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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 2022, 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 2022 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 Muhammad Ubbaid Ullah.

KPMG Taseer Hadi *Ullah*

**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**  
**Islamabad**  
**Date: 15 March 2023**  
**UDIN: AR202210240BTgFyC78k**

**U MICROFINANCE BANK LIMITED**  
**BALANCE SHEET**  
**AS AT 31 DECEMBER 2022**

	Note	2022 Rupees	2021 Rupees
<b>ASSETS</b>			
Cash and balances with SBP and NBP	6	7,452,332,589	3,799,930,850
Balances with other Banks/ NBFIs/ MFBs	7	1,276,155,860	6,223,904,412
Lending to financial institution	8	6,581,567,250	-
Investments - net of provisions	9	137,330,941,404	46,564,519,779
Advances - net of provisions	10	59,283,993,959	34,375,729,318
Operating fixed assets	11	4,763,987,510	2,886,170,228
Other assets	12	1,997,370,895	10,050,583,152
Deferred tax asset	13	2,609,783,540	677,447,619
<b>Total Assets</b>		<b>221,296,132,807</b>	<b>104,578,285,358</b>
<b>LIABILITIES</b>			
Deposits and other accounts	14	92,200,411,122	55,000,289,695
Borrowings	15	116,123,715,137	36,880,686,164
Subordinated debt	16	1,833,591,286	1,798,920,000
Other liabilities	17	4,038,262,247	3,407,296,747
Deferred tax liabilities		-	-
<b>Total Liabilities</b>		<b>214,195,979,792</b>	<b>97,087,192,606</b>
<b>Net Assets</b>		<b>7,100,153,015</b>	<b>7,491,092,752</b>
<b>REPRESENTED BY:</b>			
Share capital	18	5,085,714,290	4,085,714,290
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	5.14.1	1,083,074,935	633,083,649
Depositors' protection fund	5.14.2	270,768,733	158,270,912
Unappropriated profit		673,955,800	1,926,314,403
		<b>7,087,799,468</b>	<b>7,777,668,964</b>
Surplus / (deficit) on revaluation of assets	20	(2,014,787)	(288,630,328)
Deferred grants		14,368,334	2,054,116
<b>Total Capital</b>		<b>7,100,153,015</b>	<b>7,491,092,752</b>
<b>MEMORANDUM / OFF BALANCE SHEET ITEMS</b>			
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The annexed notes from 1 to 40 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 2022**

	Note	2022 Rupees	2021 Rupees
Mark-up / return / interest earned	22	20,742,343,719	12,215,993,833
Mark-up / return / interest expensed	23	(14,139,020,162)	(5,589,495,387)
Net mark-up / interest income		6,603,323,557	6,626,498,446
Credit loss allowance and write offs - net	9 & 10.5	1,338,155,748	(1,512,900,464)
Impact of markup waiver		(453,498,303)	-
Net mark-up / interest income after provisions		7,487,984,000	5,113,597,982
<b>NON MARK-UP / NON INTEREST INCOME</b>			
Fee, commission and brokerage income	24	1,300,633,449	1,018,362,875
Other income	25	566,883,284	259,408,477
Total non-markup / non interest income		1,867,516,733	1,277,771,351
		9,355,300,733	6,391,369,334
<b>NON MARK-UP / NON INTEREST EXPENSES</b>			
Administrative expenses	26	6,890,033,056	5,035,205,163
Other provisions / write offs		-	-
Other charges	27	10,297,850	19,000
Total non-markup / non interest expenses		6,900,330,906	5,035,224,163
Extra ordinary / unusual items		-	-
<b>PROFIT BEFORE TAXATION</b>		2,454,969,827	1,356,145,171
Workers' Welfare Fund (WWF)		(49,099,395)	(27,110,218)
		2,405,870,432	1,329,034,952
<b>TAXATION</b>			
Current		(881,843,867)	(429,474,114)
Prior years		31,893,787	(12,701,793)
Deferred		694,236,077	224,177,922
	28	(155,914,003)	(217,997,985)
<b>PROFIT AFTER TAXATION</b>		2,249,956,429	1,111,036,967
Unappropriated profit brought forward		1,926,314,403	1,099,564,241
Adjustment on initial application of IFRS 9		(2,742,377,780)	-
		(816,063,377)	
Less: Other comprehensive income		(2,162,145)	(6,527,564)
Profit available for appropriation		1,431,730,907	2,204,073,645
<b>APPROPRIATIONS:</b>			
<b>Transfer to:</b>			
Statutory reserves		449,991,288	222,207,393
Capital reserve		-	-
Contribution to MSDF / DPF / RMF		112,497,821	55,551,848
Revenue reserve		-	-
Issue of Dividend @ 32 paise per ordinary share and 95.3 paise per preference Shares (2021: Rs Nil)		195,288,000	-
		757,775,107	277,759,241
<b>UNAPPROPRIATED PROFIT CARRIED FORWARD</b>		673,955,800	1,926,314,404
<b>EARNINGS PER SHARE</b>	32	8.10	3.60

The annexed notes from 1 to 40 form an integral part of these financial statements.

PRESIDENT / CHIEF EXECUTIVE

CHAIRMAN

DIRECTOR

DIRECTOR



**U MICROFINANCE BANK LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 Rupees	2021 Rupees
Profit for the year		2,249,956,429	1,111,036,967
<b>Other comprehensive income for the year</b>			
<b>Items that will not be reclassified to profit and loss account:</b>			
Loss on revaluation of assets transferred to profit and loss	17.3.3	(3,227,082)	(9,193,752)
Tax Impact	13	1,064,937	2,666,188
		(2,162,145)	(6,527,564)
<b>Comprehensive income for the year transferred to equity</b>		<b>2,247,794,284</b>	<b>1,104,509,403</b>
<b>Components of comprehensive income for the year not transferred to equity:</b>			
<b>Items that may be reclassified to profit and loss:</b>			
Surplus / (Deficit) on revaluation of FVTOCI investments		9,244,225	(340,246,013)
Related tax effect		(3,050,594)	50,986,911
		6,193,631	(289,259,102)
Impact of reversal of deficit on revaluation of investments held at fair value through other comprehensive income due to change in classification		265,693,780	-
<b>Total comprehensive income for the year</b>		<b>2,519,681,895</b>	<b>815,250,301</b>

total

The annexed notes from 1 to 40 form an integral part of these financial statements.

PRESIDENT / CHIEF EXECUTIVE

CHAIRMAN

DIRECTOR

DIRECTOR

**U MICROFINANCE BANK LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>Note</b>	<b>2022 Rupees</b>	<b>2021 Rupees</b>
Profit before taxation		2,405,870,432	1,329,034,952
Less: Dividend income		-	-
		<b>2,405,870,432</b>	<b>1,329,034,952</b>
Adjustments for non-cash charges			
Depreciation of property and equipment	11.2	487,269,106	404,964,461
Amortization of intangible assets	11.3	64,555,968	50,374,157
Depreciation of right of use asset	11.4	431,502,038	280,923,394
Credit loss allowance against advances	10.5	-	-
- (Reversal) / charge for the year		(1,355,108,781)	1,512,900,484
Advances written off against provision	10.6	(335,282,982)	(790,348,087)
Credit loss allowance against investments		16,953,035	-
Provision for gratuity - charge for the year	26	57,203,735	40,983,207
Impact of markup waiver		453,495,303	-
(Gain) / loss on sale of operating fixed assets - net	11.2.2 & 11.4.1	(1,107,207)	6,518,036
Finance charges on leased assets	26	257,040,248	156,172,345
		<b>76,520,483</b>	<b>1,662,487,977</b>
		<b>2,482,390,915</b>	<b>2,991,622,929</b>
Increase in operating assets			
Advances		(27,650,642,421)	(5,091,982,796)
Other assets (excluding advance taxation)		8,053,212,457	(2,253,335,802)
Increase / (decrease) in operating liabilities			
Bills payables		51,981,650	60,275,883
Deposits and other accounts		37,200,121,427	8,895,648,842
Other liabilities (excluding current tax, bills payable finance lease and provision for gratuity)		(522,260,692)	436,078,404
		<b>17,132,412,421</b>	<b>2,046,684,511</b>
Net cash generated from operations		<b>18,614,803,336</b>	<b>5,038,207,440</b>
Payments against provisions held against off-balance sheet obligations			
Contributions to gratuity fund	17.3.10	(80,568,301)	(38,923,143)
Income taxes paid		(643,905,139)	(373,206,856)
Net cash generated from operating activities		<b>18,890,329,896</b>	<b>4,626,077,441</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Net investments in available for sale securities - Government securities		(98,516,421,625)	(21,149,279,543)
Net investments in term deposits receipts		7,750,000,000	(1,630,000,000)
Lending to financial institution		(6,581,567,250)	450,000,000
Investments in operating fixed assets		(1,259,842,271)	(599,137,836)
Sale proceeds of operating fixed assets		1,537,580	6,637,695
Net cash used in investing activities		<b>(98,606,293,566)</b>	<b>(22,921,779,684)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Payments of subordinated loan		(149,820,000)	(240,000)
Borrowings obtained/(repaid) during the period		79,243,028,973	23,606,495,522
Addition in Subordinated debt		164,491,286	-
Payments of lease obligations		(661,797,402)	(355,044,596)
Dividend paid		(195,286,000)	-
Net cash generated from financing activities		<b>78,420,616,857</b>	<b>23,251,210,926</b>
Net (decrease) / increase in cash and cash equivalents		<b>(1,295,346,814)</b>	<b>4,955,508,683</b>
Cash and cash equivalents at beginning of the year		<b>10,023,835,262</b>	<b>5,068,326,679</b>
Cash and cash equivalents at end of the year		<b>8,726,488,448</b>	<b>10,023,835,262</b>

The annexed notes from 1 to 40 form an integral part of these financial statements.

  
**PRESIDENT / CHIEF EXECUTIVE**

  
**CHAIRMAN**

  
**DIRECTOR**

  
**DIRECTOR**



U MICROFINANCE BANK LIMITED  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2022

	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 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
Profit for the year	-	-	-	-	-	1,111,036,967	1,111,036,967
Other comprehensive income	-	-	-	-	-	(6,527,564)	(6,527,564)
Total comprehensive income	-	-	-	-	-	1,104,509,403	1,104,509,403
Transfer to:							
Statutory reserve	-	-	-	222,207,393	-	(222,207,393)	-
Depositors' Protection Fund	-	-	-	-	55,551,848	(55,551,848)	-
Transactions with owners, recorded directly in equity							
Contributions and distributions							
Issue of preference shares	1,000,000,000	(1,000,000,000)	-	-	-	-	-
Conversion of subordinated debt as advance against issue of preference shares	-	1,000,000,000	-	-	-	-	1,000,000,000
Balance at 31 December 2021 - as previously reported	4,085,714,290	1,000,000,000	(25,714,290)	633,083,649	158,270,912	1,928,314,403	7,777,868,964
Adjustment on initial application of IFRS 9 (Refer to note 3)	-	-	-	-	-	(2,742,377,780)	(2,742,377,780)
	4,085,714,290	1,000,000,000	(25,714,290)	633,083,649	158,270,912	(818,083,377)	5,035,291,184
Profit for the year	-	-	-	-	-	2,249,958,429	2,249,958,429
Other comprehensive income	-	-	-	-	-	(2,182,145)	(2,182,145)
Total comprehensive income	-	-	-	-	-	2,247,794,284	2,247,794,284
Transfer to:							
Statutory reserve	-	-	-	449,991,286	-	(449,991,286)	-
Depositors' Protection Fund	-	-	-	-	112,497,821	(112,497,821)	-
Transactions with owners, recorded directly in equity							
Contributions and distributions							
Issue of Dividend @ 32 paise per ordinary share and 95.3 paise per preference Shares	-	-	-	-	-	(195,286,000)	(195,286,000)
Additional Tier-1 Capital TFCs	1,000,000,000	(1,000,000,000)	-	-	-	-	-
Balance at 31 December 2022	5,085,714,290	-	(25,714,290)	1,083,074,935	270,768,733	673,955,800	7,087,799,468

The annexed notes from 1 to 40 form an integral part of these financial statements.

PRESIDENT / CHIEF EXECUTIVE

CHAIRMAN

DIRECTOR

DIRECTOR

**1 STATUS AND NATURE OF BUSINESS**

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

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

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

The Pakistan Credit Rating Agency Limited (PACRA) assigned the long-term entity rating of the Bank at 'A+' and short term rating at 'A-1' on 16 September 2022.

**2 BASIS OF PRESENTATION**

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

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

**3 STATEMENT OF COMPLIANCE**

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

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

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

State Bank of Pakistan (SBP) through its BPRD circular No. 4 of 2019 dated 23 October 2019 had decided that the effective date of IFRS 9 implementation was 01 January 2021 for banks/DFIs/MFIs. However, given the prevalent COVID-19 (Corona Virus Disease 2019) pandemic situation, SBP through its BPRD circular No. 15 of 2020 dated 26 March 2020 had decided to extend the timeline of the tasks related to IFRS 9 implementation till periods beginning on or after 01 July 2020. Moreover in view of COVID-19 impact and banking industry representations, SBP vide its BPRD circular letter no. 24 of 2021 dated 05 July 2021 has decided to implement IFRS 9 from 01 January 2022. However as per State Bank of Pakistan (SBP) BPRD circular letter no. 3 of 2022, the applicability of IFRS 9 to Microfinance Banks in Pakistan was further deferred to accounting periods beginning on or after January 1, 2024. The Bank, however, has early adopted IFRS 9 'Financial Instruments' during the year. The impact of early adoption of IFRS 9 'Financial Instruments' is disclosed in note 5.1 to these financial statements.

KPMG

**U MICROFINANCE BANK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

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.

**4 BASIS OF MEASUREMENT**

**4.1 Accounting convention**

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

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

**4.2 Functional and presentation currency**

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

**4.3 Use of judgement and estimates**

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

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

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 2022 is included in the following notes:

**Significant accounting estimates**

(a) Criteria / rates for expected credit loss against non-performing advances as per the requirements of the 'IFRS 9 Financial Instruments application instructions' issued by SBP BPRD circular no. 3 of 2022 dated 05 July 2022 (note 5.1)

(b) Measurement of defined benefit obligations: key actuarial assumptions (note 5.13.2)

**Other accounting estimates**

(c) Criteria / rates for expected credit loss against investments as per the requirements of the 'IFRS 9 Financial Instruments application instructions' (note 5.1)

(d) Useful lives, reassessed values, residual values and depreciation/ amortisation method for operating fixed assets (note 5.6)

(e) Recognition of deferred tax assets and estimation of income tax provision (note 5.10)

(f) recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources (note 5.15)

(g) For recognition of leased liabilities and corresponding right of use assets under IFRS-16 (note 5.7 and note 5.8.1)

4/11/2024

**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 2023:

Classification of liabilities as current or non-current (Amendments to IAS 1 in January 2020) apply retrospectively for the annual periods beginning on or after 1 January 2024 (as deferred vide amendments to IAS 1 in October 2022) with earlier application permitted. These amendments in the standards have been added to further clarify when a liability is classified as current. Convertible debt may need to be reclassified 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's expectation and discretion at the reporting date to refinance or to reschedule payments on a long-term basis are no longer relevant for the classification of a liability as current or non-current. An entity shall apply those amendments retrospectively in accordance with IAS 8.

Non-current Liabilities with Covenants (amendment to IAS 1 in October 2022) aims to improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with conditions. The amendment is also intended to address concerns about classifying such a liability as current or non-current. Only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability's classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date. The amendments apply retrospectively for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted. These amendments also specify the transition requirements for companies that may have early-adopted the previously issued but not yet effective 2020 amendments to IAS 1 (as referred above).

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted.

Definition of Accounting Estimates (Amendments to IAS 8) introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

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Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted.

Lease Liability in a Sale and Leaseback (amendment to IFRS 16 in September 2022) adds subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements to be accounted for as a sale. The amendment confirms that on initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction. After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognizes no gain or loss relating to the right of use it retains. A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. The amendments are effective for annual reporting periods beginning on or after 1 January 2024 with earlier application permitted. Under IAS 8, a seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of IFRS 16 and will need to identify and re-examine sale-and-leaseback transactions entered into since implementation of IFRS 16 in 2019, and potentially restate those that included variable lease payments. If an entity (a seller-lessee) applies the amendments arising from Lease Liability in a Sale and Leaseback for an earlier period, the entity shall disclose that fact.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) amend 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.

Except as disclosed above, the management does not anticipate early adoption of above standards and amendments and is currently evaluating the impact of adopting these standards.

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5 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies as set out below have been applied consistently to all periods presented in these financial statements except for early adoption of IFRS 9 as disclosed below:

5.1 IMPACT OF ADOPTION OF IFRS 9

**Classification and measurement of financial instrument:**

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

**Impairment of financial assets:**

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

**Transition**

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

Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings as of 01 January 2022. Accordingly, the carrying amounts of financial assets and financial liabilities and impairment allowance presented for 2021 does not reflect the requirements of IFRS 9 and therefore, is not comparable to the information presented for 2022 under IFRS 9.

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

**Reconciliation of carrying amount before early adoption of IFRS 9 to carrying amounts under complete IFRS 9 at 01 January 2022**

Impact of re-classification	Rupees			01 January 2022
	31 December 2021	Re-classification	Re-measurement	
<b>Financial assets</b>				
Balances with other Banks/ NBFIs/ MFIs	6,223,804,412	18,133,879	-	6,242,038,291
Investments	46,664,519,779	515,445,098	-	47,079,964,877
Advances - net of provisions	34,375,729,318	8,616,386,148	(4,136,582,251)	38,855,512,215
Other assets	10,050,683,162	(8,837,417,346)	-	1,213,165,806
<b>Financial liabilities</b>				
Deposits and other accounts	55,000,288,895	438,822,937	-	55,439,112,632
Borrowings	36,880,686,164	172,990,957	(168,816,307)	36,884,860,814
Subordinated debt	1,798,920,000	480,447	-	1,799,400,447
Other liabilities	3,407,296,747	(612,294,341)	-	2,795,002,406
<b>Impact on other financial statement captions</b>				
Deferred tax asset	677,447,619	(46,832,999)	1,286,918,500	1,917,533,120
Surplus / (deficit) on revaluation of assets	(288,630,328)	265,693,780	-	(22,936,548)
Deferred grants	2,054,116	-	32,347,094	34,401,210

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The following table summarise the effect on retained earnings of the entity as a result of early adoption of IFRS 9:

	Rupees
Retained earnings as at 31 December 2021	1,928,314,403
Reversal of provision held against advances	2,036,616,253
Reversal of markup on advances (previously suspended)	580,079,438
Recognition of expected credit loss	(5,384,670,475)
Remeasurement of advances on amortized cost (effective interest rate)	(858,643,898)
Reversal of loan processing fee due to adjustment against effective interest rate	(410,862,569)
Impact of remeasurement of advances	(4,136,582,261)
Impact of deferred tax on remeasurement of advances	1,240,085,501
Impact of remeasurement of investments previously held at amortized cost	158,293,621
Impact of remeasurement of borrowings	(4,174,650)
Net impact on opening retained earnings	(2,742,377,779)
Retained earnings under IFRS 9 as at 01 January 2022	(816,063,376)

**Classification of Financial assets and Liabilities**

The following table provides classification of financial instruments of the Bank by class and their carrying amounts as at 31 December 2021 and 01 January 2022:

	Classification as at 01 January 2022			
	Designated at FVTPL	Designated at FVOCI	Amortized Cost	Total carrying amount
	Rupees			
<b>Financial assets</b>				
Cash and balances with SBP and NBP	-	-	3,789,830,850	3,789,830,850
Balances with other Banks/ NBFIs/ MFBs	-	-	6,242,038,291	6,242,038,291
Investments - net of provisions:				
Pakistan Investment Bonds (PIBs)	-	-	6,229,688,978	6,229,688,978
Term deposit receipts	-	-	7,789,986,301	7,789,986,301
Mutual Funds	12,082,205,991	-	-	12,082,205,991
T-bills	-	20,978,085,607	-	20,978,085,607
Advances - net of provisions	-	-	38,855,512,215	38,855,512,215
Other assets	-	-	1,213,185,806	1,213,185,806
<b>Total financial assets</b>	<b>12,082,205,991</b>	<b>20,978,085,607</b>	<b>64,130,320,441</b>	<b>97,190,612,038</b>
<b>Financial liabilities</b>				
Deposits and other accounts	-	-	55,439,112,632	55,439,112,632
Borrowings	-	-	38,884,860,814	38,884,860,814
Subordinated debt	-	-	1,789,400,447	1,789,400,447
Other liabilities	-	-	2,795,002,406	2,795,002,406
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>98,918,376,299</b>	<b>98,918,376,299</b>

**CLASSIFICATION AND MEASUREMENT**

**Financial assets**

IFRS has different requirements for debt or equity financial assets. Debt instruments are classified and measured either at:

Amortized cost, where the effective interest rate method will apply;

Fair value through other comprehensive income, with subsequent recycling to the statement of profit or loss upon disposal of the financial asset; or

Fair value through profit or loss.

Investments in equity instruments, other than those to which consolidation or equity accounting apply, are classified and measured either at:

Fair value through profit or loss; or

Fair value through other comprehensive income, with no subsequent recycling to the statement of profit or loss upon disposal of the financial asset (if the instrument by instrument option is to classify at fair value through other comprehensive income is elected).

When classifying a financial asset (other than derivatives and equity instruments), IFRS requires that the contractual cash flows test is performed, commonly referred to as the solely payments of principal and interest test ("SPPI") test. If an instrument fails the SPPI test, it is classified as Fair Value through profit or loss. When an instrument passes the SPPI test, it undergoes the business model test, on a portfolio level.

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Business model	Classification basis
Hold to collect	Portfolio accounted at amortized cost
Hold to collect and sell	Portfolio accounted at fair value through other comprehensive income with recycling
Others	Portfolio accounted at fair value through profit or loss

All instruments held for trading are classified as Fair value through profit or loss.

Investments in equity instruments are by default classified as fair value through profit or loss, however, the Bank has an irrevocable choice on an instrument by instrument basis, to elect that the fairvalue changes on the equity investment are accounted for through other comprehensive income. Upon disposal of the investment, the gain or loss on disposal is recognized in equity. Dividends received are recognized in the profit and loss account. The following table summarizes the two-stage approach for financial assets classification on their initial recognition.

At initial recognition		Contractual cash flow characteristics test	
		Pass	Fail
Business model	Held within a business model whose objective is to hold financial assets in order to collect contractual cash flows	Amortized cost	Fair value through profit or loss (FVTPL)
	Held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets	Fair value through other comprehensive income (FVOCI) with recycling (debt)	Fair value through profit or loss (FVTPL)
	Financial assets which are neither held at amortized nor at fair value through other comprehensive income	Fair value through profit or loss (FVTPL)	Fair value through profit or loss (FVTPL)
Options	Conditional fair value option is elected	Fair value through profit or loss (FVTPL)	Fair value through profit or loss (FVTPL)
	Option elected to present changes in fair value of an equity instrument not held for trading in OCI	N/A	Fair value through other comprehensive income (FVOCI) without recycling (equity)

#### Financial liabilities

All financial liabilities are carried at amortized cost (i.e. loan payables) and are subsequently accounted in accordance with the effective interest rate method.

#### Recognition and measurement

The Bank recognizes a financial asset or a financial liability in its financial statements when and only when it becomes a party to the contractual provisions of the instrument.

#### Initial measurement of financial assets and financial liabilities

##### Financial assets and liabilities not measured at fair value through profit or loss

When a financial asset or financial liability is recognized initially, the Bank measures it at its fair value plus or minus, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Examples of transaction costs include fees and commissions paid to agents such as broker commissions and stamp duty.

##### Financial assets and liabilities at fair value through profit or loss.

Financial asset or financial liability are measured at initial recognition at the fair value excluding transaction costs. Transaction costs for this class of financial instrument are recognized directly in the profit and loss account.

#### Subsequent measurement of financial assets

Financial assets can be categorized into the following categories:

- i. Amortized cost (Expected credit losses need to be provided);
- ii. Fair value through other comprehensive income with recycling (Expected credit losses need to be provided);
- iii. Fair value through other comprehensive income without recycling (for equity instruments for which the FVOCI option was elected)
- iv. Fair value through profit and loss.

The categorization of the instrument determines the manner of subsequent measurement.

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#### IMPAIRMENT REQUIREMENT FOR FINANCIAL ASSETS

The Bank assesses impairment of financial assets measured at amortized cost and FVOCI at the end of each reporting period. Measurement of expected losses reflects:

- A considered and unbiased, probability-weighted amount;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort and that reflects past events, current conditions and forecasts of future economic conditions.

IFRS 9 establishes two approaches for measuring impairment i.e. general and simplified. Under the general approach, impairment is generally measured as either 12 months ECL or lifetime ECL relevant for banks and financial institutions. The measurement basis depends on whether there has been a significant increase in credit risk of a financial instrument at the reporting date since its initial recognition. The Bank has identified basis of ECL computation for following stages:

Stage 1: No significant deterioration in credit quality of the financial assets – 12 month expected credit loss

Stage 2: Significant deterioration in credit quality of the financial asset since recognition – lifetime expected credit loss

Stage 3: Credit impaired – impairment determined on individual or collective basis over the life time.

The staging guidelines applicable on the Bank has been adopted from State Bank of Pakistan (SBP) guidelines:

General loans	Classification	Days due	Stage allocation under IFRS 9	Provision to be made
	Performing	1 - 29	Stage 1	As per IFRS 9 ECL modelling
	Underperforming (OAEM)	30 - 59	Stage 2	
	Non-performing			
	Substandard	60 - 89	Stage 3	whichever is higher
	Doubtful	90 - 179		(a) IFRS 9 ECL
Loss	180 or more	(b) PR's requirements		

Microenterprises	Classification	Days due	Stage allocation	Provision to be made
	Performing	1 - 89	Stage 1	As per IFRS 9 ECL modelling
	Underperforming (OAEM)	90 - 179	Stage 2	
	Non-performing			
	Substandard	180 - 364	Stage 3	whichever is higher
	Doubtful	365 - 546		(a) IFRS 9 ECL
Loss	547 or more	(b) PR's requirements		

In order to align classification and provisioning requirements with enhanced loan sizes, State Bank of Pakistan (SBP) via AC&MFD circular 02 of 2022 dated 16 March 2022 has decided to revise Prudential Regulations R-8 for MFBs as under:

#### Regulation R-8: Classification of Assets and Provisioning Requirements

##### Specific Provisioning:

The outstanding principal and mark-up of the loans and advances, payments against which are overdue, shall be classified as Non-Performing Loans (NPLs) as prescribed below:

##### For General Loans

Category	Determinant	Treatment of Income	Provisioning to be made
Other Assets Especially Mentioned (OAEM)	Where mark-up or principal is overdue for 30 days or more but less than 60 days.	NIL	No provisioning required
Substandard	Where mark-up or principal is overdue for 60 days or more but less than 90 days	The unrealized interest / profit / mark-up / service charges on NPLs shall be suspended and credited to memorandum account.	25% of outstanding principal net of liquid assets realizable without recourse to a court of law
Doubtful	Where mark-up or principal is overdue for 90 days or more but less than 180 days.	As above	50% of outstanding principal net of liquid assets realizable without recourse to a court of law
Loss	Where mark-up or principal is overdue for 180 days or more.	As above	100% of outstanding principal net of liquid assets realizable without recourse to a court of law

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**For Housing Loans**

Category	Determinant	Treatment of Income	Provisioning to be made
Other Assets Especially Mentioned (OAEI)	Where mark-up or principal is overdue for 90 days or more but less than 180 days from the due date.	NIL.	No provisioning Required.
Substandard	Where mark-up or principal is overdue by 180 days or more but less than one year from the due date.	Unrealized interest / profit / mark-up to be kept in Memorandum Account and not to be credited to Income Account except when realized in cash. Unrealized interest / profit / mark-up already taken to Income account to be reversed and kept in Memorandum Account.	Provision of 25% of the difference resulting from the outstanding balance of principal net of liquid assets realizable without recourse to a court of law, and Forced Sale Value (FSV) of mortgaged properties to the extent of 75% of such FSV.
Doubtful	Where mark-up or principal is overdue by one year or more but less than two years from the due date.	As above.	Provision of 50% of the difference resulting from the outstanding balance of principal net of liquid assets realizable without recourse to a court of law, and Forced Sale Value (FSV) of mortgaged properties to the extent of 75% of such FSV.
Loss	Where mark-up or principal is overdue by two years or more from the due date	As above.	Provision of 100% of the difference resulting from the outstanding balance of principal net of liquid assets realizable without recourse to a court of law, and Forced Sale Value (FSV) of mortgaged properties to the extent of 75% of such FSV for first and second year, 50% for third and fourth year and 30% of FSV for fifth year from the date of Classification. Benefit of FSV against NPLs shall not be available after 05 years from the date of classification of financing.

**For Microenterprise Loans**

Category	Determinant	Treatment of Income	Provisioning to be made
Other Assets Especially Mentioned (OAEI)	Where mark- up/ interest or principal is overdue by 90 days or more but less than 180 days from the due date	Unrealized interest / profit / mark-up to be kept in Memorandum Account and not to be credited to Income Account except when realized in cash. Unrealized interest / profit / mark-up already taken to income account to be reversed and kept in Memorandum Account.	Provision of 10% of the difference resulting from the outstanding balance of principal net of liquid assets realizable without recourse to a court of law, and Forced Sale Value (FSV) of pledged stocks, plant & machinery under charge and mortgaged residential, commercial and industrial properties (land & building only) to the extent allowed in Annexure I-4.
Substandard	Where mark- up/ interest or principal is overdue by 180 days or more but less than one year from the due date.	As above	Provision of 25% of the difference resulting from the outstanding balance of principal net of liquid assets realizable without recourse to a court of law, and Forced Sale Value (FSV) of pledged stocks, plant & machinery under charge and mortgaged residential, commercial and industrial properties (land & building only) to the extent allowed in Annexure I-4.
Doubtful	Where mark-up/ interest or principal is overdue by one year or more but less than 18 months from the due date.	As above	Provision of 50% of the difference resulting from the outstanding balance of principal net of liquid assets realizable without recourse to a court of law, and Forced Sale Value (FSV) of pledged stocks, plant & machinery under charge and mortgaged residential, commercial and industrial properties (land & building only) to the extent allowed in Annexure I-4.

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Category	Determinant	Treatment of Income	Provisioning to be made
Loss	Where mark-up/ interest or principal is overdue by 18 months or more from the due date	As above	Provision of 100% of the difference resulting from the outstanding balance of principal net of liquid assets realizable without recourse to a court of law, and Forced Sale Value (FSV) of pledged stocks, plant & machinery under charge and mortgaged residential, commercial and industrial properties (land & building only) to the extent allowed in Annexure I-4.
	Where Inland Trade Bills are not paid/ adjusted within 180 days of the due date		

**Significant increase in credit risk**

A financial asset is considered to have had a significant deterioration in its credit quality, when following factors exists:

- i. **Quantitative factor:** 30 days or more past due for general loans and 90 days or more past due for microenterprise loans;

**Qualitative factors:**

- ii. Restructuring/Rescheduling due to credit reasons;
- iii. Unavailable/inadequate financial information/financial statements;
- iv. Expectation of forbearance (restructuring/rescheduling) occurring;
- v. Qualified report by external auditors;
- vi. Significant contingent liabilities;
- vii. Pending litigation resulting in a detrimental impact;
- viii. Loss of key staff to the organization;
- ix. Increase in operational risk and higher occurrence of fraudulent activities;
- x. Borrower is the subject of litigation by third parties that may have a significant impact on his financial position;
- xi. Frequent changes in senior management;
- xii. Intra-group transfer of funds without underlying transactions; and
- xiii. Delorem/delay in the date for commencement of commercial operations by more than one year

Transfer From Stage 2 to Stage 1. Where there is evidence that there is significant reduction in credit risk, the FIs would continue to monitor such financial instruments / credit exposures for a probationary period (as decided by the FIs) to confirm if the risk of default has decreased sufficiently before upgrading such exposure from Lifetime ECL (Stage 2) to 12-months ECL (Stage 1).

**Key assumptions used in calculation of ECL:**

**Expected credit loss is a product of:** Probability of default ("PD")  $\times$  Loss given default ("LGD")  $\times$  Exposure at default ("EAD")

**Probability of default:**

Probability of default is a term ascribed to the likelihood of a default over a specified period that a borrower will not be able to repay the amount due.

Many models have been developed by statisticians to estimate probability of default for portfolios with varying default rates. These models take into account a number of factors such as debtor characteristics including third-party-credit-risk-ratings, days past due, past default rates, macroeconomic factors, and asset correlation to estimate future PDs associated with the financial exposures of an entity. Based on analysis performed on available data, flow rate migration matrix have been found most suitable for estimation of probability of default. Accordingly, the Bank has computed loss rates for its advances using flow rate by observing default behavior over the period of 5 years as suggested by BASEL II.

The flow rates have been determined using month on month movement of outstanding balance from one bucket to another. In order to arrive at loss rate the product of average flow rates and LGD was taken.

**Forward looking information:**

IFRS 9 requires incorporating future economic conditions into the measurement of ECL. Future economic conditions are incorporated by adjusting estimates of PD to reflect expectations about the stage of economic cycle expected to be prevalent in the economy as-and-when default is expected to arise in the future. The macroeconomic factors were selected based on regression analysis of historical default rate and macroeconomic indicator and based on the results of the analysis GDP and CPI were considered to be the most suitable factors based on highest correlation with default rate.

The GDP and CPI forecast were sourced from "The Economist Intelligence Unit" which was used to determine forward looking Point in time PDs (P1 PDs). In compliance with IFRS 9, GDP and CPI were forecasted considering scenarios indicating movement of both indicators under base case, best case, and worst-case simulations. Base case forecasts were sensitized using a scaling factor of 5 years standard deviation to determine better and worst-case scenarios. It was assumed that forecast is a normal distribution. As per normal distribution property the base, better and worst would have 68%, 16% and 16% chances of likelihood.

Furthermore, in order to arrive at the Point in Time (PIT) loss rates, the Vasicek model framework has been used to take into account macroeconomic variables for Pakistan, loss rates and asset correlation as inputs.

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**Loss given default (LGD):**

Loss given default is the loss expected to be suffered should the counterparty default and is set as a percentage. To estimate LGD, specific and accurate recovery data is to be made available. In the absence of this information, the Bank, in accordance with the application instructions issued by SBP vide BPRD Circular Letter No. 24 of 2021 dated 05 July 2021, has used LGD percentages of 45% for secured portfolio and 75% for unsecured portfolio. During the year, SBP issued finalized application instructions for implementation of IFRS 9 vide BPRD Circular No. 03 dated 05 July 2022, whereby, in the absence of the Bank's LGD model based on accurate historical data, the LGD percentages prescribed under Basel F-IRB approach were suggested. Accordingly, during the year the Bank has used LGD percentages of 35% for secured portfolio and 45% for unsecured portfolio to determine ECL as of 31 December 2022. Had there been no change in the LGD percentages based on the application instructions for implementation of IFRS 9, the ECL as of 31 December 2022 would have been Rs. 5.85 billion and profit before tax for the year ended 31 December 2022 would have been lower by Rs. 2.16 billion.

**Exposure at default (EAD):**

Exposure at default is the value of the contractual obligation that must be fulfilled by the obligor under the contract at the time of default. Therefore, EAD represents the amount of potential exposure that is at risk.

In case of advances, the EAD is to be calculated by amortizing loans over their tenures. The EAD is to be bifurcated into stage 1, stage 2 and stage 3 using low risk, significant increase in credit risk and default definitions. Further, the SBP guidelines require that loan rescheduled should be considered as an indicator of significant increase in credit risk. Therefore, the rescheduled portfolio has been classified in stage 2 or above.

**DERECOGNITION**

**Financial assets**

A financial asset is derecognized when, and only when

- the contractual rights to the cash flows from the financial asset expire, or
- the entity transfers the financial asset and the transfer qualifies for derecognition (substantially all risks and rewards are transferred meaning that no control is retained).

**Financial liabilities**

A financial liability (e.g. debt) is derecognized from the balance sheet when it is extinguished, that is when the obligation is discharged, cancelled or expired. This condition is met when the debtor either:

- Discharges the liability (or part of it) by paying the creditor, normally with cash, other financial assets, goods or services; or
- is legally released from primary responsibility for the liability (or part of it) either by process of law or by the creditor.

**Policies applicable before 01 January 2022:**

**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.

**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 order to enable MFBs in extending relief measures to the affected borrowers, SBP via AC&MFD Circular Letter No. 01 of 2021 dated 01 December 2021 relaxed the criteria for classification of assets and provisioning requirements for Deferred and Restructured Portfolio (DRP) as per the following:

Category	Determinant (Existing)	Determinant (DRP)
Other Assets Especially Mentioned (OAM)	Loans (principal/mark-up) is overdue for 30 days or more but less than 60 days	Loans (principal/mark-up) is overdue for 60 days or more but less than 90 days
Substandard	Loans (principal/mark-up) is overdue for 60 days or more but less than 90 days	Loans (principal/mark-up) is overdue for 90 days or more but less than 120 days
Doubtful	Loans (principal/mark-up) is overdue for 90 days or more but less than 180 days	Loans (principal/mark-up) is overdue for 120 days or more but less than 210 days
Loss	Loans (principal/mark-up) is overdue for 180 days or more	Loans (principal/mark-up) is overdue for 210 days or more

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:

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

In addition to above, a general provision is made equivalent to 1% (2021: 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 provision 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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#### Impairment

##### 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.

##### 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.

##### Financial Instruments

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

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given and received respectively. Those 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 6.4.

##### 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.

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**5.2 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 amortized cost.

**5.3 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 counterparty 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.

**5.4 Investments**

The investments of the Bank, upon initial recognition, are classified:

- Amortized cost, where the effective interest rate method will apply;
- Fair value through other comprehensive income, with subsequent recycling to the statement of profit or loss upon disposal of the financial asset; or
- Fair value through profit or loss.

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

**Fair value through profit or loss**

These represent securities acquired with the intention to trade by taking advantage of short-term market/ interest rate movements. After initial measurement, these are marked to market and surplus/ deficit arising on revaluation of these investments is taken to profit and loss account.

**Amortised cost**

Investments with fixed maturity, where management has both the intent and the ability to hold till maturity, are classified at amortized cost. 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. Markup earned on investments held at amortised cost is recognized using effective interest rate.

**Fair value through other comprehensive income**

These are investments which do not fall under the fair value through profit or loss (FVTPL) and amortised cost 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 FVTOCI and amortised cost is amortised using effective interest method and taken to the profit and loss account.

**5.5 Advances**

Advances are measured at amortised cost; these are initially measured at fair value plus incremental direct cost net of loan processing fee received and subsequently at their amortised cost using the effective interest method.

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5.6 Operating fixed assets

5.6.1 Property and equipment

*Owned*

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

*Right of use assets*

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 and 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.

5.6.2 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.

5.6.3 Intangible assets

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

5.7 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.

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**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).

**5.8 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.

**5.9 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.

**5.10 Deferred tax**

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

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

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

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

**5.11 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.

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**5.12 Deposits, borrowings and subordinated debt**

Deposits, borrowings and subordinated debt represents sources of funding of the Bank. Deposits, debt securities in issue and subordinated liabilities are initially measured at fair value minus incremental direct transaction costs. Subsequently, they are measured at their amortised cost using the effective interest method, except where the Bank designates liabilities at FVTPL.

**5.13 Employee benefits**

**5.13.1 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.

**5.13.2 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.

**5.13.3 Staff retirement benefit - gratuity**

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

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

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

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

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

**5.14 Reserves**

**5.14.1 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.

**5.14.2 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.

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**5.14.3 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.

**5.14.4 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.

**5.15 Provisions**

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

**5.16 Revenue recognition**

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:

**5.16.1 Interest income and expense**

**Effective interest rate**

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument but not ECL. For purchased or originated credit impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

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ii **Amortised cost and gross carrying amount**

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance. The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

ii **Calculation of interest income and expense**

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating-rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date on which amortisation of the hedge adjustment begins.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

**Fee, commission and brokerage income**

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate.

If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

Other fee and commission income – including account servicing fees, investment management fees, sales commission, placement fees and syndication fees – is recognised as the related services are performed.

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

**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.

5.17 **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.

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.

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**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 and 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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		2022 Rupees	2021 Rupees
<b>6 CASH AND BALANCES WITH SBP AND NBP</b>	<b>Note</b>		
Cash in hand - Local currency		1,540,403,221	808,863,563
<i>Local currency current accounts</i>			
Balances with State Bank of Pakistan (SBP)	6.1	5,811,153,187	2,980,491,101
Balances with National Bank of Pakistan (NBP)		778,181	776,188
		<u>7,462,332,589</u>	<u>3,799,930,850</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% (2021: 5%) of the Bank's time and demand deposits liabilities with tenure of less than one year. This also includes Rs. 89,636,518 (2021: Rs. 158,299,594) maintained with SBP under Depositors' Protection Fund.			
<b>7 BALANCES WITH OTHER BANKS/ NBFIs/ MFBs</b>	<b>Note</b>	<b>2022 Rupees</b>	<b>2021 Rupees</b>
In Pakistan - Local currency			
Current accounts	7.1	682,281,712	12,385,714
Deposit accounts	7.2	693,874,148	6,211,518,698
		<u>1,276,155,860</u>	<u>6,223,904,412</u>
7.1 This includes Rs. 12,800,000 (2021: Rs. 10,600,000) 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 18.25% to 7.00% (2021: 5.50% to 11.5%) per annum.			
<b>8 Lending to Financial Institution</b>		<b>2022 Rupees</b>	<b>2021 Rupees</b>
Reverse repo		<u>6,581,667,250</u>	-
8.1 This represents reverse repo from:			
- National Bank of Pakistan at the rate of 18.10% amounting to Rs. 1.47 billion with maturity date of 03 January 2023.			
- National Bank of Pakistan at the rate of 16.9% amounting to Rs. 1.47 billion with maturity date of 03 January 2023.			
- National Bank of Pakistan at the rate of 16.40% amounting to Rs. 1.46 billion with maturity date of 03 January 2023.			
- National Bank of Pakistan at the rate of 16.40% amounting to Rs. 1.70 billion with maturity date of 03 January 2023.			
- National Bank of Pakistan at the rate of 16.40% amounting to Rs. 484.59 million with maturity date of 03 January 2023.			
<b>9 INVESTMENTS - NET OF PROVISIONS</b>	<b>Note</b>	<b>2022 Rupees</b>	<b>2021 Rupees</b>
<i>Amortised cost</i>			
Pakistan Investment Bonds (PIBs)	9.1	5,690,878,068	-
Term finance certificates (TFCs)		-	-
		<u>5,690,878,068</u>	-
<i>Fair Value Through Profit and Loss (FVTPL)</i>			
Mutual Funds	9.3	21,971,006,621	-
Treasury bills (T-bills)	9.4	20,326,564,589	-
Pakistan Investment Bonds (PIBs)	9.1	51,120,987,624	-
TFCs		2,268,756,526	-
		<u>95,687,295,339</u>	-
<i>Fair Value Through Other Comprehensive Income (FVOCI)</i>			
T-bills	9.4	34,458,448,109	-
Pakistan Investment Bonds (PIBs)	9.1	-	-
Ijarah Sukuk	9.5	1,009,648,676	-
Private sukuk - TFCs		501,724,249	-
Loss: Credit loss allowance (Stage 1)		(15,953,039)	-
		<u>36,962,767,999</u>	-

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	Note	2022 Rupees	2021 Rupees
<b>Available for sale</b>			
Market Treasury Bills (T-Bills)	9.4	-	21,005,085,107
Pakistan Investment Bonds (PIBs)	9.1	-	6,086,754,980
Unrealised loss on revaluation of investments		-	(339,508,279)
			26,732,313,788
<b>Held for trading</b>			
Mutual Funds	9.3	-	12,082,205,991
<b>Held to maturity</b>			
Term deposit receipts	9.2	-	7,750,000,000
Loss: Provision for diminution in value of investments		-	-
		<b>137,330,841,404</b>	<b>46,564,519,779</b>

- 9.1 This represents Pakistan Investment Bonds carrying interest at the rate ranging from 9.00% to 17.67% (2021: 9% to 9.5%) per annum.
- 9.2 Term Deposit Receipts (TDR) carries markup at rate ranging between 10.5% to 16.00% (2021: 8.50% to 12%).
- 9.3 This represents investments in open ended mutual funds and are measured at fair value through profit or loss. Fair value of these investments is determined using quoted repurchase price. Units held in funds are tabulated below:

	2022		2021	
	No. of units	Rupees	No. of units	Rupees
ABL Cash Fund	528,894,610	5,320,256,664	681,214,232	7,043,167,898
Faysal Income and Growth Fund	62,575,963	7,245,670,807	36,078,290	4,037,160,639
JS Islamic Income Fund	15,239,784	1,699,995,712	-	-
JS Microfinance Sector Fund	38,208,628	3,845,698,446	-	-
Pak Oman Government Securities Fund	198,042,950	2,310,052,182	88,979,054	1,001,877,454
Altalah GHP Income Multiplier Fund	17,421,580	1,015,164,760	-	-
Altalah GHP Income Multiplier Fund	9,167,041	534,166,049	-	-
	<b>889,550,547</b>	<b>21,971,006,621</b>	<b>806,271,576</b>	<b>12,082,205,991</b>

- 9.4 This represents market treasury bills with maturities ranging from 36 to 97 days (2021: 13 to 191 days) carrying interest at the rate ranging from 15.55% to 16.95% (2021: 7.40% to 11.45%) per annum.
- 9.5 Ijarah Sukuk carries mark up at the rate of 18.45% to 19.30% (2021: Nil) per annum and due to mature in 22 June 2027.

	2022 Rupees	2021 Rupees
<b>9.6 Revaluation of FVTOCI investments - net of deferred tax</b>		
Market Treasury Bills (T-Bills)	(8,776,825)	(26,979,500)
Ijarah Sukuk	18,653,838	-
Private sukuk - TFCs	(9,884,256)	-
Pakistan Investment Bonds (PIBs)	-	(312,526,779)
	(3,007,146)	(339,506,279)
Related deferred tax effect	992,358	50,876,951
	<b>(2,014,787)</b>	<b>(288,630,328)</b>

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10 ADVANCES - NET OF PROVISIONS

	Performing				Non performing		Total	
	Stage 1		Stage 2		Stage 3			
	2022	2021	2022	2021	2022	2021	2022	2021
	Rupees							
Micro credits								
Secured	32,264,090,792	-	84,286,900	-	198,788,719	-	32,547,146,412	-
Unsecured	22,050,395,489	-	5,990,233,226	-	1,783,601,262	-	29,824,229,977	-
Islamic financing	606,896,302	-	-	-	-	-	606,896,302	-
Advances - gross	54,921,382,584	-	6,074,500,126	-	1,982,389,981	-	62,978,272,691	-
Credit loss allowance against advances								
- Stage 1	(253,833,048)	-	-	-	-	-	(253,833,048)	-
- Stage 2	-	-	(2,497,449,969)	-	-	-	(2,497,449,969)	-
- Stage 3	-	-	-	-	(942,995,714)	-	(942,995,714)	-
	(253,833,048)	-	(2,497,449,969)	-	(942,995,714)	-	(3,694,278,732)	-
Advances - net of credit loss allowance	54,667,549,535	-	3,577,050,157	-	1,039,394,267	-	59,283,993,959	-

10.1 Advances - Credit loss allowance details

	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
	2022			2021		
	Rupees			Rupees		
Outstanding gross exposure						
Performing	54,921,382,584	5,471,448,723	-	-	-	-
Under Performing	-	631,011,130	-	-	-	-
Other assets especially mentioned	-	-	-	-	-	-
Non - Performing						
Substandard	-	-	1,005,531,691	-	-	-
Doubtful	-	-	580,693,358	-	-	-
Loss	-	-	358,205,205	-	-	-
	-	-	1,954,430,255	-	-	-
Total	54,921,382,584	6,102,459,852	1,954,430,255	-	-	-
Corresponding credit loss allowance						
Stage 1	(253,833,048)	-	-	-	-	-
Stage 2	-	(2,497,449,969)	-	-	-	-
Stage 3	-	-	(942,995,714)	-	-	-
	(253,833,048)	(2,497,449,969)	(942,995,714)	-	-	-

10.2 Particulars of write off / charge offs  
Against credit loss allowance  
Against provision  
Directly charged to profit & loss account

2022	2021
Rupees	Rupees
(335,282,962)	-
-	(772,192,304)
(453,495,303)	(18,155,783)
(788,778,265)	(790,348,087)

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Advances - gross

Less: Provision held

Specific

General

Advances - net of provisions

2022		2021	
Number	Rupees	Number	Rupees
		315,390	36,411,344,571
		15,813	(529,681,308)
			11,505,933,945
		246,390	12,035,615,753
			34,375,729,318

- 10.2 In view of COVID 19, the management expects that certain degree of customers would be impacted, however, it is difficult to estimate potential effect on advances portfolio with any degree of certainty. The Bank had previously recorded an additional general provision amounting to Rs. 1,312 million based on management's assessment of asset quality and credit risk. Moreover, due to monsoon rains in the months of July and August 2022, out of total 303 branches of the Bank, 132 branches are located in the areas which were declared as calamity hit by the Government. In order to provide relief to the flood affected borrowers, SBP vide circular AC&MFD/MFPD/PRs/10183 dated 07 October 2022 encouraged the Microfinance Banks (MFBs) to reschedule/restructure loans of flood affected borrowers upto one year and to extend fresh financing in flood affected areas. As of 31 December 2022, the Bank has categorised rescheduled/restructured advances amounting to Rs. 2,745 million (principal plus markup) with an exposure at default (EAD) of Rs. 6,027 million as Stage 2 or above under IFRS 9 because of significant increase in credit risk associated with this portfolio. These rescheduled/restructured advances includes portfolio totaling of 10,731 subsistence farmers amounting to Rs. 2,384 million (principal plus markup) with an EAD of Rs. 1,409 million which have been provided relief under SBP Circular AC&MFD No. 3 of 2022 dated December 21, 2022. The remaining portfolio has been categorized as Stage 1, Stage 2 or Stage 3 as per the staging policy defined in note 5.1

The SBP vide Circular AC&MFD No. 3 of 2022 dated December 21, 2022 has issued a "Markup Waiver and Financing Schemes for Farmers in Rain/Flood Affected Areas under Kissan Package 2022". Following reliefs were approved:

Markup Waiver Scheme (MWS) for subsistence farmers against agriculture loans with outstanding balance (including markup) of up to Rs 500,000/- per loan that were regular as on June 30, 2022 - waiver of the entire amount of markup due till September 30, 2022 against outstanding loans (principal plus markup) up to Rs 500,000/- that were regular as on June 30, 2022 and reschedule/restructure the principal amount of loans for up to one year in calamity-hit areas. 50% of the cost of above waiver of markup will be borne by the Government of Pakistan (GoP) through budgetary allocation whereas 50% will be borne by the concerned Banks/MFBs themselves.

GOP Markup Subsidy Scheme for revival of agriculture/livestock sectors against loans of up to Rs. 500,000/- to subsistence farmers at markup rate of 0% per annum to end user. Whereas the Government will provide markup subsidy at 6 months KIBOR + 9%. The scheme validity is six months from the date of issue of the Circular.

Interest Free Loans and Risk Sharing Scheme for Landless Farmers up to Rs. 200,000 in flood affected areas at markup rate of 0% per annum to end user. Whereas the Government will provide markup subsidy at 6 months KIBOR + 9%. The scheme provides credit risk coverage of 50% of outstanding loans (principal) in case of non-repayments, after being classified as "SUBSTANDARD" (as per the classification criteria laid down in the Prudential Regulations for both Agriculture Financing and Microfinance banks). The scheme validity is six months from the date of issue of the circular.

The total outstanding markup accrued on those loans in Flood affected areas as at 30 September 2022 amounted to Rs. 808 million net of recoveries. The Bank has waived off the entire amount by directly writing off the markup accrued on loans. 50% of this amount, Rs. 453 million has been recognised as recovered from the Government. Had this circular not been applicable, the profit after tax of the bank would have been higher by Rs. 322 million.

- 10.4 On March 16, 2022 SBP AC&MFD issued Circular No. 02 of 2022 and revised the Prudential Regulations for Microfinance Banks including Classification of Assets, Charging-off Non-Performing Loans (NPLs) and Provisioning Requirements. The statutory provision under the new requirements amounts to Rs 680 million as of 31 December 2022. Had there been no change in the Prudential Regulations (PR) for Microfinance Banks (MFBs) as mentioned above, the statutory provision would have been Rs. 1,392 million and the Profit before tax would have been lower by Rs. 711 million. However, during the year the Bank early adopted IFRS 9 and as per the guidelines of State Bank of Pakistan issued via SBP Circular No. 3 of 2022 dated 5 July 2022 provision to be made shall be higher off IFRS 9 Expected Credit Loss modelling and PBT requirement. Accordingly, the impact of Expected Credit Loss as disclosed in note 10.5 has been recognised in these financial statements.

- 10.5 Movement in impairment allowance for credit losses is as follows:

	31 December 2022	31 December 2021
	Rupees	Rupees
Balance at beginning of the year	2,035,615,253	1,313,067,876
Impact of Re-measurement due to adoption of IFRS 9	3,349,055,222	
Impairment charge for the year		1,512,000,168
Reversals	(1,355,108,781)	
Advances written off	(335,282,962)	(790,348,087)
Balance at end of the year	3,694,278,732	2,035,615,253

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11	OPERATING FIXED ASSETS	Note	2022 Rupees	2021 Rupees
	Capital work-in-progress	11.1	651,796,724	171,418,550
	Property and equipment	11.2	1,524,280,420	1,288,159,012
	Intangible assets	11.3	258,348,838	270,259,398
	Right of use asset (ROU)	11.4	2,328,563,728	1,158,333,270
			<u>4,763,989,710</u>	<u>2,888,170,228</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	68,813,050	78,308,159
	Office improvements		<u>582,583,874</u>	<u>142,110,391</u>
			<u>651,796,724</u>	<u>171,418,550</u>

11.1.1 This represents advance given for software and property and equipment

11.2 Property and equipment

2022											
At 01 January 2022	Additions	Cost Disposals / writeoff	Transfers	At 31 December 2022	At 01 January 2022	Depreciation Charge for the year	Disposals / writeoff	At 31 December 2022	Book value at 31 December 2022	Rates of depreciation % (per annum)	
Rupees											
Owned											
Furniture and fixtures	222,308,145	74,789,886	(683,389)	-	296,414,452	83,039,458	24,393,641	(484,846)	107,808,163	188,806,289	10.00%
Computer equipments	798,692,674	154,678,214	(12,595,788)	-	938,770,100	374,714,117	193,343,798	(12,380,898)	555,667,217	383,102,883	33.33%
Electrical equipment	948,893,801	312,828,044	(643,887)	-	1,258,062,778	585,320,919	203,208,688	(938,227)	787,931,280	471,161,418	20.00%
Vehicles	31,597,740	-	-	-	31,597,740	28,129,357	1,063,579	(8,322,737)	21,870,199	9,727,541	20.00%
Office Improvement	542,691,123	183,531,533	(8,322,737)	-	717,920,321	181,766,822	64,661,420	-	246,428,042	471,492,279	10.00%
	2,540,189,485	725,226,687	(22,224,981)	-	3,243,785,391	1,254,030,473	487,269,108	(21,794,608)	1,719,594,971	1,524,280,420	
2021											
At 01 January 2021	Additions	Cost Disposals / writeoff	Transfers	At 31 December 2021	At 01 January 2021	Depreciation Charge for the year	Disposals / writeoff	At 31 December 2021	Book value at 31 December 2021	Rates of depreciation % (per annum)	
Rupees											
Owned											
Furniture and fixtures	205,889,237	22,212,058	(5,593,148)	-	222,308,145	82,828,997	22,397,323	(1,924,882)	83,039,458	138,287,495	10.00%
Computer equipments	701,955,228	98,658,024	(3,918,578)	-	796,692,674	214,761,093	103,856,834	(3,903,812)	374,714,117	103,802,269	33.33%
Electrical equipment	878,218,832	76,407,893	(5,720,724)	-	948,893,801	423,838,719	187,063,302	(5,368,102)	585,320,919	879,676,372	20.00%
Vehicles	31,597,740	-	-	-	31,597,740	28,030,433	3,089,924	-	28,129,357	2,468,383	20.00%
Office Improvement	488,235,042	66,242,830	(11,786,747)	-	542,691,125	140,884,169	48,558,078	(7,475,615)	181,766,822	360,924,503	10.00%
	2,303,695,877	263,518,803	(27,025,195)	-	2,540,189,485	887,739,403	404,984,481	(18,673,391)	1,254,030,473	1,288,159,012	

11.2.1 Cost of fully depreciated property and equipment that are still in use is Rs. 440,543,545 (2021: Rs. 285,965,459).

11.2.2 There were no deletion of fixed assets during the year with cost in excess of Rs. 1 million or book value in excess of Rs. 250,000. Cumulative value of disposals during the year were as follows:

Description	Original cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (Loss)	Mode of disposal	Particulars of buyers
	Rupees						
Total assets sold	<u>22,224,981</u>	<u>(21,784,608)</u>	<u>440,373</u>	<u>1,259,658</u>	<u>829,285</u>	<u>As per policy</u>	<u>Various buyers</u>

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11.3 Intangible assets

	2022								Book value at 31 December 2022	Rates of amortization % (per annum)
	Cost			Amortization						
	At 01 January 2022	Additions	Transfers	At 31 December 2022	At 01 January 2022	Charge for the year	Transfers	At 31 December 2022		
	Rupees									
Computer softwares	393,628,576	42,528,932	-	479,555,663	168,767,335	64,555,988	-	231,323,303	248,232,380	10.00%
Licenses	55,792,894	11,114,278	-	23,509,017	12,394,739	-	-	12,394,739	11,114,278	20.00%
Mail server	78,378	-	-	78,378	78,378	-	-	78,378	-	33.33%
	449,499,848	53,643,210	-	503,143,058	179,240,452	64,555,988	-	243,796,420	259,346,638	
	2021									
	Cost			Amortization				Book value at 31 December 2021	Rates of amortization % (per annum)	
	At 01 January 2021	Additions	Transfers	At 31 December 2021	At 01 January 2021	Charge for the year	Transfers			At 31 December 2021
	Rupees									
Computer softwares	274,785,219	118,843,357	-	393,628,576	116,393,178	50,374,167	-	166,767,335	270,259,396	10.00%
Licenses	55,792,894	-	-	55,792,894	12,394,739	-	-	12,394,739	-	20.00%
Mail server	78,378	-	-	78,378	78,378	-	-	78,378	-	33.33%
	330,656,491	118,843,357	-	449,499,848	128,866,296	50,374,167	-	179,240,452	270,269,396	

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

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11.4	Right of use asset	Note	2022 Rupees	2021 Rupees
	Balance at start of the year		1,158,333,270	1,204,105,972
	Additions		1,623,119,353	194,002,253
	Disposals / Termination of lease	11 & 1	(23,385,178)	(38,075,661)
	Modification of lease		1,998,321	79,224,100
	Depreciation	26	(431,502,038)	(280,923,394)
	Balance at end of the year		<u>2,328,563,728</u>	<u>1,158,333,270</u>

11.4.1 Details of deletion of right of use assets during the year with cost in excess of Rs. 1 million or book value in excess of Rs. 250,000 are as follows:

Description	Original cost	Accumulated depreciation	Book value	Sale proceeds	Gain	Mode of disposal	Particulars of buyers
			Rupees				
Vehicle Lease	3,484,460	871,115	2,613,345	2,671,419	58,074	Buy back	Mr. Benazir Asghar
Vehicle Lease	3,392,200	1,865,710	1,526,490	1,469,954	(56,536)	Buy back	Mr. Narendar Kumar
Vehicle Lease	3,303,060	397,357	2,905,703	2,970,703	64,999	Buy back	Insurance claim EFU
Vehicle Lease	3,259,580	1,303,824	1,955,756	1,955,736	(20)	Buy back	Mr. Nadeem Ahmed
Vehicle Lease	3,259,580	1,575,454	1,684,126	1,684,106	(20)	Buy back	Mr. Khuzai Hayat
Vehicle Lease	3,140,011	2,145,674	994,337	994,337	0	Buy back	Mr. Nizar
Vehicle Lease	3,140,011	1,727,006	1,413,005	1,413,004	(1)	Buy back	Mr. Usat Zaman
Vehicle Lease	2,954,488	1,526,486	1,428,002	1,428,002	0	Buy back	Mr. Turab Ali Shah
Vehicle Lease	2,805,000	841,500	1,963,500	2,197,250	233,750	Buy back	Mr. Anushey Naveed Asrial
Vehicle Lease	2,665,630	1,510,524	1,155,106	1,155,106	0	Buy back	Mr. Sultan
Vehicle Lease	2,557,214	1,960,531	596,683	597,000	317	Buy back	Mr. Sarmad Pretu
Vehicle Lease	2,539,135	253,914	2,285,221	2,377,540	92,319	Buy back	Mr. Syed Basir
	<u>30,560,329</u>	<u>15,974,094</u>	<u>20,586,235</u>	<u>20,864,157</u>	<u>277,922</u>		

12	OTHER ASSETS	Note	2022 Rupees	2021 Rupees
	Income / mark-up accrued	12.1	-	8,837,417,346
	Advances, deposits and other prepayments		411,741,156	376,198,998
	Receivable from 1-Land		-	100,536,490
	Inventory of ATM cards and stationery		78,608,546	29,192,613
	Advance to employees	12.2	138,243,944	125,840,940
	Receivable from SBP	12.3 & 12.4	909,693,698	456,749,452
	Insurance claims receivable		138,164,141	93,071,656
	Receivable from staff retirement benefit - Provident	17.3	2,376,025	-
	Receivable from defined contribution plan - Gratuity fund		16,733,389	-
	Others		301,809,796	31,575,657
			<u>1,997,370,695</u>	<u>10,050,583,152</u>

12.1 This is net of markup suspended amounting to Rs. 344 (2021: Rs. 1,793 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. 31 of 2013 dated 01 November 2013.

12.4 This includes Rs. 453 million receivable from Government under "Mark-up Waiver and Financing Schemes for Farmers in Rain/Flood Affected Areas under Kissan Package 2022" via SBP vide circular AC&MFD No. 3 of 2022 dated 21 December 2022.

The total outstanding markup accrued on loans in flood affected areas as at 30 September 2022 amounted to Rs. 908 million net of recoveries. The Bank has waived off the entire amount by directly writing off the markup accrued on loans. 50% of this amount, Rs. 453 million has been recognised as receivable from the Government.

13	DEFERRED TAX ASSET		Rupees	Rupees
	Deductible temporary differences arising in respect of			
	Provision against advances		1,219,111,981	590,328,423
	Deficit on revaluation of available for sale securities		992,358	50,875,951
	Remeasurement of employees' retirement benefits		3,984,711	2,919,774
	Lease finance facilities		76,258,506	60,926,189
	Minimum Tax over Normal tax / Taxable losses		984,924,340	-
	Accelerated tax depreciation / amortization allowance		80,584,840	41,408,196
	Impact of remeasurement of financial assets		557,793,133	-
	<b>Total deductible temporary differences</b>		<u>2,923,629,869</u>	<u>746,458,533</u>

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	2022 Rupees	2021 Rupees
Taxable temporary differences arising in respect of		
Treasury bills	(189,338,287)	(25,073,192)
Pakistan Investment Bonds (PIBs)	-	(24,439,803)
Mutual funds	(124,508,042)	(19,497,919)
<b>Total taxable temporary differences</b>	<b>(313,846,329)</b>	<b>(69,010,914)</b>
<b>Deferred tax asset</b>	<b>2,609,783,540</b>	<b>877,447,619</b>

	Net balance at 01 January 2022	Impact of adoption of IFRS 9	Recognised in Profit and loss account	Other comprehensive income	Net balance at 31 December 2022
<b>2022</b>					
<b>Taxable temporary differences</b>					
Treasury Bills	(25,073,192)	-	(184,265,095)	-	(189,338,287)
Pakistan Investment Bonds (PIBs)	(24,439,803)	-	24,439,803	-	-
Mutual funds	(19,497,919)	-	(105,010,123)	-	(124,508,042)
<b>Deductible temporary differences</b>					
Operating fixed assets	41,408,188	-	39,156,644	-	80,564,832
Provision for advances	590,328,423	871,226,014	(342,442,456)	-	1,219,111,981
Minimum tax / Tax loss	-	-	884,824,340	-	884,824,340
Employee retirement benefit - gratuity	2,918,774	-	-	1,064,937	3,983,711
Impact of remeasurement of financial assets	-	315,892,488	242,100,647	-	857,793,133
Surplus / (deficit) on revaluation of assets	50,875,951	(48,832,998)	-	(3,050,594)	82,992,459
Looses	60,926,189	-	15,332,317	-	76,258,506
	746,458,533	1,240,085,501	939,071,482	(1,885,657)	2,923,628,669
	<b>677,447,619</b>	<b>1,240,085,501</b>	<b>694,236,077</b>	<b>(1,885,657)</b>	<b>2,609,783,540</b>

	Net balance at 01 January 2021	Impact of adoption of IFRS 9	Recognised in Profit and loss account	Other comprehensive income	Net balance at 31 December 2021
<b>2021</b>					
<b>Taxable temporary differences</b>					
Treasury Bills	(8,054,086)	-	(17,019,108)	-	(25,073,192)
Pakistan Investment Bonds (PIBs)	-	-	(24,439,803)	-	(24,439,803)
Mutual funds	-	-	(19,497,919)	-	(19,497,919)
<b>Deductible temporary differences</b>					
Operating Fixed assets	(24,254,688)	-	65,682,864	-	41,408,188
Provision for advances	380,788,234	-	209,540,189	-	590,328,423
Employee retirement benefit - gratuity	253,588	-	-	2,668,188	2,918,774
Surplus / (deficit) on revaluation of assets	(110,860)	-	-	50,888,911	50,875,951
Looses	50,994,492	-	8,931,897	-	60,926,189
	407,670,684	-	285,134,750	53,653,088	746,458,533
	<b>399,618,588</b>	<b>-</b>	<b>224,177,822</b>	<b>53,653,088</b>	<b>677,447,619</b>

14

**DEPOSITS AND OTHER ACCOUNTS**

	2022		2021	
	Number of accounts	Amount Rupees	Number of accounts	Amount Rupees
Fixed deposits	1,644	26,708,855,451	1,556	20,280,326,633
Saving deposits	17,476	55,999,875,503	15,846	30,892,674,901
Current deposits	3,639,509	5,678,273,914	2,722,176	3,827,288,161
	<b>3,658,629</b>	<b>88,387,004,868</b>	<b>2,739,578</b>	<b>55,000,289,695</b>
<b>Islamic</b>				
Fixed deposits	37	76,902,500	-	-
Saving deposits	423	3,222,331,560	-	-
Current deposits	3,675	514,172,194	-	-
	<b>4,135</b>	<b>3,813,408,254</b>	<b>-</b>	<b>-</b>
<b>Total deposits</b>	<b>3,662,764</b>	<b>92,200,411,122</b>	<b>2,739,578</b>	<b>55,000,289,695</b>

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14.1	Particulars of deposits by ownership	2022		2021	
		Number of accounts	Amount Rupees	Number of accounts	Amount Rupees
	Individual depositors	3,654,807	15,287,817,803	2,739,404	29,468,403,092
	Institutional depositors				
	Corporation/ firms etc.	7,822	33,609,932,644	140	17,426,759,047
	Banks / financial institutions	135	43,302,660,675	34	8,103,127,556
	<b>Total</b>	<b>3,662,764</b>	<b>92,200,411,122</b>	<b>2,739,578</b>	<b>55,000,289,695</b>

14.2 This includes deposits amounting to Rs. 6,371 million (2021: Rs. 5,769 million) from related parties. Also refer note 37.

15	BORROWINGS	Note	2022 Rupees	2021 Rupees
	Borrowings from Banks / Financial institutions in Pakistan			
	<b>Secured</b>			
	Faysal Bank Limited - I	15.1	128,400	166,666,667
	Allied Bank Limited - II	15.2	505,947	1,333,333,330
	National bank of Pakistan - Running finance	15.3	1,041,639,451	1,000,000,000
	Faysal Bank Limited - II	15.4	133	333,332,667
	State Bank of Pakistan	15.5	1,056,302,092	1,500,000,000
	Repo Borrowing	15.6	29,659,931,975	15,555,721,500
	Allied Bank Limited - Running finance - I	15.7	520,945,753	500,000,000
	Bank Al Falah (Cash Management)		520,237,309	-
	Repo Borrowing - PIB	15.8	-	1,916,632,000
	Bank Alfalah - PPTFC	15.9	3,300,820,710	3,500,000,000
	Bank of Punjab	15.10	509,013,950	600,000,000
	Allied Bank Limited - III	15.11	2,480,884,187	2,250,000,000
	Pakistan Mortgage Refinance Company	15.12	-	500,000,000
	Pakistan Kuwait Investment Company (Private) Limited	15.13	402,842,238	750,000,000
	Allied Bank Limited - Running finance - II	15.14	5,023,383,565	5,000,000,000
	Allied Bank Limited - IV	15.15	432,359,183	500,000,000
	Pakistan Mortgage Refinance Company - II	15.16	437,515,028	500,000,000
	United Bank Limited	15.17	339,528,731	475,000,000
	MCB Bank Limited	15.18	351,356,304	500,000,000
	Meezan Bank - Bi Mauijal	15.19	1,080,318,360	-
	UMBL ADT-1 TFCs	15.20	1,001,126,576	-
	UMBL - MCB - STFWC	15.21	10,086,400,184	-
	NBP - Term Finance	15.22	1,525,644,213	-
	MCB - STFWC-2	15.23	20,231,346,739	-
	ABL RF-MM-S	15.24	20,100,136,986	-
	Meezan Bimaujal - 2	15.25	2,005,058,418	-
	Meezan Bimaujal-3	15.26	3,002,727,063	-
	ASKARI RF/MMI Facility	15.27	10,013,561,644	-
	Call Borrowing - ZTB	15.28	1,000,000,000	-
			<b>116,123,715,137</b>	<b>36,880,686,164</b>

15.1 This represents term finance loan of Rs. 1 billion carrying markup of 6-months KIBOR plus 1% (2021: 6-Months KIBOR plus 1%) per annum payable semi-annually. The loan is secured against first pari passu charge on book debts, advances and receivable of the Bank with 25% margin and Microfinance Credit Guarantee Facility from State Bank of Pakistan at 25%. This loan is repayable in 6 equal semi-annual instalments of Rs. 166.67 million each. Repayments have started from August 2019 and as on 31 Dec 2022 entire amount of loan has been repaid.

15.2 This represents term finance facility under syndicate financing through Allied Bank Limited of Rs. 4 billion carrying markup of 6-months KIBOR plus 0.95% (2021: 6-Months KIBOR plus 0.95%) per annum payable semi-annually in arrears. This is secured against first pari passu charge over all present and future assets excluding land and building of the Bank but not limited to advances and investments beyond CRR and SLR requirements of the Bank with 25% margin. Disbursement was initially made against a ranking charge which was upgraded to first pari passu with in 120 days of first disbursement. This loan is repayable in 05 equal semi-annual instalments with the first principal repayment falling due on eighteenth (18th) month from the first disbursement date. The loan was drawn on 31 December 2018 and as on 31 Dec 2022 entire amount of loan has been repaid.

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- 15.3 This represents utilized amount of running finance facility through National Bank of Pakistan Limited of Rs. 1,000 million (2021: 1,000 million) carrying markup of 3-months KIBOR plus 0.75% per annum (2021: 3-Months KIBOR plus 0.75% per annum). This is secured against first pari passu charge on all current and future book debts, advances and receivable of the Bank. Markup is repayable on quarterly basis.
- 15.4 This represents term finance loan of Rs. 1 billion carrying markup of 8-months KIBOR plus 0.75% per annum (2021: 6-Months KIBOR plus 0.75% per annum). This is secured against first pari passu charge on book debts, advances and receivables of the Bank for Rs. 1,333 million (25% margin). Initial disbursement on ranking charge was upgraded to first pari passu from 21 December 2018. This loan is repayable in 6 semi-annual instalments of Rs. 166.66 million each after grace period of 01 year with the notional principle of Rs. 1,000 within first two semi-annual mark-up payments and as on 31 Dec 2022 entire amount of loan has been repaid.
- 15.5 This represents term finance loan of Rs. 1,500 million carrying markup of 6-months KIBOR minus 100 bps (2021: 6 Months KIBOR minus 100 bps) for the tenor of five years. Markup amount is payable on every half year end i.e 30 June and 31 December, while payment of principle will be made in the last four quarters of the loan period or in bullet form. The loan is provided against the following target set by the SBP:  
 -the loan should be disbursed to 60% female borrowers  
 -the Bank should disburse 25,000 loans; and  
 -all loans disbursed should meet the E&S guideline issued by SBP.
- 15.6 This represents Repo Borrowing from:  
 - Pak Oman Investment Bank at the rate of 16.9% amounting to Rs. 1.46 billion with maturity date of 06 January 2023.  
 - Pak Oman Investment Bank at the rate of 18.9% amounting to Rs. 1.46 billion with maturity date of 08 January 2023.  
 - Zarai Taraqati Bank Limited at the rate of 16.40% amounting to Rs. 1.98 billion with maturity date of 06 January 2023.  
 - Zarai Taraqati Bank Limited at the rate of 16.40% amounting to Rs. 1.98 billion with maturity date of 06 January 2023.  
 - CDC ABL Income Fund at the rate of 16.40% amounting to Rs. 1.47 billion with maturity date of 18 January 2023.  
 - CDC ABL Income Fund at the rate of 16.40% amounting to Rs. 1.47 billion with maturity date of 18 January 2023.  
 - CDC ABL Income Fund at the rate of 16.40% amounting to Rs. 195.88 million with maturity date of 18 January 2023.  
 - Bank of Punjab at the rate of 16.40% amounting to Rs. 1.93 billion with maturity date of 06 Jan 2023.  
 - Bank of Punjab at the rate of 16.40% amounting to Rs. 878.8 million with maturity date of 08 Jan 2023.  
 - Bank of Punjab at the rate of 16.40% amounting to Rs. 1.93 billion with maturity date of 06 Jan 2023.  
 - Bank of Punjab at the rate of 16.50% amounting to Rs. 1.98 billion with maturity date of 03 Jan 2023.  
 - Bank of Punjab at the rate of 16.50% amounting to Rs. 1.98 billion with maturity date of 03 Jan 2023.  
 - Bank of Punjab at the rate of 16.50% amounting to Rs. 992.953 million with maturity date of 03 Jan 2023.  
 - Bank of Punjab at the rate of 16.40% amounting to Rs. 1.91 billion with maturity date of 03 Jan 2023.  
 - Bank of Punjab at the rate of 16.40% amounting to Rs. 1.91 billion with maturity date of 03 Jan 2023.  
 - Bank of Punjab at the rate of 16.40% amounting to Rs. 1.91 billion with maturity date of 03 Jan 2023.  
 - Bank of Punjab at the rate of 16.40% amounting to Rs. 994.6 million with maturity date of 03 Jan 2023.  
 - Khushali Bank Limited at the rate of 16.50% amounting to Rs. 1.99 billion with maturity date of 03 Jan 2023.  
 - Khushali Bank Limited at the rate of 16.50% amounting to Rs. 497.25 million with maturity date of 03 Jan 2023.  
 - Habib Metro Bank Limited at the rate of 16.20% amounting to Rs. 497.25 million with maturity date of 06 Jan 2023.
- 15.7 This represents running finance of Rs. 500 million obtained from ABL at the rate of 3 months KIBOR + 0.85% per annum (2021: 3 months KIBOR + 0.85% per annum) to be paid on quarterly basis with the tenor of 12 months. This running finance facility is secured against all present and future assets of Bank excluding land and building with 25 % margin and is obtained to meet the short term funding requirement and to finance growth in advances.
- 15.8 This represents Repo Borrowing from Zarai Taraqati Bank Limited at the rate of 14.50% amounting to Rs. 1.84 billion and stand matured on 29 July 2022.
- 15.9 This represents privately placed term finance certificates (TFCs) of Rs. 3.5 Billion distributed in 35,000 TFCs of Rs. 100,000 each. The issue amount was utilized to enhance the advances portfolio of the Bank. The facility tenure is 04 years (inclusive of 01 year grace) and is priced at 6 Month KIBOR + 1.35% (2021: 6 Month KIBOR + 1.35%). Half of the issue amount is secured against 1st pari passu charge on the book debts, advances and receivables with 25% margin remaining half is secured against charge/lien on government securities. Semi - annual principal redemption shall commence from 2nd year from issue date in 06 equal principal installments and shall continue till the maturity of the instrument. The rating of these certificates issued by PACRA is AA- with stable outlook. These TFCs are required to be inducted in CDS and the laws and regulation relating to the CDS with respect to the term finance certificates will be applicable to the TFCs.

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- 15.10 This represents term finance facility obtained from The Bank of Punjab of Rs. 600 Million carrying markup of 6-months KIBOR plus 0.95% per annum (2021: 6-months KIBOR plus 0.95% per annum) payable semi-annually in arrears. This is secured against first pari passu charge over all present and future assets (excluding land and building), book debts, advances microcredit receivables and investments of the bank with 25% margin. This loan is repayable in 07 equal semi-annual instalments with the first principal repayment falling due on twelfth (12th) month from the first disbursement date. The loan was drawn on 30 June 2021.
- 15.11 This represents syndicated term finance facility of Rs. 2,250 million The said finance carrying markup at the rate of 6-month KIBOR plus 1.25% per annum (2021: 6-month KIBOR plus 1.25% per annum). Mark up is paid semi annually in arrears. The first payment shall be due and payable at the end of eighteen months from disbursement date and subsequently every six months thereafter. This is secured against first pari-passu charge on all present and future assets of the borrower with the margin of 25%. The loan was drawn on 26 November 2021.
- 15.12 This represents housing loan from Pakistan Mortgage Refinance Company Limited of Rs. 500 million carrying markup at the rate of 1 year Kibor with negative spread of 1% depending upon the utilization. First payment shall fall due at the end of 3rd month from disbursement and subsequently every quarter thereafter. This was secured against first pari-passu charge on all present and future current assets of the borrower with the margin of 25%. Loan amounting to Rs. 300 million was drawn on 27 August 2021 and Rs. 200 million on 30 Sep 2021. As on 31 December entire amount of loan has been repaid.
- 15.13 This represents utilised amount of term finance facility of Rs. 750 million from Pakistan Kuwait Investment Company (Private) Limited (PKIC or lender) for enhancement of advances portfolio of UMBL, carrying markup at the rate of 6-months KIBOR plus 1.10% per annum (2021: 6-months KIBOR plus 1.10% per annum). This is secured against first pari-passu charge on all present and future assets (excluding land and building) including but not limited to book debts, advances, microcredits, bills, cash and bank balances, investments etc with 25% margin. This loan is repayable in 4 semi-annual instalments of Rs. 187.5 million each with no grace period. The loan was drawn on 2 December 2021.
- 15.14 This represents utilised amount of running finance facility of Rs. 5,000 million, carrying markup at the rate of 3 months KIBOR + 0.05% per annum (2021: 3 months KIBOR + 0.05% per annum) to be paid on quarterly basis in arrears with the tenor of 12 months. This is secured against ABL asset management units with 5% margin. This running finance facility is obtained to meet the short term funding requirement and to finance growth in advances/agri portfolio including but not limited to lending in KPK/Balochistan. The loan was drawn on 20 December 2021.
- 15.15 This represents housing loan of Rs. 500 million from Allied Bank Limited carrying markup at the rate of 6-months KIBOR plus 0.95% per annum (2021: 6-months KIBOR plus 0.96% per annum). This is secured against first pari-passu hypothecated charge on all present and future assets (excluding land and building) of the Bank at 25% margin. This loan is repayable in 9 equal semi-annual instalments of Rs. 55.55 million each inclusive of 6 months grace period. The loan was drawn on 17 December 2021.
- 15.16 This represents housing loan of Rs. 500 million from Pakistan Mortgage Refinance Company Limited carrying markup at the rate of 1 year KIBOR with negative spread of 1% (2021: 1 year KIBOR with negative spread of 1%) depending upon the utilization. First principal payment shall fall due at the end of 3rd month from expiry of grace period and subsequently every quarter thereafter. This is secured against first pari-passu charge on all present and future assets of the Bank. The loan was drawn on 30 December 2021.
- 15.17 This represents housing loan of Rs. 475 million from United Bank Limited carrying markup at the rate of 1-month KIBOR plus 0.85% per annum (2021: 1-month KIBOR plus 0.85% per annum). This is secured against first pari-passu hypothecated charge on all present and future assets with 25% margin. This loan is repayable in 8 equal semi-annual instalments of Rs. 79.17 million starting from June 2022. The loan was drawn on 29 December 2021.
- 15.18 This represents housing loan of Rs. 500 million obtained from MCB Bank Limited carrying markup at the rate of 3-months KIBOR plus 0.75% per annum (2021: 3-months KIBOR plus 0.75% per annum). This is secured against first pari-passu charge amounting to Rs. 667 million on all present and future assets (excluding land and building) but not limited to advances/microcredit receivables and investments (excluding CRR and SLR requirements, any lien over cash/TDR). This loan is repayable in 12 quarterly instalments of Rs. 41.67 million starting from fifteenth month each inclusive of 1 year grace period. The loan was drawn on 31 December 2021.
- 15.19 This represents Bai Mawajjal of Rs. 999 million from Meezan Bank Ltd to finance the lending operations of Islamic Microfinance Division of U Microfinance Bank Ltd by utilizing the short-term facility to setup, establish and develop loan portfolio, carrying markup at the rate of 12-months KIBOR plus 0.15% per annum (2021: Nil). This is secured against Government security amounting to Rs. 1.1 Billion charge. This loan is repayable after 12 Months amounting to Rs. 999 million on 22 June 2023. The loan was drawn on 22 June 2022.

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- 15.20 This represents term finance certificates (TFCs) of Rs. 1 Billion distributed in 10,000 TFCs of Rs. 100,000 each. The Issue amount will be utilized to contribute towards Ubank's Additional Tier-1 capital. The facility tenure is perpetual and is priced at 6 Month KIBOR + 3.5% (2021: Nil). Profit will be payable semi-annually in arrears on non-cumulative on the outstanding issue. Amount basis shall continue till the maturity of the instrument. The first such profit payment will fall due six months from the issue of the date and subsequently every six months. The rating of these certificates issued by PACRA is A-. These TFCs shall be inducted in CDS and the laws and regulation relating to the CDS with respect to the term finance certificates will be applicable to the TFCs.
- 15.21 This represents loan of Rs. 10 billion from MCB Bank Ltd to finance the working capital requirements including for expansion of the Bank's advances portfolio. This loan is secured with 10% margin on latest NAV at the rate of 01-month KIBOR +0.05% per annum (2021: Nil). The principle amount of facility is repayable on maturity and mark-up repayments fall due at the time of adjustment of each tranche/maturity. The loan will stand mature as on 31 March 2023.
- 15.22 This represents Term finance facility of Rs. 1.5 million from National bank of Pakistan carrying markup at the rate of 08-months KIBOR plus 0.65% per annum(2021:Nil). The purpose of the facility is to meet business requirements of the company including but not limited to expansion of the Banks's advances portfolio. This is secured against First pari-passu hypothecation charge over all present and future assets (excluding land & building) of the company including but not limited to advances, microcredit receivables and investment beyond CRR and SLR requirement of the company with 25% margin. This loan is repayable in eight equal semi-annual installments with the principle repayment due on 18th month from the disbursement date. The mark up is required to be repaid semi-annually in 10 semi-annual installments and the first mark up payment is due at the end of sixth month from the disbursement date.
- 15.23 This represents loan of Rs. 20 billion from MCB Bank Ltd to finance the working capital requirements including for expansion of the Bank's advances portfolio. This facility is secured against Pakistan investment bond/treasury bills to be kept in IPS account maintained with MCB at the rate of 5% margin. The loan carries interest at the rate of 01-months KIBOR per annum(2021:Nil).The principle amount of facility is repayable on maturity and mark-up repayments fall due at the time of adjustment of each tranche/maturity. The loan will stand mature as on 31 March 2023.
- 15.24 This represents Running finance/Money Market Loan bank of Rs. 10 billion from Allied bank of Pakistan to meet short-term funding requirements including but not limited to finance growth in advances portfolio in KPK and Balochistan regions. This facility carry markup at the rate of 03-months KIBOR per annum(2021:Nil). This is secured against Pakistan investment bond/treasury bills to be kept in IPS account maintained with ABL with 5% margin.The loan was drawn on 28 December 2022.and the loan will stand mature as on 31 August 2023.
- 15.25 This represents Bai Mewajjal of Rs. 1.9 billion from Meezan Bank Ltd to finance the lending operations of Islamic Microfinance Division of U Microfinance Bank Ltd by utilizing the short-term facility to setup, establish and develop loan portfolio. The loan carries interest at the rate of KIBOR +0.15% with floor of 3% and cap of 5%. This loan is secured against the investment in Pakistan Investment Bonds maintained with third party banks investor portfolio with 5% margin.
- 15.26 This represents Bai Maujial facility of Rs. 2.9 billion from Meezan bank limited to finance the lending operations of Islamic Microfinance Bank by utilizing the short term facility to set up, establish and develop loan portfolio at the rate of KIBOR+0.05% per annum (2021: Nil)with floor of 3% and cap of 25%. This is secured against over the principle value of Pakistan investment Bond's or treasury bills in 3rd party IPS account of UMBL maintained with ABL or Pak Brunel Investment CO Ltd at the rate of 5% margin and /or lien over GOP Ijarah sukuk in the IPS account of UMBL maintained with MBL with nil margin. This facility will stand mature on 31 August 2023.
- 15.27 This represents Running finance bank of Rs. 10 billion from Askari bank limited to finance working capital requirements and investment and statutory and reporting requirements at the rate of 01-month KIBOR plus 0.01% per annum(2021:Nil). This is secured against Pakistan investment bond/treasury bills/sukuks to be kept in IPS account maintained with AKBL with 5% margin..The principle is required to be repaid at maturity on demand and mark up is repayable on quarterly basis. This facility will stand mature on 31 August 2023.
- 15.28 This represents Call Borrowing from Zarai Taraqati Bank Limited at the rate of 16.75% amounting to Rs. 1 billion with maturity date of 06 January 2023.

16	SUBORDINATED DEBT	Note	2021	2020
			Rupees	Rupees
	Term Finance Certificates	16.1	449,100,000	598,920,000
	Subordinated loan from PTCL	16.2	1,384,491,286	1,200,000,000
			<u>1,833,591,286</u>	<u>1,798,920,000</u>

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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% (2020: 6 Month KIBOR + 3.50%). The instrument is structured to redeem 0.02% of principal, semi-annually, over the first 60 months and remaining principal of 24.95% each of the issue amount respectively, in four equal instalments starting from 66th month. The TFCs are subordinated as to the payment of principal and profit to all other indebtedness of the Bank. The rating of these certificates issued by JCR-VIS is A- with a 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% (2021: 3 Month KIBOR + 2%) per annum. The loan is availed as TIER-II subordinated debt for inclusion in the Bank's Supplementary Capital. Loan is structured to redeem in four equal semi-annual instalments starting from June 2024. The debt is unsecured, subordinated as to the payment of principle and profit to all other indebtedness of the Bank, including deposit and it is not redeemable before maturity without prior approval of the SBP. In the previous year, the Bank and Parent Company PTCL entered into an agreement for the conversion of its Tier II subordinated debt amounting to Rs. 1 billion into ordinary shares subject to regulatory approvals. State Bank of Pakistan via letter no. BPRD/BA&CP/671/174072/2022 dated 12 January 2022 granted approval for the said conversion subject to certain conditions, effective as of 31 December 2021. Approval of Securities and Exchange Commission of Pakistan (SECP) was obtained on 25 May 2022.

16.21 During the year, the Bank issued fully paid up, rated, privately placed/DSL listed, unsecured, subordinated, perpetual and non cumulative debt instrument in the nature of Additional TIER 1 Capital Term Finance Certificates of Rs. 1,000 million (inclusive of Green shoe option of Rs. 250 million) (The "TFC") as instrument of redeemable capital under section 68 (1) of Companies Act, 2017 carrying markup at the rate of 6 months KIBOR plus 3.5% payable semi-annually on a non-cumulative basis on the outstanding issue amount. The Bank has full discretion over the amount and timing of profit distribution and waiver of any profit distribution or other payment does not constitute an event of default. The Bank may call the TFCs at par (either partially or in full) with prior approval of State Bank of Pakistan (SBP), on any profit payment date after 5 years from the issue date. The instrument is subordinated as to payment of principal and profit to all other claims except common shares. These term finance certificates are convertible into fixed number of ordinary shares of the Bank upon CET 1 trigger event, the point of non viability (PONV) trigger event of failure by the Bank to comply with the lock in clause.

17	OTHER LIABILITIES	Note	2022 Rupees	2021 Rupees
	Mark-up / return / interest payable	17.1	-	812,294,341
	Accrued expenses		516,764,563	525,121,278
	Payable to utility companies for utility bills collection		14,397,781	18,382,235
	Taxes payable		191,712,618	168,481,251
	Payable to PTCL, the Parent Company		576,795,820	393,782,248
	Payable to PTML, an associated company		22,224,160	66,190,908
	Uncollected remittances		118,588,968	121,780,510
	Lease liability	17.2	2,093,065,634	1,194,681,938
	Payable to 1-Link		46,521,776	
	Payable to staff retirement benefit - gratuity	17.3	-	3,404,095
	Payable to defined contribution plan - provident fund	17.4	-	154,137
	Bills payable		188,229,422	136,247,772
	Others		163,455,181	84,304,213
	Workers' Welfare Fund		105,505,333	82,481,823
			<u>4,038,262,246</u>	<u>3,407,298,747</u>

17.1 This includes amount of Rs. 209 million (2021: Rs. 16.39 million) payable to related parties on account of markup for the month of December 2022. For details of balances please refer to note 37 to these financial statements.

17.2	Lease liability	Note	2022 Rupees	2021 Rupees
	Lease liability - right of use assets	17.2.1	2,048,472,320	1,127,350,510
	Lease liabilities - right of use assets - vehicles	17.2.2	44,593,317	67,311,428
			<u>2,093,065,637</u>	<u>1,194,661,938</u>

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17.2.1	Lease liability - right of use assets	2022 Rupees	2021 Rupees
	<b>Contractual maturity of remaining lease commitments</b>		
	Within one year	584,532,249	304,942,788
	Between 2 and 5 years	2,274,665,637	1,193,007,899
	After 5 years	769,561,847	496,665,163
	Total un-discounted lease commitments	<u>3,628,759,733</u>	<u>1,994,615,850</u>

17.2.2	Lease liabilities - right of use assets - vehicles	Present value of minimum lease payments	Interest cost for future periods	Future minimum lease payments
	<b>2022</b>		<b>Rupees</b>	
	Not later than one year	13,319,334	5,253,531	18,572,865
	Later than one year and not later than five years	33,422,124	4,945,323	38,367,447
		<u>44,593,317</u>	<u>10,198,854</u>	<u>56,940,312</u>
	<b>2021</b>			
	Not later than one year	18,663,811	4,929,341	23,593,152
	Later than one year and not later than five years	48,647,617	5,756,042	54,403,659
		<u>67,311,428</u>	<u>10,685,383</u>	<u>77,996,811</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% (2021: six month KIBOR plus 1%) per annum. The rentals are payable in equal monthly instalments in advance upto December 2028. 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	2022 Rupees	2021 Rupees
	Present value of defined benefit obligation	221,614,178	156,936,452
	Fair value of plan assets	(238,347,567)	(153,532,357)
	Net defined benefit (asset) / liability	<u>(16,733,389)</u>	<u>3,404,095</u>

17.3.1 Net defined benefit liability - gratuity

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

**Movement in not defined benefit liability - gratuity**

Balance at 01 January	156,936,452	107,091,392
Charge for the year	79,288,457	53,964,771
Experience adjustments on defined benefit liability	12,455,387	6,649,031
Benefits paid	(27,066,116)	(10,768,742)
Balance at 31 December	<u>221,614,178</u>	<u>156,936,452</u>

**Reconciliation of liability recognised in the balance sheet**

	Present value of defined benefit	Fair value of plan assets	Net defined benefit liability / (asset)
<b>2022</b>		<b>Rupees</b>	
Balance at 01 January	156,936,452	(153,532,357)	3,404,095
Charge for the year	79,288,457	-	79,288,457
Experience adjustments on defined benefit liability	12,455,387	(9,228,305)	3,227,082
Benefits paid on behalf of the fund	(27,066,116)	27,066,116	-
Expected return on plan assets	-	(22,084,722)	(22,084,722)
Contributions to gratuity fund	-	(80,568,301)	(80,568,301)
Balance at 31 December	<u>221,614,178</u>	<u>(238,347,567)</u>	<u>(16,733,389)</u>

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	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability / (asset)
<b>2021</b>		<b>Rupees</b>	
Balance at 01 January	107,091,392	(114,941,113)	(7,849,721)
Charge for the year	53,984,771	-	53,984,771
Experience adjustments on defined benefit liability	6,648,031	2,544,721	9,193,752
Benefits paid	(10,768,742)	10,768,742	-
Expected return on plan assets	-	(12,981,564)	(12,981,564)
Contributions to gratuity fund	-	(38,923,143)	(38,923,143)
Balance at 31 December	156,936,452	(153,632,357)	3,404,095
		<b>2022</b>	<b>2021</b>
<b>17.3.2 Charge to profit and loss account net of return on plan assets</b>		<b>Rupees</b>	<b>Rupees</b>
Charge for the year		62,921,195	53,984,771
Expected return on assets		(5,714,480)	(12,981,564)
Cost for the year		<u>57,206,735</u>	<u>40,983,207</u>
<b>17.3.2.1 Expense is recognized in the following line items in profit and loss account</b>			
Administrative expenses		<u>57,203,735</u>	<u>40,983,207</u>
<b>17.3.3 Charge / (credit) to other comprehensive Income</b>			
Actuarial loss / (gain) on obligations		12,455,387	6,649,031
Actuarial loss on assets		<u>(9,228,305)</u>	<u>2,544,721</u>
		<u>3,227,082</u>	<u>9,193,752</u>
<b>17.3.4 Key actuarial assumptions</b>			
The latest actuarial valuation was carried out on 31 December 2022 using projected unit credit method with the following assumptions:			
	<b>2022</b>	<b>2021</b>	
Valuation discount rate	14.25%	12.25%	
Discount rate used for interest cost in profit and loss account	10.95%	10.50%	
Salary growth rate	11.36%	11.25%	
Date of next expected salary increase	01 January 2023	01 January 2022	
Mortality rate	SLIC 2001-2005	SLIC 2001-2005	
Expected return on plan assets	14.25%	12.25%	
Duration (years)	11.89	11.89	
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:

	2022 Increase Rupees	2022 Decrease Rupees	2021 Increase Rupees	2021 Decrease Rupees
Discount rate	<u>200,878,754</u>	<u>245,886,584</u>	<u>131,778,925</u>	<u>166,945,805</u>
Salary increase rate	<u>248,779,002</u>	<u>189,897,409</u>	<u>167,694,445</u>	<u>130,919,861</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. 51.801 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:

	<b>2022</b> <b>Rupees</b>	<b>2021</b> <b>Rupees</b>
Year 1	25,185,815	19,446,694
Year 2	17,444,449	10,345,290
Year 3	16,393,417	9,576,534
Year 4	15,213,499	9,301,074
Year 5	15,226,277	8,673,584
Year 6 to Year 10	93,902,066	45,462,654
Year 11 and beyond	1,688,260,315	953,975,297

**17.3.9 Historical information**

	<b>Present value of defined benefit liability Rupees</b>	<b>Net (asset) / liability at the reporting date Rupees</b>
2021	206,781,512	158,936,452
2020	107,091,392	107,091,392
2019	81,787,046	81,787,046
2018	47,612,926	47,612,926
2017	29,488,343	29,488,343

**17.3.10 Fair value of plan assets**

Total assets of fund - opening	153,532,357	114,941,113
Expected return on plan assets	22,084,722	12,981,564
Contributions to gratuity fund	80,568,301	38,923,143
Benefits paid	(27,066,118)	(10,768,742)
Actuarial loss on plan assets	9,228,305	(2,544,721)
Total assets of fund - closing	<u>238,347,567</u>	<u>153,532,357</u>

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	2022 Rupees	2021 Rupees
<b>17.4 Employees provident fund</b>		
Size of the fund	265,774,413	221,405,264
Cost of investments held	265,774,413	221,405,264
Percentage of investments held	100%	100%
Fair value of investments	265,774,413	221,405,264

17.4.1 Investments represent balances held with bank carrying interest at rate of 15% (2021:12%) per annum.

17.4.2 Investments in TFC represent balances held at carrying interest at rate of 6 Month kibar + 3.5%.

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**

2022 Number	2021 Number		2022 Rupees	2021 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**

2022 Number	2021 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	80,000,000	Fully paid ordinary shares of Rs. 10 each in cash issued as other than right shares at par	800,000,000	800,000,000
100,000,000	100,000,000	Fully paid preference shares of Rs. 10 each in cash issued as other than right shares at par	1,000,000,000	1,000,000,000
100,000,000	-	Fully paid shares of Rs. 10 each in cash issued as right shares at par.	1,000,000,000	-
<b>508,571,429</b>	<b>408,571,429</b>		<b>5,085,714,290</b>	<b>4,085,714,290</b>

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.

**19 CONVERSION OF ADVANCE AGAINST ISSUE OF SHARES**

19.1 This represents conversion of Tier II subordinated debt amounting to Rs. 1 billion into ordinary shares subject to regulatory approvals. State Bank of Pakistan via letter no. BPRD/BA&CP/871/174072/2022 dated 12 January 2022 granted approval for the said conversion subject to certain conditions effective as of 31 December 2021. Approval of Securities and Exchange Commission of Pakistan (SECP) was obtained on 25 May 2022. The Bank issued shares in the month of September 2022 against the advance.

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20	SURPLUS/(DEFICIT) ON REVALUATION OF ASSETS	2022 Rupees	2021 Rupees	
	Surplus on revaluation of fixed assets	-	-	
	<b>Surplus / (deficit) on revaluation of securities</b> <i>Federal and Provincial Government securities</i>			
	Market Treasury Bills (T-Bills)	(8,776,826)	(26,979,500)	
	Ijarah Sukuk	15,653,939	-	
	Private sukuk - TFCs	(9,884,258)	-	
	Pakistan Investment Bonds (PIBs)	-	(312,526,779)	
		(3,007,145)	(339,506,279)	
	Related deferred tax effect:	992,358	50,875,951	
		<u>(2,014,787)</u>	<u>(288,630,328)</u>	
21	MEMORANDUM / OFF BALANCE SHEET ITEMS			
21.1	Contingencies			
	A super tax at rates ranging from 1% to 4% of taxable income was imposed through the Finance Act, 2022 for Tax Year 2022 and onwards through promulgation of section 4C in the Income Tax Ordinance, 2001. The Parent Company of the Bank along with other petitioners has successfully challenged this levy before the Sindh High Court who held through its Order dated 22 December 2022 that the said tax was to apply effective Tax Year 2023. However, the honourable Court suspended its judgment for 60 days as per the procedure given in the Code of Civil Procedure, in order for FBR to take up the matter before the Supreme Court. Keeping in view the Court's judgment in the petitioner's favour, no provision has been recorded in these accounts for super tax for Tax Year 2022.			
21.2	Commitments	Note	2022 Rupees	2021 Rupees
	Standby letter of guarantee	21.3	12,800,000	10,600,000
	Property and equipment		31,007,639	4,896,005
	Intangible assets		-	-
			<u>43,807,639</u>	<u>15,496,005</u>
21.3	This represents letter of guarantee issued on behalf of the Bank to China Union Pay International Company Limited for interbank settlements.			
22	MARK-UP / RETURN / INTEREST EARNED		2022 Rupees	2021 Rupees
	Mark-up / return / interest on advances		13,665,513,951	10,032,070,107
	Interest on investments in government securities		3,526,716,542	1,147,398,214
	Interest on deposit accounts / TORs with other banks / financial institutions		3,550,113,226	1,036,525,512
			<u>20,742,343,719</u>	<u>12,215,993,833</u>
23	MARK-UP / RETURN / INTEREST EXPENSED			
	Mark-up / return / interest expense on deposits		8,761,282,624	4,212,660,763
	Mark-up expense on borrowings from banks / financial institutions		5,377,737,538	1,376,834,624
			<u>14,139,020,162</u>	<u>5,589,495,387</u>
24	FEE, COMMISSION AND BROKERAGE INCOME			
	Loan processing fee		1,171,846,979	893,026,763
	Branchless banking		75,909,179	78,874,418
	Other fee income collected from customers		52,877,291	46,461,694
			<u>1,300,633,449</u>	<u>1,018,362,875</u>

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		2022 Rupees	2021 Rupees
<b>25 OTHER INCOME</b>	<b>Note</b>		
Recovery against advances written off		197,375,260	103,743,626
Gain on sale of investments		155,180,766	140,523,053
Other		214,127,268	15,141,798
		<u>566,683,284</u>	<u>259,408,477</u>
<b>26 ADMINISTRATIVE EXPENSES</b>			
Staff salaries and benefits		3,149,415,175	2,337,679,514
Charge for defined benefit plan - gratuity		57,203,735	40,983,207
Contribution to defined contribution plan - provident fund		58,023,322	42,448,396
Non-Executive directors' fee		-	3,750,000
Financial charges on leased assets		257,040,248	156,172,345
Trainings		20,956,966	9,640,904
Insurance		239,530,286	182,688,122
Rent, rate and taxes		123,475,806	68,882,955
Travelling and conveyance		156,734,798	79,465,498
Postage and courier		16,641,080	14,246,356
Utilities		251,988,218	169,619,092
Repair and maintenance		386,788,953	232,432,768
Depreciation on property and equipment	11.2	487,289,104	404,964,461
Amortization of intangible assets	11.3	64,586,988	50,374,157
Depreciation on right of use assets	11.4	431,588,900	280,923,394
Software support and maintenance fee		242,228,018	224,133,084
Stationery and printing		131,119,776	105,776,284
Auditors' remuneration	26.1	8,581,919	4,640,761
Legal and professional fee		45,884,681	30,475,850
Security services		280,284,760	189,015,793
Office supplies		68,515,181	33,289,219
Internet and connectivity charges		113,346,170	96,648,693
NADRA verification charges		48,355,389	64,160,781
Bank charges		79,167,800	61,214,911
Marketing expenses		171,712,873	130,713,798
Other		13,943,940	21,854,860
		<u>6,880,033,056</u>	<u>5,035,205,163</u>
<b>26.1 Auditors' remuneration</b>			
Half year review		650,000	350,000
Annual audit		1,900,000	1,350,000
Fee for certifications		2,200,000	1,700,000
Taxation services		-	180,142
Advisory services		1,900,000	1,050,619
		<u>6,650,000</u>	<u>4,640,761</u>
<b>27 OTHER CHARGES</b>			
SBP penalty	27.1	10,297,850	19,000
Loss on sale of investments		-	-
		<u>10,297,850</u>	<u>19,000</u>

27.1 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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28 TAXATION	Note	2022 Rupees	2021 Rupees
Current			
- for the year		(881,843,867)	(429,474,114)
- for prior years		31,693,787	(12,701,793)
		(850,150,080)	(442,175,907)
Deferred	13	694,236,077	224,177,922
		(155,914,003)	(217,997,985)
Effective tax rate		6.48%	16.40%

28.1 Tax rate reconciliation	2022 Rupees	2021 Rupees
Profit before tax and after WWF (Rupees)	2,405,870,432	1,329,034,952
	2022	2021
Tax rate	33%	29%
Tax on accounting profit	33.00%	29.00%
Tax effect of income taxable at lower rates	-26.01%	(14.15%)
Prior year charge	-1.32%	0.96%
Permanent difference	0.81%	0.59%
Tax expense for the year	6.48%	16.40%

29 CASH AND CASH EQUIVALENTS	Note	2022 Rupees	2021 Rupees
Cash and balances with SBP and NBP	6	7,452,332,589	3,799,930,850
Balances with other banks / NBFIs / MFBs	7	1,276,155,860	6,223,904,412
		8,728,488,449	10,023,835,262

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

	Subordinated loan	Borrowings	Lease liability	Unappropriated profit	Total
	(Rupees)				
Balance at 01 January 2022	1,798,920,000	36,880,686,164	1,194,661,938	1,926,314,403	41,800,582,505
Change from financing activities					
Additions / modifications	184,491,286	855,627,352,917	-	-	855,811,844,203
Payments	(149,820,000)	(776,384,323,844)	(661,797,402)	-	(777,195,941,346)
Dividend payment	-	-	-	(195,286,000)	(195,286,000)
	34,671,286	79,243,028,973	(661,797,402)	(195,286,000)	78,420,616,857
Other changes					
Additions / modifications	-	-	1,325,681,011	-	1,325,681,011
Disposals	-	-	(22,520,161)	-	(22,520,161)
Adjustment on initial application of IFRS 9	-	-	-	(2,742,377,780)	(2,742,377,780)
Interest cost on lease facilities	-	-	257,040,248	-	257,040,248.00
Total comprehensive income	-	-	-	2,247,794,284	2,247,794,283.96
Transfers to	-	-	-	-	-
Statutory reserve	-	-	-	(449,991,286)	(449,991,286.00)
Depositors' protection fund	-	-	-	(112,497,821)	(112,497,821.00)
Lease facility availed	-	-	-	-	-
	-	-	1,560,201,098	(1,057,072,603)	503,128,495
Balance at 31 December 2022	1,833,581,286	116,123,715,137	2,093,065,634	673,955,800	120,724,327,857

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

	Subordinated loan	Borrowings	Lease liability (Rupees)	Unappropriated profit	Total
Balance at 01 January 2021	2,799,160,000	13,274,190,647	1,212,010,930	1,099,564,241	18,384,925,813
<b>Change from financing activities</b>					
Receipts		424,056,216,609			424,056,216,609
Payments	(240,000)	(400,449,721,087)	(355,044,596)		(400,805,005,683)
	(240,000)	23,606,495,522	(355,044,596)		23,251,210,926
<b>Other changes</b>					
Additions / modifications			221,522,446		221,522,446
Disposals			(39,999,187)		(39,999,187)
Interest cost on lease facilities			156,172,345		156,172,345
Transfer to advance for issuance of shares	(1,000,000,000)				(1,000,000,000)
Total comprehensive income				1,104,509,403	1,104,509,403
<b>Transfers to</b>					
Statutory reserve				(222,207,393)	(222,207,393)
Depositors' protection fund				(55,551,848)	(55,551,848)
	(1,000,000,000)		337,695,604	826,750,162	164,445,766
<b>Balance at 31 December 2021</b>	<b>1,799,920,000</b>	<b>36,880,686,164</b>	<b>1,191,661,930</b>	<b>1,926,314,403</b>	<b>41,800,582,505</b>

	2022 Numbers	2021 Numbers
<b>30 NUMBER OF EMPLOYEES</b>		
Credit / sales staff		
Permanent	293	240
Contractual	1,292	1,062
	1,585	1,302
Banking / support staff		
Permanent	1,030	812
Contractual	1,197	893
	2,227	1,705
Total number of employees at 31 December	3,812	3,007
Average number of employees during the year:	3,362	3,000
<b>31 NUMBER OF BRANCHES</b>		
Branches / service centres at beginning of the year	207	212
Closed during the year	(1)	(5)
Opened during the year:	97	-
Branches / service centres at end of the year:	303	207

**32 EARNINGS PER SHARE**

**Basic** - Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Bank by the weighted average number of ordinary shares outstanding during the year.

	2022	2021
Profit attributable to equity holders (Rupees)	2,249,956,429	1,111,036,967
Weighted average number of shares (numbers)	369,119,374	308,571,429
Earnings per share - basic (Rupees)	6.10	3.60

**Diluted** - Diluted 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 after adjustment of all dilutive potential ordinary shares.

	2022	2021
Profit attributable to equity holders (Rupees)	2,249,956,429	1,111,036,967
Weighted average number of shares (numbers)	728,848,044	341,413,186
Earnings per share - diluted (Rupees)	3.09	3.25

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### 33 DETAILS OF BUSINESS LOCATIONS

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

Nazimabad	Plot no 1/28, nazimabad no 1, Al-ghafoor, eden ground 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, Model Town, Rahim Yar Khan
Sahiwal	Plot # 183/c, Block # B-vii, Kachehri Road Sahiwal
Bahawalpur	House # 17, Taxation # B-DI, 2784/2, Ihara 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, Manshra 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-11 Khasra No. 208/14, Khewat No.2603, Khatooni 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 Khatooni#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 (Jadedd 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.
Ghulam Muhammad Abad	House no 1451B(4M 119SF) Main GMA Road sabri chowk, 70ft bazar,civil quarters Ghulam Muhammad Abad Faisalabad.
Qila Dildar Singh	Khasra no 4203/150 , Near Jamlyah 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

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Basirpur	Khewat # 272/266, Khatooni # 673, Khasra # 169, Mauza Baseerpur, Tehsil Depalpur District Okara
Depalpur	Khewat # 1916, Khatooni # 3060, Khasra # 45/1449, Hujra road, Depalpur Opposite Iari Adda
Renala Khurad	Khewat no. 596, khatooni no. 576 Chak # 21/2-L, Hussain Arcade, Androon Hadud committee, Renala district Okara
Hujra Shah Muqcem	Khewat no. 1440/1404, khatooni no. 2193, salam khata no. 333-4, qana no. 216, Circular Road, Hujra Shah Muqcem, Altari Road, near Molvi Muhammad Siddique Daras
Chichawatni	Kewat no. 17, Fazal Plaza, Begum Shabnaz road, Chichawatni
Darya Khan	Khata # 51, Khatooni # 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, Khatooni # 7, Nishiar road, Mehra Abad colony, Nebar 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, sundar road near sohail surgical hospital raiwind
Khudian	Khewat # 285, Khatooni # 938, Khasra # 10133/74523-14, Moza Khudian, Androon Hadood Committee Near Lari Adda Tehsil & District Kasur
Pano Aqil	Survey # 436, Baiji Road Tehsil Panu Aqil District Sukkur
Shahdra	Khewat no. 82 khatooni no. 118 khasra no. 163/143, gt road, saeed park, had bast moza fatch puri, tehsil lahore
Hasilpur	Khewat & Khatooni # 103, Altaj Plaza, railway road, Hasilpur, District Bahawalpur
Chowk Azam	Khewat # 19, China plaza, Near Khushhali Bank Ltd, Fatchpur road, Chowk Azam District Layyah.
Karor Lal Essan	Khata # 74, Khatooni # 264, Near PTCL exchange fatch pur road, Tehsil Karor Lal Essan District Layyah.
Kahrur Pacca	Khewat # 92, Dunyapur road near railway phatak, zafar abad tehsil Kahrur Pacca, District Ldhran
Jalalpur Pirwala	Khewat # 246, Mouza jalalpur pirwala, District Multan
Arifwala	Khasra # 2082, Khewat # 1346, Khatooni # 1361, Lakar Mandi, Arifwala Pakpattan
Dinga	Khasra no. 211, Khewat 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, GT road Muridke.
Wazirabad	PT 1 no BV-11-s-3/RH; Malik Bulding; 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
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 2TBL, 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 1/2, 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

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Shahra E Faisal	Showroom NO.11 & 13 Ground floor Pak Avenue, Plot No 24/A survey Sheet No.35-P/I, 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 Kashmir.
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 34, 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 Kashmir, indus highway, opposite shell petrol pump district kashmore
Ratodero	City survey no 794/34, 794/35 & 794/36 shikarpur road ratodero
Nowshera	Plot, No. 2-A, Cantonment Board, Al-Jameel City, GT Road, Near PSO Filling Station, Nowshera.
Daharki	Survey No. 446, GT Road, Daharki, District Ghotki.
Qazi Ahmed	Ward No. 2 Sardar Colony, Near Police Station National High Way Road Qazi Ahmed, District Nawabshah.
Sanghar	Plot No. A - 8, City Survey no. 124, Ward A, Housing Society Main Nawabshah Road, Taluka & District Sanghar.
Mithi	Plot No. 10 and 11, Near Press Club Mithi District Tharparkar
Golarchi	Plot No. A-1, Main Karachi Road, Golarchi, District Badin
Mirpur Sakro	Plot No. 285, Main Gharo Road Mirpur Sakro District Thatta
Vehari	Khewat # 48, Khattoni # 48 49-A, Block Karkhana Bazar Vehari, District Vehari
Ali Pur	Khata no. 209, Rayan Plaza Near College Chowk, Multan Road, Alipur, District Muzaffargarh.
Fazilpur	Khata Number 437 Ward # 09 Main Indus Highway Fazilpur Tehsil and Distt Rajanpur
Liaqat Pur	Plot no.133 City Center Rest House Road Tehsil Liaqat Pur, District Rahim Yar Khan.
Mian Channu	Khawat no.635, khattoni no.647, khasra no.1672, Din Plaza 1672 Bodla Road, Mian Channu District Khanewal.
Tibba Sultan Pur	Khewat no.126, khattoni no.326, khasra no. 104/121, plot no.133, ward no.4, Qutab Pur Road Tibba Sultan pur tehsil Mailsi district vehari
Qasba Gujrat	Khata no. 118, Khattoni No. 326, Mansa Raam Khas, Civil Hospital chowk, GT Road Qasba Gujrat tehsil kot addu District Muzaffargarh
Fort Abbas	Khewat no. 267, Khasra no. 126/B, Moulana Hafeez Street near Boys' High School, Fort Abbas, District Bahawalnagar.
Shore Kot	Plot # B-P207/SH, Tehsil Chowk, Cantt Road, Shore Kot City, Shore Kot, Distt. Jhang.

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Haroon Abad	Khewat # 685, Khatooni # 685, Shop # 195/C Block C, Bangle Road, Near Grain Market, Haroonabad, Distt. Bahawalnagar.
Burewala	Khewat # 286/292, Khatooni # 532, 124-P, Lahore Road, Burewala, Distt. Vehari.
Minchen Abad	Khewat # 471, Khatooni # 472, Circular Road, Minchen Abad, Distt. Bahawalnagar,
Kot Mithan	Khewat no.1357, Khata no.17/486, Khawaja Ayaz Tower Baldia Chowk Kot Mithan Tehsil and District Rajanpur
Islamabad F-7 Markaz	Plot # 13-H, Jinnah Super, F-7 Markaz, Islamabad.
Bhiriya Road	Shop No. IIC-14/M, Station Road, Deh Chaheen Manno Mal, Bhiriya Road, Taluka Bhiriya City, District Noshero Feroze.
Super Highway, Karachi	Rahim view Shop no. 13, 14, 15 & 16, Flat No. BI-001 & BI-002, Sector 17-B, Gulzar-e-Bijri, Scheme 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.
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.
Cio Compound, Quetta	Oss Hall, PTCL Smart Shop CTO, besides main GPO Zarghoon road Quetta.
Landhi	Ptcl smart shop landi telephone exchange near landi -89, karachi
Kot Chutta	Khewat No. 109, inlaqal No.9252, Kot Chutta No.3, Tehsil Kot Chutta, District Dera Ghazi Khan.
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 Chobara, District Layyah.
Kot Sultan	Khata No.103, Khatooni No. 398-407, Layyah, Kot Addu Road, Near Askar 1 Petrol Pump, Kot sultan district Layyah.
Kamalia	Khasra No.4193, House No. 875/1202-D, Mohallah Mhtain Wala, Tehsil Kamalia, District Toba Tek Singh.
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 Sargodha.
Malakwal	Khewat No. 268, Khatooni No.371, Khasra No. 3220/456/1 Bismillah Plaza, Badshah Pur Road, Choungi No.2, Malakwal, District Mandi Bahauddin.
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, Kache Kho road, Nized Sabzi Mandi Abdul Hakeem, district Khanewal.
Shahdadkot	Ward C, City survey No. 644/1, District Qambar Shahdadkot.
Mandi Bahauddin	Khewat No.258, Khatooni No. 363, Khasra No.368, Main Bazar Bank Square, District Mandi Bahauddin.
Lala Mosa	Khewat No. 215, Qlata 27, Khatooni No. 493-516, Behari Colony, Near Graveyard, GT Road, Lala Moosa, Tehsil Kharian & District Gujrat.

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Kohat	Khata No.2179, Khasra No. 1136, Khatooni No. 2999, Near Al Moiz CNG, Malik Noor Plaza, Hungu Road, Kohat, District Kohat.
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 Garra, District Sialkot.
Ahmed Pur Sial	Khewat No.581/558 Khatooni No. 1969, Opposite Usmania Masjid, Main Ahmedpur Sial Road, Tehsil Ahmedpur, District Jhang.
Mianwali	Khewat # 236, Khatooni # 703, Mianwali District, Mianwali.
Paharpur	Khewat No. 145, Khatooni No. 293, Rang Pur Adda, Tehsil Paharpur, District Dera Ismael Khan.
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 Kotli Road, Near Nadra Office, Nankana Sahib.
Gujar Khan	Chaudhary Ghulam Muhammad Plaza, Main GT Road, Ward # 15, Khewat No. 14, Khatooni No. 19, Gujar Khan, District Rawalpindi.
Tala Gang	Khewat 435, Khatooni 834, Khata 10/55, B-II, 203-E-2, Near Madni Chowk, Pindi Road, Talagang, District Chakwal.
Qadir Pur Rawan	Khewat No.449/443, Khatooni No. 1616 to 1617, Opposite Higher Secondary School Qadir Pur Ran towan, Tehsil Multan Sadar, District Multan.
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 Shahed Benazirabad (Nawabshah).
Shahdadpur	Plot 10/11/12/13/14/15, Station Road, Shahdadpur, District Sanghar.
Rohillanwali	Khewat No. 22, Khatooni No.76-82, Opposite ZTBL Branch, Main Alipur Road, Rohillanwali, Tehsil & District Muzaffargarh.
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 Jafarabad.
Muhammad Pur Dewan	Mouza Muhammad Pur 2, Khata 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 Khushab.
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 Road, Dera Murad Jamali.
Jacobabad	City survey no. 201/13/1, Ward No.06, Adam Khan, Panhwaer Road, Tehsil and district Jacobabad.
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 Tek 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 Malook, District Multan.
Gilgit	Khasra # 1935, Jutial Road, District Gilgit.

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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 Bakhsh Ward, Gawadar, District Gawadar.
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, Jinnah Road, Tehsil Usta Muhammad, District Jafarabad.
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
Zahir pir	Old klp Road, Chachar Road, Zahir Pir, Tehsil Khanpur.
Peshawar - Islamic	Jaanisar Plaza, GT Road, Hasshtmagri, Peshawar City.
Mardan- Islamic	Shop # 29, 30,31, Shaheen Shopping Mall – 3, Malakand Road, Mardan.
Rahim Yar Khan- Islamic	Trust Colony, Mooza Rahim Yar Khan, Ander Hadood Committee Tehsil & District Rahim Yar Khan.
Gujranwala- Islamic	Khasra # 469, GT Road, Shaheenabad, Near Sohlat Center, Gujranwala.
Sahiwal- Islamic	Khewat # 6024, Khatooni # 6098, 388/I Fareed Town Sahiwal.
pindi Gheb	Khewat # 1867, Khatooni # 3315, Khasra # 4077/2, Near ZTBL, Tehsil Pindi Gheb, District Attock.
Pir Mehal	Khewat # 1337, Khatooni # 1336, Khata # 35/35/4, Rahaba Road, Kousareabad, Tehsil Pir Mehal, District Toba Tek Singh.
Dijkot	Chak # 263, Khewat # 920, Khatooni # 1126 to 1143, Khasra # 773/95752, Sammundari Road, Dijkot District Faisalabad.
Sillanwali	Khewat # 1947, Khatooni # 1977, Khasra # 46/7 to 4, Zafarabad, Tehsil Sillanwali, District Sargodha.
Harappa	Khewat # 128, Khatooni # 309 to 3103, Khasra # 7, Main Bazaar Harappa, Near Khushkhali Bank, Tehsil & District Sahiwal.
Diplo	Jaryan No: 50/51, Near Sarai Flour Mill, Main Badin Bus stop, Diplo P.O/Taulka Diplo, District Tharparkar.
Pasrur	Khewat # 45, Khatooni # 78 to 81, Khasra # 5, Narowal Bypass Pasrur, Tehsil Pasrur, District Sialkot.
Piplan	Plot # 40, Block # 4-5, Mandi Town Liaqatabad, Tehsil pipplan, District Mianwali.
Sambrial	Khewat # 630, Khatooni # 741, Mushtrka khata # 554/27200 Wazirabad Road , Opposite Dry Port Sambrial, Tehsil Sambrial, District Sialkot.
Sharkpur	Khewat # 7, Khatooni # 11 to 20, Mustarka Khata # 4624/68727, Khasra # 8, Opposite Virk Traders, Nazd Gill CNG, Lahore Jaranwala Road, Tehsil Sharkpur, District Sheikhupura.
Schwan	Mashallah Petrol Pump, Dargah Road, Schwan Sharceef, Tehsil Schwan, District Jamshoro.
Zafarwal	Khewat # 365, Khatooni # 643-649, Khasra # 5/4981, Tehsil Zafarwal District Narowal.
Kandiari	Wassan Shopping Center Shop No 4,5,6 Main Mirpur khas Road Kandiari, Tehsil & District Sanghar
Tando Bango	Shop#16, 17 & 18 Faiz Town, opposite Degree College, Tehsil Tando Bago, District Badin.
Dharanwala	Khewat # 52, Khatooni # 136/137, Khasra # 847, Main Fort Abbas Road, Dharanwala, Tehsil Chistian, District Bahawalnagar.
Zahir pir	Khewat # 36/36, Khatooni # 80 to 85, Khasra # 308 to 14, Tataar Chaachar, Zahir Pir, Tehsil Khan pur, District Rahim Yar Khan.
Kotwali Road, FSD	Faisalabad Branch, Khewat # 1858, Khatooni # 1885, Khasra # 1008, Liaqat Ali Khan Road, Kotwali Faisalabad.
Shahpur Chakar	Plot # 17 A, Survey # 193, Near Main Bus Stop Shahpur Chakar, Tehsil Shahdadpur, District Sanghar.
Chhor	Plot# A-117, A-118, A-119, A-121 & A-122, Station Road Chhor, P.O Chhor Taluka & District Umerkot.
Tando Ghulam Ali	Survey No 177 FROM 2, Shop No. 5, Agha Market, Main Matli Digri Road, Tando Ghulam Ali, Taluka Matli, District Badin.

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Sibi	Allahabad Road, PTCL T & T Office, Near General Bus Stand, Tehsil & District Sibi.
Abbottabad-Islamic	Khasra # 1001 new 2336, 2335, Shop # 173, 174 & 175 Manshra Road supply bazar Jinnah road Abbottabad.
Haripur-Islamic	Khasra # 406/407, Shahrah e Resham, Main GT Road, Haripur Hazara.
Nowshera-Islamic	Khata # 81, Khatooni # 186, Khasra # 6693/6827/7, Nowshera Kalaan, Tehsil & District Nowshera
Toba tek Singh-Islamic	Khewat # 69/59, Khatooni # 82, Qita # 2, Chak # 326/GB, Allama Iqbal Road, Tehsil & District Toba Tek Singh
Jhang-Islamic	Khata # 820, Nawaz Chowk SSP Road Jhang Saddar.
Nagarparkar	Plot # A 369 opposite Judicial court, Near NBP Nagar parkar district Tharparkar.
Dhoronaro	Rajar Shopping Center Shop No: 2,3,4,11,12,13,14 near PTCL Exchange, P.O Dhoronaro Taluka & District Umerkot.
Karachi Gulshan-Islamic	Shop #SB 15/1, block #13-c, Ghulshan e iqbal, KDA scheme, 24, Karachi
Faisal Town, Lahore-Islamic	Plot # 975, Block C, Faisal Town Lahore.
Charsada-Islamic	Khatooni # 619/1118 to 1122, Mian Babar Zaman Building, Tangi Road, Charsada.
Manshra-Islamic	Khata # 590, Khatooni # 1138, Khasra # 9408/2702, Ghulam Ghos Hazarvi Road Near Noor College Manshra.
Larkana-Islamic	City Survey # 700, Taluka Larkana, Bank Square Larkana.
Khairpur-Islamic	Plot # 6, Survey # 193, New Abadi Deh Bhurgari, Taluka & District Khairpur.
Gaggo Mandi	Khewat No. 182, Khata No. 525 to 529, Khasra no.6, Mian Delhi Multan road, tehsil Burewala, district Vehari.
Dajal	K
Grain market , vehari road, M	Khewat No.401/399, Khatooni no 472, Khasra No. 1402/3570, Vehari road near grain market, tehsil and district Multan
Mailsi	Khewat # 45/45, Khatooni # 202 to 220, Khasra # 87/2, Salim Khata # 508-13, Tehsil Mailsi, District Vehari.
Rawal	Khewat # 676 & 772, Khatooni # 1000, 1187, 1188, Khasra # 2375, 2372, 2373, 2374, Main GT Road Rawat. Tehsil & District Islamabad.
Shabqadar	Mohalla Bahader Sher Korrona Shabqadar Charsadda, Pakistan. Mohallah Bahadur Sher Qila, Post office Shabqadar, Tehsil Shabqadar, District Charsadda.
Dullaywala	Khasra # 1460/ 4/1/2, Muza Dullewala, Tehsil Darya Khan, District Bhakkar.
I-8 Markaz, Islamabad	Plot # 32, I-8 Markaz, Islamabad.
F-11 Markaz, Islamabad	Plot # 9, Shop # 1, 12, 13, 14, F-11 Markaz, Islamabad.
New Sabzi Mandi, Karachi	Bearing # 6, Block E, New Fruit & Vegetable, Super Highway Karachi.
PWD/Bahria Town - Islamabad	Plot # 1283, Hoor Plaza, Main Double Road, O9 National Police Foundation, Lohi Bher, Islamabad.
Skardu	Khata # 21/61 to 21/68, Khasra # 39, Mooza Sakmidaan, Skardu.
F-8 markaz, islamabad	PTCL Revenue office, Johar Road, Near PSO Pump, F-8 Markaz Islamabad.
kamoki	Khewat # 1095, Khatooni # 1163, Khata # 10/30, Khasra # 4428/861, Near National CNG station, Opposite municipal corporation office, Gt Road, Tehsil Kamoki, District Gujranwala.
Battagram	Khasra # 2917, / 1647, Opposite Passport office, Tehsil and District Battagram.
Timergara	Shaheed Chowk, Near Public Library, Bypass Road, Tehsil Timergarah, District Lower Dir.
Chitral-Islamic	Village Bypass Road, Post office Chitral, Attaliq Bazar, Tehsil Chitral
Tariq Road, Karachi	Plot # 152-S, Block # 2, PECHS Karachi.
I.I. Chundigar Road2, Karach	Plot # SR-4, Survey # 4-1/B, situated at Serai Quarters, I.I Chandigarh Road Karachi.
26th Street Badar Commercia	Plot # 13-C, Street # 10, Shop # 1 & 2, Badar Commercial, DHA Phase 5 Karachi.
Johar Town, Lahore	Plot # 433, Block G-1, M.A Road, Johar Town, Scheme, Lahore.
Ferozepur Road-Lahore	Khewat # 1969, Khatooni # 3665, Khasra # 16, Main Ferozepur Road, Lahore.
Nowshera Vikran	Moti Masjid, Tallay Aali Road, Tehsil Nowshera Vikran, District Gujranwala
Sukkur-Islamic	City Survey 1712-B, Station Road, Sukkur.
Quetta-Islamic	Main Suraj Gunj Bazar, Quetta.
Heir Branch Bedian Road, La	Khewat # 4, Khatooni # 20, Khasra # 3164, Waqia Raqba Hudbastaa, Moza Heer, Heir Branch Bedian road, Tehsil Cantt, District Lahore.
Khyban-e-Ittehad Phase 6	Plot # 15-C, Phase # 2, EXT.Khyban-e-Ittehad, DHA Karachi.

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Dhoraji	Shop # 1, 2 & 3 Ground Floor, Sana Complex, Block 7 & 8, C.P. & Berar Cooperative Housing Society, Karachi.
Hub chowki	Survey No.37, Linked Road Doda Goth, Moza Sakran, Tehsil Hub, District Lesbaila.
Gawadar-Islamic	Jannat Bazar, Opposite ZTBL Gawadar City, Gawadar.
Jodia Bazar	Sheet # NP-12, Survey # 62, Premises # G/3, 1/1, 1/2, 2/1, 2/2, 1/1-A, G/1, G/2 & G/2-A, situated at Napier Quarters, Jodia Bazar, Karachi.
Bahadurabad	Shop # 2, Survey Sheet # 35-P/1, Survey # SNCC-3, Karachi Cooperative Housing Society Union Ltd, Karachi.
Gulberg Green, Islamabad	Sarene Heights, Gulberg Greens, Islamabad.
Baharkahu Branch, Islamabad	Khewat # 321 Khatooni # 466, Khasra # 1661/1033, Baharkahu, Islamabad.
G-11 Markaz, Islamabad	Plot # 01, G-11 Markaz, Islamabad.
Mirpur Bathoro, Sujawal	Plot/Survey No. 168-169, Tando Muhammad Khan, Sujawal Road, Mirpur Bathoro, Taluka Batoro, Distt. Thatta.
Pir Jo Goth, Khairpur	Ward A # 2243, Mohalla Chatti pur, Pir Jo Goth, Taluka Kingri, District Khairpur.
College Road Branch Townst	Shop # 34/1, Block - A, Main College Road PCSIR Staff Society Lahore.
Mughalpura Branch, Lahore	Khatooni # 272, Khatooni # 529, Khasra # 11, Main Kanai Road, 2 Mughalpura Lahore.
Ali Garden View Branch, Be	Khewat & Khatooni # 1, Khasra # 58, situated at Main Bedian Road, Near Ali view Garden, Lahore.
Chona Wala, Bahawalpur	Chona Wala, Chak # 161, Murad PO Box Khaas, Tehsil Hasilpur, District Bahawalpur.
Central Park, Lahore	Plot # COM-0054, Block-B, Central Park Housing Scheme, Ferozepur Road, Lahore.
Krrui Road, Islamabad	Khewat # 633, Khatooni # 750-754, School Stop, Tarlai Kalan, Islamabad.
B-17, Islamabad	Plot # 37, Ground Floor, Block A, Multi Gardens, Sector B-17, Extended Area, Zone-II, Islamabad.
Head Rajkan, Bahawalpur	Khewat # 25/51, Khatooni # 210 to 217, Chak # 35, DNB, Tehsil Yazman, District Bahawalpur.
Clifton Branch Karachi	Plot # F- 101, Block 07, Clifton, Karachi.
Sabzi Mandi Branch, Islamat	Plot No. 354-355, F & V Market, Sector I-II/4, Islamabad.
T-Block Branch, DHA Lahor	Plot # 000061, CCA Phase 2C, T Block, DHA phase 2, Lahore.
G-8 Branch, Islamabad	PTCL CMC Office, G-8 Markaz, Islamabad.
Khurrianwala, Faisalabad	Khewat # 4003, Khatooni # 1362, Khasra # 99, 4/22, 4/29/ & 4/30, Makowana Road, Faisalabad.
Safdarabad Branch	Khewat # 174, Khatooni # 242 to 251 Near Gali Sharif Multani Wali Safdarabad, Tehsil Safdarabad, District Sheikhupura.
Rahwali, Gujranwala	Khatooni 3365, Khewat 2271, Khasra No. 2118, Opposite Fazal Center, Main G T Road Rahwali.
Walton Road, Lahore	Khewat # 1, Khatooni 227, Khasra # 2287/251, Zaman Colony, Main Walton Road, Mouza Kourey, Walton Cantt, Lahore.
Malir Branch, Karachi	Plot No. A-33/423, Kala Board, Malir Colony, Karachi.
Sabzi Mandi, Multan	87-D Shah Ruken Alam Colony Multan, Tehsil & District Multan.
Balakot	Khasra No 1887 Police Market, opposite Balakot police station, Kaghan Road Balakot.
Dera Ismail Khan-Islamic	Plot # 13, Survey # 68, Circular Road, Dera Ismail Khan Cantt
Faisalabad-Islamic	Quarter # 408, Block C.F.G, in STS/ADS, Waqia Jinnah Colony, Androon Hadood Committee, Faisalabad,
Sialkot- Islamic	Khewat # 600, Khatooni # 761, Khasra # 847, Shahaabpura Road Sialkot, Pakistan
Rawalpindi-Islamic	B-1000, 4th Road, Satellite Town, New Town Police Station Road, Rawalpindi.
Sargodha-Islamic	Khewat # 266, Khatooni # 278, Killa/ Khasra # 21/2, Square # 32, Chak # 46/NB, Lahore Road, Sargodha
Multan-Islamic	Property Unit No. 3626/J/SH, Ward No. VIII M (P-IV) Azmat Wasti Road Multan, Pakistan
Bahawalpur-Islamic	Khewat # 267, Khatooni # 626, House #406/C Satellite Town, Bahawalpur, Pakistan
Sadiqabad-Islamic	Khewat # 167/162, Khasra # 57/3249, Khatooni # 768, Kacha Shahi Road, Tehsil Sadiqabad District Rahim Yar Khan
Nawabshah-Islamic	Ward B, Mohni Bazaar, Nawabshah, Pakistan
Hyderabad-Islamic	Thandi Sarak, PTCL Exchange, Hyderabad.

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34 FINANCIAL INSTRUMENTS

A FAIR VALUES

34.1 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 or loss	Amortized cost	Fair value through other comprehensive income	Total	Level 1	Level 2	Level 3	Total
31 December 2022	Note	Rupees				Rupees			
Financial assets measured at fair value									
Investments - net of provisions	9	95,687,295,338	-	35,952,767,999	131,640,063,338	131,640,063,338	-	-	131,640,063,338
Financial assets not measured at fair value									
Cash and cash equivalents	28	8,728,488,449	-	-	8,728,488,449	-	-	-	-
Lending to financial institution		6,581,567,250			6,581,567,250				
Investments - net of provisions	9	-	5,690,878,086	-	5,690,878,086	-	-	-	-
Advances - net of provisions	10	59,283,993,959	-	-	59,283,993,959	-	-	-	-
Other assets	12 & 34.2	1,918,762,148	-	-	1,918,762,148	-	-	-	-
		76,512,811,806	5,690,878,086	-	82,203,689,892	-	-	-	-
Financial liabilities not measured at fair value									
Deposits and other accounts	14	-	-	92,200,411,122	92,200,411,122	-	-	-	-
Borrowings	15	-	-	118,123,715,137	118,123,715,137	-	-	-	-
Subordinated debt	16	-	-	1,833,591,288	1,833,591,288	-	-	-	-
Other liabilities	17 & 34.3	-	-	3,414,992,350	3,414,992,350	-	-	-	-
		-	-	213,572,709,895	213,572,709,895	-	-	-	-

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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 2021	Note	Rupees					Rupees				
Financial assets measured at fair value											
Investments - not at provisions	9	12,082,205,991	-	-	26,732,313,788	-	38,814,519,779	38,814,519,779	-	-	38,814,519,779
Financial assets not measured at fair value											
Cash and cash equivalents	29	-	-	10,023,835,262	-	-	10,023,835,262	-	-	-	-
Investments - not at provisions	9	-	7,750,000,000	-	-	-	7,750,000,000	-	-	-	-
Advances - not at provisions	10	-	-	34,375,729,318	-	-	34,375,729,318	-	-	-	-
Other assets	12 & 34.2	-	-	10,021,390,539	-	-	10,021,390,539	-	-	-	-
		-	7,750,000,000	54,420,965,119	-	-	62,170,955,119	-	-	-	-
Financial liabilities not measured at fair value											
Deposits and other accounts	14	-	-	-	-	55,000,289,695	55,000,289,695	-	-	-	-
Borrowings	15	-	-	-	-	36,880,686,164	36,880,686,164	-	-	-	-
Subordinated debt	16	-	-	-	-	1,798,920,000	1,798,920,000	-	-	-	-
Other liabilities	17 & 34.3	-	-	-	-	2,797,871,268	2,797,871,268	-	-	-	-
		-	-	-	-	96,477,787,115	96,477,787,115	-	-	-	-

34.2 It excludes advances taxation and inventory of ATM cards & stationary.

34.3 It excludes accrued expenses and workers' welfare fund payable.

34.4 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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## B FINANCIAL RISK MANAGEMENT

### 34.5 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).

### 34.6 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. 212,223 million (2021: Rs. 100,177 million).

### 34.7 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.

## 35 CAPITAL RISK MANAGEMENT

35.1 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.

35.2 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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**U MICROFINANCE BANK LIMITED**  
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**35.3 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 2022. As of 31 December 2022, the net equity of the Bank stood at Rs. 7,100 million (2021: Rs. 7,491 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 2022, the Bank's Capital adequacy ratio (CAR) was appropriately 18.25% (2021: 18.50%) of its weighted exposure, as against the minimum requirement of 15% prescribed by SBP. The Bank has applied transitional arrangement issued by State Bank of Pakistan via BPRD circular no 3 of 2022 in computing its capital adequacy ratio had the transitional arrangement not been applied the capital adequacy ratio of the Bank would have been 9.38% as at 31 December 2022.

**36 REMUNERATION OF PRESIDENT/CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

	31 December 2022			31 December 2021		
	President / Chief Executive	Directors	Executives	President / Chief Executive	Directors	Executives
	Rupees			Rupees		
Fee	-	4,150,000	-	-	3,750,000	-
Managerial remuneration	19,248,704	-	268,188,082	17,186,341	-	177,928,092
Bonus	16,708,944	-	64,489,330	17,250,166	-	44,196,912
Gratuity fund	1,604,059	-	22,390,794	1,432,195	-	14,905,624
Provident fund	1,539,900	-	20,132,137	1,374,907	-	11,758,903
Rent and house maintenance	11,228,411	-	156,443,047	10,025,365	-	103,298,065
Utilities	1,604,059	-	22,349,008	1,432,199	-	14,756,867
Medical	653,935	-	14,828,691	48,674	-	9,558,974
Conveyance	1,440,000	-	51,366,989	1,200,000	-	28,467,458
Others	5,615,476	-	23,985,136	3,983,067	-	15,719,499
Total	59,643,488	4,150,000	644,173,214	53,932,914	3,750,000	420,590,394
Number of person(s)	1	8	116	1	8	82

**36.1** Executive means an employee whose annual basic salary exceeds Rs. 1.20 million (2021: Rs. 1.20 million) during the year.

**36.2** 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. 48.01 million (2021: Rs. 73.505 million).

**36.3** No remuneration and other benefits were paid to directors of the Bank. An amount of Rs. 4,150,000 (2021: Rs. 3,750,000) was paid to the independent directors for attending the Board / sub committee meetings.

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36 SCHEDULE OF MATURITY DISTRIBUTION OF MARKET RATE ASSETS AND LIABILITIES AT 31 DECEMBER 2022

	Total	Up to one month	Over one month up to six months	Over six months up to one year	Over one year
	Rupees				
<b>Market rate assets</b>					
Advances	59,283,993,959	5,314,490,653	15,967,360,632	23,596,253,499	14,405,889,175
Investments	137,330,941,404	131,640,063,338	-	-	5,690,878,066
Lending to financial institution	6,581,567,250	6,581,567,250	-	-	-
Other earning assets					
Balances with other banks - deposit accounts	593,874,148	593,874,148	-	-	-
<b>Total market rate assets</b>	<b>203,790,376,761</b>	<b>144,129,995,389</b>	<b>15,967,360,632</b>	<b>23,596,253,499</b>	<b>20,096,767,241</b>
<b>Other non-earning assets</b>					
Cash in hand	1,640,403,221	1,640,403,221	-	-	-
Balances with SBP and NBP - current accounts	5,811,929,368	5,811,929,368	-	-	-
Balances with other banks - current accounts	682,281,712	682,281,712	-	-	-
Operating fixed assets	4,763,987,510	81,943,926	409,719,630	491,663,556	3,780,660,398
Other assets	1,997,370,695	166,447,558	332,895,116	499,342,674	998,685,347
Deferred tax asset	2,609,783,540	-	-	-	2,609,783,540
<b>Total non-earning assets</b>	<b>17,505,756,046</b>	<b>8,383,005,785</b>	<b>742,614,746</b>	<b>991,006,230</b>	<b>7,389,129,285</b>
<b>Total assets</b>	<b>221,296,132,807</b>	<b>152,513,001,174</b>	<b>16,709,975,378</b>	<b>24,587,259,729</b>	<b>27,485,896,526</b>
<b>Market rate liabilities</b>					
Large time deposits above Rs. 100,000	26,699,813,537	2,567,718,789	11,438,039,231	11,326,537,137	1,367,518,380
All other time deposits (including fixed rate deposits)	79,804,612	3,115,000	19,631,500	30,527,312	26,530,800
Other cost bearing deposits	59,228,346,865	59,228,346,865	-	-	-
Borrowings including subordinated debt	117,957,306,423	85,540,734,201	97,858,266,190	3,817,531,989	10,321,927,227
<b>Total market rate liabilities</b>	<b>203,965,271,437</b>	<b>147,339,914,855</b>	<b>109,315,936,921</b>	<b>15,174,596,437</b>	<b>11,715,976,408</b>
<b>Other non-cost bearing liabilities</b>					
Deposits	6,192,446,108	6,192,446,108	-	-	-
Other liabilities	4,038,262,247	3,931,756,913	106,505,334	-	-
<b>Total non-cost bearing liabilities</b>	<b>10,230,708,355</b>	<b>10,124,203,021</b>	<b>106,505,334</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>214,195,979,792</b>	<b>157,464,117,876</b>	<b>109,422,442,255</b>	<b>15,174,596,437</b>	<b>11,715,976,408</b>
<b>Net assets</b>	<b>7,100,153,015</b>	<b>(4,951,116,702)</b>	<b>(92,712,466,877)</b>	<b>9,412,663,291</b>	<b>15,769,920,118</b>

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U MICROFINANCE BANK LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

36 SCHEDULE OF MATURITY DISTRIBUTION OF MARKET RATE ASSETS AND LIABILITIES AT 31 DECEMBER 2021

	Total	Up to one month	Over one month up to six months	Over six months up to one year	Over one year
	Rupees				
<b>Market rate assets</b>					
Advances	34,375,729,318	530,360,966	9,518,285,480	16,114,830,014	8,212,252,858
Investments	46,564,519,779	12,969,716,203	27,838,117,331	491,985,000	5,264,701,245
Other earning assets					
Balances with other banks - deposit accounts	6,211,518,698	6,211,518,698	-	-	-
<b>Total market rate assets</b>	<b>87,151,767,795</b>	<b>19,711,595,867</b>	<b>37,356,402,811</b>	<b>16,606,815,014</b>	<b>13,476,954,103</b>
<b>Other non-earning assets</b>					
Cash in hand	808,663,563.0	808,663,563	-	-	-
Balances with SBP and NBP - current accounts	2,991,267,287.0	2,991,267,287	-	-	-
Balances with other banks - current accounts	12,385,714.0	12,385,714	-	-	-
Operating fixed assets	2,886,170,227.9	15,988,000	77,790,000	118,802,000	2,673,590,228
Other assets	10,050,583,152.0	564,059,593	3,099,303,837	3,113,680,551	3,273,559,171
Deferred tax asset	677,447,619.0	-	-	-	677,447,619
<b>Total non-earning assets</b>	<b>17,426,517,583</b>	<b>4,392,364,157</b>	<b>3,177,093,837</b>	<b>3,232,462,551</b>	<b>6,624,597,018</b>
<b>Total assets</b>	<b>104,578,285,358</b>	<b>24,103,960,024</b>	<b>40,533,496,648</b>	<b>19,839,277,565</b>	<b>20,101,551,121</b>
<b>Market rate liabilities</b>					
Large time deposits above Rs. 100,000	20,134,642,321	3,927,985,466	11,416,643,090	3,526,887,066	1,263,126,699
All other time deposits (including fixed rate deposits)	145,684,312	6,485,000	36,743,000	41,874,500	60,581,812
Other cost bearing deposits	30,892,674,901	30,892,674,901	-	-	-
Borrowings	38,679,606,164	17,472,353,500	1,685,833,965	8,995,136,173	10,526,282,526
<b>Total market rate liabilities</b>	<b>89,852,607,698</b>	<b>52,299,498,867</b>	<b>13,139,220,055</b>	<b>12,563,897,739</b>	<b>11,848,991,037</b>
<b>Other non-cost bearing liabilities</b>					
Deposits	3,827,288,161	3,827,288,161	-	-	-
Other liabilities	3,407,296,747	3,324,804,924	82,491,823	-	-
<b>Total non-cost bearing liabilities</b>	<b>7,234,584,908</b>	<b>7,152,093,085</b>	<b>82,491,823</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>97,087,192,606</b>	<b>59,451,591,952</b>	<b>13,221,711,878</b>	<b>12,563,897,739</b>	<b>11,848,991,037</b>
<b>Net assets</b>	<b>7,491,092,752</b>	<b>(35,347,631,928)</b>	<b>27,311,784,770</b>	<b>7,275,379,826</b>	<b>8,251,560,084</b>

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**U MICROFINANCE BANK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

**37 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	2022 Rupees	2021 Rupees
<b>Pakistan Telecommunication Company Limited (Parent Company)</b>			
Internet and connectivity charges expense		35,617,700	48,468,957
Utilities expense		483,550	590,361
Utility Bill collected on behalf of the Parent Company		205,460,478	107,767,021
Payment in regards to utility bills collected on behalf of the Parent Company		205,460,478	107,767,021
Utility Bill collection charges		760,496	348,552
Payment for administrative costs and fixed assets		84,258,457	136,068,898
Interest expense on TIER-II subordinated debt		184,491,289	209,377,129
Payment of interest expense on TIER-II subordinated debt		184,491,289	209,377,129
Interest expense on deposits		-	-
<b>Associated Company - Pakistan Telecommunication Company Limited GP Fund</b>			
Interest expense on PTCL employee GP fund		9,786,541	204,103,259
<b>Associated Company - Pak Telecom Mobile Limited (PTML)</b>			
Internet and connectivity charges expense		6,168,845	3,267,378
Utilities expense		32,912,410	20,206,393
Payment for administrative costs and fixed assets		154,026,005	65,439,874
Payment against branchless banking and bills collected		188,179,801	-
Amount received against reimbursement of agent's commission		188,179,801	231,558,453
<b>Associated Company - Pakistan Telecommunication Employees Trust (PTET)</b>			
Interest expense on deposits		38,141,612	119,493,199
<b>U Microfinance Bank Limited Employees' provident fund</b>			
Contribution to provident fund	26	56,023,322	42,448,396
<b>U Microfinance Bank Limited Employees' gratuity fund</b>			
Payment to gratuity fund	17.3.1C	80,568,301	38,923,143
<b>Balances</b>			
<b>Pakistan Telecommunication Company Limited (Parent Company)</b>			
Deposits	14.2	580,589,254	210,119,988
Interest payable on deposits	17.1	-	-
Payable against utility bills collected	17	3,725,882	1,157,052
Utility bills collection charges receivable	12	643,315	643,315
<b>Pakistan Telecommunication Company Limited Gratuity fund</b>			
Deposits	13.3	1,664,946,347	1,402,181,868
<b>Pakistan Telecommunication Company Limited GP Fund</b>			
Deposits	14.2	1,290,597,073	1,120,339,594

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**U MICROFINANCE BANK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

Balances	Note	2022 Rupees	2021 Rupees
Interest payable on deposits - PTCL Employees' GP Fund	17.1	6,293,340	3,021,588
Associated Company - Pakistan Telecommunication Employees Trust			
Deposits	14.2	2,000,000,000	1,929,187,801
Interest payable on deposits	17.1	8,838,064	9,250,788
Associated Company - Pak Telecom Mobile Limited (PTML)			
Deposits	14.2	1,110,000	23,014,161
Payable against branchless banking and bills collected	17	22,224,150	66,190,908
Interest payable on deposits	17.1	557,211	324,723
Associated Company - Pak Telecom Mobile Limited (PTML) gratuity fund			
Deposits	14.2	694,317,179	500,002,795
U Microfinance Bank Limited Employees' provident fund			
Deposits	14.2	115,774,413	221,405,264
Interest payable on deposits	17.1	1,291,903	2,240,201
Payable/(Receivable) from provident fund	17	(2,376,025)	154,137
U Microfinance Bank Limited Employees' gratuity fund			
Deposits	14.2	124,640,272	153,532,357
Interest payable on deposits	17.1	1,433,459	1,555,398
Payable/(Receivable) from Gratuity fund	17.3	(16,733,389)	3,404,095

**37.1** 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. Tariq Mohar	Director	02	0.00%
6) Mr. Munammad Jahanzeb Rahim	Director	01	0.00%
7) Ms. Misbah Naqvi	Director	01	0.00%
8) Dr. Rameez Khalid	Director	-	0.00%
9) Mr. Kabeer Naqvi	Director/CEO	-	0.00%
10) PTCL	Parent Company	508,571,421	99.99%

**38 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 61,419 (2021: 37,455) complaints were received by the Bank and were resolved with average resolution time of 76.65 hours (2021: 107.88 hours).

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**U MICROFINANCE BANK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

**39 GENERAL**

- 39.1** 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 and for presentational changes due to adoption of IFRS 9 'Financial Instruments'.

**40 DATE OF APPROVAL**

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

11/4 FEB 2023



**PRESIDENT / CHIEF EXECUTIVE**



**CHAIRMAN**



**DIRECTOR**



**DIRECTOR**



**U MICROFINANCE BANK LIMITED**  
**BALANCE SHEET**  
**AS AT 31 DECEMBER 2022**

**2022****Rupees****ASSETS**

Cash and Balances with SBP and NBP	939,884,133
Balances with Other Banks/NBFIs/MFBs Investment- net of provisions	3,892,205,279
Islamic Financing and related assets - net of provisions	600,561,361
Operating Fixed Assets	147,194,039
Other assets	35,848,252
<b>Total Assets</b>	<b>5,615,693,064</b>

**LIABILITIES**

Deposits and other accounts

- Current accounts
- Saving accounts
- Term deposits

Other Liabilities

**Total Liabilities****NET ASSETS**

514,172,119
3,222,159,031
76,902,500
<b>3,813,233,650</b>
1,560,475,321
<b>5,373,708,970</b>
<b>241,984,094</b>

**REPRESENTED BY:**

Islamic Banking Fund

Unappropriated Profit

200,000,000
41,984,094
<b>241,984,094</b>

**U MICROFINANCE BANK LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**2022**  
**Rupees**

Profit / return earned	277,862,580
Profit / return expensed	(24,630,254)
<b>Net Profit / Return / income</b>	<b>253,232,326</b>
Provision against Non-performing financing	(6,378,923)
Bad debts written off directly	-
	(6,378,923)
<b>Net Return earned after provisions</b>	<b>246,853,403</b>
Other income	1,647,325
Fee, commission and brokerage income	19,198,496
<b>Total Other Income</b>	<b>267,699,223</b>
<b>Other Expenses</b>	
Administrative expenses	(218,640,556)
	49,058,668
Extra ordinary / unusual items	-
<b>PROFIT BEFORE TAXATION</b>	<b>49,058,668</b>

- A-1** As at the year end, the Bank is operating 30 Islamic branches. Islamic Microfinance Division (IMD) is operating a General pool and Special Pool to manage profit and loss distribution

#### FEATURES OF GENERAL POOL

In this pool, savings and terms deposits are accepted on Mudarbah basis. The Bank invests the funds given by account holders in Islamic assets like Murabaha, Salam, Diminishing Musharakah, Sukuks and any other Shariah Compliant Investment which are duly approved by the Shariah Advisor. The profit earned is shared on the basis of profit & loss sharing ratio. In case of loss, the same is borne by the depositors in proportionate to their investment and the bank bear the loss of its efforts services in managing Mudarabah

The profit of the pool is calculated from the income earned on all the remunerative assets booked by utilizing the funds from pool and is distributed between bank and depositors based on declared sharing ratio. The ratio for Bank (mudarib) and depositors is 50:50 for general pool.

As per policy of the Bank, weightages are declared three days before start of each month. Gift (Hiba) given during the current period Rs 1,082,777.

Brief highlights of profit earned and distributed to depositors and retained by IMD are as under:

Note	2022 ---Rupees---
Gross income / profit	85,319,992
Administrative expenses of pool	(10,003,280)
<b>Net distributable share</b>	<b>75,316,712</b>
Profit paid to PLS accounts/ Certificates	7,771,700
Bank equity share	61,938,865
Bank Mudarib Share	5,606,146
<b>Total</b>	<b>75,316,711</b>
Return on average earning assets	13.77%
Return on average PLS / Deposits	9.10%

All types of direct administrative expenses of General pool are shared with the depositors. However, equity holders have the option to absorb all or part of administrative expenses. All general and specific provisions created against non-performing financing and diminution in the value of investment as under Prudential Regulations and other SBP directives have not been passed on to the PLS depositors.

#### FEATURES OF SPECIAL POOL

In this pool, savings and terms deposits are accepted on Mudarbah basis. The Bank invests the funds given by account holders in Islamic assets like Murabaha, Salam, Diminishing Musharakah, Sukuks and any other Shariah Compliant Investment which are duly approved by the Shariah Advisor. The profit earned is shared on the basis of profit & loss sharing ratio. In case of loss, the same is borne by the depositors in proportionate to their investment and the bank bear the loss of its efforts services in managing Mudarabah

The profit of the pool is calculated from the income earned on all the remunerative assets booked by utilizing the funds from pool and is distributed between bank and depositors based on declared sharing ratio.

Gift (Hiba) given during the current period Rs 256,542

Note	2022 ---Rupees---
Gross income / profit	7,926,734
Administrative expenses of pool	-
<b>Net distributable share</b>	<b>7,926,734</b>
Profit paid to PLS accounts/ Certificates	7,239,356
Bank equity share	97,571
Bank Mudarib Share	589,807
<b>Total</b>	<b>7,926,734</b>
Return on average earning assets	16.34%
Return on average PLS / Deposits	15.92%

**A-2 ISLAMIC FINANCING AND RELATED ASSETS-NET**  
 Murabah financing  
 Salam financing  
 Diminishing Musharaka

Less: Provisions held against non-performing facilities

Note	2022	
	---Rupees---	
A-2.1	458,313,131	
A-2.2	144,636,278	
A-2.3	<u>3,990,875</u>	
	<b>606,940,284</b>	
	<u>(6,378,923)</u>	
	<b>600,561,361</b>	

**A-2.1 Murabaha**

	2022				
	Not later than one year	later than one year but not later than three years	later than three year but not later than five years	Later Than Five year and Onward	Total
	Rupee				
Murabaha financing - net	283,916,601	168,017,607	-	-	451,934,208
Deferred income	9,791,580	4,469,516	-	-	14,261,096
<b>Gross investment in murabaha financing</b>	<b>293,708,181</b>	<b>172,487,123</b>	<b>-</b>		<b>466,195,304</b>

**A-2.2 Net book value of Salam assets**

	2022				
	Not later than one year	later than one year but not later than three years	later than three year but not later than five years	Later Than Five year and Onward	Total
	Rupee				
Asset acquired under Salam	144,636,278	-	-	-	144,636,278
Accumulated depreciation on Salam	7,459,721	-	-	-	7,459,721
	<b>152,095,999</b>	<b>-</b>	<b>-</b>		<b>152,095,999</b>

**A-2.3 Diminishing Musharaka**

	2022				
	Not later than one year	later than one year but not later than three years	later than three year but not later than five years	Later Than Five year and Onward	Total
	Rupee				
Diminishing Musharaka investment	-	-	1,990,875	2,000,000	3,990,875
<b>Net Assets - Investment in Musharaka</b>	<b>-</b>	<b>-</b>	<b>1,990,875</b>	<b>2,000,000</b>	<b>3,990,875</b>



A-3 MATURITY PROFILES OF FUNDS

Maturity profile of funds mobilised under various modes:

2022						
	Upto 1 month	Over 1 month upto 3 months	Over 3 month upto 6 months	Over 6 month upto 1 year	Over 1 year upto 2 year	Over 2 year upto 3 year
Term accounts		1,000,000	1,800,000	15,010,000		59,092,500
Saving accounts	3,222,159,031					
	<u>3,222,159,031</u>	<u>1,000,000</u>	<u>1,800,000</u>	<u>15,010,000</u>	<u>-</u>	<u>59,092,500</u>
						<u>3,299,061,531</u>

A-4 Sectors of economy/business where Mudarbah based deposits have been deployed:

All earning assets of Islamic banking group are jointly financed by Unrestricted Investments/PLS deposits account holders and the Bank. Detail of jointly financed gross earning assets are:

2022	
---Rupees---	
Agri business	143,936,200
Livestock and Dairy farming	-
Micro enterprises	462,960,103
	<u>606,896,303</u>
Mutual Fund	1,699,233,724
Private -Sukuk	1,192,971,555
GOP Ijarah Sukuk	<u>1,000,000,000</u>
	<u>4,499,101,582</u>

**U MICROFINANCE BANK LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022**

**Financial results of the Islamic Microfinance Division, as referred to in note 2.2 of the financial statements. Statement of Sources and Uses of Charity Fund for the year ended December 31, 2022**

**2022**  
**Rupees**

**Opening balance**

**Additions during the period**

- Received from customers on delayed payments
- Non-Shariah compliant income
- Profit on charity account
- Others

59,580
-
-
-
59,580

**Payments/ utilization during the period**

-

**Closing Balance**

59,580