



KPMG Taseer Hadi & Co.
Chartered Accountants

U Microfinance Bank Limited

Financial Statements

For the year ended 31 December 2020



KPMG Taseer Hadi & Co.
Chartered Accountants
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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 2020, 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 2020 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.



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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.



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- 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.



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

A handwritten signature in black ink, appearing to read 'Riaz Pesnani', followed by a horizontal line.

KPMG Taseer Hadi & Co.
Chartered Accountants
Islamabad
Dated: 25 March 2021

U MICROFINANCE BANK LIMITED
BALANCE SHEET
AS AT 31 DECEMBER 2020

	Note	2020 Rupees	2019 Rupees
ASSETS			
Cash and balances with SBP and NBP	6	3,160,116,831	1,717,205,410
Balances with other Banks/ NBFIs/ MFBs	7	1,908,209,748	3,019,826,466
Lending to financial institution	8	450,000,000	-
Investments - net of provisions	9	24,074,499,338	6,969,538,668
Advances - net of provisions	10	30,006,298,899	21,374,079,265
Operating fixed assets	11	2,917,413,581	3,104,521,964
Other assets	12	7,797,247,350	3,828,677,455
Deferred tax asset	13	399,616,598	76,354,529
Total Assets		70,713,402,345	40,090,203,757

LIABILITIES

Deposits and other accounts	14	46,104,640,853	23,290,259,471
Borrowings	15	13,274,190,642	6,733,331,333
Subordinated debt	16	2,799,160,000	4,599,400,000
Other liabilities	17	2,860,212,627	2,416,350,107
Deferred tax liabilities		-	-
Total Liabilities		65,038,204,122	37,039,340,911
Net Assets		5,675,198,223	3,050,862,846

REPRESENTED BY:

Share capital	18	3,085,714,290	2,285,714,290
Discount on issue of share capital		(25,714,290)	(25,714,290)
Advance against issue of shares	19	1,000,000,000	-
Statutory and general reserves	5.13.1	410,876,256	229,644,265
Depositors' protection fund	5.13.2	102,719,064	57,411,066
Unappropriated profit		1,099,564,241	512,586,043
		5,673,159,561	3,059,641,374
Surplus / (deficit) on revaluation of assets	20	628,774	(8,778,528)
Deferred grants	21	1,409,888	-
Total Capital		5,675,198,223	3,050,862,846

MEMORANDUM / OFF BALANCE SHEET ITEMS 22

The annexed notes from 1 to 43 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 2020

	Note	2020 Rupees	2019 Rupees
Mark-up / return / interest earned	23	10,133,879,505	7,266,317,884
Mark-up / return / interest expensed	24	(4,341,888,111)	(3,842,508,867)
Net mark-up / interest income		5,791,991,394	3,423,809,017
Provision against non-performing loans and advances	10.3	(1,578,024,398)	(809,740,000)
Provision for diminution in the value of investments		-	-
Bad debts written off directly	10.3	(1,841,681)	(28,716,236)
Net mark-up / interest income after provisions		4,212,125,315	2,585,352,781
NON MARK-UP / NON INTEREST INCOME			
Fee, commission and brokerage income	25	1,124,650,050	900,356,644
Dividend income		-	-
Other income	26	138,370,093	39,075,818
Total non-markup / non interest income		1,263,020,143	939,432,462
		5,475,145,458	3,524,785,243
NON MARK-UP / NON INTEREST EXPENSES			
Administrative expenses	27	4,265,595,760	3,206,406,891
Other provisions / write offs		-	-
Other charges	28	5,477,000	7,665,076
Total non-markup / non interest expenses		4,271,072,760	3,214,071,967
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		1,204,072,698	310,713,276
Workers' Welfare Fund (WWF)		(24,081,454)	(6,214,266)
		1,179,991,244	304,499,010
TAXATION			
Current		(549,448,880)	(81,447,841)
Prior years		(52,310,066)	(1,317,977)
Deferred		327,927,656	31,915,009
	29	(273,831,290)	(50,850,809)
PROFIT AFTER TAXATION		906,159,954	253,648,201
Unappropriated profit brought forward		512,586,043	324,888,330
Less: Other comprehensive income		7,358,233	(2,538,438)
Profit available for appropriation		1,426,104,230	575,998,093
APPROPRIATIONS:			
Transfer to:			
Statutory reserves		181,231,991	50,729,640
Capital reserve		-	-
Contribution to MSDF / DPF / RMF		45,307,998	12,682,410
Revenue reserve		-	-
Interim cash dividend Rs. 0.32 paisa per share (2019: Nil)		100,000,000	-
		326,539,989	63,412,050
UNAPPROPRIATED PROFIT CARRIED FORWARD		1,099,564,241	512,586,043
EARNINGS PER SHARE	33	3.19	1.11

The annexed notes from 1 to 43 form an integral part of these financial statements.


PRESIDENT / CHIEF EXECUTIVE


CHAIRMAN


DIRECTOR


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U MICROFINANCE BANK LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 Rupees	2019 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		1,179,991,244	304,499,010
Less: Dividend income		-	-
		<u>1,179,991,244</u>	<u>304,499,010</u>
Adjustments for non-cash charges			
Depreciation of property and equipment	11.2	359,818,212	196,292,565
Amortization of intangible assets	11.3	35,647,218	23,868,065
Depreciation of right of use asset	11.4	264,975,496	129,093,001
Provisions against non-performing advances	10.3	1,579,866,079	838,456,236
Advances written off against provision	10.3	(775,030,493)	(535,634,449)
Provision for gratuity	27	35,436,791	29,504,965
Gain on sale of fixed assets		(127,686)	(59,290)
Finance charges on leased assets	27	178,910,741	95,923,953
		<u>1,679,496,358</u>	<u>777,445,046</u>
		<u>2,859,487,602</u>	<u>1,081,944,056</u>
Increase in operating assets			
Advances		(9,437,055,220)	(4,657,062,896)
Other assets (excluding advance taxation)		(3,987,752,946)	(1,478,927,212)
Increase / (decrease) in operating liabilities			
Bills payables		5,137,705	(9,463,692)
Deposits and other accounts		22,814,381,382	2,755,489,076
Other liabilities (excluding current tax, bills payable finance lease and provision for gratuity)		<u>80,586,470</u>	<u>264,776,108</u>
		<u>9,475,297,391</u>	<u>(3,125,188,616)</u>
Net cash generated from / (used in) operations		<u>12,334,784,993</u>	<u>(2,043,244,560)</u>
Payments against provisions held against off-balance sheet obligations			
Gratuity paid	17.3.10	(34,158,605)	(41,091,375)
Income taxes paid		(89,281,448)	(77,152,128)
Net cash generated from / (used in) operating activities		<u>12,211,344,940</u>	<u>(2,161,488,063)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available for sale securities - Government securities		(10,964,485,954)	(5,012,002,278)
Net investments in term deposits receipts		(6,120,000,000)	-
Lending to financial institution		(450,000,000)	-
Investments in operating fixed assets		(433,854,252)	(1,158,253,618)
Sale proceeds of property and equipment disposed-off		10,524,928	59,290
Net cash used in investing activities		<u>(17,957,815,278)</u>	<u>(6,170,196,606)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Payments of subordinated loan		(240,000)	(240,000)
Borrowings obtained during the year		136,987,490,862	2,300,003,032
Borrowings repaid during the year		(130,446,631,553)	(1,576,671,699)
Payments of lease obligations		(362,854,268)	(139,072,620)
Dividend paid		(100,000,000)	-
Net cash generated from financing activities		<u>6,077,765,041</u>	<u>584,018,713</u>
Net increase / (decrease) in cash and cash equivalents		<u>331,294,703</u>	<u>(7,747,665,956)</u>
Cash and cash equivalents at beginning of the year		4,737,031,876	12,484,697,832
Cash and cash equivalents at end of the year	30	<u>5,068,326,579</u>	<u>4,737,031,876</u>

The annexed notes from 1 to 43 form an integral part of these financial statements

PRESIDENT / CHIEF EXECUTIVE

CHAIRMAN

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U MICROFINANCE BANK LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 Rupees	2019 Rupees
Profit for the year		906,159,954	253,648,201
Other comprehensive income for the year			
Items that will not be reclassified to profit and loss account:			
Remeasurement loss on defined benefit liability - gratuity	17.3.3	10,363,709	(3,785,206)
Related tax	13	(3,005,476)	1,246,768
		<u>7,358,233</u>	<u>(2,538,438)</u>
Comprehensive income for the year transferred to equity		913,518,187	251,109,763
Components of comprehensive income for the year not transferred to equity:			
Items that may be reclassified to profit and loss:			
Surplus / (deficit) on revaluation of available for sale investments	20	11,067,414	(10,287,681)
Related tax effect	20	(1,660,112)	1,538,352
		<u>9,407,302</u>	<u>(8,749,329)</u>
Total comprehensive income for the year		<u>922,925,489</u>	<u>242,360,434</u>

The annexed notes from 1 to 43 form an integral part of these financial statements.


PRESIDENT / CHIEF EXECUTIVE


CHAIRMAN


DIRECTOR


DIRECTOR

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1 STATUS AND NATURE OF BUSINESS

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

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

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

The credit rating company JCR-VIS assigned the long-term entity rating of the Bank at "A" and short term rating at "A-1" on 06 May 2020.

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 have 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 2020

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 ended 31 December 2020 is included in the following notes:

Note 5.12.3 and 17.3.4 – measurement of defined benefit obligations: key actuarial assumptions;

Note 5.7 and 29 – recognition of deferred tax assets and estimation of income tax provision;

Notes 5.14 and 22 – recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources;

Note 5.5 and 11 useful lives, reassessed values, residual values and depreciation method of property and equipment;

Note 5.5.3 and 11.3 useful lives, residual values and amortization method of intangible assets;

Note 5.4 and 10.2 criteria / rates for provision against non-performing advances as per the requirements of the prudential regulations;

Note 5.3 and 9 Provision for diminution in the value of investment as per the regulations issued by SBP; and

Note 5.6 and 17.2 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

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 2021:

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U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

- COVID-19-Related Rent Concessions (Amendment to IFRS 16) – the International Accounting Standards Board (the Board) has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:
 - the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
 - any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
 - there is no substantive change to the other terms and conditions of the lease.
- Interest Rate Benchmark Reform – Phase 2 which amended IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 is applicable for annual financial periods beginning on or after 1 January 2021, with earlier application permitted. The amendments introduce a practical expedient to account for modifications of financial assets or financial liabilities if a change results directly from IBOR reform and occurs on an 'economically equivalent' basis. In these cases, changes will be accounted for by updating the effective interest rate. A similar practical expedient will apply under IFRS 16 for lessees when accounting for lease modifications required by IBOR reform. The amendments also allow a series of exemptions from the regular, strict rules around hedge accounting for hedging relationships directly affected by the interest rate benchmark reforms. The amendments apply retrospectively with earlier application permitted. Hedging relationships previously discontinued solely because of changes resulting from the reform will be reinstated if certain conditions are met.
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarify what comprise the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The above amendments are not likely to have an impact on the Bank's financial statements.

- Annual Improvements to IFRS standards 2018-2020:

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022.

IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.

IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.

IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

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U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.
- 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.
- Reference to the Conceptual Framework (Amendments to IFRS 3) - Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs 21A, 21B, 21C and 23A to IFRS 3 . An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018.
- Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) - In response to concerns regarding temporary accounting mismatches and volatility, and increased costs and complexity, the Board issued amendments to IFRS 4 Insurance Contracts in 2017. The two optional solutions raised some considerations which required detailed analysis and management judgement. On the issue of IFRS 17 (Revised) Insurance Contracts in June 2020, the end date for applying the two options under the IFRS 4 amendments was extended to 1 January 2023, aligned with the effective date of IFRS 17.
- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.

5 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies as set out below have been applied consistently to all periods presented in these financial statements.



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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.



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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% (2019: 1%) of the net outstanding balance (advance net of specific provisions) in accordance with the requirement of the Regulations. The Bank also recognises general provisions in addition to the above general provisions when the circumstances indicate delinquency in the portfolio.

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

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

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



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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 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

The Bank recognizes right-of-use assets at the lease commencement date. Right-of-use assets are initially measured at cost, which comprises the initial amount of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. 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 to use assets is subsequently depreciated using the straight line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Bank by the end of lease term or the cost of the right of use asset reflect that the Bank will exercise a purchase option. In that case the right of use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurement of lease liability.

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. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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.

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5.6 Lease liability

At the commencement date of the lease, the Bank recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating a lease, if the lease term reflects the Bank exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

Short-term leases

The Bank applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

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.

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.

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5.7.3 Group taxation

The Bank is taxed as a one fiscal unit along with the 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 Company, 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.

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.

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

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

Financial Assets

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

Financial Liabilities

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

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

Derivative financial instruments

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

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.



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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.

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.

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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:

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.

5.17 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.

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5.18 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.

5.19 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.

5.20 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.

5.21 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.

5.22 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.

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		2020 Rupees	2019 Rupees
6 CASH AND BALANCES WITH SBP AND NBP	Note		
Cash in hand - Local currency		920,790,506	618,822,600
<i>Local currency current accounts</i>			
Balances with State Bank of Pakistan (SBP)	6.1	2,238,550,139	1,097,601,624
Balances with National Bank of Pakistan (NBP)		776,186	781,186
		<u>3,160,116,831</u>	<u>1,717,205,410</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% (2019: 5%) of the Bank's time and demand deposits liabilities with tenure of less than one year. This also includes Rs. 102,719,064 (2019: Rs. 57,411,066) maintained with SBP under Depositors' Protection Fund.			
7 BALANCES WITH OTHER BANKS/ NBFIs/ MFBs	Note		
In Pakistan - Local currency			
Current accounts	7.1	11,702,453	10,341,102
Deposit accounts	7.2	1,896,507,295	909,485,364
Term deposit receipts		-	2,100,000,000
		<u>1,908,209,748</u>	<u>3,019,826,466</u>
7.1 This includes Rs. 10,200,000 (2019: Rs. 9,600,000) held as deposit under lien in respect of standby letter of guarantee issued to China Union Pay International.			
7.2 Deposit accounts carried interest at rates ranging from 5.50% to 8.25% (2019: 5.25% to 14.19%) per annum.			
8 LENDING TO FINANCIAL INSTITUTIONS			
Repurchase agreement Lending (Reverse repo)		<u>450,000,000</u>	<u>-</u>
8.1 This represent reverse repo carrying interest rate of 6.10% per annum with the maturity date of 04 Jan 2021 (2019: Nil).			
8.1.1 Securities held as collateral against lending to financial institutions reverse repo are market treasury bills amounting to Rs. 450 million.			
9 INVESTMENTS - NET OF PROVISIONS	Note		
Federal Government Securities			
<i>Available for sale</i>			
Market Treasury Bills (T-Bills)	9.1	10,352,699,370	6,979,866,348
Pakistan Investment Bonds (PIBs)	9.2	7,601,060,234	-
Unrealised loss on revaluation of investments	9.4	739,734	(10,327,680)
		<u>17,954,499,338</u>	<u>6,969,538,668</u>
<i>Held to maturity</i>			
Term deposit receipts	9.3	6,120,000,000	-
		<u>24,074,499,338</u>	<u>6,969,538,668</u>
Less: Provision for diminution in value of investments		-	-
		<u>24,074,499,338</u>	<u>6,969,538,668</u>
9.1 This represents market treasury bills with maturities ranging from 42 to 84 days (2019: 16 to 310 days) carrying interest at the rate ranging from 7.10% to 7.14% (2019: 13.10% to 13.42%) per annum.			
9.2 This represents Pakistan Investment Bonds carrying interest at the rate ranging from 8.12% to 9.06% (2019: Nil) per annum payable on semi annually basis maturing within two to four years.			
9.3 Term Deposit Receipts (TDR) carries markup at rate ranging between 8.50% to 12% (2019: 14.50%) per annum with maturities upto 1 year.			
9.4 Revaluation of available for sale securities - net of deferred tax			
Market Treasury Bills (T-Bills)		648,500	(10,327,680)
Pakistan Investment Bonds (PIBs)		91,234	-
		739,734	-
Related deferred tax effect		(110,960)	1,549,152
		<u>628,774</u>	<u>(8,778,528)</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.

UN

U MICROFINANCE BANK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital	Advance against issue of shares	Discount on issue of share capital	Capital reserves Statutory reserve	Depositors' protection fund	Revenue reserve Unappropriated profit	Total
	Rupees						
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)	-
Transactions with owners, recorded directly in equity							
Contributions and distributions							
Interim cash dividend	-	-	-	-	-	-	-
Issue of ordinary shares	-	-	-	-	-	-	-
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
Profit for the year	-	-	-	-	-	906,159,954	906,159,954
Other comprehensive income	-	-	-	-	-	7,358,233	7,358,233
Total comprehensive income	-	-	-	-	-	913,518,187	913,518,187
Transfer to:							
Statutory reserve	-	-	-	181,231,991	-	(181,231,991)	-
Depositors' Protection Fund	-	-	-	-	45,307,998	(45,307,998)	-
Transactions with owners, recorded directly in equity							
Contributions and distributions							
Interim cash dividend Rs. 0.32 paisa per share	-	-	-	-	-	(100,000,000)	(100,000,000)
Conversion of subordinated debt as advance against issue of preference shares	-	1,000,000,000	-	-	-	-	1,000,000,000
Issue of ordinary shares	800,000,000	-	-	-	-	-	800,000,000
Balance at 31 December 2020	3,085,714,290	1,000,000,000	(25,714,290)	410,876,256	102,719,064	1,099,564,241	5,673,159,561

The annexed notes from 1 to 43 form an integral part of these financial statements.

PRESIDENT / CHIEF EXECUTIVE

CHAIRMAN

DIRECTOR

DIRECTOR

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

10 ADVANCES - NET OF PROVISIONS

Loan type	Note	2020		2019	
		Number	Rupees	Number	Rupees
Micro credit					
Secured		86,949	14,648,994,902	51,414	5,660,089,977
Unsecured		259,309	16,670,366,873	262,650	16,222,216,578
		346,258	31,319,361,775	314,064	21,882,306,555
Less: Provision held					
Specific		516	(7,247,107)	15,141	(353,264,391)
General	10.1		(1,305,815,769)		(154,962,899)
	10.3		(1,313,062,876)		(508,227,290)
Advances - net of provisions			30,006,298,899		21,374,079,265

- 10.1 General provision is maintained at the rate of 1% (2019: 1%) of unsecured micro credit balance net of specific provision amounting to Rs. 7.247 million (2019: Rs. 353.264 million), risk coverage by SBP under credit guarantee scheme for small and rural enterprises (CGS) is Rs. Nil (2019: Rs. 50 million) and credit guarantee for small and marginalized farmers (CGSMF) amounting Rs. 520 million (2019: Rs. 322 million), respectively, in accordance with the Regulations.

In view of the COVID 19, management expect that certain degree of customers would be impacted, however, it is difficult to estimate potential effect on advances portfolio with any degree of certainty. However, an additional general provision of Rs. 1,144 million, as of 31 December 2020 is recognized in the financial statements based on management's assessment of asset quality and credit risk.

10.2 Particulars of non-performing advances

Category of classification	Provision rate	2020			2019		
		Amount outstanding	Provision required	Provision held	Amount outstanding	Provision required	Provision held
		Rupees					
Other Assets Especially Mentioned (OAEM)	-	15,371,672	-	-	291,695,211	-	-
Sub-standard	25%	9,018,144	2,022,961	2,022,961	172,226,413	43,020,028	43,020,028
Doubtful	50%	8,464,804	3,174,302	3,174,302	246,460,972	123,008,806	123,008,806
Loss	100%	3,016,744	2,049,844	2,049,844	187,452,157	187,235,557	187,235,557
Total		35,871,364	7,247,107	7,247,107	897,834,753	353,264,391	353,264,391

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

10.3	Particulars of provisions against non-performing advances	Note	2020			2019		
			Specific	General Rupees	Total	Specific	General Rupees	Total
	Opening balance		353,264,391	154,962,899	508,227,290	72,258,960	133,146,543	205,405,503
	Charge for the year	10.3.1	429,013,209	1,150,852,870	1,579,866,079	816,639,880	21,816,356	838,456,236
	Advances written off	10.4	(775,030,493)	-	(775,030,493)	(535,634,449)	-	(535,634,449)
	Reversals		-	-	-	-	-	-
	Closing balance		7,247,107	1,305,815,769	1,313,062,876	353,264,391	154,962,899	508,227,290

10.3.1 This includes Rs. 1.84 million (2019: Rs. 28.7 million) directly charged to profit and loss account.

10.4	Particulars of advances written off	2020 Rupees	2019 Rupees
	Against provision	(773,188,812)	(506,918,213)
	Directly charged to profit and loss account	(1,841,681)	(28,716,236)
		<u>(775,030,493)</u>	<u>(535,634,449)</u>

10.5 The coronavirus (COVID-19) has been evolving as a strain to the global economy including that of Pakistan. Therefore, to dampen the adverse effects of COVID-19 and to enable the Microfinance Banks continue to fulfill their role in funding the real economy. In order to facilitate Microfinance Banks ("MFBs") due to COVID-19, SBP issued AC&MFD Circular Letter No. 1 of 2020 dated 26 March 2020 regarding "Regulatory relief to dampen the effects of COVID-19". This circular allowed certain relaxations to MFBs. In accordance with this circular, MFBs, upon written request from borrower received before 30 June 2020, could defer repayment of principal for one year provided borrower continues to service the markup amount in accordance with agreed terms. The said circular also clarified that the above-mentioned deferment does not affect the credit history of the borrower and is not to be reported as restructuring in ECIB. Further, the financing facilities of such borrowers, who are unable to service the mark-up amount or need deferment exceeding one year, may be rescheduled / restructured upon their request. If the rescheduling / restructuring is done within 90 days of the loans being overdue, such facilities could continue to be treated as regular and reported in the ECIB accordingly. MFBs could not classify as NPL the financing facilities of such borrowers who had requested for deferment unless the payment obligations were past due by 90 days. The aforesaid treatment was available for loans which were regular on / or after 15 February 2020 and became non-performing subsequently.

In continuation to the aforementioned letter, the SBP vide its letter AC&MFD Circular Letter No. 4 of 2020 dated 07 July 2020 further extended the date of submission of rescheduling request to 30 September 2020 provided borrower continue to service the mark-up amount as per agreed terms and conditions. In order to enable MFBs in extending further relief measures to the affected borrowers, on 10 August 2020, SBP vide its letter AC&MFD Circular Letter No. 7 of 2020 wherein the treatment prescribed vide aforesaid circular letters was now available for loans which were regular on 31 December 2019 (previously this was 15 February 2020). Each NPL category was extended by 2 months for borrowers who could not avail relief under the scheme. Accordingly, pursuant to the regulatory relief given by SBP to dampen the effects of COVID-19, the Bank has restructured / deferred 142,181 loans amounting to Rs. 8,499 million (2019: Nil).

11	OPERATING FIXED ASSETS	2020 Rupees	2019 Rupees
	Capital work-in-progress	11.1 75,560,939	67,245,962
	Property and equipment	11.2 1,435,956,474	1,471,195,603
	Intangible assets	11.3 201,790,196	136,738,568
	Right of use asset (ROU)	11.4 1,204,105,972	1,429,341,831
		<u>2,917,413,581</u>	<u>3,104,521,964</u>

11.1 Capital work-in-progress

Breakup of capital work in progress at the reporting date is as follows:

Advances to suppliers / contractors	11.1.1 27,926,998	29,663,568
Office improvements	47,633,941	37,582,394
	<u>75,560,939</u>	<u>67,245,962</u>

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

11.2 Property and equipment

Property and equipment											
2020										Book value at 31 December 2020	Rates of depreciation % (per annum)
Cost				At 31 December 2020	Depreciation						
At 01 January 2020	Additions	Disposals	Transfers		At 01 January 2020	Charge for the year	Disposals / Transfers	At 31 December 2020			
Rupees											
<i>Owned</i>											
Furniture and fixture	188,359,184	17,413,324	(4,463)	-	205,768,045	41,799,387	20,830,176	(2,566)	62,626,997	143,141,048	10.00%
Computer equipments	200,257,510	104,982,182	(387,456)	78,926,692	383,778,928	139,307,999	75,840,552	(387,456)	214,761,095	169,017,833	33.33%
Electrical equipment	1,105,358,505	202,536,886	-	(113,579,269)	1,194,316,122	209,931,259	213,705,460	-	423,636,719	770,679,403	20.00%
Vehicles	31,597,740	-	-	-	31,597,740	21,525,721	4,504,712	-	26,030,433	5,567,307	20.00%
Office improvement	454,119,198	34,560,614	(444,770)	-	488,235,042	95,932,168	44,937,312	(185,321)	140,684,159	347,550,883	10.00%
	1,979,692,137	359,493,006	(836,689)	(34,652,577)	2,303,695,877	508,496,534	359,818,212	(575,343)	867,739,403	1,435,956,474	
2019											
Cost				At 31 December 2019	Depreciation				Book value at 31 December 2019	Rates of depreciation % (per annum)	
At 01 January 2019	Additions	Disposals	Transfers		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%
	917,926,422	1,109,504,618	1,185,875	46,553,028	1,979,692,137	322,339,800	196,292,565	10,135,831	508,496,534	1,471,195,603	

11.2.1 Cost of fully depreciated property and equipment that are still in use is Rs. 224,808,337 (2019: Rs. 198,483,015).

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

11.3 Intangible assets

	2020								Book value at 31 December 2020	Rates of amortization % (per annum)
	Cost				Amortization					
	At 01 January 2020	Additions	Transfers	At 31 December 2020	At 01 January 2020	Charge for the year	Transfers	At 31 December 2020		
	Rupees									
Computer softwares	217,484,528	66,046,269	34,652,577	318,183,374	80,745,960	35,647,218	-	116,393,178	201,790,196	10.00%
Licenses	12,394,739	-	-	12,394,739	12,394,739	-	-	12,394,739	-	20.00%
Mail server	78,378	-	-	78,378	78,378	-	-	78,378	-	33.33%
	<u>229,957,645</u>	<u>66,046,269</u>	<u>34,652,577</u>	<u>330,656,491</u>	<u>93,219,077</u>	<u>35,647,218</u>	<u>-</u>	<u>128,866,295</u>	<u>201,790,196</u>	
	2019									
	Cost				Amortization				Book value at 31 December 2019	Rates of amortization % (per annum)
	At 01 January 2019	Additions	Transfers	At 31 December 2019	At 01 January 2019	Charge for the year	Transfers	At 31 December 2019		
	At 01 January 2019	Additions	Transfers	At 31 December 2019	At 01 January 2019	Charge for the year	Transfers	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>-</u>	<u>229,957,645</u>	<u>69,351,012</u>	<u>23,868,065</u>	<u>-</u>	<u>93,219,077</u>	<u>136,738,568</u>	

11.3.1 This includes operating system and microsoft office licenses. The average remaining life of the computer softwares is 04 years (2019: 05 years).

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

11.4	Right of use asset	Note	2020 Rupees	2019 Rupees
	Present value of the future lease payments		1,429,341,831	1,422,786,367
	Pre-payments reclassified as right of use assets		-	167,698,913
			1,429,341,831	1,590,485,280
	Balance at start of the year		1,429,341,831	1,590,485,280
	Transfer from property and equipment		-	37,603,072
	Additions		50,023,228	-
	Disposals	11.4.1	(10,283,591)	-
	Modification of lease		-	(69,653,520)
	Depreciation	27	(264,975,496)	(129,093,001)
	Balance at end of the year		1,204,105,972	1,429,341,831

11.4.1 During the year, the Bank sold leased vehicles to various employees with book value in excess of Rs. 500,000 with original cost amounting to Rs. 14,670,364 and accumulated depreciation amounting to Rs. 4,368,773 for Rs. 10,376,878 resulting in gain of Rs. 93,287 as per policy.

12	OTHER ASSETS	Note	2020 Rupees	2019 Rupees
	Income / mark-up accrued	12.1	6,724,115,659	3,016,072,476
	Advances, deposits and other prepayments		208,483,161	152,669,104
	Advance tax - net		-	19,183,051
	Receivable from I-Link		181,726,809	-
	Inventory of ATM cards and stationery		18,285,049	8,472,151
	Advance to employees	12.2	92,403,524	38,280,632
	Receivable from SBP against crop and livestock insurance	12.3	476,990,966	497,710,786
	Insurance claims receivable		75,370,102	78,298,383
	Receivable from staff retirement benefit - gratuity	17.3	7,849,721	-
	Receivable from defined contribution plan - provident fund		1,391,950	-
	Others		10,630,409	17,990,872
			7,797,247,350	3,828,677,455

12.1 This is net of markup suspended amounting to Rs. 769 million (2019: Rs. 634 million) on non-performing loans of the Bank.

12.2 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.

12.3 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.

13	DEFERRED TAX ASSET		2020 Rupees	2019 Rupees
	Deductable temporary differences arising in respect of			
	Provision against advances		380,788,234	147,385,914
	Deficit on revaluation of available for sale securities		-	1,549,152
	Remeasurement of employees' retirement benefits		253,586	3,259,061
	Lease finance facilities		50,994,492	34,200,832
			432,036,312	186,394,959
	Taxable temporary differences arising in respect of			
	Accelerated tax depreciation / amortization allowance		(24,254,668)	(97,299,842)
	Gain on revaluation of available for sale securities		(110,960)	-
	Treasury bills		(8,054,086)	(12,740,588)
			399,616,598	76,354,529

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U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Net balance at 01 January 2020	Recognised in		Net balance at 31 December 2020
		Profit and loss account	Other comprehensive income	
		Rupees		
2020				
Taxable temporary differences				
Operating fixed assets	(97,299,842)	73,045,174	-	(24,254,668)
Treasury Bills	(12,740,588)	4,686,502	-	(8,054,086)
Deductible temporary differences				
Provision for advances	147,385,914	233,402,320	-	380,788,234
Employee retirement benefit - gratuity	3,259,061	-	(3,005,475)	253,586
Surplus / (deficit) on revaluation of assets	1,549,152	-	(1,660,112)	(110,960)
Leases	34,200,832	16,793,660	-	50,994,492
	186,394,959	250,195,980	(4,665,587)	431,925,352
	76,354,529	327,927,656	(4,665,587)	399,616,598

	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
	41,654,400	31,915,009	2,785,120	76,354,529

	2020		2019	
	Number of accounts	Amount Rupees	Number of accounts	Amount Rupees
14 DEPOSITS AND OTHER ACCOUNTS				
Fixed deposits	2,282	26,357,673,331	2,678	14,836,423,300
Saving deposits	14,785	16,802,040,082	12,652	6,071,321,337
Current deposits	1,461,867	2,944,927,440	824,179	2,382,514,834
	1,478,934	46,104,640,853	839,509	23,290,259,471
14.1 Particulars of deposits by ownership				
Individual depositors	1,478,758	19,448,644,288	839,202	10,002,151,272
Institutional depositors				
Corporation/ firms etc.	105	11,988,551,046	219	7,125,705,811
Banks / financial institutions	71	14,667,445,519	88	6,162,402,388
Total	1,478,934	46,104,640,853	839,509	23,290,259,471

14.2 This includes deposits amounting to Rs. 5,572 million (2019: Rs. 3,605 million) from related parties.

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U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

15	BORROWINGS	Note	2020 Rupees	2019 Rupees
	Borrowings from Banks / Financial Institutions in Pakistan:			
	<i>Secured</i>			
	Allied Bank Limited	15.1	249,999,998	750,000,000
	Faysal Bank Limited	15.2	500,000,000	833,333,333
	Allied Bank Limited - II	15.3	2,666,666,667	2,000,000,000
	National bank of Pakistan - Running Finance	15.4	500,000,000	500,000,000
	Faysal Bank Limited - II	15.5	666,665,334	999,998,000
	Bank of Punjab	15.6	50,000,000	150,000,000
	State Bank of Pakistan	15.7	1,500,000,000	1,500,000,000
	Repo Borrowing	15.8	6,154,540,000	-
	Loan ABL-RF	15.9	500,000,000	-
	Bank Al Falah (Cash Management)	15.10	486,318,643	-
			<u>13,274,190,642</u>	<u>6,733,331,333</u>
15.1	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% (2019: 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.			
15.2	This represent term finance loan of Rs. 1 billion carrying markup of 6-months KIBOR plus 1% (2019: 6-Months KIBOR plus 1%) per annum payable semi-annually. The loan is secured against first pari passu charge on book debts, advances and receivable of the Bank with 25% margin and Microfinance Credit Guarantee Facility from State Bank of Pakistan at 25%. This loan is repayable in 6 equal semi-annual instalments of Rs. 166.67 million each. Repayments have started from August 2019.			
15.3	This represents term finance facility under syndicate financing through Allied Bank Limited of Rs. 4 billion carrying markup of 6-months KIBOR plus 0.95% (2019: 6-Months KIBOR plus 0.95%) per annum payable semi-annually in arrears. This is secured against first pari passu charge over all present and future assets excluding land and building of the Bank but not limited to advances and investments beyond CRR and SLR requirements of the Bank with 25% margin. Disbursement was initially made against a ranking charge which was upgraded to 1st pari passu with in 120 days of first disbursement. This loan is repayable in 06 equal semi-annual instalments with the first principal repayment falling due on eighteenth (18th) month from the first disbursement date. The loan was drawn on 31 December 2018.			
15.4	This represents utilized amount of running finance facility through National Bank of Pakistan Limited of Rs. 500 million carrying markup of 3-months KIBOR plus 0.75% per annum (2019: 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.			
15.5	This represent term finance loan of Rs. 1 Billion carrying markup of 6-months KIBOR plus 0.75% per annum (2019: 6-Months KIBOR plus 0.75% per annum). This is secured against first pari passu charge on book debts, advances and receivables of the Bank for Rs. 1,333 million (25% margin). Initial disbursement on ranking charge was upgraded to first pari passu from 21 December 2018. This loan is repayable in 6 semi-annual instalments of Rs. 166.66 million each after grace period of 01 year with the notional principle of Rs. 1,000 within first two semi-annual mark-up payments.			
15.6	This represents utilised amount of term finance loan of Rs. 200 million carrying markup of 6-months KIBOR plus 0.85% per annum (2019: 6-months KIBOR plus 0.85%). This is secured against first pari passu charge on book debts, advances and receivables of the Bank for Rs. 266.67 million (25% margin). This loan is repayable in 4 semi-annual instalments of Rs. 50 million each after grace period of 06 months. The loan was disbursed on 12 March 2019.			
15.7	This represent term finance loan of Rs. 1,500 million carrying markup of 6-months KIBOR minus 100 bps (2019: 6 Months KIBOR minus 100 bps) for the tenor of five years. Markup amount is payable on every half year end i.e 30 June and 31 Decemeber, while payment of principle will be made in the last four quarters of the loan period or in bullet form. The loan is provided against the following target set by the SBP:			
	-the loan should be disbursed to 60% female borrowers			
	-the Bank should disburse 25,000 loans; and			
	-all loans disbursed should meet the E&S guideline issued by SBP.			

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



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- 15.8 This represent Repo Borrowing from:
Muslim Commercial Bank at the rate of 7.10% amounting to Rs. 986.6 million with maturity date of 04 January 2021.
Silk Bank Limited at the rate of 7.65% amounting to Rs. 1.97 billion with maturity date of 04 January 2021.
National Bank of Pakistan at the rate of 7.10% amounting to Rs. 500 million with maturity date of 04 January 2021.
Allied Bank Limited at the rate of 7.10% amounting to Rs. 1 billion with maturity date of 04 January 2021.
JS Bank Limited at the rate of 7.15% amounting to Rs. 500 million with maturity date of 04 January 2021.
Bank of Punjab at the rate of 7.25% amounting to Rs. 1.2 billion with maturity date of 04 January 2021.

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

- 15.10 This represent running finance facility amounting to Rs. 486 million at the rate of 3 months KIBOR + 0.50% per annum to be paid on quarterly basis. Markup will be calculated on the basis of actual number of days elapsed in the year.

16	SUBORDINATED DEBT	Note	2020 Rupees	2019 Rupees
	Term Finance Certificates	16.1	599,160,000	599,400,000
	Subordinated loan from PTCL	16.2	2,200,000,000	4,000,000,000
			<u>2,799,160,000</u>	<u>4,599,400,000</u>

- 16.1 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% (2019: 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.

- 16.2 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% (2019: 3 Month KIBOR + 2%) per annum. The loan is availed as TIER-II subordinated debt for inclusion in the Bank's Supplementary Capital. Loan is structured to redeem in four equal semi-annual instalments starting from June 2024. The debt is unsecured, subordinated as to the payment of principle and profit to all other indebtedness of the Bank, including deposit and it is not redeemable before maturity without prior approval of the SBP. During the year, the Bank issued 80 million shares by way of other than right shares under section 83(1)b of the Companies Act, 2017 at par value of Rs. 10 per share to Pakistan Telecommunication Company Limited (PTCL) by conversion of Tier-II Unsecured & subordinated debt into common shares amounting to Rs. 800 million. Further, the Bank and Parent Company PTCL entered into an agreement for the conversion of its Tier II subordinated debt amounting to Rs. 1 billion into preference shares subject to regulatory approvals. On 30 December 2020 State Bank of Pakistan via letter no. BPRD/BA&CP/671/014787/2020 granted approval for the said conversion subject to certain conditions. The Bank shall furnish compliance with the conditions for final approval by 31 May 2021.

17	OTHER LIABILITIES	Note	2020 Rupees	2019 Rupees
	Mark-up / return / interest payable	17.1	604,640,989	491,831,224
	Accrued expenses		292,234,939	301,681,149
	Payable to utility companies for utility bills collection		-	11,512,274
	Taxes payable		461,547,577	-
	Payable to Pakistan Telecommunication Company Limited, the Parent Company		31,746,869	-
	Payable to Pak Telecom Mobile Limited (PTML), an associated company		47,034,661	63,427,705
	Uncollected remittances		58,794,815	62,260,334
	Lease liability	17.2	1,212,010,930	1,350,956,711
	Payable to staff retirement benefit - gratuity	17.3	-	1,235,802
	Payable to defined contribution plan - provident fund	17.4	-	3,517,822
	Bills payable		75,971,909	70,834,204
	Others		19,698,438	26,642,836
	Workers' Welfare Fund		56,531,500	32,450,046
			<u>2,860,212,627</u>	<u>2,416,350,107</u>

- 17.1 This includes amount of Rs. 225 million (2019: Rs. 191 million) payable to related parties on account of markup for the month of December 2020. For details of balances please refer to note 38 to these financial statements.

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17.2	Lease liability	Note	2020 Rupees	2019 Rupees
	Lease liability - right of use assets	17.2.1	1,155,434,087	1,320,784,590
	Lease liabilities - right of use assets - vehicles	17.2.2	56,576,843	30,172,121
			<u>1,212,010,930</u>	<u>1,350,956,711</u>

17.2.1 Lease liability - right of use assets

Contractual maturity of remaining lease commitments

Within one year	325,095,559	307,300,514
Between 2 and 5 years	1,465,495,481	1,536,453,350
After 5 years	496,665,163	783,308,800
Total un-discounted lease commitments	<u>2,287,256,203</u>	<u>2,627,062,664</u>
Discounted lease liability using the incremental borrowing rate as at 31 December 2020	<u>1,155,434,087</u>	<u>1,320,784,590</u>

17.2.2 Lease liabilities - right of use assets - vehicles

2020

	Present value of minimum lease payments	Interest cost for future periods	Future minimum lease payments
Not later than one year	13,136,100	4,489,140	17,625,240
Later than one year and not later than five years	43,440,743	12,854,567	56,295,310
	<u>56,576,843</u>	<u>17,343,707</u>	<u>73,920,550</u>

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>

17.2.2.1 The Bank has leased vehicles from commercial banks with lease term of five years. These carry finance charge at six month KIBOR plus 1% (2019: 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.

17.3	Movement in the liability recognised in the balance sheet	2020 Rupees	2019 Rupees
	Present value of defined benefit obligation	107,091,392	81,787,046
	Fair value of plan assets	(114,941,113)	(80,551,244)
	Net defined benefit (asset) / liability	<u>(7,849,721)</u>	<u>1,235,802</u>

17.3.1 Net defined benefit liability - gratuity

The Bank operates an unfunded gratuity scheme for its eligible employees.

Movement in net defined benefit liability - gratuity

Balance at 01 January	81,787,046	47,612,926
Charge for the year	47,012,418	37,492,916
Experience adjustments on defined benefit liability	(11,657,016)	4,333
Benefits paid	(10,051,056)	(3,323,129)
Balance at 31 December	<u>107,091,392</u>	<u>81,787,046</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)
2020			
Balance at 01 January	81,787,046	(80,551,244)	1,235,802
Charge for the year	47,012,418	-	47,012,418
Experience adjustments on defined benefit liability	(11,657,016)	1,293,307	(10,363,709)
Benefits paid	(10,051,056)	10,051,056	-
Expected return on plan assets	-	(11,575,627)	(11,575,627)
Contributions to gratuity fund	-	(34,158,605)	(34,158,605)
Balance at 31 December	<u>107,091,392</u>	<u>(114,941,113)</u>	<u>(7,849,721)</u>

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	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>
		2020	2019
17.3.2 Charge to profit and loss account net of return on plan assets		Rupees	Rupees
Charge for the year		47,012,418	37,492,916
Expected return on assets		(11,575,627)	(7,987,951)
Cost for the year		<u>35,436,791</u>	<u>29,504,965</u>
17.3.2.1 Expense is recognized in the following line items in profit and loss account			
Administrative expenses		<u>35,436,791</u>	<u>29,504,965</u>
17.3.3 Charge / (credit) to other comprehensive income			
Actuarial (gain) / loss on obligations		(11,657,016)	3,780,873
Actuarial loss on assets		<u>1,293,307</u>	<u>4,333</u>
		<u>(10,363,709)</u>	<u>3,785,206</u>
17.3.4 Key actuarial assumptions			
The latest actuarial valuation was carried out on 31 December 2020 using projected unit credit method with the following assumptions:			
		2020	2019
Valuation discount rate		10.50%	12.50%
Discount rate used for interest cost in profit and loss account		12.50%	14.00%
Salary growth rate		9.50%	11.50%
Date of next expected salary increase		01 January 2021	01 January 2020
Mortality rate		SLIC 2001-2005	Adjusted SLIC 2001-2005
Expected return on plan assets		10.50%	12.50%
Duration (years)		17.18	17.10
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).

17.3.5 Sensitivity analysis

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

	2020 Increase Rupees	2020 Decrease Rupees	2019 Increase Rupees	2019 Decrease Rupees
Discount rate	<u>88,792,140</u>	<u>124,861,283</u>	<u>67,243,020</u>	<u>94,415,373</u>
Salary increase rate	<u>125,430,130</u>	<u>88,118,230</u>	<u>94,837,816</u>	<u>66,743,079</u>

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17.3.5.1 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.

17.3.6 The Bank's expected charge for defined benefit liability - gratuity for the next year is Rs. 34.03 million.

17.3.7 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.

- 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.

17.3.8 Expected maturity profile

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

	2020 Rupees	2019 Rupees
Year 1	1,936,608	1,392,558
Year 2	2,017,575	1,663,456
Year 3	2,002,151	1,682,545
Year 4	2,001,119	1,707,234
Year 5	2,295,101	1,745,122
Year 6 to Year 10	12,693,090	14,720,486
Year 11 and beyond	837,270,203	1,025,984,160

	Present value of defined benefit liability Rupees	Net (asset) / liability at the reporting date Rupees
17.3.9 Historical information		
2020	107,091,392	(7,849,721)
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

17.3.10 Fair value of plan assets

Total assets of fund - opening	80,551,244	38,575,920
Expected return on plan assets	11,575,627	7,987,951
Contributions to gratuity fund	34,158,605	39,711,339
Benefits paid on behalf of fund	-	1,380,036
Benefits paid	(10,051,056)	(3,323,129)
Actuarial loss on plan assets	(1,293,307)	(3,780,873)
Total assets of fund - closing	<u>114,941,113</u>	<u>80,551,244</u>

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	2020 Rupees	2019 Rupees
17.4 Employees provident fund		
Size of the fund	172,049,535	125,859,944
Cost of investments held	172,049,535	125,859,944
Percentage of investments held	100%	100%
Fair value of investments	172,049,535	125,859,944

Investments represent balances held with bank carrying interest at rates ranging from of 4.5% to 12% (2019: 6.5% to 12%) 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.

18 SHARE CAPITAL

18.1 Authorized capital

2020 Number	2019 Number		2020 Rupees	2019 Rupees
800,000,000	800,000,000	Ordinary shares of Rs. 10 each	8,000,000,000	8,000,000,000

18.2 Issued, subscribed and paid-up capital

2020 Number	2019 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
80,000,000	-	Fully paid ordinary shares of Rs. 10 each in cash issued as other than right shares at par	800,000,000	-
308,571,429	228,571,429		3,085,714,290	2,285,714,290

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

18.4 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.

18.5 This represents Tier II subordinated debt reclassified as advance against issue of preference shares, pursuant to the approval of shareholders of the Bank in their Extra Ordinary General Meeting held on 28 October 2020. These preference shares will be convertible into fixed number of ordinary shares of the Bank after five years from issuance date at discretion of the Bank subject to the prior approval of SBP. These do not carry voting rights and are entitled to dividend as per discretion of the Bank.

On 30 December 2020 State Bank of Pakistan via letter no. BPRD/BA&CP/671/014787/2020 allowed the Bank in principal to convert Tier II subordinated debt amounting to Rs. 1 billion into preference shares subject to certain conditions. The Bank is required to furnish compliance with the conditions for final approval by 31 May 2021. Approval of Securities and Exchange Commission of Pakistan (SECP) is pending in this regard.

19 ADVANCE AGAINST ISSUE OF SHARES

This represents conversion of Tier II subordinated debt amounting to Rs. 1 billion into preference shares subject to regulatory approvals. On 30 December 2020 State Bank of Pakistan via letter no. BPRD/BA&CP/671/014787/2020 granted approval for the said conversion subject to certain conditions. The Bank shall furnish compliance with the conditions for final approval by 31 May 2021. Approval of Securities and Exchange Commission of Pakistan (SECP) is pending in this regard.

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		2020 Rupees	2019 Rupees
20	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)	648,500	(10,327,680)
	Pakistan Investment Bonds (PIBs)	91,234	-
	Related deferred tax effect	(110,960)	1,549,152
		<u>628,774</u>	<u>(8,778,528)</u>
21	DEFERED GRANT		
	Received during the year	21.1 1,652,017	-
	Accumulated amortization		
	At the beginning of the year	-	-
	Amortization for the year	(242,129)	-
	At the end of the year	1,409,888	-
		<u>1,409,888</u>	<u>-</u>
21.1	This represent grant received under the agreement for Digital Financial Inclusion experiment with Karandaaz to test the ideas, products, services, incentives and structures that will accelerate the uptake of digital financial services to excluded and undeserved segments, especially rural women.		
22	MEMORANDUM / OFF BALANCE SHEET ITEMS		
22.1	Contingencies		
	There are no material contingencies as at 31 December 2020 (2019: Nil).		
22.2	Commitments		
	Standby letter of guarantee	22.3 10,200,000	9,600,000
	Property and equipment	13,851,935	78,008,400
	Intangible assets	1,495,500	1,162,500
		<u>25,547,435</u>	<u>88,770,900</u>
22.3	This represents letter of guarantee issued on behalf of the Bank to China Union Pay International Company Limited for interbank settlements.		
23	MARK-UP / RETURN / INTEREST EARNED		
	Mark-up / return / interest on advances	9,066,483,022	5,872,629,749
	Interest on investments in government securities	489,692,250	301,360,254
	Interest on deposit accounts / TDRs with other banks / financial institutions	577,704,233	1,092,327,881
		<u>10,133,879,505</u>	<u>7,266,317,884</u>
24	MARK-UP / RETURN / INTEREST EXPENSED		
	Mark-up / return / interest expense on deposits	2,996,767,901	2,346,948,854
	Mark-up expense on borrowings from banks / financial institutions	1,345,120,210	1,495,560,013
		<u>4,341,888,111</u>	<u>3,842,508,867</u>
25	FEE, COMMISSION AND BROKERAGE INCOME		
	Loan processing fee	913,067,957	816,128,838
	Branchless banking	74,723,644	60,632,256
	Other fee income collected from customers	136,858,449	23,595,550
		<u>1,124,650,050</u>	<u>900,356,644</u>

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26 OTHER INCOME

Recovery against advances written off	69,499,700	37,699,557
Gain on sale of investments	66,395,282	-
Other	2,475,111	1,376,261
	<u>138,370,093</u>	<u>39,075,818</u>

27 ADMINISTRATIVE EXPENSES

Note	2020 Rupees	2019 Rupees
Staff salaries and benefits	1,983,142,486	1,573,113,268
Charge for defined benefit plan - gratuity	35,436,791	29,504,965
Contribution to defined contribution plan - provident fund	37,990,158	28,969,891
Non-Executive directors' fee	1,163,406	458,240
Financial charges on leased assets	178,910,741	95,923,953
Trainings	1,472,778	11,983,165
Insurance	144,975,545	82,049,211
Rent, rate and taxes	64,789,376	184,897,509
Travelling and conveyance	38,829,601	90,502,300
Postage and courier	16,583,160	18,759,468
Utilities	130,593,609	100,904,186
Repair and maintenance	208,733,474	157,111,033
Depreciation on property and equipment	11.2 359,818,212	196,292,565
Amortization of intangible assets	11.3 35,647,218	23,868,065
Depreciation on right of use assets	11.4 264,975,496	129,093,001
Software support and maintenance fee	147,657,297	65,885,519
Stationery and printing	98,092,450	51,010,352
Auditors' remuneration	27.1 4,319,899	4,595,512
Legal and professional fee	36,516,066	24,070,724
Security services	209,561,424	186,637,662
Office supplies	24,141,922	30,009,105
Internet and connectivity charges	116,343,293	31,939,631
NADRA verification charges	34,688,846	28,537,005
Bank charges	26,190,508	20,094,069
Marketing expenses	59,147,972	24,802,772
Upaisa expense - branchless banking	-	4,274,816
Other	5,874,032	11,118,904
	<u>4,265,595,760</u>	<u>3,206,406,891</u>

27.1 Auditors' remuneration

KPMG Taseer Hadi & Co.

Half year review	350,000	350,000
Annual audit	1,150,000	647,500
Fee for certifications	600,000	600,000
Taxation services	319,899	2,798,012
Advisory services	1,900,000	-
Out of pocket expenses	-	200,000
	<u>4,319,899</u>	<u>4,595,512</u>

28 OTHER CHARGES

SBP penalty	28.1 5,477,000	5,422,000
Loss on sale of investments	-	2,243,076
	<u>5,477,000</u>	<u>7,665,076</u>

28.1 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.

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29 TAXATION	Note	2020 Rupees	2019 Rupees
Current			
- for the year		(549,448,880)	(81,447,841)
- for prior years		(52,310,066)	(1,317,977)
		(601,758,946)	(82,765,818)
Deferred	13	327,927,656	31,915,009
		(273,831,290)	(50,850,809)
Effective tax rate		23.21%	16.70%

29.1 Tax rate reconciliation		2020 Rupees	2019 Rupees
Profit before tax and after WWF (Rupees)		1,179,991,244	304,499,010
		2020	2019
Tax rate		29%	29%
Tax on accounting profit		29.00%	29.00%
Tax effect of income taxable at lower rates		(8.27%)	(9.95%)
Prior year charge		4.43%	(0.43%)
Permanent difference		(1.96%)	(1.92%)
Tax expense for the year		23.21%	16.70%

30 CASH AND CASH EQUIVALENTS	Note	2020 Rupees	2019 Rupees
Cash and balances with SBP and NBP	6	3,160,116,831	1,717,205,410
Balances with other banks / NBFIs / MFBs	7	1,908,209,748	3,019,826,466
		5,068,326,579	4,737,031,876

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

	Subordinated loan	Borrowings	Lease liability	Share capital	Advance against issue of shares	Unappropriated profit
	(Rupees)					
Balance at 01 January 2020	4,599,400,000	6,733,331,333	1,350,956,711	2,285,714,290		512,586,043
Additions	-	-	44,997,746	-	-	-
Disposals	-	-	-	-	-	-
Change from financing activities						
Receipts	-	136,987,490,862	-	-	-	-
Payments	(240,000)	(130,446,631,552)	(362,854,268)	-	-	-
Dividend payment Rs 0.32 per share	-	-	-	-	-	(100,000,000)
	(240,000)	6,540,859,310	(362,854,268)	-	-	(100,000,000)
Other changes						
Interest cost on lease facilities	-	-	178,910,741	-	-	-
Transfer to share capital	(800,000,000)	-	-	800,000,000	-	-
Transfer to advance for issuance of shares	(1,000,000,000)	-	-	-	1,000,000,000	-
Total comprehensive income	-	-	-	-	-	913,518,187
Transfers to	-	-	-	-	-	-
Statutory reserve	-	-	-	-	-	(181,231,991)
Depositors' protection fund	-	-	-	-	-	(45,307,998)
Dividend payment Rs 0.32 per share	-	-	-	-	-	-
Lease facility availed	-	-	-	-	-	-
	(1,800,000,000)	-	178,910,741	800,000,000	1,000,000,000	686,978,198
Balance at 31 December 2020	2,799,160,000	13,274,190,643	1,212,010,930	3,085,714,290	1,000,000,000	1,099,564,241

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

	Subordinated loan	Borrowings	Lease liability	Share capital	Advance against issue of shares	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

	2020 Numbers	2019 Numbers
31 NUMBER OF EMPLOYEES		
Credit / sales staff		
Permanent	113	127
Contractual	961	915
	1,074	1,042
Banking / support staff		
Permanent	695	683
Contractual	926	875
	1,621	1,558
Total number of employees at 31 December	2,695	2,600
Average number of employees during the year	2,607	2,376

32 NUMBER OF BRANCHES		
Branches / service centres at beginning of the year	212	141
Opened during the year		
- Branches/Booth	-	61
- Service centres	-	10
Branches / service centres at end of the year	212	212

33 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.

	2020	2019
Profit attributable to equity holders (Rupees)	906,159,954	253,648,201
Weighted average number of shares (numbers)	284,309,134	228,571,429
Earning per share - basic (Rupees)	3.19	1.11

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

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FOR THE YEAR ENDED 31 DECEMBER 2020

34 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 Gulgasht Colony, Multan.
Chistian	Khatooni no.397, Tal plaza near melaad chowk, college road, chistian dsitric, bahawalnagar.
Pakpattan	Plot No. B-1/92/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.



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<i>Branch Name</i>	<i>Address</i>
Ghulam Muhammad Abad	House no 1451B(4M 119SF) Main GMA Road sabri chowk, 70fit 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 District 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

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<i>Branch Name</i>	<i>Address</i>
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 I, 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 ratodero

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<i>Branch Name</i>	<i>Address</i>
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 Ghara 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 Hafiez 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, Khatoooi # 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. BI-001 & BI-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.

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<i>Branch Name</i>	<i>Address</i>
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 Matiari.
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 Latifabad 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
Shahdadt	Ward C, City survey No. 644/1, District Qambar Shahdadt.
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# 1B/137 Mohallah Jamali Road Daur, District Shaheed Benazirabad
Shahdadpur	Plot 10/11/12/13/14/15, Station Road, Shahdadpur, District Sanghar.

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<i>Branch Name</i>	<i>Address</i>
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.

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NOTES TO THE FINANCIAL STATEMENTS
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35 FINANCIAL INSTRUMENTS

A FAIR VALUES

35.1 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

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 2020	Note	Rupees					Rupees				
Financial assets measured at fair value											
Investments - net of provisions	9	-	-	-	17,954,499,338	-	17,954,499,338	17,954,499,338	-	-	17,954,499,338
Financial assets not measured at fair value											
Cash and cash equivalents	30	-	-	5,068,326,579	-	-	5,068,326,579	-	-	-	-
Investments - net of provisions	9	-	6,120,000,000	-	-	-	6,120,000,000	-	-	-	-
Advances - net of provisions	10	-	-	30,006,298,899	-	-	30,006,298,899	-	-	-	-
Other assets	12 & 35.2	-	-	7,778,962,301	-	-	7,778,962,301	-	-	-	-
		-	6,120,000,000	42,853,587,779	-	-	48,973,587,779	-	-	-	-
Financial liabilities not measured at fair value											
Deposits and other accounts	14	-	-	-	-	46,104,640,853	46,104,640,853	-	-	-	-
Borrowings	15	-	-	-	-	13,274,190,642	13,274,190,642	-	-	-	-
Subordinated debt	16	-	-	-	-	2,799,160,000	2,799,160,000	-	-	-	-
Other liabilities	17 & 35.3	-	-	-	-	2,548,279,250	2,548,279,250	-	-	-	-
		-	-	-	-	64,726,270,745	64,726,270,745	-	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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	9	-	-		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	30	-	-	4,737,031,876	-	-	4,737,031,876	-	-	-	-
Advances - net of provisions	10	-	-	21,374,079,265	-	-	21,374,079,265	-	-	-	-
Other assets	12 & 35.2	-	-	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	14	-	-	-	-	23,290,259,471	23,290,259,471	-	-	-	-
Borrowings	15	-	-	-	-	6,733,331,333	6,733,331,333	-	-	-	-
Subordinated debt	16	-	-	-	-	4,599,400,000	4,599,400,000	-	-	-	-
Other liabilities	17 & 35.3	-	-	-	-	2,088,026,122	2,088,026,122	-	-	-	-
		-	-	-	-	36,711,016,926	36,711,016,926	-	-	-	-

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

35.3 It excludes accrued expenses and others.

35.4 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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

B FINANCIAL RISK MANAGEMENT

35.5 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).

35.6 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. 66,478 million (2019: Rs. 32,145 million).

35.7 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.

36 CAPITAL RISK MANAGEMENT

36.1 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.

36.2 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.

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NOTES TO THE FINANCIAL STATEMENTS
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36.3 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 2020. As of 31 December 2020, the net equity of the Bank stood at Rs. 5,676 million (2019: Rs. 3,051 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 2020, the Bank's Capital adequacy ratio (CAR) was appropriately 21.69% (2019: 16.67%) of its weighted exposure, as against the minimum requirement of 15% prescribed by SBP.

37 REMUNERATION OF PRESIDENT/CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	31 December 2020			31 December 2019		
	President / Chief Executive	Directors	Executives	President / Chief Executive	Directors	Executives
	Rupees			Rupees		
Fee	-	1,100,000	-	-	440,000	-
Managerial remuneration	15,525,147	-	121,536,386	13,297,996	-	112,432,132
Bonus	20,150,159	-	21,966,401	6,156,480	-	33,354,233
Gratuity fund	1,293,763	-	10,129,198	1,092,775	-	9,266,863
Provident fund	1,242,014	-	9,514,662	1,063,837	-	8,457,361
Rent and house maintenance	9,056,338	-	70,896,224	7,757,164	-	65,585,410
Utilities	1,293,763	-	10,128,032	1,108,166	-	9,369,345
Medical	9,000	-	5,729,168	140,962	-	5,356,566
Conveyance	1,200,000	63,406	25,613,248	900,000	18,240	21,526,839
Others	3,726,260	-	10,685,573	2,584,485	-	9,761,889
Total	<u>53,496,444</u>	<u>1,163,406</u>	<u>286,198,892</u>	<u>34,101,865</u>	<u>458,240</u>	<u>275,110,638</u>
Number of person(s)	<u>1</u>	<u>9</u>	<u>51</u>	<u>1</u>	<u>9</u>	<u>51</u>

37.1 Executive means an employee whose annual basic salary exceeds Rs. 1.20 million (2019: Rs. 1.20 million) during the year.

37.2 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. 66.385 million (2019: Rs. 39.593 million).

37.3 No remuneration and other benefits were paid to directors of the Bank. An amount of Rs. 1,163,406 (2019: Rs. 458,240) was paid to the independent directors for attending the Board or sub committee meetings.

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NOTES TO THE FINANCIAL STATEMENTS
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38 SCHEDULE OF MATURITY DISTRIBUTION OF MARKET RATE ASSETS AND LIABILITIES AT 31 DECEMBER 2020

	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	30,006,298,899	1,249,286,833	11,399,127,605	13,118,217,206	4,239,667,255
Investments	24,074,499,338	120,000,000	15,353,439,449	1,000,000,000	7,601,059,889
Other earning assets					
Balances with other banks - deposit accounts	2,346,507,295	2,346,507,295	-	-	-
Total market rate assets	56,427,305,532	3,715,794,128	26,752,567,054	14,118,217,206	11,840,727,144
Other non-earning assets					
Cash in hand	920,790,506.0	920,790,506	-	-	-
Balances with SBP and NBP - current accounts	2,239,326,325.0	2,239,326,325	-	-	-
Balances with other banks - current accounts	11,702,453.0	11,702,453	-	-	-
Operating fixed assets	2,917,413,581.1	55,036,744	275,183,719	330,220,463	2,256,972,655
Other assets	7,797,247,350.0	1,002,184,804	3,677,250,982	2,217,391,528	900,420,036
Deferred tax asset	399,616,598.0	-	-	-	399,616,598
Total non-earning assets	14,286,096,813	4,229,040,832	3,952,434,701	2,547,611,991	3,557,009,289
Total assets	70,713,402,345	7,944,834,960	30,705,001,755	16,665,829,197	15,397,736,433
Market rate liabilities					
Large time deposits above Rs. 100,000	26,082,756,214	1,606,171,000	16,395,396,224	4,864,085,706	3,217,103,284
All other time deposits (including fixed rate deposits)	274,917,117	5,468,000	42,099,174	86,442,500	140,907,443
Other cost bearing deposits	16,802,040,082	16,802,040,082	-	-	-
Borrowings	16,073,350,642	6,654,540,000	1,793,278,987	1,493,278,989	6,132,252,666
Total market rate liabilities	59,233,064,055	25,068,219,082	18,230,774,385	6,443,807,195	9,490,263,393
Other non-cost bearing liabilities					
Deposits	2,944,927,440	2,944,927,440	-	-	-
Other liabilities	2,860,212,627	2,827,761,403	32,451,224	-	-
Total non-cost bearing liabilities	5,805,140,067	5,772,688,843	32,451,224	-	-
Total liabilities	65,038,204,122	30,840,907,925	18,263,225,609	6,443,807,195	9,490,263,393
Net assets	5,675,198,223	(22,896,072,965)	12,441,776,146	10,222,022,002	5,907,473,040

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NOTES TO THE FINANCIAL STATEMENTS
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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)

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39 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	2020 Rupees	2019 Rupees
Parent Company			
Internet, connectivity, utility and rental charges		46,526,479	29,537,871
Utility Bill collected on behalf of the Parent Company		77,564,465	73,481,447
Payment in regards utility bills collected on behalf of the Parent Company		77,564,465	73,445,499
Utility Bill collection charges		680,581	370,077
Payment for administrative costs and fixed assets		116,070,946	223,335,980
Interest expense on TIER-II subordinated Debt Payment		413,344,914	565,433,425
Interest expense on deposits		-	4,317
Interest expense on PTCL employee GP fund		198,384,839	172,443,292
Associated Company - Pak Telecom Mobile Limited (PTML)			
Payment for administrative costs and fixed assets		57,777,575	64,109,304
Payment against branchless banking and bills collected		234,305,055	237,687,068
Amount received against reimbursement of agent's commission		220,636,867	248,163,152
Associated Company - Pakistan Telecommunication Employees Trust (PTET)			
Interest expense on deposits		200,019,672	135,468,435
Employees' provident fund			
Contribution to provident fund	27	37,990,158	28,969,891
Employees' gratuity fund			
Payment to gratuity fund	17.3.10	35,436,791	41,091,375
Balances			
Parent Company			
Deposits	14.2	384,478,758	565,522,573
Interest payable on deposits	17.1	-	374
Payable against utility bills collected	17	122,902	35,948
Utility bills collection charges receivable	12	1,792,839	1,792,839
Employee GP fund	14.2	2,171,917,933	1,383,127,074

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Balances	Note	2020 Rupees	2019 Rupees
Interest payable on deposits - PTCL Employees' GP Fund	17.1	198,384,839	7,130,217
Associated Company - Pakistan Telecommunication Employees Trust			
Deposits	14.2	1,916,265,365	1,050,001,647
Interest payable on deposits	17.1	25,232,911	39,378,995
Associated Company - Pak Telecom Mobile Limited (PTML)			
Employees' Gratuity fund	14.2	720,259,489	400,088,157
Deposits	14.2	93,179,809	-
Payable against branchless banking and bills collected	17	61,034,661	63,427,705
Payable to Pak Telecom Mobile Limited			
Interest payable on deposits	17.1	177,534	352,811
Employees' provident fund			
Deposits	14.2	172,049,535	125,859,943
Interest payable on deposits	17.1	262,465	1,272,161
Receivable from provident fund	17	1,391,950	3,517,822
Employees' gratuity fund			
Deposits	14.2	114,941,113	80,010,244
Interest payable on deposits	17.1	772,263	541,000
Receivable from gratuity fund	17.3	7,849,721	1,235,802

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

Name	Basis of relationship	Share-	Percentage of shareholding
1) Mr. Burak Sevilengul	Director/Chairman	01	0.00%
2) Mr. Nadeem Khan	Director	01	0.00%
3) Mr. Mohamed Essa Al Taheri	Director	01	0.00%
4) Mr. Muhammad Aqueel Abbas Malik	Director	01	0.00%
5) Mr. Sher Afgan Khan	Director	01	0.00%
6) Mr. Muhammad Jahanzeb Rahim	Director	01	0.00%
7) Ms. Misbah Naqvi	Director	01	0.00%
8) Mr. Kabeer Naqvi	Director/CEO	-	0.00%
9) PTCL	Parent Company	308,571,422	99.99%

40 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 29,419 (2019: 24,932) complaints were received by the Bank and were resolved with average resolution time of 33.37 hours (2019: 45.84 hours).

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41 IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

On 30 January 2020, the World Health Organization (WHO) declared the outbreak a "Public Health Emergency of International Concern" and on 11 March 2020, the WHO declared the COVID-19 outbreak to be a pandemic in recognition of its rapid spread across the globe. Many countries, including Pakistan, have taken stringent steps to help contain further spread of the virus. While these events and conditions have resulted in general economic uncertainty, however, to dampen the adverse effects of COVID-19 and to enable the Microfinance Banks continue to fulfill their role in funding the real economy, SBP issued Circular dated 26 March 2020 regarding "Regulatory relief to dampen the effects of COVID-19". This circular allowed certain relaxations to MFBs where MFBs could defer / restructure principal / markup amounts. Management has evaluated the impact of COVID-19 and concluded that there are no material implications of COVID-19 on the operations of the Bank that require specific disclosure in the financial statements except for those already disclosed in notes 10.1 and 10.5 of these financial statements.

42 GENERAL

- 42.1 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.

43 DATE OF APPROVAL

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

08 FEB 2021

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PRESIDENT / CHIEF EXECUTIVE


CHAIRMAN


DIRECTOR


DIRECTOR