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

KMP

- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A bank shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Bank.
- IFRS 14 Regulatory Deferral Accounts - (effective for annual periods beginning on or after 1 July 2019) provides interim guidance on accounting for regulatory deferral accounts balances while IASB considers more comprehensive guidance on accounting for the effects of rate regulation. In order to apply the interim standard, an entity has to be rate regulated – i.e. the establishment of prices that can be charged to its customers for goods or services is subject to oversight and/or approved by an authorized body. The term 'regulatory deferral account balance' has been chosen as a neutral descriptor for expense (income) or variance account that is included or is expected to be included by the rate regulator in establishing the rate(s) that can be charged to customers and would not otherwise be recognized as an asset or liability under other IFRSs. The standard is not likely to have any effect on Bank's financial statements.
- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation – for Banks and DFIs / MFBs, the effective date of the standard has been extended to annual periods beginning on or after 1 January 2021 vide SBP circular 4 dated 23 October 2019. IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. According to SBP circular referred to above, the Banks/DFIs/MFBs are required to have a parallel run of IFRS 9 from 1 January 2020. The Banks/DFIs/MFBs are also required to prepare pro-forma financial statements which includes the impact of IFRS 9 from the year ended 31 December 2019. These proforma financial statements are being prepared and the Bank is in the process of assessing the potential impact of impairment of financial assets under expected credit loss model.

5 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies as set out below have been applied consistently to all periods presented in these financial statements, except for the changes as follows:

i. IFRS 15: Revenue from Contracts with Customers'

IFRS 15: 'Revenue from Contracts with Customers' which became applicable from 01 January 2019, establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It will supersede the following revenue standards and interpretations upon its effective date: IAS 18 Revenue, IAS 11 Construction contracts, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue-barter Transaction involving Advertising Services. The adoption of IFRS 15 has insignificant impact on the Bank's financial statements.

ii. IFRS 16 'Leases'

The Bank has initially applied IFRS - 16 'Leases' from 30 June 2019.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Bank, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

Handwritten signature

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

The Bank applied IFRS 16 using the modified retrospective approach, under which the Bank has recognized right of use assets and lease liabilities at the date of initial recognition for leases previously classified as operating leases under IAS 17 at the present value of the remaining lease payments using the Bank's incremental borrowing rate at the initial application date. The Bank has chosen to measure the right of use assets at an amount equal to the lease liabilities adjusted by the amount of prepaid lease payments relating to the operating leases recognized in the statement of financial position as at 30 June 2019. Accordingly, no adjustment to equity has been made in these financial statements on adoption of the new policy and the comparative figures presented for 2018 have not been restated, i.e., it is presented, as previously reported, under IAS 17 and related interpretations.

Previously, the Bank determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Arrangement contains a Lease. The Bank now assesses whether a contract is, or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank assesses whether:

- The contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset;
- The Bank has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Bank has the right to direct the use of the asset. The Bank has this right when it has the decision - making rights that are most relevant to changing how and for what purpose the asset is used.

The impact of adoption of IFRS 16, on transition is disclosed in note 5.6 and 16.2 to the financial statements.

The Bank used the following practical expedient when applying IFRS 16, to leases previously classified as operating leases under IAS 17.

- The use of a single discount rate to a portfolio of leases with reasonably similar risk characteristics.

Amounts recognized in profit and loss account for the year under new policy

	Amount Rupees
Depreciation	129,093,001
Interest on lease liabilities	92,722,250

Had IFRS - 16 not been applied, rental cost of Rs. 134 million would have been recognized in the profit and loss account. Accordingly, profit before tax would have been increased by Rs. 87 million for the year ended 31 December 2019.

Policy applicable before 30 June 2019

Leases classified as operating leases under IAS - 17

Leases in which a significant portion of the risks and rewards of ownership were retained by the lessor, were classified as operating leases. Contractual payments under operating lease contracts were charged on a straight line basis to the profit and loss account unless another systematic basis was more representative of the underlying use of such assets.

Significant accounting policies of the Bank are as follows:

KM/MS

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

5.1 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, balances held with State Bank of Pakistan (SBP) and National Bank of Pakistan (NBP) and balances held with other banks / Non-Banking Financial Institutions (NBFIs) / Microfinance Banks (MFBs) and are carried at cost.

5.2 Sale and repurchase agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognized in the balance sheet and are measured in accordance with the accounting policies for investment securities. The counter party liability for consideration received is included in borrowings from financial institutions. The difference between sale and repurchase price is treated as markup/return/interest expense over the period of the transaction. Assets purchased with a corresponding commitment to resell at a specified future date (reverse repo) are not recognized as investment in the balance sheet. Amounts paid under these agreements are included in lending to financial institutions. The difference between the purchase and resale price is treated as markup/return/interest income over the period of the transaction.

5.3 Investments

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

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

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

Held for trading

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

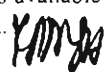
Held to maturity

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

Available for sale

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

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



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

5.4 Advances

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

Other assets especially mentioned

These are advances, payments against which are overdue for 30 days or more but less than 60 days.

Substandard

These are advances, payments against which are overdue for 60 days or more but less than 90 days.

Doubtful

These are advances, payments against which are overdue for 90 days or more but less than 180 days.

Loss

These are advances, payments against which are overdue for 180 days or more.

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

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

<i>Other assets especially mentioned Substandard</i>	Nil
<i>Substandard</i>	25% of outstanding principal net of cash collaterals
<i>Doubtful</i>	50% of outstanding principal net of cash collaterals
<i>Loss</i>	100% of outstanding principal net of cash collaterals

In addition to above, a general provision is made equivalent to 1% (2018: 1%) of the net outstanding balance (advance net of specific provisions) in accordance with the requirement of the Regulations.

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

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

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

[Handwritten signature]

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

5.5 Operating fixed assets

5.5.1 Property and equipment

Owned

These are stated at cost less accumulated depreciation and impairment (if any). Cost includes expenditure that are directly attributable to the acquisition of items. Depreciation is charged using the straight-line basis over the estimated useful lives of assets. Full month's depreciation is charged in the month of addition and no depreciation is charged for the month in which the disposal is made. The residual value, depreciation methods and useful lives are reviewed and adjusted (if appropriate) at each balance sheet date. Gains and losses on disposal of assets are determined by comparing the sale proceeds with the carrying amount and are included in the profit and loss account. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance is charged to the profit and loss account. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Right of use assets

Right of use asset is calculated as the initial amount of the lease liability in terms of rentals for business locations at the lease contract commencement date. The right of use asset is subsequently depreciated using the straight line method for a period of lesser of ten years or actual lease term.

5.5.2 Capital work-in-progress

All expenditure connected with specific assets incurred during installation and development period are carried under capital work in progress. These are transferred to specific assets as and when these are available for use. Capital work in progress is stated at cost less accumulated impairment losses, if any.

5.5.3 Intangible assets

Intangible assets with a definite useful life are stated at cost less accumulated amortisation and impairment (if any). These are amortised from the month, when these assets are available for use, using the straight-line method, whereby the cost of the intangible asset is amortised on the basis of the estimated useful life over which economic benefits are expected to flow to the Bank. The residual value, useful life and amortisation method is reviewed and adjusted, if appropriate, at each balance sheet date.

5.6 Lease liability

Lease liability of right of use assets

The Bank has recognized lease liabilities at the date of initial recognition of IFRS - 16, for leases previously classified as operating leases under IAS 17 at the present value of the remaining lease payments using the Bank's incremental borrowing rate of 14.07%. Lease liabilities are then measured at their amortized cost using the effective interest method.

Lease liabilities - right of use assets - vehicles

Leases in terms of which the Bank assumes substantially all the risks and rewards of ownership are classified as assets subject to finance lease. These are stated at amounts equal to the lower of their fair value and the present value of minimum lease payments at inception of the lease, less accumulated depreciation and impairment (if any). Financial charges are allocated over the period of the lease term so as to provide a constant periodic rate of financial charge on the outstanding liability. Depreciation is charged on the basis similar to owned assets.

5.7 Taxation

Income tax expense comprises current and deferred tax. It is recognised in profit and loss account except to the extent that it relates to items recognised directly in equity or in OCI.

Amiya

5.7.1 Current tax

Current tax comprises the expected tax payable or refundable on the taxable income or loss for the year and any adjustment to the tax payable or refundable in respect of previous years. The amount of current tax payable or refundable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. The charge for current taxation is based on taxable income at current rates of taxation enacted or substantially enacted at the reporting date, after taking into consideration available tax credits, rebates and tax losses, if any. Current tax assets and liabilities are offset if certain criteria are met.

5.7.2 Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Bank is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for the Bank and the reversal of temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves. Unrecognized deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantially enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Bank expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset if certain criteria are met.

5.7.3 Group taxation

The Bank is taxed as a one fiscal unit along with parent Company and its other wholly owned subsidiaries under section 59AA to the Income Tax Ordinance, 2001. Current and deferred income taxes are recognised by each entity within the Group in their respective profit and loss account, regardless of who has the legal rights or obligation for the recovery or payment of tax from or to the tax authorities. However, tax liability / receivable is shown by the parent, on submission of annual tax return, who has the legal obligation to pay or right of recovery of tax from the taxation authorities. Balances between the group entities on account of group tax is shown as other receivable / liability by the respective group entities.

5.8 Impairment

5.8.1 Non-derivative financial assets

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

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

19/11/20

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

5.8.2 Non-financial asset

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

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

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

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

5.9 Financial instruments

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

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

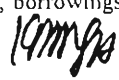
Other particular recognition methods adopted by the Bank are disclosed in the individual policy statements associated with each item of financial instruments.

Financial Assets

Financial assets are cash and balances with SBP and NBP, balances with other banks, investments, advances and other receivables. Advances are stated at their nominal value as reduced by appropriate provisions against non-performing advances, while other financial assets excluding investments are stated at cost. Investments are recognized as per note 5.2.

Financial Liabilities

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



U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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

Derivative financial instruments

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

5.10 Deposits

Deposits are initially recorded at the amount of proceeds received. Mark-up accrued on deposits, if any is recognised separately as part of other liabilities and is charged to the profit and loss account over the period.

5.11 Subordinated debt

Subordinated loans are initially recorded at the amount of proceeds received. Mark-up accrued on subordinated loans is recognised as part of other liabilities and is charged to the profit and loss account over the period on an accrual basis.

5.12 Employee benefits

5.12.1 Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

5.12.2 Defined contribution plan – provident fund

The Bank operates a defined contribution provident fund scheme for permanent employees. Contributions to the fund are made monthly by the Bank and employees at an agreed rate of salary (8% of the basic salary of the employee), the fund is managed by its Board of Trustees. The contribution of Bank is charged to profit and loss account.

5.12.3 Staff retirement benefit - gratuity

The Bank operates defined benefit plan comprising an unfunded gratuity scheme covering all eligible employees completing the minimum qualifying period of service (three years) as specified by the scheme.

The Bank's net liability in respect of this defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount.

The calculation of defined benefit liability is performed annually by a qualified actuary using the projected unit credit method (PUC).

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses are recognised immediately in other comprehensive income. The Bank determines the net interest expense on the net defined benefit liability for the year by applying the discount rate used to measure the defined benefit liability at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the year as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plan are recognised in profit and loss account.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit and loss account. The Bank recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

RM/ya

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

5.13 Reserves

5.13.1 Statutory reserve

In compliance with the requirements of the Regulation R-4, the Bank maintains statutory reserve to which an appropriation equivalent to 20% of the profit after tax is made till such time the reserve fund equals the paid up capital of the Bank. However, thereafter, the contribution is reduced to 5% of the profit after tax.

5.13.2 Depositors' protection fund

In compliance with the requirements of section 19 of the Microfinance Institutions Ordinance 2001, the Bank contributes 5% of annual profit after tax to the Depositor's Protection Fund for the purpose of providing security or guarantee to the persons depositing money in the Bank.

5.13.3 Cash reserve

In compliance with the requirements of the Regulation R-3A, the Bank maintains a cash reserve equivalent to not less than 5% of its deposits (including demand deposits and time deposits with tenure of less than 1 year) in a current account opened with the State Bank of Pakistan (SBP) or its agent.

5.13.4 Statutory liquidity requirement

In compliance with the requirements of the Regulation R-3B, the Bank maintains liquidity equivalent to at least 10% of its total demand liabilities and time liabilities with tenure of less than one year in the form of liquid assets i.e. cash, gold, unencumbered treasury bills, Pakistan Investment Bonds and Government of Pakistan sukuk bonds. Treasury bills and Pakistan Investment Bonds held under depositor's protection fund are excluded for the purposes of determining liquidity.

5.14 Provisions

A provision is recognised in the balance sheet when the Bank has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessment of time value of money and risk specific to the liability. The unwinding of discount is recognised as interest expense.

5.15 Revenue recognition

5.15.1 Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with customer and excludes amounts collected on behalf of third parties.

Revenue is recognized when the Bank satisfies the performance obligations by transferring a promised good or service to a customer. Goods or services are transferred when the customer obtains control of those assets. Revenue from all revenue streams is recognized when the services are provided to the customer.

The stand-alone selling prices are determined based on the observable price at which the Bank sells the services on a standalone basis.

The nature and timing of satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies are as follows:

Handwritten signature

Mark-up / income on advances

Mark-up / income / return / service charge on advances is recognized on accrual / time proportion basis using effective interest rate method at the Bank's prevailing interest rates for the respective loan products. Mark-up/ income on advances is collected with loan instalments. Due but unpaid service charges/ income are accrued on overdue advances for period up to 30 days. After 30 days, overdue advances are classified as non-performing and recognition of unpaid service charges / income ceases. Further accrued mark-up on non-performing advances are reversed and credited to suspense account. Subsequently, mark-up recoverable on non-performing advances is recognized on a receipt basis in accordance with the requirements of the Regulations. Application processing fee is recognized as income when service is performed.

Income from investment

Mark-up / return on investments is recognized on time proportion basis using effective interest method. Where debt securities are purchased at premium or discount, the related premiums or discounts are amortized through the profit and loss account over the remaining period of maturity of said investment. Gain or loss on sale of securities is accounted for in the period in which the sale occurs.

Fee, commission and brokerage income

Fee, commission and brokerage income are recognised as services are performed.

Income on inter bank deposits

Income from interbank deposits in saving accounts are recognized in the profit and loss account using the effective interest method.

5.16 Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at cost being the fair value of consideration received, less attributable transaction costs. Subsequent to initial recognition mark-up bearing borrowings are stated at original cost less subsequent repayments.

5.16 Borrowing costs

Borrowing costs are recognized as an expense in the period in which they are incurred except where such costs relate to the acquisition, construction or production of a qualifying asset in which case such costs are capitalized as part of the cost of that asset.

5.17 Off-setting

Financial assets and financial liabilities and tax assets and tax liabilities are only off-set and the net amount is reported in the financial statements when there is a legally enforceable right to set off the recognized amount and the Bank intends either to settle on net basis or to realize the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also off-set and the net amount is reported in the financial statements.

5.18 Foreign currency transactions and translation

Transactions in foreign currencies are translated into Pak Rupee at exchange rate on the date of transaction. All monetary assets and liabilities in foreign currencies are translated into Pak Rupee at the rate of exchange approximating those ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit and loss account.

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

5.19 Earnings per share

The Bank presents basic and diluted earnings per share (EPS). Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

5.2 Share capital and dividend

Ordinary shares are classified as equity and recognised at their face value. Dividend distribution to the shareholders is recognised as liability in the period in which it is declared.

5.21 Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Bank's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When one is available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

lmjga

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

6	CASH AND BALANCES WITH SBP AND NBP	Note	2019 Rupees	2018 Rupees
	Cash in hand - Local currency		618,822,600	552,351,271
	<i>Local currency current accounts</i>			
	Balances with State Bank of Pakistan (SBP)	6.1	1,097,601,624	904,260,639
	Balances with National Bank of Pakistan (NBP)		781,186	774,848
			<u>1,717,205,410</u>	<u>1,457,386,758</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% (2018: 5%) of the Bank's time and demand deposits liabilities with tenure of less than one year. This also includes Rs. 57,411,066 (2018: Rs. 44,728,656) maintained with SBP under Depositors' Protection Fund.

7	BALANCES WITH OTHER BANKS/ NBFIs/ MFBs	Note	2019 Rupees	2018 Rupees
	In Pakistan - Local currency			
	Current accounts	7.1	10,341,102	14,847,356
	Deposit accounts	7.2	909,485,364	1,112,463,718
	Term deposit receipts	7.3	2,100,000,000	9,900,000,000
			<u>3,019,826,466</u>	<u>11,027,311,074</u>

7.1 This includes Rs. 9,600,000 (2018: Rs. 7,425,000) 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 5.25% to 14.9% (2018: 5.5% to 12.15%) per annum.

7.3 Term Deposit Receipts (TDR) carried markup at the rate of 14.50% (2018: 10.75% to 13%) per annum and are maturing in January 2020 (2018: maturing between March 2019 to July 2019).

8	INVESTMENTS - NET OF PROVISIONS	Note	2019 Rupees	2018 Rupees
	Federal Government Securities			
	<i>Available for sale</i>			
	Market Treasury Bills (T-Bills)	8.1	6,979,866,348	1,967,864,070
	Unrealised loss on revaluation of investments	8.2	(10,327,680)	(39,999)
			6,969,538,668	1,967,824,071
	Less: Provision for diminution in value of investments		-	-
			<u>6,969,538,668</u>	<u>1,967,824,071</u>

8.1 This represents market treasury bills having yield ranging from 13.10% to 13.42% (2018: 10.28%) per annum and are maturing in November 2020 (2018: maturing in February 2019).

8.2	Revaluation of available for sale securities - net of deferred tax	2019 Rupees	2018 Rupees
	Market Treasury Bills (T-Bills)	(10,327,680)	(39,999)
	Related deferred tax effect	1,549,152	10,800
		<u>(8,778,528)</u>	<u>(29,199)</u>

In accordance with Regulation R-11, available for sale securities have been valued at market value and the resulting surplus is kept in a separate account titled 'surplus / (deficit) on revaluation of assets' through statement of comprehensive income.

Signature

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

9 ADVANCES - NET OF PROVISIONS

Loan type	Note	2019		2018	
		Number	Rupees	Number	Rupees
Micro credit					
Secured		51,414	5,660,089,977	34,407	3,206,985,277
Unsecured		262,650	16,222,216,578	252,913	14,018,258,382
		314,064	21,882,306,555	287,320	17,225,243,659
Less: Provision held					
Specific		15,141	(353,264,391)	7,044	(72,258,960)
General	9.1		(154,962,899)		(133,146,543)
	9.3		(508,227,290)		(205,405,503)
Advances - net of provisions			21,374,079,265		17,019,838,156

9.1 General provision is maintained at the rate of 1% (2018: 1%) of unsecured micro credit balance net of specific provision amounting Rs. 353.264 million (2018: Rs. 72.26 million), risk coverage by SBP under credit guarantee scheme for small and rural enterprises (CGS) amounting Rs. 50 million (2018: Rs. 26.62 million) and credit guarantee for small and marginalized farmers (CGSMF) amounting Rs. 322 million (2018: Rs. 604.97 million), respectively, in accordance with the Regulations.

9.2 Particulars of non-performing advances

Category of classification	Provision rate	2019			2018		
		Amount outstanding	Provision required	Provision held	Amount outstanding	Provision required	Provision held
		Rupees					
Other Assets Especially Mentioned (OAEM)	-	291,695,211	-	-	64,818,836	-	-
Sub-standard	25%	172,226,413	43,020,028	43,020,028	37,405,717	8,841,473	8,841,473
Doubtful	50%	246,460,972	123,008,806	123,008,806	83,508,303	34,432,574	34,432,574
Loss	100%	187,452,157	187,235,557	187,235,557	32,193,038	28,984,913	28,984,913
Total		897,834,753	353,264,391	353,264,391	217,925,894	72,258,960	72,258,960

[Handwritten signature]

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

9.3	Particulars of provisions against non-performing advances	Note	2019			2018		
			Specific	General	Total	Specific	General	Total
			Rupees			Rupees		
	Opening balance		72,258,960	133,146,543	205,405,503	13,607,599	80,747,183	94,354,782
	Charge for the year	9.3.1	816,639,880	21,816,356	838,456,236	207,314,443	52,399,360	259,713,803
	Advances written off	9.4	(535,634,449)	-	(535,634,449)	(148,663,082)	-	(148,663,082)
	Reversals		-	-	-	-	-	-
	Closing balance		<u>353,264,391</u>	<u>154,962,899</u>	<u>508,227,290</u>	<u>72,258,960</u>	<u>133,146,543</u>	<u>205,405,503</u>

9.3.1 This includes Rs. 28.7 million (2018: Nil) directly charged to profit and loss account.

9.4	Particulars of advances written off	2019 Rupees	2018 Rupees
	Against provision	(506,918,213)	(148,663,082)
	Directly charged to profit and loss account	(28,716,236)	-
		<u>(535,634,449)</u>	<u>(148,663,082)</u>

9.5 Pursuant to the prevailing drought conditions in the Sindh region, the Government of Sindh identified and declared 513 Dehs as 'Calamity Affected Areas' and requested the State Bank of Pakistan (SBP) to provide relief to the borrowers in these areas. In response to the request of the Government of Sindh, the SBP vide its letter AC&MFD/MFPD/74073/2018-24664 dated 08 November 2018, advised all scheduled and microfinance banks to take possible measures to provide relief to the adversely affected borrowers in line with the Prudential Regulation - 9 : 'Rescheduling / restructuring of loans'.

In continuation to the aforementioned letter, the SBP vide its letter AC&MFD/MFPD/MFB/8865 & 11606/2019- 6723 dated 21 March 2019, specifically advised all microfinance banks to defer provisioning for a period upto one year, against loans and advances restructured / rescheduled in calamity affected areas after 08 November 2018. Furthermore, the loan will again be classified in the same category it was in at the time of rescheduling / restructuring and the unrealised markup on such loans taken to profit and loss account shall also be reversed where a borrower subsequently defaults (either in principal or markup) after the rescheduled / restructured loan (eligible as above) has been declassified by the microfinance bank. Accordingly starting from November 2018, the Bank has restructured / rescheduled loans amounting to Rs. 6.67 million (2018: Rs. 11.20 million) to performing status and has deferred the provisioning on the same.

10	OPERATING FIXED ASSETS	2019 Rupees	2018 Rupees
	Capital work-in-progress	10.1 67,245,962	49,912,875
	Property and equipment	10.2 1,471,195,603	595,586,622
	Intangible assets	10.3 136,738,568	109,000,408
	Right of use asset (ROU)	10.4 1,429,341,831	-
		<u>3,104,521,964</u>	<u>754,499,905</u>
10.1	Capital work-in-progress		
	Breakup of capital work in progress at the reporting date is as follows:		
	Advances to suppliers / contractors	10.1.1 29,663,568	40,288,098
	Office improvements	37,582,394	9,624,777
		<u>67,245,962</u>	<u>49,912,875</u>

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

Handwritten signature/initials

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

10.2 Property and equipment

	2019								Book value at 31 December 2019	Rates of depreciation % (per annum)
	Cost				Depreciation					
	At 01 January 2019	Additions	Disposals / Transfers	At 31 December 2019	At 01 January 2019	Charge for the year	Disposals / Transfers	At 31 December 2019		
	Rupees									
<i>Leased</i>										
Vehicle	26,362,716	20,190,312	46,553,028	-	1,026,858	7,923,098	8,949,956	-	-	20.00%
<i>Owned</i>										
Furniture and fixture	137,162,430	51,196,754	-	188,359,184	25,072,232	16,727,155	-	41,799,387	146,559,797	10.00%
Computer equipments	140,503,548	60,939,837	1,185,875	200,257,510	107,282,294	33,211,580	1,185,875	139,307,999	60,949,511	33.33%
Electrical equipment	306,699,356	798,659,149	-	1,105,358,505	106,812,632	103,118,627	-	209,931,259	895,427,246	20.00%
Vehicles	27,153,042	4,444,698	-	31,597,740	17,519,373	4,006,348	-	21,525,721	10,072,019	20.00%
Office improvement	280,045,330	174,073,868	-	454,119,198	64,626,411	31,305,757	-	95,932,168	358,187,030	10.00%
	<u>917,926,422</u>	<u>1,109,504,618</u>	<u>47,738,903</u>	<u>1,979,692,137</u>	<u>322,339,800</u>	<u>196,292,565</u>	<u>10,135,831</u>	<u>508,496,534</u>	<u>1,471,195,603</u>	
	2018									
	Cost				Depreciation				Book value at 31 December 2018	Rates of depreciation % (per annum)
	At 01 January 2018	Additions	Disposals / Transfers	At 31 December 2018	At 01 January 2018	Charge for the year	Disposals / Transfers	At 31 December 2018		
	Rupees									
<i>Leased</i>										
Vehicle	-	26,362,716	-	26,362,716	-	1,026,858	-	1,026,858	25,335,858	20.00%
<i>Owned</i>										
Furniture and fixture	82,190,913	54,971,517	-	137,162,430	13,531,938	11,540,294	-	25,072,232	112,090,198	10.00%
Computer equipments	113,884,301	29,068,629	2,449,382	140,503,548	92,651,956	17,079,720	2,449,382	107,282,294	33,221,254	33.33%
Electrical equipment	154,073,633	155,584,731	2,959,008	306,699,356	60,732,202	47,659,810	1,579,380	106,812,632	199,886,724	20.00%
Vehicles	26,943,042	210,000	-	27,153,042	13,157,949	4,361,424	-	17,519,373	9,633,669	20.00%
Office improvement	136,210,290	143,835,040	-	280,045,330	29,812,567	34,813,844	-	64,626,411	215,418,919	10.00%
	<u>513,302,179</u>	<u>410,032,633</u>	<u>5,408,390</u>	<u>917,926,422</u>	<u>209,886,612</u>	<u>116,481,950</u>	<u>4,028,762</u>	<u>322,339,800</u>	<u>595,586,622</u>	

10.2.1 Cost of fully depreciated property and equipment that are still in use is Rs. 198,483,015 (2018: Rs. 101,816,213).

10.2.2 Detail of disposals of operating fixed assets

Deletion of fixed assets during the year with book value in excess of Rs. 500,000 is Nil (2018: Nil).

Description	Original cost	Accumulated depreciation	Sale proceeds	Gain	Mode of disposal	Particulars of buyers
	Rupees					
Computer equipments	(1,185,875)	(1,185,875)	59,290	59,290	As per policy (Laptops buy back by employees)	Various employees

Signature

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

10.3 Intangible assets

Note	2019						Book value at 31 December 2019	Rates of amortization % (per annum)
	Cost			Amortization				
	At 01 January 2019	Additions	At 31 December 2019	At 01 January 2019	Charge for the year	At 31 December 2019		
	Rupees							
Computer softwares	165,878,303	51,606,225	217,484,528	57,277,885	23,468,075	80,745,960	136,738,568	10.00%
Licenses	12,394,739	-	12,394,739	11,994,749	399,990	12,394,739	-	20.00%
Mail server	78,378	-	78,378	78,378	-	78,378	-	33.33%
	<u>178,351,420</u>	<u>51,606,225</u>	<u>229,957,645</u>	<u>69,351,012</u>	<u>23,868,065</u>	<u>93,219,077</u>	<u>136,738,568</u>	
	2018							
	Cost			Amortization			Book value at 31 December 2018	Rates of amortization % (per annum)
	At 01 January 2018	Additions	At 31 December 2018	At 01 January 2018	Charge for the year	At 31 December 2018		
	Rupees							
Computer softwares	133,582,738	32,295,565	165,878,303	41,492,508	15,785,377	57,277,885	108,600,418	10.00%
Licenses	12,394,739	-	12,394,739	9,515,801	2,478,948	11,994,749	399,990	20.00%
Mail server	78,378	-	78,378	78,378	-	78,378	-	33.33%
	<u>146,055,855</u>	<u>32,295,565</u>	<u>178,351,420</u>	<u>51,086,687</u>	<u>18,264,325</u>	<u>69,351,012</u>	<u>109,000,408</u>	

10.3.1 This includes operating system and microsoft office licenses. The average remaining life of the computer softwares is 05 years (2018: 06 years).

Handwritten signature

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

10.4 Right of use asset

Right of use assets have been measured at the amount equal to the leased liability, adjusted by the amount of prepaid lease payments relating to the operating leases, recognized in the balance sheet as at 30 June 2019.

	Note	2019 Rupees	2018 Rupees
Present value of the future lease payments		1,422,786,367	-
Pre-payments reclassified as right of use assets		167,698,913	-
		1,590,485,280	-
Balance at 30 June 2019		1,590,485,280	-
Transfer from property and equipment		37,603,072	-
Modification of lease	10.4.1	(69,653,520)	-
Depreciation	24	(129,093,001)	-
Balance at end of the year		1,429,341,831	-

10.4.1 On 14 December 2019, the term of 22 lease agreements were revised from 10 years to 5 years. Had the lease term not been modified the ROU asset would have been higher by Rs. 69.65 million and lease liability would be higher by Rs. 67.72 million. Further, profit before tax would have been decreased by Rs. 1.9 million for the year ended 31 December 2019.

11	OTHER ASSETS	Note	2019 Rupees	2018 Rupees
	Income / mark-up accrued	11.1	3,016,072,476	1,826,626,488
	Advances, deposits and other prepayments		152,669,104	330,064,031
	Advance tax - net		19,183,051	24,796,741
	Inventory of ATM cards and stationery		8,472,151	7,568,722
	Advance to employees	11.2	38,280,632	11,732,575
	Receivable from SBP against crop and livestock insurance	11.3	497,710,786	269,805,856
	Insurance claims receivable		78,298,383	23,159,194
	Others		17,990,872	29,309,239
			3,828,677,455	2,523,062,846

11.1 This includes markup suspended amounting to Rs. 634 million (2018: Rs. 138 million) on non-performing loans of the Bank.

11.2 These represent loans to staff and executives of the Bank for a maximum period of 60 months. These are secured against the retirement benefits of employees.

11.3 This represents amount receivable from SBP in respect of insurance premium paid by the Bank for livestock and crop loans under AC&MFD circular no. 01 of 2013 dated 01 November 2013.

12	DEFERRED TAX ASSET	2019 Rupees	2018 Rupees
	Deductable temporary differences arising in respect of		
	Provision against advances	147,385,914	55,459,486
	Deficit on revaluation of available for sale securities	1,549,152	10,800
	Remeasurement of employees' retirement benefits	3,259,061	2,012,293
	Lease finance facilities	34,200,832	5,357,705
		186,394,959	62,840,284
	Taxable temporary differences arising in respect of		
	Accelerated tax depreciation / amortization allowance	(97,299,842)	(21,185,884)
	Treasury Bills	(12,740,588)	-
		76,354,529	41,654,400

KAMBA

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Net balance at 01 January 2019	Recognised in		Net balance at 31 December 2019
		Profit and loss account	Other comprehensive income	
	Rupees			
2019				
Taxable temporary differences				
Operating fixed assets	(21,185,884)	(76,113,958)	-	(97,299,842)
Treasury Bills	-	(12,740,588)	-	(12,740,588)
Deductible temporary differences				
Provision for advances	55,459,486	91,926,428	-	147,385,914
Employee retirement benefit - gratuity	2,012,293	-	1,246,768	3,259,061
Surplus / (deficit) on revaluation of assets	10,800	-	1,538,352	1,549,152
Leases	5,357,705	28,843,127	-	34,200,832
	62,840,284	120,769,555	2,785,120	186,394,959
	<u>41,654,400</u>	<u>31,915,009</u>	<u>2,785,120</u>	<u>76,354,529</u>

	Net balance at 01 January 2018	Recognised in		Net balance at 31 December 2018
		Profit and loss account	Other comprehensive income	
	Rupees			
2018				
Taxable temporary differences				
Operating fixed assets	(8,378,878)	(12,807,006)	-	(21,185,884)
Deductible temporary differences				
Provision for advances	28,306,435	27,153,051	-	55,459,486
Employee retirement benefit - gratuity	930,984	-	1,081,309	2,012,293
Surplus / (deficit) on revaluation of assets	12,050	-	(1,250)	10,800
Finance lease facility	-	5,357,705	-	5,357,705
	29,249,469	32,510,756	1,080,059	62,840,284
	<u>20,870,591</u>	<u>19,703,750</u>	<u>1,080,059</u>	<u>41,654,400</u>

	2019		2018	
	Number of accounts	Amount Rupees	Number of accounts	Amount Rupees
13 DEPOSITS AND OTHER ACCOUNTS				
Fixed deposits	2,678	14,836,423,300	2,316	12,243,825,791
Saving deposits	12,652	6,071,321,337	10,902	6,208,685,764
Current deposits	824,179	2,382,514,834	608,030	2,082,258,840
	<u>839,509</u>	<u>23,290,259,471</u>	<u>621,248</u>	<u>20,534,770,395</u>
13.1 Particulars of deposits by ownership				
Individual depositors	839,202	10,002,151,272	620,714	9,028,911,931
Institutional depositors				
Corporation/ firms etc.	219	7,125,705,811	435	5,149,365,125
Banks / financial institutions	88	6,162,402,388	99	6,356,493,339
Total	<u>839,509</u>	<u>23,290,259,471</u>	<u>621,248</u>	<u>20,534,770,395</u>

Page 42

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

13.2 This includes deposits amounting to Rs. 3,605 million (2018: Rs. 2,737 million) from related parties.

14	BORROWINGS	Note	2019 Rupees	2018 Rupees
	Borrowings from Banks / Financial Institutions in Pakistan:			
	<i>Secured</i>			
	Allied Bank Limited	14.1	750,000,000	1,250,000,000
	Faysal Bank Limited	14.2	833,333,333	1,000,000,000
	Allied Bank Limited - II	14.3	2,000,000,000	2,000,000,000
	National bank of Pakistan - Running Finance	14.4	500,000,000	500,000,000
	Faysal Bank Limited - II	14.5	999,998,000	1,000,000,000
	Bank of Punjab	14.6	150,000,000	-
	State Bank of Pakistan	14.7	1,500,000,000	-
	Pak Oman Investment Company Limited		-	100,000,000
	Bank Alfalah Limited		-	120,000,000
	United Bank Limited		-	40,000,000
			<u>6,733,331,333</u>	<u>6,010,000,000</u>

14.1 This represents outstanding balance of term finance facility under syndicate financing through Allied Bank Limited of Rs. 1,500 million carrying markup of 6-months KIBOR plus 1.10% (2018: 6-month KIBOR plus 1.10%) per annum payable semi-annually. This facility is secured against first pari passu charge over all present and future assets of the Bank with 25% margin. This loan is repayable in 6 equal semi-annual instalments of Rs. 250 million each. Repayments have started from September 2018. In accordance with the agreement entered into with the Allied Bank Limited, the Bank was required to maintain certain ratios which exceeded the required threshold as at year end.

14.2 This represents term finance loan of Rs. 1 billion, carrying markup of 6-months KIBOR plus 1% (2018: 6-Months KIBOR plus 1%) per annum payable semi-annually. This loan is secured against first pari passu charge on book debts, advances and receivable of the Bank with 25% margin and Microfinance Credit Guarantee Facility from State Bank of Pakistan at 25%. This loan is repayable in 6 equal semi-annual instalments of Rs. 166.67 million each. Repayments have started from August 2019.

14.3 This represents term finance facility under syndicate financing through Allied Bank Limited of Rs. 2 billion carrying markup of 6-months KIBOR plus 0.95% (2018: 6-Months KIBOR plus 0.95%) per annum payable semi-annually in arrears. This is secured against first pari passu charge over all present and future assets excluding land and building of the Bank but not limited to advances and investments beyond CRR and SLR requirements of the Bank with 25% margin. Disbursement was initially made against a ranking charge which was upgraded to 1st pari passu within 120 days of first disbursement. This loan is repayable in 06 equal semi-annual instalments with the first principal repayment falling due on eighteenth (18th) month from the first disbursement date. The loan was drawn on 31 December 2018. In accordance with the agreement entered into with the Allied Bank Limited, the Bank was required to maintain certain ratios which exceeded the required threshold as at year end.

14.4 This represents utilized amount of running finance facility from National Bank of Pakistan Limited of Rs. 500 million carrying markup of 3-months KIBOR plus 0.75% (2018: 3-Months KIBOR plus 0.75%) per annum. This is secured against first pari passu charge on all current and future book debts, advances and receivable of the Bank. The initial disbursement was made against ranking charge which was upgraded to first pari passu charge within 120 days from date of disbursement. Markup is repayable on quarterly basis.

14.5 This represents term finance loan of Rs. 1 billion carrying markup of 6-months KIBOR plus 0.75% (2018: 6-Months KIBOR plus 0.75%) per annum. This loan is secured against first pari passu charge on book debts, advances and receivables of the Bank for Rs. 1,333 million (25% margin). Initial disbursement on ranking charge will be upgraded to first pari passu within 90 days from the date of offer letter dated 21 December 2018. This loan is repayable in 6 semi-annual instalments of Rs. 166.66 million each, after a grace period of 01 year with notional principal payment of Rs. 1,000 within first two semi-annual markup payments.

Handwritten signature

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

14.6 This represents utilized amount of term finance loan of Rs. 200 million carrying markup of 6-months KIBOR plus 0.85% per annum (2018: Nil). This loan is secured against first pari passu charge on book debts, advances and receivables of the Bank for Rs. 266.67 million (25% margin). This loan is repayable in 4 semi-annual instalments of Rs. 50 million each, after grace period of 06 months. The loan was disbursed on 12 March 2019.

14.7 This represents unsecured term finance loan of Rs. 1,500 million carrying markup of 6-months KIBOR minus 100 bps for the tenor of five years (2018: Nil). Mark-up amount is payable on every half year end i.e. 30 June and 31 December, while payment of principal 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 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.

15	SUBORDINATED DEBT	Note	2019 Rupees	2018 Rupees
	Term Finance Certificates	15.1	599,400,000	599,640,000
	Subordinated loan from PTCL	15.2	4,000,000,000	4,000,000,000
			<u>4,599,400,000</u>	<u>4,599,640,000</u>

15.1 This represents term finance certificates (TFCs) of Rs. 600 million distributed in 120,000 TFCs of Rs. 5,000 each issued as subordinated loan in June 2017. The loan is availed as TIER-II subordinated debt for inclusion in the Bank's Supplementary Capital. The facility tenure is 7 years and is priced at 6 Month KIBOR + 3.50% (2018: 6 Month KIBOR + 3.50%). The instrument is structured to redeem 0.02% of principal, semi-annually, over the first 60 months and remaining principal of 24.95% each of the issue amount respectively, in four equal instalments starting from 66th month. The TFCs are subordinated as to the payment of principal and profit to all other indebtedness of the Bank. The rating of these certificates issued by JCR-VIS is A- with an stable outlook.

15.2 This represents unsecured, subordinated debt from PTCL, the Parent Company. The facility tenure is 7 years with grace period of 5 years and is priced at 3 Month KIBOR + 2% (2018: 3 Month KIBOR + 2%) per annum. The loan is availed as TIER-II subordinated debt for inclusion in the Bank's Supplementary Capital. Loan is structured to redeem in four equal semi-annual instalments starting from June 2024. The debt will be unsecured, subordinated as to the payment of principle and profit to all other indebtedness of the Bank, including deposit and it is not redeemable before maturity without prior approval of the SBP.

16	OTHER LIABILITIES	Note	2019 Rupees	2018 Rupees
	Mark-up / return / interest payable	16.1	491,831,224	260,151,096
	Accrued expenses		301,681,149	260,644,585
	Payable to utility companies for utility bills collection		11,512,274	69,614,227
	Payable to Pak Telecom Mobile Limited (PTML), an associated company		63,427,705	30,604,224
	Uncollected remittances		62,260,334	55,428,921
	Lease liability	16.2	1,350,956,711	-
	Finance lease liabilities - vehicles	16.2.2	-	18,845,646
	Payable to staff retirement benefit - gratuity	16.3	1,235,802	9,037,006
	Payable to defined contribution plan - provident fund	16.4	3,517,822	12,096,665
	Bills payable		70,834,204	80,297,896
	Others		26,642,836	15,708,359
	Workers' Welfare Fund		32,450,046	26,235,778
			<u>2,416,350,107</u>	<u>838,664,403</u>

16.1 This includes amount of Rs. 191 million (2018: Rs. 6.51 million) payable to related parties on account of markup for the month of December 2019. For details of balances please refer to note 36 to these financial statements.

RMG

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

16.2	Lease liability	Note	2019 Rupees	2018 Rupees
	Lease liability - right of use assets	16.2.1	1,320,784,590	-
	Lease liabilities - right of use assets - vehicles	16.2.2	30,172,121	-
			<u>1,350,956,711</u>	<u>-</u>

16.2.1 Lease liability - right of use assets

The Bank has recognized lease liabilities under IFRS - 16 at the date of initial recognition, for leases previously classified as operating leases under IAS - 17 at the present value of the remaining lease payments using the Bank's incremental borrowing rate of 14.07% at 30 June 2019:

	2019 Rupees	2018 Rupees
Un-discounted lease commitments on initial recognition	2,761,116,133	-
Present value of the future lease payments on initial recognition	1,422,786,367	-
Contractual maturity of remaining lease commitments		
Within one year	307,300,514	-
Between 2 and 5 years	1,536,453,350	-
After 5 years	783,308,800	-
Total un-discounted lease commitments	<u>2,627,062,664</u>	<u>-</u>
Discounted lease liability using the incremental borrowing rate as at 31 December 2019	<u>1,320,784,590</u>	<u>-</u>

16.2.2	Lease liabilities - right of use assets - vehicles	Present value of minimum lease payments	Interest cost for future periods	Future minimum lease payments
2019				
	Not later than one year	6,923,279	3,683,953	10,607,232
	Later than one year and not later than five years	23,248,842	5,907,407	29,156,249
		<u>30,172,121</u>	<u>9,591,360</u>	<u>39,763,481</u>
2018				
	Not later than one year	3,287,457	2,019,382	5,306,839
	Later than one year and not later than five years	15,558,189	3,374,751	18,932,940
		<u>18,845,646</u>	<u>5,394,133</u>	<u>24,239,779</u>

16.2.2.1 The Bank has leased vehicles from commercial banks with lease term of five years. These carry finance charge at six month KIBOR plus 0.9% (2018: six month KIBOR plus 0.9%) per annum. The rentals are payable in equal monthly instalments in advance upto September 2023. At the end of the lease term, the Bank has the option to acquire the assets on payment of all instalments. The facility is secured by way of ownership of leased assets.

16.3	Movement in the liability recognised in the balance sheet	2019 Rupees	2018 Rupees
	Present value of defined benefit obligation	81,787,046	47,612,926
	Fair value of plan assets	(80,551,244)	(38,575,920)
	Net defined benefit liability	<u>1,235,802</u>	<u>9,037,006</u>

[Handwritten signature]

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 Rupees	2018 Rupees
16.3.1 Net defined benefit liability - gratuity		
The Bank operates an unfunded gratuity scheme for its eligible employees.		
<i>Movement in net defined benefit liability - gratuity</i>		
Balance at 01 January	47,612,926	29,488,343
Charge for the year	37,492,916	21,061,693
Experience adjustments on defined benefit liability	4,333	3,767,360
Benefits paid	(3,323,129)	(6,704,470)
Balance at 31 December	<u>81,787,046</u>	<u>47,612,926</u>

Reconciliation of liability recognised in the balance sheet

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability / (asset)
2019			
Balance at 01 January	47,612,926	(38,575,920)	9,037,006
Charge for the year	37,492,916	-	37,492,916
Experience adjustments on defined benefit liability	4,333	3,780,873	3,785,206
Benefits paid	(3,323,129)	3,323,129	-
Benefits paid on behalf of the fund	-	(1,380,036)	(1,380,036)
Expected return on plan assets	-	(7,987,951)	(7,987,951)
Contributions to gratuity fund	-	(39,711,339)	(39,711,339)
Balance at 31 December	<u>81,787,046</u>	<u>(80,551,244)</u>	<u>1,235,802</u>
2018			
Balance at 01 January	29,488,343	(26,023,773)	3,464,570
Charge for the year	21,061,693	-	21,061,693
Experience adjustments on defined benefit liability	3,767,360	582,297	4,349,657
Benefits paid	(6,704,470)	-	(6,704,470)
Expected return on plan assets	-	(3,324,823)	(3,324,823)
Contributions to gratuity fund	-	(9,809,621)	(9,809,621)
Balance at 31 December	<u>47,612,926</u>	<u>(38,575,920)</u>	<u>9,037,006</u>

	2019 Rupees	2018 Rupees
16.3.2 Charge to profit and loss account net of return on plan assets		
Charge for the year	37,492,916	21,061,693
Expected return on assets	(7,987,951)	(3,324,823)
Cost for the year	<u>29,504,965</u>	<u>17,736,870</u>

16.3.2.1 Expense is recognized in the following line items in profit and loss account

Administrative expenses	<u>29,504,965</u>	<u>17,736,870</u>
-------------------------	-------------------	-------------------

16.3.3 Charge / (credit) to other comprehensive income

Actuarial loss on obligations	3,780,873	3,767,360
Actuarial loss on assets	4,333	582,297
	<u>3,785,206</u>	<u>4,349,657</u>

Handwritten signature

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

16.3.4 Key actuarial assumptions

The latest actuarial valuation was carried out on 31 December 2019 using projected unit credit method with the following assumptions:

	2019	2018
Discount rate used for interest cost in profit and loss account	12.50%	14.00%
Salary increase used for reporting date liability		
Salary growth rate	11.50%	13.00%
Date of next expected salary increase	01 January 2020	01 January 2019
Mortality rate	Adjusted SLIC 2001-2005	Adjusted SLIC 2001-2005
Expected return on plan assets	12.50%	14%
Duration (years)	17.10	17.20
Withdrawal rates	Low	Low
Retirement assumption	Age 60	Age 60

Assumption regarding future mortality has been based on State Life Corporation (SLIC 2001-2005), ultimate mortality rate with 1 year setback as per recommendation of Pakistan Society of Actuaries (PSOA).

16.3.5 Sensitivity analysis

For a change of 100 basis points, present value of defined benefit liability at reporting date would have been as follows:

	2019 Increase Rupees	2019 Decrease Rupees	2018 Increase Rupees	2018 Decrease Rupees
Discount rate	67,243,020	94,415,373	40,510,158	56,354,445
Salary increase rate	94,837,816	66,743,079	56,596,420	40,223,782

16.3.5.1 Although the analysis does not take into account full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

16.3.6 The Bank's expected charge for defined benefit liability - gratuity for the next year is Rs. 34.86 million.

16.3.7 Risks associated with defined benefit liability - gratuity

Final Salary Risk (linked to inflation risk)

The risk that the final salary at the time of cessation of service is greater than what was assumed. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.

Salary Increase Risk

- Mortality risk

The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

[Handwritten signature]

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

- *Withdrawal Risk*

The risk of actual withdrawals experience is different from the assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

16.3.8 Expected maturity profile

Following are the expected distribution and timing of benefit payments at the reporting date:

	2019 Rupees	2018 Rupees
Year 1	1,392,558	811,453
Year 2	1,663,456	1,021,350
Year 3	1,682,545	1,045,853
Year 4	1,707,234	1,073,012
Year 5	1,745,122	1,103,864
Year 6 to Year 10	14,720,486	6,766,887
Year 11 and beyond	1,025,984,160	878,140,057

16.3.9 Historical information

	Present value of defined benefit liability Rupees	Net liability at the reporting date Rupees
2019	81,787,046	1,235,802
2018	47,612,926	9,037,006
2017	29,488,343	3,464,570
2016	19,085,965	750,000
2015	13,411,845	2,198,524

16.3.10 Fair value of plan assets

Total assets of fund - opening	38,575,920	26,023,773
Expected return on plan assets	7,987,951	3,324,823
Contributions to gratuity fund	39,711,339	9,809,621
Benefits paid on behalf of fund	1,380,036	6,704,470
Benefits paid	(3,323,129)	(6,704,470)
Actuarial loss on plan assets	(3,780,873)	(582,297)
Total assets of fund - closing	<u>80,551,244</u>	<u>38,575,920</u>

Carry

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 Rupees (Un-audited)	2018 Rupees (Un-audited)
16.4 Employees provident fund		
Size of the fund	125,859,944	57,275,355
Cost of investments held	125,859,944	57,275,355
Percentage of investments held	100%	100%
Fair value of investments	125,859,944	57,275,355

Investments represent balances held with bank carrying interest at rates ranging from of 6.5% to 12% (2018: 10%) per annum.

All the investments out of provident fund trust have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

17 SHARE CAPITAL

17.1 Authorized capital

2019 Number	2018 Number		2019 Rupees	2018 Rupees
800,000,000	800,000,000	Ordinary shares of Rs. 10 each	8,000,000,000	8,000,000,000

17.2 Issued, subscribed and paid-up capital

2019 Number	2018 Number			
20,000,000	20,000,000	Ordinary shares of Rs. 10 each fully paid in cash	200,000,000	200,000,000
8,571,429	8,571,429	Fully paid shares of Rs. 10 each issued as right shares at discounted rate of Rs. 7 each	85,714,290	85,714,290
200,000,000	200,000,000	Fully paid ordinary shares of Rs. 10 each in cash issued as right shares at par	2,000,000,000	2,000,000,000
228,571,429	228,571,429		2,285,714,290	2,285,714,290

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

17.4 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.

	2019 Rupees	2018 Rupees
18 SURPLUS/(DEFICIT) ON REVALUATION OF ASSETS		
Surplus on revaluation of fixed assets	-	-
<u>Surplus / (deficit) on revaluation of securities</u>		
Federal and Provincial Government securities - Market Treasury Bills (T-Bills)	(10,327,680)	(39,999)
Related deferred tax effect	1,549,152	10,800
	<u>(8,778,528)</u>	<u>(29,199)</u>

19 MEMORANDUM / OFF BALANCE SHEET ITEMS

19.1 Contingencies

There are no material contingencies as at 31 December 2019 (2018: Nil).

DMG

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

19.2 Commitments	Note	2019 Rupees	2018 Rupees
Standby letter of guarantee	19.3	9,600,000	7,425,000
Property and equipment		78,008,400	37,782,009
Intangible assets		1,162,500	25,379,362
		<u>88,770,900</u>	<u>70,586,371</u>

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

20 MARK-UP / RETURN / INTEREST EARNED	2019 Rupees	2018 Rupees
Mark-up / return / interest on advances	5,872,629,749	3,957,189,332
Interest on investments in government securities	301,360,254	93,752,916
Interest on deposit accounts / TDRs with other banks / financial institutions	1,092,327,881	314,991,554
	<u>7,266,317,884</u>	<u>4,365,933,802</u>

21 MARK-UP / RETURN / INTEREST EXPENSED		
Mark-up / return / interest expense on deposits	2,346,948,854	1,335,523,097
Mark-up expense on borrowings from banks / financial institutions	1,495,560,013	340,620,303
	<u>3,842,508,867</u>	<u>1,676,143,400</u>

22 FEE, COMMISSION AND BROKERAGE INCOME		
Loan processing fee	816,128,838	572,636,675
Branchless banking	60,632,256	41,085,800
Other fee income collected from customers	23,595,550	11,740,733
	<u>900,356,644</u>	<u>625,463,208</u>

23 OTHER INCOME		
Recovery against advances written off	37,699,557	14,045,058
Gain on sale of investments	-	-
Other	1,376,261	974,115
	<u>39,075,818</u>	<u>15,019,173</u>

Kanga

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

24	ADMINISTRATIVE EXPENSES	Note	2019 Rupees	2018 Rupees
	Staff salaries and benefits		1,573,113,268	1,139,159,657
	Charge for defined benefit plan - gratuity		29,504,965	17,736,870
	Contribution to defined contribution plan - provident fund		28,969,891	18,117,078
	Non-Executive directors' fee		458,240	240,000
	Financial charges on leased assets		95,923,953	640,038
	Trainings		11,983,165	13,008,701
	Insurance		82,049,211	74,702,065
	Rent, rate and taxes		184,897,509	234,045,358
	Travelling and conveyance		90,502,300	65,394,992
	Postage and courier		18,759,468	8,036,147
	Utilities		100,904,186	64,523,381
	Repair and maintenance		157,111,033	82,314,766
	Depreciation on property and equipment	10.2	196,292,565	116,481,950
	Amortization of intangible assets	10.3	23,868,065	18,264,325
	Depreciation on right of use assets	10.4	129,093,001	-
	Software support and maintenance fee		65,885,519	42,535,204
	Stationery and printing		51,010,352	47,959,063
	Auditors' remuneration	24.1	4,595,512	6,356,000
	Legal and professional fee		24,070,724	26,844,867
	Security services		186,637,662	128,672,447
	Office supplies		30,009,105	16,828,774
	Internet and connectivity charges		31,939,631	30,928,201
	NADRA verification charges		28,537,005	23,758,385
	Bank charges		20,094,069	22,613,845
	Marketing expenses		24,802,772	37,682,356
	Upaisa expense - branchless banking		4,274,816	25,468,509
	Other		11,118,904	5,553,733
			<u>3,206,406,891</u>	<u>2,267,866,712</u>
24.1	Auditors' remuneration			
	<i>KPMG Taseer Hadi & Co.</i>			
	Half year review		350,000	350,000
	Annual audit		647,500	600,000
	Fee for certifications		600,000	600,000
	Taxation services		2,798,012	-
	Advisory services		-	4,606,000
	Out of pocket expenses		200,000	200,000
			<u>4,595,512</u>	<u>6,356,000</u>
25	OTHER CHARGES			
	SBP penalty	25.1	5,422,000	20,000
	Loss on sale of investments		2,243,076	2,379,837
			<u>7,665,076</u>	<u>2,399,837</u>
25.1	This represents penalty paid during the year related to various non-compliances identified by the State Bank of Pakistan during its inspection of the Bank.			

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

26	TAXATION	Note	2019 Rupees	2018 Rupees
	Current		(81,447,841)	(261,029,309)
	- for the year		(1,317,977)	4,096,213
	- for prior years		(82,765,818)	(256,933,096)
	Deferred	12	31,915,009	19,703,750
			(50,850,809)	(237,229,346)
	Effective tax rate		16.70%	30.25%

26.1 Tax rate reconciliation

Profit before tax and after WWF (Rupees)	304,499,010	784,286,582
	2019	2018
Tax rate	29%	29%
Tax on accounting profit	29.00%	29.00%
Tax effect of income taxable at lower rates	(9.95%)	(1.45%)
Prior year charge	(0.43%)	(0.52%)
Effect of super tax	0.00%	2.02%
Effect of change in tax rate	0.00%	0.27%
Permanent difference	(1.92%)	0.93%
Tax expense for the year	16.70%	30.25%

27	CASH AND CASH EQUIVALENTS	Note	2019 Rupees	2018 Rupees
	Cash and balances with SBP and NBP	6	1,717,205,410	1,457,386,758
	Balances with other banks / NBFIs / MFBs	7	3,019,826,466	11,027,311,074
			4,737,031,876	12,484,697,832

27.1 Reconciliation of movements of liabilities to cash flow arising from financing activities:

	Subordinated loan	Borrowings	Lease liability	Share capital	Unappropriated profit
	(Rupees)				
Balance at 01 January 2019	4,599,640,000	6,010,000,000	18,845,646	2,285,714,290	324,888,330
Lease liability on right of use assets	-	-	1,422,786,367	-	-
Modification of lease	-	-	(67,716,947)	-	-
Change from financing activities					
Receipts	-	2,300,003,032	-	-	-
Payments	(240,000)	(1,576,671,699)	(139,072,620)	-	-
	(240,000)	723,331,333	(139,072,620)	-	-
Other changes					
Interest cost on lease facilities	-	-	95,923,953	-	-
Total comprehensive income	-	-	-	-	251,109,763
Transfers to	-	-	-	-	-
Statutory reserve	-	-	-	-	(50,729,640)
Depositors' protection fund	-	-	-	-	(12,682,410)
Lease facility availed	-	-	20,190,312	-	-
	-	-	116,114,265	-	187,697,713
Balance at 31 December 2019	4,599,400,000	6,733,331,333	1,350,956,711	2,285,714,290	512,586,043

Handwritten signature

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

Reconciliation of movements of liabilities to cash flow arising from financing activities:

	Subordinated loan	Borrowings	Lease liability	Share capital	Unappropriated profit
	(Rupees)				
Balance at 01 January 2018	600,000,000	3,069,486,748	-	1,285,714,290	32,149,466
Change from financing activities					
Receipts	4,000,000,000	4,650,513,252	-	1,000,000,000	-
Payments	(360,000)	(1,710,000,000)	(8,157,108)	-	(114,285,715)
	3,999,640,000	2,940,513,252	(8,157,108)	1,000,000,000	(114,285,715)
Other changes					
Interest cost on lease facilities	-	-	640,038	-	-
Total comprehensive income	-	-	-	-	543,788,888
Transfers to					
Statutory reserve	-	-	-	-	(109,411,447)
Depositors' protection fund	-	-	-	-	(27,352,862)
Lease facility availed	-	-	26,362,716	-	-
	-	-	27,002,754	-	407,024,579
Balance at 31 December 2018	4,599,640,000	6,010,000,000	18,845,646	2,285,714,290	324,888,330

	2019 Numbers	2018 Numbers
28 NUMBER OF EMPLOYEES		
Credit / sales staff		
Permanent	127	112
Contractual	915	664
	1,042	776
Banking / support staff		
Permanent	683	531
Contractual	875	673
	1,558	1,204
Total number of employees at 31 December	2,600	1,980
Average number of employees during the year	2,376	1,708
29 NUMBER OF BRANCHES		
Branches / service centres at beginning of the year	141	100
Opened during the year		
- Branches/Booth	61	41
- Service centres	10	-
Branches / service centres at end of the year	212	141

30 EARNING 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.

	2019	2018
Profit attributable to equity holders (Rupees)	253,648,201	547,057,236
Weighted average number of shares (numbers)	228,571,429	219,804,306
Earning per share - basic (Rupees)	1.11	2.49

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

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

31 DETAILS OF BUSINESS LOCATIONS

The addresses of the branches of the Bank are as follows:

<i>Branch name</i>	<i>Address</i>
Nazimabad	Plot no 1/28, nazimabad no 1, Al-ghafoor , eden groud floor, karachi.
Rawalpindi	PTCL Exchange, OSS Hall, Kashmir Road, Saddar, Rawalpindi
Bhakkar	Plot# 156A2 Club Road Mandi town Bhakkar
Lodhran	Khata no.291, ward no. 26, Near Jalalpur Mor, Opposite Ahl-e-Hadis Masjid, Multan Bahawalpur Road Lodhran
Layyah	Khasra # 371, Near Paracha Petrol Pump Chobara Road, Near TDA Chowk Layyah
Lahore	117 -A, Chowk yateem Khana, Multan Road, Lahore
Rahim Yar Khan	House # 20A, Al-Hamra House, Modal Town, Rahim Yar Khan
Sahiwal	Plot # 183/c, Block # B-vii, Kachehri Road Sahiwal
Bahawalpur	House # 17, Texation # B-III, 2784/2, Ihata Sinda Ram, Stadium Road Farid gate Bahawalpur
Ahmedpur East	Khata # 136/134, Khatooni # 193, Near Rohi Autos, Kachahry Road, Ahmedpur East, District Bahawalpur
Dunya Pur	Khewat No. 233, Near Khawaja Asim & Qasim Company, Railway Road Dunyapur, District Lodhran
Karachi Gulshan	F-13/11, Block - 5, Gulshan-e-Iqbal, Karachi
Abbottabad	Shop # 1, to 3, first floor, Yousaf Plaza, Mansehra Road, Abbottabad
Mirpurkhas	PTCL Exchange Office near Main GPO chowk Mirpurkhas
Multan	Khewat No. 431, Khatooni # 786, Moza Neel Kot Chungi No 6, Bosan Road Punjab Nursery Gulgash Colony, Multan.
Chistian	Khatooni no.397, Tal plaza near melaad chowk, college road, chistian dsitric, bahawalnagar.
Pakpattan	Plot No. B-I/92/A-II Khasra No. 208/14, Khewat No.2603, Khatoni No. 2928, College road Pakpattan
Faisalabad	Plot # 343-B, London Plaza, Ground Floor, Adjacent Ideal Bakers, Satiyana Road, Faisalabad
Muzaffarabad	Shop # 1-6, 1st floor, Bilal Shopping Complex, Upper Adda, Muzaffarabad
Gujranwala	Khatooni no.65, Khawat no.65, Aftab Steel Market, Near Old Regent Cinema, GT Road, Gujranwala
Peshawar	Compound No.80, T.T.C, Opposite Gulbahar Road, District Peshawar.
Nawabshah	Samar Palace House# 25, 26 Hospital Road Nawab Shah
Ghotki	City Survey # 890, Ward B, Near Faisal Bank, Dewari Road, Ghotki
Khairpur	House # B-2443, Kachehry Road, Opposite ZTBL, Khairpur Mirus
Hyderabad	House # A/2592, Ward A, Bhurgury Road, Hirabad, Hyderabad
Mankera	Haji Ikram Filling station Asghar Chowk Mankera
Kot Addu	Khata#451 Khatoni#640 Near Al Quraish CNG GT Road Kot Addu
Okara	Khewat No 1320, Khatooni No 1408, Khasra No C/2771, Sahi Manzil, College Road, Opposite Municipal Corporation, Okara.
Kasur	Kasur Beroon (Jadeed Urban). Tehsil & District Kasur, Khawat # 169, Khatooni # 503, Khasra # 2193
Hafizabad	Khewat # 755, khatooni # 1793, Gujranwala road near MCB hafizabad
Gujrat	Khewat no.788,khatooni no.1374-1375,khasra no.31 mohal nanwan rangpura sargodha road gujrat
Sukkur	City survey no. 240, ward c, ptcl old cto compound building ,neem ki chari,minara road sukkur.

Handwritten signature

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

Branch Name	Address
Ghulam Muhammad Abad	House no 1451B(4M 119SF) Main GMA Road sabri chowk, 70ft bazar,civil quarters Ghulam Muhammad Abad Faisalabad.
Qila Dildar Singh	Khasra no 4203/150 , Near Jamiyah Muhammadia, Hafizabad road
Ali Pur Chatta	Khewat no.424,khatooni no 110 Gujranwala Road, Alipur Chatta
Uch Sharif	13/13 , Khatooni No. 20 Sohail Trade centre, Near ZTBL, Ahmedpur East road, Uch sharif Tehsil APE, district Bahawalpur
Khanewal	Near Purana karkhana nad union council no 1 khasra no 205/29 khewat no. 28/27, zafar ullah raod Khanewal
Basirpur	Khewat # 272/266, Khatooni # 673, Khasra # 169, Mauza Baseerpur, Tehsil Depalpur District Okara
Depalpur	Khewat # 1916, Khatooni # 3060, Khasra # 45/1449, Hujra road, Deepalpur Opposite lari Adda
Renala Khurad	Khewat no. 596,khatooni no.576 Chak # 21/2-L, Hussain Arcade, Androon Hadud committee. Renala district Okara
Hujra Shah Muqem	Khewat no.1440/1404,khatooni no.2193, salam khata no.333-4, qatta no.216, Circular Road, Hujra Shah Muqem, Attari Road, near Molvi Muhammad Siddique Daras
Chichawatni	Kewat no.17,Fazal Plaza, Begum Shahnaz road, Chichawatni
Darya Khan	Khata # 51, Khatoni # 72 Near govt. college of commerce railway road Darya Khan District Bhakkar
Khanpur	Ahmad Plaza Bypass Road Khanpur, Tehsil Khanpur, District Rahim Yar Khan
Sadiqabad	Khata # 6/6, Khatoni # 7,Nishtar road, Mehra Abad colony, Nehar Kinara, Tehsil Sadiqabad, District Rahim Yar Khan
Digri	City Survey # 1185, Mirwah Road digri Taluka Digri, District Mirpurkhas
Raiwind	Khewat no 2432, khatooni no 3482, sunder road near sohail surgical hospital raiwind
Khudian	Khewat # 285, Khatooni # 938, Khasra # 10133/7452/3-14, Moza Khudian, Androon Hadood Committee Near Lari Adda Tehsil & District Kasur
Kot Radha Kishan	Khewat No 301,Khatooni no. 449 Khasra no 1823, Near Noor Hospital, Pulli Stop, Main Raiwind Road,Tehsil Kot Radha Kishan, District Kasur.
Pano Aqil	Survey # 436, Baiji Road Tehsil Panuu Aqil Distict Sukkur
Shahdra	Khewat no 82 khatooni no 118 khasra no 163/143, gt road, saeed park,had bast moza fateh puri, tehsil lahore
Hasilpur	Khewat & Khatooni # 103, Altaj Plaza, railway road, Hasilpur, District Bahawalpur
Chowk Azam	Khewat # 19, China plaza, Near Khushhali Bank Ltd, Fatehpur road, Chowk Azam District Layyah.
Karor Lal Essan	Khata # 74, Khatoni # 264, Near PTCL exchange fateh pur road, Tehsil KarorLal Essan District Layyah.
Kahrer Pacca	. Khewat # 92, Duniyapur road near railway phatak, zafar abad tehsil Kahrer Pacca. District Ldhran
Jalalpur Pirwala	Khewat # 246, Mouza jalalpur pirwala, District Multan
Arifwala	Khasra # 2082, Khewat # 1346, Khatoni # 1361, Lakar Mandi, Arifwala Pakpattan
Dinga	Khasra no.211, Khawat no.700, Khatooni no.1700, Anaar Plaza, Thana Road Near Gulzar
Muridke	Plot no. 1-5,Khewat no.8302 ,khatooni no.2566,Khasra no. 3133 Timber Market, Qaiser Park,
Wazirabad	PT 1 no BV-11-s-3/RH; Malik Building; Rex cinema Road near Boys High School Wazirabad
Dharampura	SE6R-240/8/RH, Allama Iqbal Road, Lahore.
Jalalpur Bhattian	Khewat no. 78 & 739, Khasra no. 446 & 1166 Khatooni no. 134 & 472/2 Vinkay Chowk Pull Same Nala Jalalpur Bhattian district Hafizabad.
Pindi Bhattian	Khewat no. 183; Khasra no. 397; Khatooni no.476/494 Main Bazar Hafizabad Road near nalka Stop Pindi Bhattian; District Hafizabad.
Ellahabad	Khewat no.1100, Khatooni no.1992, Khasra no.3904/1167, Chunian road, Ellahabad, Tehsil & district Kasur

[Handwritten signature]

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

Branch Name	Address
Jalalpur Jattan	Khewat no. 2000, Khatooni no: 2599, Marba no. 37 Qila no.26, Shahbaz pur Road, Near Patianwala Chowk Jalalpur Jattan District Gujrat.
Tando Muhammad Khan	Plot/city survey no.1940/1, ward-B, phuleli Road, Tando Muhammad Khan.
Phalia	Khatooni no.80, Khasra no.364, Heelan Road Near Heelan Choungi opposite gourmet baker, Phalia.
Shujaabad	Khewat # 92, Chungi # 10, Near ZTBL, Jalalpur road, Shujabad, District Multan
Ranipur	Plot no.659 National Highways, Ward no.04, Town Ranipur.
Islamabad	Shop no.7 & 8, Plot no.64W, Masco Plaza, Ground Floor, Jinnah Avenue, Blue Area, Islamabad.
Jaranwala	P-1480, Faisalabad Road, Near NADRA office, Jaranwala, Tehsil & District Faisalabad.
Korangi	Plot No. N – 23, Ground Floor, Area – N Korangi No. 3 ½, Karachi.
Rajanpur	Khata no. 644, Intaqal no. 12720, Moza Rajanpur 1, Kamran Market Indus Highway, Near Khushhali Bank, Rajanpur
Tando Allahyar	Plot no.7, Near Grid Station Mohalla Main Hyderabad Road Tando Allahyar Tehsil & District Tando Allahyar
North Karachi	Plot no R-12, sector no 5 c/4 North karachi township Karachi
Shahra E Faisal	Showroom NO.11 & 13 Ground floor Pak Avenue, Plot No 24/A survey Sheet No.35-P/1, Block No.6, PECHS, Shahra-e-Faisal Karachi
Jhang	Khata no. 55, Moaza Civil Station, Katchery Road, Library Chowk, Jhang.
Moro	Ward# 13 Main Road, Moro, District Naushahro feroze.
Tando Adam	Ward# A House# 516 Near Indus Hotel, Hyderabad Road Tando Adam District Sanghar.
Umar Kot	Plot # 19, 20, 40 & 41 Mirpurkhas, Road Umar Kot District Umar Kot.
Bahawalnagar	Khewat # 2222, Khatooni 2321, Minchen Abad Road, Near Askari Bank, Tehsil & District Bahawalnagar.
Kandhkot	Registration No# 464, Entry No# 1000, Juman Shah Mohalla Kandhkot District Kashmore.
Mehar	Ward# A City Survey # 752, 1041 & 1042 School Road Mehar District Dadu.
Mehrabpur	Plot No# III A-13 A Thari Mirwah Road ,Mehrabpur District Naushahro feroze.
Naseerabad	House No.# 2334 Ward-B Madina Shopping Centre, Mohallah Kathia Bazar, Badah Road, Nasirabad, District Qambar, Shahdad Kot.
Shikarpur	Ward No# 51 Near Jahaz Chowk Station Road Shikarpur District Shikarpur.
Chundko	Plot# 149 Main Chowk near Bus Stand Chundko District Khairpur Mir's.
Sargodha	Bilal Plaza, Plot No 40 C, W – Block, new satellite Town, Sargodha.
Sheikhupura	Khasra no 1284/1285, Khawat no 5-13, 5 College Road 129 Civil Line Sheikhupura.
Dera Ghazi Khan	Shop no 21-22, Block E Opp. Civil Line Police Station Railway Road Dera Ghazi Khan.
Qambar	Ward –B city survey no 63/132-64/88, 65 & 66 Muhabbat Ali Road Old Shahdad Kot, Near NBP/Sindh Bank, Qambar.
Larkana	Ward A, City Survey no 571/1 and 570/2 Bank square, near Mobilink bank, District Larkana.
Muzaffargarh	Khewat no 646, Jhang Road, near bank of Punjab, Muzaffargarh.
Chowk Sarwar	Khatooni no 54, Khewat no 35/32, MM Road, opposite general Bus stand , Chowk Sarwar Shaheed , tehsil Kot Addu District Muzaffargarh.
Narowal	Khata no. 1171, Khatooni no 1958, Khasra no. 5206/2570 Jasir Bypass, Circular Road , Tehsil & District Narowal.
Noorpur Thal	Khawat no.1134/1072, khatooni no.1717 Joharabad Road near Rescue 1122 Office Noorpur Thal.
Dadu	City Survey 1003 revenue survey number 133 Kachehry Road Dadu.
Kashmore	Deh Pakka Kashmore, indus highway , opposit ee shell petrol pump district kashmore
Ratadero	City survey no 794/34, 794/35 & 794/36 shikarpur road ratadero

(Signature)

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

Branch Name	Address
Nowshera	Plot, No. 2-A, Cantonment Board, Al-Jameel City, GT Road, Near PSO Filling Station, Nowshera.
Daherki	Survey No. 446, GT Road, Daharki, District Ghotki.
Qazi Ahmed	Ward No. 2 Sardar Colony. Near Police Station National High Way Road Qazi Ahmed, District Nawabshah.
Sanghar	Plot No. A - 8, City Survey no. 124, Ward A, Housing Society Main Nawabshah Road, Taluka & District Sanghar.
Mithi	Plot No. 10 and 11, Near Press Club Mithi District Tharparkar
Golarchi	Plot No. A-1, Main Karachi Road ,Golarchi , District Badin
Mirpur Sakro	Plot No. 285, Main Gharo Road Mirpur Sakro District Thatta
Vehari	Khewat # 48, Khattoni # 48 49-A ,Block Karkhana Bazar Vehari, District Vehari
Ali Pur	Khata no. 209, Rayan Plaza Near College Chowk, Multan Road, Alipur, District Muzaffargarh.
Fazilpur	Khata Number 437 Ward # 09 Main Indus Highway Fazilpur Tehsil and Distt Rajanpur
Liaqat Pur	Plot no.133 City Center Rest House Road Tehsil Liaqat Pur, District Rahim Yar Khan.
Mian Channu	Khawat no.635. khattoni no.647, khasra no.1672,Din Plaza 1672 Bodla Road, Mian Channu District Khanewal.
Tibba Sultan Pur	Khewat no.126,,khattoni no.326, khasra no. 104/121,plot no.133,ward no.4,Qutab Pur Road Tibba Sultan pur tehsil Mailsi district vehari
Qasba Gujrat	Khata no. 118, Khattoni No. 326, Mansa Raam Khas ,Civil Hospital chowk, GT Road Qasba Gujrat tehsil kot addu District Muzaffargarh
Fort Abbas	Khewat no. 267, Khasra no. 126/B, Moulana Hafeez Street near Boys' High School , Fort Abbas, District Bahawalnagar.
Shore Kot	Plot # B-P207/SH, Tehsil Chowk, Cantt Road, Shore Kot City, Shore Kot, Distt. Jhang,
Haroon Abad	Khewat # 685, Khatoooi # 685, Shop # 195/C Block C, Bangla Road, Near Grain Market, Haroonabad, Distt. Bahawalnagar.
Burewala	Khewat # 286/292, Khatoooi # 532, 124-P, Lahore Road, Burewala, Distt. Vehari.
Minchen Abad	Khewat # 471, Khatooni # 472, Circular Road, Minchen Abad, Distt. Bahawalnagar,
Kot Mithan	Khewat no.1357, Khata no.17/486, Khawaja Ayaz Tower Baldia Chowk Kot Mithan Tehsil and District Rajanpur
Islamabad F-7 Markaz	Plot # 13-H, Jinnah Super, F 7 Markaz, Islamabad.
Bhiriya Road	Shop No. IIC-14/M. Station Road, Deh Chaheen Manno Mal, Bhiriya Road, Taluka Bhiriya City, District Noshoro Feroze.
Maripur Truck Stand, Karachi	Plot No. 653 - A, Gate No.4. New Truck Stand, Hawksbay Road, Maripur (Kemari Town). Distt. Karachi West.
Super Highway, Karachi	Rahim view Shop no. 13, 14, 15 & 16, Flat No. B1-001 & B1-002, Sector 17-B, Gulzar-e-Bijri, Scbeme 33, Main Super highway Road, Karachi
Jampur	Ward No. 13, Khata No. 737, Dajal Road, Tehsil Jampur, District Rajanpur.
Yazman	Khata no 423/373, khatooni no. 572, Rec no.228/12, Muraba no. 9 _Kila no.25/1, chak no 56_DB-(A),Bahawalpur Road Yazman, Near Tool Tax Tehsil Yazman, District Bahawalpur.
Haripur	OSS Hall, PTCL , Telephone Exchange Kanpur Road Opposite .TIP Haripur.
D.I.Khan	Customer,Service Center, PTCL Opposite Circuit House, Dera Ismail Khan.
Mansehra	Khata,Khatooni no.0739/0394,Khasra no.08994/9827,Baidra Chowk, District Mansehra.
Jhelum	OSS Hall, Kazim Kamal Road, PTCL Compound, Jhelum Cantt.
Chakwal	Khewat,No. 1385, Khatooni No. 2486,Dhoke Momen, Pindi Road, Chakwal, District, Chakwal.

Amza

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

Branch Name	Address
Mir Pur	PTCL Exchange, OSS Hall, Aftab Building, Allama Iqbal Road, Mirpur AJK
Wah Cantt	OSS Hall, PTCL Exchange, Alm Market, Mall Road, Wah Cantt.
Mardan	Main Telephone Exchange Building OSS Hall, Near College Chowk opposite Kechari, Mardan.
Charsadda	Main PTCL Telephone Exchange Building, OSS Hall, Nowshera Road, Charsadda.
Gojra	OSS Hall, Adjacent PTCL Exchange, Club Road, Gojra district Toba Tek Singh.
Hala	City Survey No. 1365, Dargah Road Near the first Microfinance Bank District Matari.
Faisal Town, Lahore	Oss Hall, PTCL exchange, 6-A civic center Faisal town Lahore
Cto Compound, Quetta	Oss Hall, PTCL Smart Shop CTO, besides main GPO Zarghoon road Quetta.
Gulzar-E-Hijri	PTCL smart shop, gulzar-e- Hijri telephone exchange scheme 33, Metrovil III Gulzar-e-Hijri Karachi
Latifabad	Oss hall, ptcl exchange near telecommunication building, unit no 7 latifaabd district hyderabad
Landhi	Ptcl smart shop landi telephone exchange near landi -89, karachi
Kot Chutta	Khewat No. 109, intaqal No.9252, Kot Chutta No.3, Tehsil Kot Chutta, District Dera Ghazi
Jauharabad	Khatooni 1225, Khewat 736, College Chowk, Main Bazar Jauharabad.
Mingora	Registry No. 293, Abaseen tower, China Plaza, Tehsil Mingora, District Sawat.
Chobara	Khata No.8, Khatooni No.63, Near HBL branch Layyah Faisalabad Road, Tehsil
Kot Sultan	Khata No.103, Khatooni No. 398-407, Layyah, Kot Addu Road, Near Askar 1 Petrol Pump, Kot
Kamalia	Khasra No.4193, House No. 875/1202-D, Mohallah Mhtain Wala, Tehsil Kamalia, District
Daska	Serial No 928/1 in PT-1, Circular Road, Near Sohawa, stop Daska, District Sialkot.
Badin	Survey No.176, Main Hyderabad Road, Badin.
Choota Sahiwal	Khewat No. 1239, Khatooni No. 1998, Sahiwal Sargodha Road Sahiwal, Choota Sahiwal, district
Malakwal	Khewat No. 268, Khatooni No.371, Khasra No. 3220/456/1 Bismillah Plaza, Badshah Pur
Kunri	Ward no.06, Block -292, Plot No. 17 & 18, Kunri, District Umar Kot.
Khipro	Ward no.76, Mirpurkhas Road, Khipro Taluka Khipro District Sanghar.
Bagh	Khasra No 212, Near Pulli Stop, Bagh, District Azad Kashmir.
Sujawal	Plot No. 5-A, Main Sujawal to Karachi Road, near irrigation colony, Sujawal District Sujawal.
Abdul Hakeem	Khatooni no. 191 & 199, Khata No. 63/27973, Kacha Kho road, Nized Sabzi Mandi Abdul
Shahdadkot	Ward C, City survey No. 644/1, District Qambar Shahdadkot.
Mandi Bahauddin	Khewat No.258, Khatooni No. 363, Khasra No.368, Main Bazar Bank Square, District Mandi
Lala Mosa	Khewat No. 215, Qata 27, Khatooni No. 493-516, Behari Colony, Near Graveyard, GT Road,
Kohat	Khata No.2179, Khasra No. 1136, Khatooni No. 2999, Near Al Moiz CNG, Malik Noor Plaza,
Islamabad F-10 Markaz	Plot No. 1-N, SL No. 1, F-10 Markaz, Islamabad.
Sialkot	Khata No.114, Khewat No.269, Khatooni No.9723, Khasra No.92/448, Kashmir Road, Pacca
Ahmed Pur Sial	Khewat No.581/558 Khatooni No. 1969, Opposite Usmania Masjid, Main Ahmedpur Sial
Mianwali	Khewat # 236, Khatooni # 703, Mianwali District, Mianwali.
Paharpur	Khewat No. 145, Khatooni No. 293, Rang Pur Adda, Tehsil Paharpur, District Dear Ismael
Chachro	Plot 294/02, Main Umer Kot Road, Chachro, District Tharparkar.
Nosheroferoze	Plot No. 327, Old National Highway, Nosheroferoze,
Nankana Sahib	Khewat # 261, Khatooni # 365, Shora Kothi Road, Near Nadra Office, Nankana Sahib.
Gujar Khan	Chaudhary Ghulam Muhammad Plaza, Main GT Road, Ward # 15, Khewat No. 14, Khatooni
Tala Gang	Khewat 435, Khatooni 834, Khata 10/55, B-11, 203-E-2, Near Madni Chowk, Pindi Road,
Qadir Pur Rawan	Khewat No.449/443, Khatooni No. 1616 to 1617, Opposite Higher Secondary School Qadir Pur
Khairpur Tamewali	Basti Malook. District Multan.
Chiniot	Khewat No. 3188/3178, Faisalabad Road, Near ZTBL, Tehsil Chowk Chiniot, District Chiniot.
Thatta	S. No. 117, Sujawal Road, Near Shah Jahan Masjid, Thatta Sindh, District Thatta.
Daur	Ward: No, 04, House# IB/137 Mohallah Jamali Road Daur, District Shaheed Benazirabad
Shahdadpur	Plot 10/11/12/13/14/15, Station Road, Shahdadpur, District Sanghar.

[Handwritten signature]

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

Branch Name	Address
Rohillanwali	Khewat No. 22, Khatooni No.76-82, Opposite ZTBL Branch, Main Alipur Road, Rohillanwali,
Dha Karachi	Plot No. 5-C, nishat Lane 2, Phase VI, Defense Housing Authority, Karachi. Karachi South.
Islamkot	Plot No. 49A, Nangar Parkar Road, Mukhi Mohla, Islamkot, District Tharparkar.
Naukot	Plot # 150, Sabzi Market Road Naukot, District Mirpurkhas.
Dera Allah Yar	Near District Council Hall, D.C. Office, Tehsil Road, PTCL Exchange, Dera Allah Yar, District
Muhammad Pur Dewan	Mouza Muhamamd Pur 2, Khatta 267, Khewat No. 258, Tehsil Jampur, District Rajanpur.
18 Hazari	Khata no. 328/321, Khatooni no. 891, 18 Hazari, District Jhang.
Lahore Dha	32, Z Block, Commercial Area, DHA Lahore, Phase 3, Lahore.
Quaidabad	P-12, 3 Marla Scheme, Khewat No. 32 & 33, Lakkar Mandi, Tehsil Quaidabad, District
Thul	survey # 401, Riaz Chowk, Kandhkot Road, Tehsil Thul, District Jacobabad.
Dera Murad Jamali	New Circuit House, Opposite Officer Club & D.C. Office, Allah Chowk, PTCL Exchange
Jacobabad	City survey no. 201/1/3/1, Ward No.06, Adam Khan, Panhwaer Road, Tehsil and district
Bhalwal	Khata No. 35, Ahata No. 131, Liaqat Shaheed Road, Tehsil Bhalwal, District Sargodha.
Kot Ghulam Muhammad	Deh # 290-A City Survey Plot # 978, Tehsil Kot Ghulam Muhammad, District Mirpurkhas.
Attock	Circle III, Block-F, Ward B-VI, Opposite Meezan Bank, Attock, District Attock.
Sawabi	Khata no.1889/3308, 1897/3308, & 4478/3617, Grade Station, Khangira Road, District Sawabi.
Toba Tak Singh	Khewat 133/127, Khatooni 159, near Allied Bank, Toba Tek Singh, District Toba Tek Singh.
Fateh Jhang	Khewat 495, Khatooni 605, Pindi Road, Near UBL, Tehsil Fateh Jang, District Attock.
Basti Malook	Khewat 5, Khatooni 15-17, Multan Road, Opposite Patrolling Post, Near Sabzi Mandi, Basti
Gilgit	Khasra # 1935, Jutial Road, District Gilgit.
Kot Momin	Khata No. 104, Khewat No. 483 1/2, Bhagtanwala Road, Tehsil Kot Momin, District Sargodha.
Gawadar	Khewat 131, Khatooni 131, Khasra 146, Sayed Hashmi Avenue, Airport Road, Master Khuda
Taunsa Sharif	Khata No.1313, Opposite Adil Shah Bus stand, Mouza Taunsa Sharif, District D.G.Khan
Usta Muhammad	Shop No. 386/4-17-5-3 & 368/4-17-5-4, Bala Khana # 368/4-17-5-5, Near Main Police Station,
Sammundari	Khewat 604/592, Khatooni 604, Gojra Road, Opposite Government High School No.1 Sammundari, District Faisalabad.
G-8 Booth	PTCL Head Quarter, Block E, Sector G-8/4, Islamabad.
Fatepur	PTCL Exchange, Fatehpur, District Bhakkar
Dulley wala	Mutation 13205, Khata 2126, and Khatooni 3649, Mianwali Multan Road Dulley Wala.
Zahir pir	Old klp Road, Chachar Road, Zahir Pir, Tehsil Khanpur.
Channi Goth	Khewat No. 77, Khatooni No. 168 to 170, Uch Road, Channi Goth Station.
Daharanwala	Khewat 131/114, Khatooni # 262 to 271, Haroonabad Road, Daharanwala, Tehsil Chishtian, District Bahawalnagar.
Taranda Muhammad Panah	Akbar Chowk, Near PTCL Office, Taranda Muhammad Panah, Tehsil Liaquat Pur, District Rahim Yar Khan.
Khan Bela	Khewat No. 50/50, Khatooni No. 207-212, KLP Road, Khan Bela, Tehsil Liaquat Pur.
Array Wahain	Khewat # 53, Adda Array Wahain, Moza Basti Sultan, Tehsil Mailsi, District Vehari.
Tandalianwali	Khewat No. 119/119, Khatooni No. 143, Khasra 50/17, Mohallah Mumtazabad, Sammundari Road, Tandalianwali, District Faisalabad
Sultan Colony	Khewat 88, Zulfqar Abad, Sultan Colony.

pmg

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

32 FINANCIAL INSTRUMENTS

A FAIR VALUES

32.1 Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

On-balance sheet financial instruments		Carrying amount					Fair value				
		Fair value through profit and loss	Held to maturity	Loans and receivables	Available for sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
31 December 2019	Note	Rupees					Rupees				
Financial assets measured at fair value											
Investments - net of provisions	8	-	-	-	6,969,538,668	-	6,969,538,668	6,969,538,668	-	-	6,969,538,668
Financial assets not measured at fair value											
Cash and cash equivalents	27	-	-	4,737,031,876	-	-	4,737,031,876	-	-	-	-
Advances - net of provisions	9	-	-	21,374,079,265	-	-	21,374,079,265	-	-	-	-
Other assets	11 & 32.2	-	-	3,801,022,253	-	-	3,801,022,253	-	-	-	-
		-	-	29,912,133,394	-	-	29,912,133,394	-	-	-	-
Financial liabilities not measured at fair value											
Deposits and other accounts	13	-	-	-	-	23,290,259,471	23,290,259,471	-	-	-	-
Borrowings	14	-	-	-	-	6,733,331,333	6,733,331,333	-	-	-	-
Subordinated debt	15	-	-	-	-	4,599,400,000	4,599,400,000	-	-	-	-
Other liabilities	16 & 32.3	-	-	-	-	2,088,026,122	2,088,026,122	-	-	-	-
		-	-	-	-	36,711,016,926	36,711,016,926	-	-	-	-

Amv

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

On-balance sheet financial instruments		Carrying amount					Fair value				
		Fair value through profit and loss	Held to maturity	Loans and receivables	Available for sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
31 December 2018	Note	Rupees					Rupees				
Financial assets measured at fair value											
Investments - net of provisions	8	-	-		1,967,824,071	-	1,967,824,071	1,967,824,071	-	-	1,967,824,071
Financial assets not measured at fair value											
Cash and cash equivalents	27	-	-	12,484,697,832	-	-	12,484,697,832	-	-	-	-
Advances - net of provisions	9	-	-	17,019,838,156	-	-	17,019,838,156	-	-	-	-
Other assets	11 & 32.2	-	-	2,490,697,383	-	-	2,490,697,383	-	-	-	-
		-	-	31,995,233,371	-	-	31,995,233,371	-	-	-	-
Financial liabilities not measured at fair value											
Deposits and other accounts	13	-	-	-	-	20,534,770,395	20,534,770,395	-	-	-	-
Borrowings	14	-	-	-	-	6,010,000,000	6,010,000,000	-	-	-	-
Subordinated debt	15	-	-	-	-	4,599,640,000	4,599,640,000	-	-	-	-
Other liabilities	16 & 32.3	-	-	-	-	562,311,459	562,311,459	-	-	-	-
		-	-	-	-	31,706,721,854	31,706,721,854	-	-	-	-

32.2 It excludes advances taxation and inventory of ATM cards & stationery.

32.3 It excludes accrued expenses and others.

32.4 The Bank has not disclosed the fair values for these financial assets and financial liabilities because their carrying amounts are a reasonable approximation of fair value.

KMS

B FINANCIAL RISK MANAGEMENT

32.5 Interest / mark-up rate risk

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. The Bank's interest rate exposure is low due to the short-term nature of the majority of business transactions. Interest rate risk is also controlled through flexible credit pricing mechanism and variable deposit rates. Optimization of yield is achieved through the Bank's investment strategy which aims on attaining a balance between yield and liquidity under the strategic guidance of Assets and Liability Committee of Management (ALCO).

32.6 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Bank's credit risk is primarily attributable to its advances and balances at banks. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The Bank has an effective loan disbursement and recovery monitoring system which allows it to evaluate borrowers' credit worthiness and identify potential problem loans. A provision for loan losses is maintained as required by the Prudential Regulations. Investments are mainly in government securities or other securities having good credit rating. Maximum amount of financial assets which are subject to credit risk amount to Rs. 32,145 million (2018: Rs. 21,478 million).

32.7 Liquidity risk

Liquidity risk is the risk that the Bank will not be able to raise funds to meet its commitments. At present, the bank is not exposed to this risk as there is sufficient cash placed with various commercial banks at the year end.

The Assets and Liability Management Committee (ALCO) of the Bank is responsible for the oversight of liquidity management and meets on a monthly basis or more frequently, if required. The Bank's approach to liquidity management is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking sustained damage to business franchises. A centralized approach is adopted, based on an integrated framework incorporating an assessment of all material known and expected cash flows and the availability of collateral which could be used to secure additional funding if required. The framework entails careful monitoring and control of the daily liquidity position, and regular liquidity stress testing under a variety of scenarios. These encompass both normal and stressed market conditions, including general market crises and the possibility that access to markets could be impacted by a stress event affecting some part of the Bank's business.

33 CAPITAL RISK MANAGEMENT

33.1 The objective of managing capital is to safeguard the Bank's ability to continue as a going concern, so that it could continue to provide adequate returns and benefits to stakeholders by pricing products and services commensurately with the level of risk. It is the policy of the Bank to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

33.2 The Bank's objectives when managing its capital are:

- To comply with the capital requirements set by the SBP.
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders.
- To maintain a strong capital base to support the development of its business.



33.3 Statutory minimum capital requirement and management of capital

As per amendments on Prudential Regulations (R-1) issued vide BPRD Circular No. 10 of 2015 dated 3 June 2015, the minimum paid up capital requirement (MCR), free of losses for Microfinance Banks operating at national level is Rs. 1,000 million as at 31 December 2019. As of 31 December 2019, the net equity of the Bank stood at Rs. 3,051 million (2018: Rs. 2,808 million).

The capital of the Bank is managed keeping in view the minimum CAR (15%) required by the Prudential Regulations for Microfinance Banks / Institutions. The adequacy of the capital is tested with reference to the risk-weighted assets of the Bank. The calculation of capital adequacy enables the Bank to assess the long-term soundness. As the Bank conducts business on a wide area network basis, it is critical that Bank continuously monitor the exposure across the entire organization.

The Bank manages its capital structure and makes adjustments to it in light of the changes in regulatory and economic conditions. In order to maintain or adjust the capital structure, the Bank may adjust the return on capital to shareholders or issue new shares.

As at 31 December 2019, the Bank's Capital adequacy ratio (CAR) was appropriately 16.77% (2018: 19.05%) of its weighted exposure, as against the minimum requirement of 15% prescribed by SBP.

34 REMUNERATION OF PRESIDENT/CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	31 December 2019			31 December 2018		
	President / Chief Executive	Directors	Executives	President / Chief Executive	Directors	Executives
	Rupees			Rupees		
Fee	-	440,000	-	-	240,000	-
Managerial remuneration	13,297,996	-	112,432,132	5,960,592	-	73,316,127
Bonus	6,156,480	-	33,354,233	2,915,000	-	28,240,640
Gratuity fund	1,092,775	-	9,266,863	496,716	-	6,109,969
Provident fund	1,063,837	-	8,457,361	477,445	-	5,490,624
Rent and house maintenance	7,757,164	-	65,585,410	3,477,012	-	42,767,737
Utilities	1,108,166	-	9,369,345	496,716	-	6,109,678
Medical	140,962	-	5,356,566	149,581	-	3,599,625
Conveyance	900,000	18,240	21,526,839	679,250	4,460	10,609,977
Others	2,584,485	-	9,761,889	1,648,142	-	7,359,279
Total	<u>34,101,865</u>	<u>458,240</u>	<u>275,110,638</u>	<u>16,300,454</u>	<u>244,460</u>	<u>183,603,656</u>
Number of person(s)	<u>1</u>	<u>9</u>	<u>51</u>	<u>1</u>	<u>8</u>	<u>39</u>

34.1 Executive means an employee whose annual basic salary exceeds Rs. 1.20 million (2018: Rs. 1.20 million) during the year.

34.2 Bank maintained vehicles are also provided to the chief executive officer and some of the executives as per their entitlement; the net book values of which are Rs. 39.593 million (2018: Rs. 25.33 million).

34.3 No remuneration and other benefits were paid to directors of the Bank. An amount of Rs. 458,240 (2018: Rs. 244,460) was paid to the independent directors for attending the Board or sub committee meetings.

Amir

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

35 SCHEDULE OF MATURITY DISTRIBUTION OF MARKET RATE ASSETS AND LIABILITIES AT 31 DECEMBER 2019

	Total	Up to one month	Over one month up to six months	Over six months up to one year	Over one year
	Rupees				
Market rate assets					
Advances	21,374,079,265	1,260,350,530	8,906,956,430	8,246,121,994	2,960,650,311
Investments	6,969,538,668	4,229,036,668	-	2,740,502,000	-
Other earning assets					
Balances with other banks - deposit accounts	3,009,485,364	3,009,485,364	-	-	-
Total market rate assets	31,353,103,297	8,498,872,562	8,906,956,430	10,986,623,994	2,960,650,311
Other non-earning assets					
Cash in hand	618,822,600	618,822,600	-	-	-
Balances with SBP and NBP - current accounts	1,098,382,810	1,098,382,810	-	-	-
Balances with other banks - current accounts	10,341,102	10,341,102	-	-	-
Operating fixed assets	3,104,521,964	96,350,432	145,522,346	174,626,816	2,688,022,370
Other assets	3,828,677,455	1,340,525,466	1,785,322,698	652,488,040	50,341,251
Deferred tax asset	76,354,529	-	-	-	76,354,529
Total non-earning assets	8,737,100,460	3,164,422,410	1,930,845,044	827,114,856	2,814,718,150
Total assets	40,090,203,757	11,663,294,972	10,837,801,474	11,813,738,850	5,775,368,461
Market rate liabilities					
Large time deposits above Rs. 100,000	14,499,422,805	654,837,996	5,844,176,237	4,482,786,909	3,517,621,663
All other time deposits (including fixed rate deposits)	337,000,495	8,136,300	43,781,145	65,252,290	219,830,760
Other cost bearing deposits	6,071,321,337	6,071,321,337	-	-	-
Borrowings	11,332,731,333	3,250,000,000	383,453,000	383,453,000	7,315,825,333
Total market rate liabilities	32,240,475,970	9,984,295,633	6,271,410,382	4,931,492,199	11,053,277,756
Other non-cost bearing liabilities					
Deposits	2,382,514,834	2,382,514,834	-	-	-
Other liabilities	2,416,350,107	2,416,350,107	-	-	-
Total non-cost bearing liabilities	4,798,864,941	4,798,864,941	-	-	-
Total liabilities	37,039,340,911	14,783,160,574	6,271,410,382	4,931,492,199	11,053,277,756
Net assets	3,050,862,846	(3,119,865,602)	4,566,391,092	6,882,246,651	(5,277,909,295)

Handwritten signature/initials

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

SCHEDULE OF MATURITY DISTRIBUTION OF MARKET RATE ASSETS AND LIABILITIES AT 31 DECEMBER 2018

	Total	Up to one month	Over one month up to six months	Over six months up to one year	Over one year
	Rupees				
Market rate assets					
Advances	17,019,838,156	1,223,267,000	5,987,710,252	9,350,941,000	457,919,904
Investments	11,867,824,071	500,000,000	4,967,824,071	6,400,000,000	-
Other earning assets					
Balances with other banks - deposit accounts	1,112,463,718	1,112,463,718	-	-	-
Total market rate assets	30,000,125,945	2,835,730,718	10,955,534,323	15,750,941,000	457,919,904
Other non-earning assets					
Cash in hand	552,351,271	552,351,271	-	-	-
Balances with SBP and NBP - current accounts	905,035,487	905,035,487	-	-	-
Balances with other banks - current accounts	14,847,356	14,847,356	-	-	-
Operating fixed assets	754,499,905	12,098,821	70,011,863	136,222,877	536,166,344
Other assets	2,523,062,846	812,086,965	641,265,633	981,075,962	49,039,822
Deferred tax asset	41,654,400	-	-	-	41,654,400
Total non-earning assets	4,791,451,265	2,296,419,900	711,277,496	1,117,298,839	626,860,566
Total assets	34,791,577,210	5,132,150,618	11,666,811,819	16,868,239,839	1,084,780,470
Market rate liabilities					
Large time deposits above Rs. 100,000	11,857,352,556	1,242,959,998	5,494,995,108	1,999,363,510	3,120,033,940
All other time deposits (including fixed rate deposits)	386,473,235	1,450,000	34,804,000	69,369,500	280,849,735
Other cost bearing deposits	6,208,685,764	6,208,685,764	-	-	-
Borrowings	10,609,640,000	500,000,000	423,520,923	483,588,512	9,162,936,101
Total market rate liabilities	29,062,151,555	7,953,095,762	5,953,320,031	2,552,321,522	12,563,819,776
Other non-cost bearing liabilities					
Deposits	2,082,258,840	2,082,258,840	-	-	-
Other liabilities	838,664,403	838,664,403	-	-	-
Total non-cost bearing liabilities	2,920,923,243	2,920,923,243	-	-	-
Total liabilities	31,983,074,798	10,874,019,005	5,953,320,031	2,552,321,522	12,563,819,776
Net assets	2,808,502,412	(5,741,868,387)	5,713,491,788	14,315,918,317	(11,479,039,306)

Amir

36 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	Note	2019 Rupees	2018 Rupees
Parent Company			
Issue of share capital		-	1,000,000,000
Sub-ordinated Debt (Tier II)		-	4,000,000,000
Payment for disaster recovery services		-	3,025,877
Internet, connectivity, utility & rental charges		29,537,871	25,127,826
Utility Bill collected on behalf of the Parent Company		73,481,447	87,593,509
Payment in regards utility bills collected on behalf of the Parent Company		73,445,499	87,412,001
Utility Bill collection charges		370,077	362,142
Payment for administrative costs and fixed assets		223,335,980	88,413,218
Interest expense on TIER-II subordinated Debt Payment		565,433,425	-
Interest expense on deposits		4,317	4,532,164
Interest expense on PTCL employee GP fund		172,443,292	57,222,068
Advance for purchase of ICT hardware		-	92,056,672
Associated Company - Pak Telecom Mobile Limited (PTML)			
Payment for administrative costs and fixed assets		64,109,304	27,022,339
Payment against branchless banking and bills collected		237,687,068	93,831,330
Amount received against reimbursement of agent's commission		248,163,152	193,422,299
Expense incurred on behalf of PTML		-	27,450,000
Interest expense on deposits		-	-
Deposit incentive		-	-
Associated Company - Pakistan Telecommunication Employees Trust (PTET)			
Interest expense on deposits		135,468,435	43,507,741
Employees' provident fund			
Contribution to provident fund	24	28,969,891	18,117,078
Employees' gratuity fund			
Payment to gratuity fund	16.3.10	41,091,375	16,514,091
Balances			
Parent Company			
Advance for purchase of ICT hardware		-	92,056,672
Deposits	13.2	565,522,573	-
Interest payable on deposits	16.1	374	-
Payable against utility bills collected	16	35,948	181,508
Utility bills collection charges receivable	11	1,792,839	1,511,858
Employee GP fund	13.2	1,383,127,074	1,237,896,409

Handwritten signature

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

Balances	Note	2019 Rupees	2018 Rupees
Interest payable on deposits - PTCL Employees' GP Fund	16.1	7,130,217	3,564,138
Associated Company - Pakistan Telecommunication Employees Trust			
Deposits	13.2	1,050,001,647	1,024,170,892
Interest payable on deposits	16.1	39,378,995	2,794,878
Associated Company - Pak Telecom Mobile Limited			
Employees' Gratuity fund	13.2	400,088,157	475,103,715
Payable against branchless banking and bills collected	16	63,427,705	69,614,227
Payable to Pak Telecom Mobile Limited			
Interest payable on deposits	16.1	352,811	159,159
Employees' provident fund			
Deposits	13.2	125,859,943	-
Interest payable on deposits	16.1	1,272,161	-
Payable to provident fund	16	3,517,822	12,096,665
Employees' gratuity fund			
Deposits	13.2	80,010,244	38,315,583
Interest payable on deposits	16.1	541,000	260,336
Payable to gratuity fund	16.3	1,235,802	9,037,006

36.1 Following are particulars of related parties of the Bank with their respective shareholding :

Name	Basis of relationship	Share-I	Percentage of shareholding
1) Mr. Nadeem Khan	Director/Chairman	01	0.00%
2) Mr. Mohamed Essa Al Taheri	Director	01	0.00%
3) Mr. Muhammad Amir Siddiqi	Director	01	0.00%
4) Mr. Moqeen ul Haque	Director	01	0.00%
5) Mr. Javed Iqbal	Director	02	0.00%
6) Mr. Sahibzada Mansoor Ali	Director	01	0.00%
7) Mr. Muhammad Aqueel Abbas Malik	Director	01	0.00%
8) Mr. Burak Sevilengul	Director	01	0.00%
9) Mr. Kabeer Naqvi	Director/CEO	-	-
10) PTCL	Parent Company	228,571,420	99.99%

37 COMPLAINTS MANAGEMENT MECHANISM

The Bank is a customer oriented organization and gives due consideration to the valuable feedback of its customers. Complaints are treated as opportunity to align our products/services and processes to serve the customers in a best possible way. A Complaints Resolution Unit (CRU) has been established in the Bank in line with applicable regulatory requirement and Bank's own policy drive. The Unit is equipped with Complaints Management System (CMS) to record, escalate and resolve complaints received through available channels. All calls/complaints are recorded in Complaints Management System against a unique ticket number and acknowledged to the customer for tracking its resolution. Scenario based work codes are embedded in the system with the escalation matrix. Periodic reviews are also conducted and results are shared with the management for their information. Duly approved Complaints Resolution and Financial Consumer Protection Policies are in place to protect the rights and interests of the customers. During the year 24,932 (2018: 26,847) complaints were received by the Bank and were resolved with average resolution time of 45.84 hours (2018: 11.88 hours).

38 GENERAL

38.1 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.

39 DATE OF APPROVAL

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

31 JAN 2020

PRESIDENT / CHIEF EXECUTIVE

CHAIRMAN

DIRECTOR

DIRECTOR